**SOUTH AMERICA – SPECIFIC REQUIREMENTS LETTER**

**CLARIFICATION LETTER TO SPECIFIC REQUIREMENTS FROM LEAR SOUTH AMERICA, REGARDING THE GLOBAL REQUIREMENTS AND CODE OF CONDUCT OF SUPPLIERS**

(Rev. 9 – 26 October 2022)

**I - INTRODUCTION:**

This document aims to formalize Lear specific requirements for all suppliers of Lear South America plants, clarifying the application of the requirements contained in the Global Requirements and Code of Conduct of Suppliers (GRCCS).

The information from this letter, from Purchase Order Terms & Conditions - Brazil, Purchase Order Terms & Conditions - Argentina, and from GRCCS must be considered as complementary to IATF and its FAQs.

All requirements of these documents are available in the Lear Supplier Portal ([www.lear.com](http://www.lear.com)) and it is the responsibility of the supplier to consult and unfold within your organization.

This Letter contains the following topics:

**II - ADDITIONS;**

**III - GLOBAL REQUIREMENTS AND CODE OF CONDUCT OF SUPPLIERS CLARIFICATIONS;**

# **IV - ATTENDANCE OF THE CLARIFICATIONS LETTER**

**II - ADDITIONS:**

1. **OEM's programs and requirements**

The supplier must implement at least the following programs as a way of cascading the OEM requirements.

* 1. **VDA 6.3 Process Audit**

Considering suppliers which address components to German companies, the ones that specifically require audits according to VDA 6.3, an audit conducted by the SDE (Supplier Development Engineer) or directly by OEM, you must follow the periodicity according to the following criteria:

|  |  |
| --- | --- |
| **SUPPLIER SITUATION** | **AUDIT FREQUENCY** |
| Supplier rated "**C**" at VDA audit | Annually and/or according to action plan closure (action plan - process audit). |
| Supplier rated "**B**" at VDA audit | every 02 years (maximum) - with action plan  submitted to SDE |
| Supplier rated "**A**" at VDA audit | every 03 years (maximum) - action plan submitted to SDE |

* 1. **Tisax and ISO 21434 Certification (Cybersecurity Management)**

Considering suppliers which address component to VW products required attention to:

* **ISO 21434 Cybersecurity Management**: The supplier is required to prove that its cybersecurity management system not only complies with specific customer requirements, but also ISO 21434 requirements. As a requirement to the contract for the respective development site, along with Formel Q requirements, the successful audit certificate (A, B) under the VDA "Automotive Cybersecurity - Management System - Audit" must be presented for cybersecurity- relevant software and hardware, including modules and the certificate must be available when requested.
* **Tisax:** Present the certificate when requested by Lear.
  1. **Risk Management - Stellantis OEM Specific Requirement**

Suppliers which have components or products suplied to Stellantis (as a final customer) must perform risk assessment according to the standard established by this OEM requirements. The purpose of this topic is to offer a systemic approach to quality risk management.

The handbook developed by Stellantis for automotive suppliers must be a guide for implementing risk management in the organization and deployed to its supply chain (Tier N).

Suppliers must perform self-assessment based on Stellantis' specific risk management checklist with a minimum frequency of 12 months with their action plan. The information must be available when requested by Lear responsible SDE.

* 1. **Civil Product Responsibility**

Suppliers which have components or products supplied for VW (as a final customer) must present the civil responsible person for the product.

1. **AIAG Reference Manuals**

Supplier must comply with all the requirements defined in the AIAG Manuals (APQP, CEP, MSA, PPAP, FMEA - last edition, as agreed with SDE Lear), except when differently defined by the OEM Customer.

1. **Analysis of Returns and Reworks**

Supplier must internally define and monitor corrective actions relating to all parts returned by Lear in accordance with Lear nonconformance requirement (SQTS).

Considering situations that demand rework, the supplier must obtain a previous authorization from Lear through SAM 6.5 F7 - South America - Form - Product\_Process Deviation (Desvio de Produto\_Processo).

