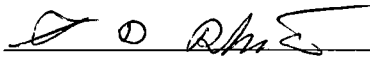


Lear Leather Division CRUST SUPPLIER REQUIREMENTS

This manual has been created to communicate to the Crust suppliers of Lear Leather Division the terms and conditions for the quality and services to be provided to Lear Leather Division. This manual is a supplement to the Lear Corporation Supplier Code of Conduct. Please reference the Contracted Crust Service Supplier Requirements manual if applicable, some requirements may differ.

Continuous improvement in our product is necessary to meet the ever-increasing expectations of our customers. A major factor in the quality level of our product is the quality of the materials, technology, and equipment that we use in our process. Our expectation of excellence, combined with open communication with you our supplier, will help us all to achieve our goals of being the best in the marketplace.



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Scope

The Lear Corporate Supplier Code of Conduct and the Lear Leather Division Requirements for Crust Suppliers applies to all Lear Leather Division associates and to approved and potential crust suppliers globally. All requirements in the Lear Corporate Supplier Code of Conduct and the Lear Leather Division Crust Supplier Requirements are to be considered IATF 16949 “Customer Specific Requirements” and terms and conditions.

Prior to sourcing a crust supplier, the Lear Leather Division Purchasing team will send a pre-supplier profile to potential suppliers to determine eligibility for sourcing. The requirements outlined in this manual, and the Lear Corporate Supplier Code of Conduct shall also be provided to the potential crust supplier. It shall be the responsibility of the potential crust supplier to review the requirements of this manual, and the Lear Corporation Supplier Code of Conduct while completing the pre-supplier profile. The Potential crust supplier shall document as part of the pre-supplier profile any requirements of this manual or the Lear Corporation supplier Code of Conduct that are not current met by the potential supplier’s organization. Action plans shall be required to meet the requirements of this manual and the Lear Corporation Supplier Code of Conduct shall be required to be included with the pre-supplier profile information.

Existing suppliers that do not meet the requirements shall develop and implement plans to meet the requirements. Potential suppliers that do not meet the requirements may not be considered as a supplier to Lear Leather Division unless the potential supplier provides an action plan to meet these documented requirements prior to sourcing.

Lear Leather Division expects all crust suppliers to provide zero defect materials delivered on-time, and to strive for continuous improvement in quality, innovation, delivery, service, competitiveness, and sustainability.

The requirements of Lear Leather Division Customers shall be implemented in the crust supplier’s systems and processes.

Supplier Quality Registration

All approved Lear Leather Division suppliers are required to establish adequate documentation and implement effective production, quality, and management systems compliant with, at a minimum, the requirements outlined below, and all other Lear Leather Division specified requirements and OEM customer requirements. Suppliers to Lear Leather Division shall follow the requirements of the customers of Lear Leather Division Suppliers are expected to implement all necessary controls to achieve the delivery of zero defects to Lear.

Lear Leather Division is registered to IATF 16949. Lear Leather Division’s Quality Certification Requirements for all approved production supplier manufacturing locations is 3rd party

Registration to IATF 16949. Lear Leather Division expects its production suppliers to cascade this requirement throughout the supply chain.

IMPORTANT NOTE:

Registration to ISO 9001 ONLY may be acceptable in lieu of IATF 16949 for those suppliers that do not meet the applicability requirements of IATF 16949 or as an interim step to achieving IATF 16949 certification. Suppliers that do not have IATF 16949 registration must be approved in writing by Lear Corporate Purchasing and Quality.

For those suppliers that do not currently meet the requirement to be certified to IATF 16949 the following sequence to achieve certification to IATF 16949 is required:

- a) Certification to ISO 9001 through third-party audits; (conformity to ISO 9001 by maintaining a third-party certification issued by a certification body bearing the accreditation mark of a recognized IAF MLA (International Accreditation Forum Multilateral Recognition Arrangement) member and where the accreditation body's main scope includes management system certification to ISO/IEC 17021.
- b) Certification to ISO 9001 with compliance to other customer-defined QMS requirements (such as Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers [MAQMSR] or equivalent) through second-party audits.
- c) Certification to ISO 9001 with compliance to IATF 16949 through second-party audits.
- d) Certification to IATF 16949 through third-party audits (valid third-party certification of the supplier to IATF 16949 by an IATF-recognized certification body).