1. **Audits**

All Lear suppliers must to accomplish the audit requirements according to items below:

* 1. **Special Processes Audit**

When applicable, the supplier must perform audits on its special processes, such as: **CQI9** "Special Processes: Heat Treat System Assessment (HTSA)"; **CQI-11** "Special Processes: Plating System Assessment"; **CQI-12** "Special Processes: Coating System Assessment"; **CQI-15** "Special Processes: Welding System Assessment"; **CQI-17** "Special Processes: Electronic Component Welding System Assessment"; **CQI-23** "Special Processes: Injection Molding System Assessment" as well as Audits and D/TLD.

All Manufacturing Processes listed above must be audited periodically, with a range between audits not exceeding twelve (12) months or as defined by the OEM customer. Audits may be conducted by an internal auditor or even by a third party (duly trained), if they meet the requirements specified by the audit. Audit results, as well the action plan (if applicable), must be submitted to Lear through SharePoint Lear:

(<https://learcorporation.sharepoint.com/sites/SASQETeam/Lists/Audit%20Management%20Lear/> ).

* 1. **System, Process and Product Audits:**

Lear must request to accompany the previously required audits, and request a System, Process and/or Product audit to be performed by one of its auditors, for the purpose of improving performance or dealing with non-conformities. The supplier must conduct an annual self-assessment and submit to SharePoint Lear:

(<https://learcorporation.sharepoint.com/sites/SASQETeam/Lists/Audit%20Management%20Lear/> ).

1. **Laboratory Requirements for Inspection, Testing, or Calibration Services:**
   1. **External laboratories:**

Supplier must use ISO/IEC 17025 accredited testing and calibration laboratories (latest version) or national equivalent by an ILAC MRA (International Laboratory Accreditation for Mutual Recognition Arrangement) accreditation body (Signatory).

* 1. **Internal laboratories:**

Internal laboratory facilities must have a defined scope that includes their capability to perform the necessary inspection, test, or calibration services. This laboratory scope must be included in the quality management system documentation. The laboratory must specify and implement at least the requirements for:

(a) the adequacy of laboratory technical procedures;

(b) the competence of laboratory staff;

c) product testing;

d) the ability (capability) to perform these services correctly, traceable to the relevant process standards (such as ASTM, EN, etc.); where there are no national or international standards available, the organization must define and implement a methodology to verify the capability of the measurement system;

e) customer requirements, if any;

f) critical analysis of related records.

NOTE: Third part accreditation in ISO/IEC 17025 (or equivalent) can be used to demonstrate the compliance of the organization's internal laboratory to this requirement.

1. **Treatment and unfolding of special characteristics:**

Special Characteristics are treated according to Drawing and/or agreed upon in the CRP (Component Review Process) - List of Special Characteristics.

For special characteristics items defined by Lear, supplier must monitor Capability (Cpk ≥ 1.67) or special control/control 100% and ensure product traceability for such characteristics, starting from the sub-supplier to Lear.

This information must be available whenever requested by Lear.

1. **Management system certificate requirements**

Supplier must, in addition to the conditions pre-established by GRCCS in section 14.1, formally communicate within 48 working hours to the Lear South America Quality corporate contact through the quality-sa@lear.com email, suspension, loss and/or scope change of any of its certifications.

1. **Non-conforming products or shortages**

Through communication via SQTS, by opening a QN, the supplier will be notified of the level of impact of a non-conforming products or shortage and, if necessary, Lear may summon the supplier to the affected plant to be an integral part of the team in the analysis of the cause and definition of the actions, so that they are deployed and answered to the customer, within the time limit stipulated by it.

The official system to answer the complaint is the SQTS system that must have all fields filled in and to assist in the response it is recommended to use the form SAM 14.1.1 F6 - South America - Form - 8D Report Suppliers, by the supplier, which can be loaded into the SQTS system, as an attachment, and the transcribed answers in each field, in the SQTS system.

1. **TOP FIVE & TOP FOCUS**

Lear can apply TOP FIVE methodologies to improve the quality performance of the suppliers that most impact each Plant, and the TOP FOCUS methodology for critical suppliers in the region, to escalate the problems for the top management of the supplier, Lear and the final customer when applicable, with the objective of ensuring robust negotiations and implementation of systemic actions to solve the problems and avoid recurrences.

1. **KPI Management:**

* The supplier must monitor, at least once a month, its performance indicator (SCORECARD) through Lear e-SRM portal;
* Suppliers in red in SCORECARD may not be considered for new developments;
* The calculation and targets considered for each scorecard item can be verified through the e-SRM portal;
* The acceptable PPM target stipulated to Lear suppliers is 25, and the supplier must seek the monthly service of ZERO PPM;

1. **Specific Requirement: GD&T Control Devices and Tools** 
   1. **GD&T Control Devices (Lear Property and OEM Property)**

Dimensional certification by a third part is required for all GD&T control device owned by OEM (new, received by transfer process or that has undergone alteration), following the regulations of each automaker (OEM) and their respective forms.

For Lear Property Control devices, only Dimensional Certification and Measurement System Analysis (MSA) and tooling/device descriptive are valid, with no need for third-party validation. However, it is mandatory that all control devices be properly controlled by the supplier's metrology department and records must be available when requested by Lear. In case of change of device or maintenance, it must be revalidated and communicated to Lear.

The characteristics of the control device, Lear Property, (color, material, cavity, etc.) must follow the standard according to commercial agreement. For OEM Property Control Devices, you must follow the standardization of the same.

* 1. **Tooling (Lear Property and OEM Property)**

For tooling owned by Lear, the characteristics (color, material, cavity, etc.) must follow the standard according to commercial agreement. For OEM Property tools, you must use each customer's regulations. It is the responsibility of suppliers to control the life of the tools, informing SDE Lear, in an appropriate time (in a timely manner to audit the tooling, obtain the approval of all parties involved, produce a parts bank, validate the new tooling or the change made and perform all engineering tests necessary for process/product validation) when revitalization or construction of a new tooling is required.

In the submission of the PPAP, it is now mandatory to present the document Lear SAM 6.5 F8 - South America - Form - Checklist Tooling Description (Descritivo de Ferramental), completed and approved for suppliers involved with tools (e.g., injection molds, stamping tools, etc.). The absence of this document will result in the disapproval of the PPAP by the respective SDE Lear.

A copy of this document may be requested by Supplier from Buyer Lear at the time of the start of the tooling quotation.

* 1. **Identification (GD&T Control Device and Tooling)**

All Lear tooling must be identified by the Asset Number. This number is generated by SAP and made available by the SDE to the supplier.

All tools and OEM-owned devices must follow the identification pattern of the same, and it is the responsibility of the supplier to purchase the nameplate.

NOTE: Every tooling and control device must be identified, as reported by the SDE to the supplier.

1. **Material Certification**

When agreed in the PPAP/CRP, the supplier must send the material certification correspondent to each batch sent, with the test results of the mandatory characteristics. The certificate must be forwarded to the contact of the respective Lear supply plant.

**III - CLARIFICATIONS ABOUT THE GLOBAL REQUIREMENTS AND CODE OF CONDUCT OF SUPPLIERS:**

NOTA: The numberings of the items below correspond to the GRCCS requirements. Remember that the points below are only additional notes and/or clarifications and add to the other requirements of GRCCS, items not mentioned in this letter, must be applied in full by your company.

* **GRCCS item 11.0**: Registration on the Lear Portal "Corporate Purchasing Applications & Supplier Tracking (eSRM)":

It is the responsibility of the supplier to gain access to the Lear portals.

The applications valid for all Lear Corporation - South America suppliers are:

* Supplier Rating System (SRS)
* Supplier Quality Tracking System (SQTS)
* ProFile Supplier (APQP/PPAP) - Applicable to suppliers involved in the development of new products.
* Lear Packaging Approval System (LPAS)
* **GRCCS item 12.0:** Cost Recovery Policy

The "Supplier Chargeback" process is issued and must be responded electronically via the SQTS – Suppler Quality Tracking System. In case of non-conformities, the costs will be applied according to the cost table, and it can be updated, any change will be disclosed to the supplier base by updating this letter of clarification.