It is the supplier's responsibility to submit copies of both their Quality and Environmental certificates for each shipping location. Information on all certificates must match the name and address on file in the Lear Leather Division system for the manufacturing location.

Applicability Requirements:

IATF16949 applies to organizations that manufacture product that ends up in the final vehicle assembly, including:

- All Production Materials, including crust for finished leather.
- Production or Service Parts
- Assemblies
- Heat treating, Welding, Painting, Plating or other Finishing Services

In addition to meeting the requirements of IATF 16949, all suppliers to Lear Leather Division shall meet the requirements of VDA 6.3.

Crust suppliers to Lear Leather Division shall also be certified through the Leather Working Group.

Lear Leather Division reserves the right to verify a supplier's manufacturing location for site compliance to these standards by performing site audits by a designated and qualified Lear Leather Division representatives that are approved by Lear Leather Division Corporate Quality. **Lear Leather Division will conduct annual onsite audits at each crust supplier.**

Lear Leather Division requires all production suppliers to:

- Verify sub-supplier's 3rd party certification – including obtaining a copy of the valid registration certificate and receiving updates as their certificates expire.
- Maintain documented evidence of sub-supplier compliance, which must be available for review upon the request of Lear.
- Monitor the production development and ongoing quality of sub-suppliers.

If a sub-supplier provides a proprietary material, is not registered and/or on-site verification is impractical (limited resources and/or location), exceptions to the certification requirement must be documented and approved by an authorized representative of Lear Leather Division.

Third party certification to IATF 16949 does not relieve the supplier of the full responsibility for the quality of the product supplied. The Lear Leather Division plants will do incoming inspection of crust from all crust suppliers through a documented incoming inspection program.

Additionally, all Lear Leather Division suppliers must have an effective environmental management program in place and 3rd party registration to the latest International Environmental Management Standard ISO 14001 or Responsible Care Management System (RCMS) Technical Specification. In rare instances, Lear Leather Division may grant an exemption to this requirement. An exemption may be granted only by the Lear Vice President of Environmental, Health, and Safety and only if the supplier provides an environmental policy statement on the company letterhead signed by the highest ranking official within the organization that includes:

- A commitment to integrate all applicable Environmental Sustainability elements, including but not limited to air quality, climate change, water quality, wastewater discharge quality, chemical management into overall business strategy and supply chain management.
- A commitment to strive for the prevention of pollution and the prevention of work-related injury and illness by maintaining EHS management as core values.
- A commitment to reduce EHS risks by minimizing environmental impact and eliminating health and safety hazards.
- A commitment to provide leadership and commitment for EHS improvement through management example, the consultation and the participation of employees and their representatives, and employee training and empowerment.
- A commitment to develop and utilize environmentally acceptable, safe, sustainable, and efficient production methods and processes.
- A commitment to implement efficient use of energy, reducing greenhouse gas emissions and supporting climate change initiatives.
- A commitment to reduce the use of chemicals and raw materials, as well as waste generation.
- A commitment to conserving energy, water and other natural resources in your operations and facilities.
- A commitment to strive to continually lessen the environmental impact of and improve the performance of products supplied to Lear Leather Division.
- A commitment to support communities where suppliers do business and foster community outreach and active engagement.
- A commitment to comply with applicable legal requirements.

The supplier shall provide a statement that the policy has been communicated to all persons working for or on behalf of the organization and that it is available to the public.

Customer Satisfaction QNs may be issued to all current suppliers with missing or expired environmental certificates.