All QN will have an administrative cost following the cost below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Item** | **Chargeback Type - Penalty Charges** | **Unit** | **Brazil** | **Argentina** |
| **Rate (US)** | **Rate (US)** |
| 1 | Manpower for internal containment: Includes sorting, inspection, rework, workspace, and basic employee services. | **$X / hr.** | **$25.00 / hr.** | **$ 30 / Hr.** |
| 2 | Downtime and/or overtime to recover lost production | **$X / hr. down / over** | **$ 75 / Hr.** | **$ 50 / Hr.** |
| **Number of Employees** |
| 3 | Salaried employee time when required to be present at the customer site or supplier. Included field QRE’s (travel and work time only.) | **$X / hr.** | **$50.00 / hr.** | **$50.00 / hr.** |
| 4 | Administrative Fee ($75.00/h, 2 h / QN min.) or Initial Containment Costs for contingency, containment, investigation, documentation ($75.00/h, 2 h / QN min.) | **$X / hr.** | **$75 / hr, 2 hrs** | **$75 / hr, 2 hrs** |
| 5 | Work / Storage space required and/or cleared for containment use | **Sq. meter ($X per sq. meter per day)** | **$0.60 per sq. meter per day** | **$0.60 per sq. meter per day** |
| **Number of days**  **(1 day min.)** | **Number of days (1 day min.)** | **Number of days (1 day min.)** |
| 6 | Forklift used (equipment, energy, fuel, rent) | **$X / hr. used** | **$4.4 / hr. used** | **$4.4 / hr. used** |
| 7 | Tooling, gages, equipment, laboratory testing | **Invoice or Rate**  **($X / hr. used)** | --- | --- |
| 8 | Problem Solving Management: Includes meetings, teardowns, process walks, others | **$X / hr. According to each case** | --- | --- |
| 9 | ASN, Packaging & Labeling, or Logistics Requirements Failure | **$X / Shipment  according to each case** | --- | --- |
| 10 | Relabeling & Repackaging | **As Per Local Charge** | --- | --- |
| 11 | Transportation to return rejected parts to Lear | **Invoice** | --- | --- |
| 12 | Transportation to return rejected parts to supplier | **Invoice** | --- | --- |
| 13 | Premium transportation to ship replacement parts to the customer | **Invoice** | --- | --- |
| 14 | Premium transportation incurred by customer due to a Lear supplier issue. | **Invoice** | --- | --- |
| 15 | Premium transportation (inbound) | **Invoice** | --- | --- |
| 16 | Third party sorting incurred at customer location. | **Invoice** | --- | --- |
| 17 | Third party sorting at an off-site warehouse | **Invoice** | --- | --- |
| 18 | Third party sorting at a Lear facility | **Invoice** | --- | --- |
| 19 | Final customer chargebacks to Lear. Charges due to line shut down, reworks, scrap, etc. | **Invoice** | --- | --- |
| 20 | Raw material needed to repair / rework parts | **Unit Purchase Price** | --- | --- |
| 21 | Raw Material from Supplier - Returned OR Scrap only if not included in an RMA, or not provided Obs: Direct material from other suppliers that were scrapped as a result of teardowns on offending supplier's defects | **Unit Purchase Price or  As Per Purchase Price x Quantity or Cost of Component X quantity impacted** | --- | --- |
| 22 | Other Raw Material or In-Process - Scrap at Lear | **Unit Purchase Price** | --- | --- |
| 23 | Finished Goods - Scrap | **End Item Unit Sales Price** | --- | --- |
| 24 | Travel expenses to perform sorting, repairs, audits, or attend meetings, at the customer or supplier site | **Expense Report** | --- | --- |

* **GRCCS item 14.0:** Supplier Quality Registration

In addition to the requirement in the GRCCS, the supplier must notify Lear when the Certificate (ISO 9001 or IATF 16949) is suspended by its respective Certifying Body.

The supplier must notify Lear of the Major Non-Conformities made official by its respective Certifying Body.

Communications to Lear must take place no later than 48 working hours from the date of the officialization of the Certifying Body and must be forwarded to the mailbox quality-sa@lear.com.

* **GRCCS item 16.4**: Run at Rate

It is the responsibility of the supplier to incorporate the documents of the Run@Rate or equivalent, as agreed with the SDE Lear as an annex in the PPAP and made available through SharePoint Lear (<https://learcorporation.sharepoint.com/sites/SASQETeam/Lists/Audit%20Management%20Lear/> ).

* **GRCCS item 16.8**: Production Part Approval (PPA)

Additionally, all PPAP documentation for Lear South America must be submitted through SharePoint Lear

(<https://learcorporation.sharepoint.com/sites/SASQETeam/Lists/Audit%20Management%20Lear/> ).

The Supplier must perform layout inspections with a frequency of not more than 12 months and proactively submit the results to its respective Lear plant.

* **GRCCS item 17.1:** External Production Supplier Extended Shutdown / Start-Up Audit (SESSA):

Lear SDE, LEAR Purchasing, and ALL LEAR South America plants involved, must be notified in writing before the extended scheduled stop of a supplier's production, according to the examples cited in GRCCS. The documentation "Supplier Extended Start-up/Shutdown Audit" must be submitted through SharePoint Lear (<https://learcorporation.sharepoint.com/sites/SASQETeam/Lists/Audit%20Management%20Lear/>).

* **GRCCS item 17.3**: Sub-Supplier Development:

The definition of the sub-supplier is the responsibility of the supplier, except when otherwise defined by LEAR. Remember that the sub-supplier must have at least ISO 9001 certification (valid), according to REQUIREMENT 14.1 of the GRCCS.

The Supplier must highlight the application of PPAP in its suppliers (sub-suppliers), in addition to the application of troubleshooting tools (e.g.: 8D).

* **GRCCS item 18.0**: Supplier Communications to Lear (product, process and/or scope of supply changes)

Lear emphasizes the need for advance communication for any change in product, process and/or scope of supply (change of location, raw material, packaging, etc.) and the other mentioned in the PPAP manual (last edition in force) with a minimum term of 120 days after the evaluation of the intention to change by the Lear team and if necessary, from our partners and customers, following the communication pattern below:

* **Seating Supplier:** the communication of the intention of changes must be carried out by the supplier through the form SAM 6.5 F9 - South America - Form - Request for written approval – Seating - available in the annex of this letter and communicated through SharePoint and by e-mail to SDE, buyer and logistics contact responsible for their items. After this step, the proposal of the change will be evaluated and if approved by the Lear team, the implementation will be authorized according to deadlines described in the form.
* **E-Systems suppliers:** the communication of changes in the product/process and/or scope of supply (change of location, raw material, packaging, etc.) and the other mentioned in the PPAP manual (last current edition) for E-Systems (Electrical – Electronic Components) must follow the instructions as reported on the portal: [www.lear.com](http://www.lear.com) (Suppliers > Online > Web Guides > Supplier Development > Supplier Change Request) (SCR) for Lear Electrical; Electronic Components).
* **Specific derogations**: Any requests for specific derogations must be forwarded to LEAR DO BRASIL through the SAM 6.5 F6 - South America - Form - Specific Waivers (Derrogas Específicas), supported by necessary documentation, for technical analysis, as well as a detailed plan of adequacy to the requirement. The request for the derogation must be forwarded to the mailbox quality-sa@lear.com, and it is the responsibility of the supplier to manage this request and not implement any changes prior to Lear approval.
* **Product/Process Deviations**: No product can be delivered to any Lear South America plant without it meets all relevant specifications. However, in cases where the supplier needs to deliver a product that does not meet the full specifications due to a critical reason, it must obtain product/process deviation approval to the Plant Quality involved through the SAM 6.5 F7 - South America - Form - Product\_Process Deviation (Desvio de Produto\_Processo). The deviation request must be forwarded to the mailbox quality-sa@lear.com, and it is the supplier responsibility to manage this request and not implement any changes prior to Lear approval.