Product Safety

It is the responsibility of each supplier to implement a process to mitigate risk. The risk mitigation process must include identification and control of critical and regulatory product and process characteristics. Critical and regulatory product and process characteristics are those that can impact the products ability to meet safety or regulatory requirements.

Product Safety and Conformity Representative (PSCR)

Each supplier manufacturing location must identify an onsite Product Safety and Conformity Representative (PSCR). Any suppliers to Lear that are required to identify a PSCR must also require each of their sub-suppliers to identify PSCRs.

It is the responsibility of the supplier to maintain PSCR contacts at each manufacturing location for all their sub tier suppliers and be prepared to provide the sub tier PSCR contact list to Lear upon request.

The name and contact information for the supplier PSCR must be communicated to Lear Leather Division Purchasing. Any changes to the supplier's PSCR shall be immediately communicated to Lear Leather Division Purchasing.

The suppliers' PSCR must have a training certificate that is consistent with VDA [6.3 or other] guidelines, and the supplier shall be prepared for Lear Leather Division's verification of training upon request.

Crust Supplier Product and Process Requirements

The Lear Leather Division crust suppliers shall be notified of all product requirements for crust by the Lear Leather Division Purchasing team as part of potential sourcing or when new products are added for existing crust suppliers. The product requirements will include requirements for crust material performance, and physical attribute standards for crust.

If Lear Leather Division is Product Design Responsible, the crust product specifications shall be communicated to the crust supplier. The crust supplier shall be responsible for the process design that will ensure meeting crust product design requirements.

If the crust supplier is product design responsible, Lear Leather Division Purchasing shall communicate the product requirements to the crust supplier. The crust supplier shall provide the crust product specification that meets the product requirements of Lear Leather Division. The crust supplier shall be responsible for the process design that will ensure meeting crust product design requirements.

In cases where Lear Leather Division is Product and Process design responsible, the requirements for the products and process shall be communicated by Lear Leather Division to the crust supplier.

The crust supplier shall be responsible to ensure that the products and process meet all requirements and implement immediate actions for any deviations from the requirements for products or processes that are identified.

Changes to products, processes, or production locations by the crust suppliers are not authorized unless approved by Lear Leather Division. In these cases, the Lear Leather Division team will define the product approval process required for these changes.

Crust Supplier Product Validation Requirements

Crust suppliers to Lear Leather Division shall have the capability to perform all laboratory testing requirements as defined on the crust product specifications.

Crust suppliers to Lear Leather Division shall follow the requirements identified in the Lear Leather Division product specifications, process requirements, test methods, or attribute standards.

- Crust Break Rating Evaluation Method
- Light Brand Inspection
- Loose Break Evaluation - Supplemental
- Stucco Application
- Hide Palletizing and Packaging Instruction
- Supplier Crust Hide Evaluation and Final Audit Criteria
- Work Instruction - Crust Color Management
- Eagle Ottawa Supplier Document and Sample Retention Requirements
- Crust Supplier PPAP Record Creation and Maintenance
- Sample label standard format
- Quality Standards
- Crust test methods
- Buffing Standard
- Crust Break Book
- Crust Color Book

The product specific requirements shall be communicated to the crust suppliers.

Crust Suppliers to Lear Leather Division shall submit the Lear Leather Division form #1477 with each shipment to Lear Leather Division Plants and other locations. The form #1477 includes required items to items to be validated for product conformance prior to shipping from the crust suppliers.

Requirements for Defective Products

Crust received by the Lear Leather Division plants that do not meet all criteria of the crust product specification, attribute standard, or packaging and labeling standard shall be considered nonconforming material. Crust received by the Lear Leather Division plants with mold or other

issues that reflect an issue with preservation of products shall be considered nonconforming. Defective products at Lear Leather Division Customers that are determined by Lear Leather Division to be caused by crust that does not meet one of the standards, shall be deemed the responsibility of the crust supplier.