NOTE: The non-prior communication to Lear about changes as mentioned above will result in formal notification directly to the Supplier's Certifying Body.

* **GRCCS item 21.0**: External Production Supplier Controlled Status

Lear South America, in addition to global requirements, adopts the following position:

1. The non-acceptance and/or withdrawal without prior authorization from SDE Lear of Controlled Shipments Levels 1, 2 and 3 will result in formal notification from LEAR directly to the Supplier's Certifying Body and to prevent new business with Lear (NBH – New Business Hold). The Certifying Body must open a Greater Non-Compliance to this situation.
2. For any "Major Disruption" that occurred on Lear customer, or in Lear itself, the cause of which is the responsibility of the supplier, a Level 2 or Level 3 Controlled Shipment (CS2 or CS3) may be opened directly by Lear for that supplier.
3. The controlled shipment inspection plan (CS1, CS2 and CS3) must be validated and approved by SDE Lear in conjunction with the affected Lear plant.
4. Controlled shipment (CS1, CS2 and CS3) will only be removed after the issuance of the signed Controlled Departure Letter and with evidence validated by SDE Lear and affected plant.

* **GRCCS items 32.0 and 33.0:** Other Logistics Requirements, Packaging and Labeling

In addition to global requisites, Lear South America adopts the following positioning:

* + The supplier must follow the requirements of the "Lear Corporation Supplier Packaging Requirements & Guidelines" manual which is available at: http://www.lear.com.
  + Samples for project events, tests and/or modifications must have their identification previously agreed with SDE Lear and the receiving plant, being the supplier responsible for proactive communication and registration of the need, in addition to answering for the omission of this action (QN Customer Satisfaction).
* **GRCCS item 38.2.1**: Supplier Diversity

Lear South America encourages its suppliers to follow a diversity policy, with the proposal of GRCCS item 38.2.1

# **IV - ATTENDANCE OF THE CLARIFICATIONS LETTER**

In case of non-compliance with the requirements mentioned in this letter, Lear may issue an official complaint (QN) of "Customer Satisfaction", involve the OEM for targeted suppliers and block new business.

Sincerely,

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**Adriana Garófalo Caio Cezarino Michael Assumpção**

Quality Manager - SQ&S Purchasing Manager Purchasing Manager

Seating & E-System E-System Seating

South America South America South America

**Review History:**

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| --- | --- | --- |
| **Date** | **Section** | **Revision** |
| 18/02/2013 | All | General review and suitability for ISO TS 16949:2009 |
| 02/09/2013 | All | General review |
| 05/11/2014 | All | Included in item GRCCS 22.0 and 23.0 - Logistics, Packaging and Identification Requirements; updated item on Special Features. |
| 05/06/2018 | All | General review |
| 03/02/2020 | All | General review and inclusion of item 1.3 Risk Management - Requirement  Specific OEM FCA and 1.4 PPAP - FORD Requirements |
| 12/11/2020 | All | Included items 1.3, 1.5, 4.1 and 4.2.  General revision of the letter. |
| 05/11/2021 | All | General Review in compliance with GRCCS. |
| 26/10/2022 | All | General review, inclusion of form SAM 6.5 F9 - Request for written approval - Seating in item GRCCS item 18.0 and added cost table in the GRCCS item 12.0: Cost Recovery Policy |

**Attachments:**

* SAM 6.5 F6 - South America - Form - Specific Waivers (Derrogas Específicas)
* SAM 6.5 F7 - South America - Form - Product\_Process Deviation (Desvio de Produto\_Processo)
* SAM 6.5 F8 - South America - Form - Checklist Tooling Description (Descritivo de Ferramental)
* SAM 6.5 F9 - South America - Form - Request for written approval – Seating
* SAM 14.1.1 F6 - South America - Form - 8D Report Suppliers