The Lear Leather Division plant, or regional supply quality manager will notify the crust supplier of the nonconforming material condition. It shall be the responsibility of the crust supplier to initiate problem solving activities to contain the nonconforming condition and to prevent recurrence. The crust supplier shall document the problem solving activities on the Lear Leather Division PSR form or another agreed upon format. The following must occur:

- Quality alerts, interim actions, and containment actions for all reported issues from Lear Leather Division plants are to be initiated within 24 business hours.
- The initial problem solving document with interim and containment actions is due no more than 24 hours after notification is sent to the crust supplier by the Lear Leather Division Plant.
- The updated problem solving document with the root cause(s), countermeasures, and countermeasure validation plan is due no more than 5 working days after notification is sent to the crust supplier by the Lear Leather Division Plant.
- Problem solving activities shall include data to support the effectiveness of the countermeasures.
- Failure to respond in the timing identified above will result in a customer satisfaction Quality Notice to be issued. Potential penalties include but not limited to \$1,000 per day charge, removal from new business selection, etc.

Lear Leather Division Cost Recovery

Lear Leather Division will initiate cost recovery activities in response to product quality issues, late shipments, defective material caused by inadequate packaging, lack of timely responses to requests, Lear Leather Division customer complaints, warranty, or any other violation of the terms and conditions with a crust supplier.

Cost recovery for defective products shall include the raw material costs, processing costs, chemical or other material costs, and transportation costs, as applicable. Chargebacks from Lear Leather Division customers that are due to crust quality issues shall also be the responsibility of the crust suppliers. Other costs that are specific to the costs incurred by Lear Leather Division for issues related to quality of products or services shall apply.

The crust supplier will be notified in writing by the authorized Lear Leather Division representative with the details of the cost recovery requests. The crust supplier shall respond with the credit for the cost recovery request.

The supplier may dispute the costs recovery request in writing within 24 hours. The dispute shall include details as to why the issue identified in the cost recovery documentation is not the supplier's responsibility. Failure to respond in writing within 24 hours to dispute the cost recovery request shall cause Lear Leather Division to determine that the supplier accepts the cost recovery. Disputed cost recoveries shall be escalated to Lear Leather Division Purchasing and Quality for resolution.

Escalation Process

The following are examples of issues that would create a supplier escalation scenario:

- Milestones or deadline agreements not fulfilled,
- Agreed action plans not implemented,
- Quality, capability, or performance not assured according to planning,
- Unacceptable deviations to process
- Unapproved product or process changes
- Risk of disruption to supply chain (Stop Shipment, Lines Shutdown, etc.),
- Violation of trust
- Internal product issues found by LDO onsite designee
 - Supplier shall stop the process and contain all products internally
 - Supplier shall evaluate if there are any escapes of the defective material and provide onsite support at LDO receiving facility
 - Supplier shall implement immediate corrective actions and review preventive actions
 - If the root cause is a process deviation, then the supplier Top Management shall audit the process until process deviations stop
- Warranty (Field actions, Recall, etc.),
- Recurrent issues (one defect repeated twice in one year with close 8D's),
- Action plan not fulfilled (more than 50% of open issues not closed on time),
- PPM/QN component level out of target with negative trend for 3 months rolling,
- Process Audit failures
 - First reported failure of any process- Supplier Top Management shall perform the cascade audits with the production management team- Corrective action shall be provided for Cascade Audit failures
 - Ongoing cascade audits by supplier Top Management shall be performed until there are 5 consecutive days without the process failure.
 - Audit records shall be kept
- On-site audits refused by Supplier

Quality Escalation Process:

- a) The LDO plant informs the supplier of the issues and requests corrective actions based on the reported issues.
 - i. The LDO plant will receive the corrective actions from the supplier and interact directly with the supplier.
 - ii. The effectiveness of the supplier's actions shall be verified by the LDO plant
 - iii. The LDO Plant shall do the appropriate supplier monitoring reporting for the incident on the supplier performance report

- iv. If the supplier issue is not resolved the first time, the LDO Plant shall escalate the issue to MQR status with the supplier, level 1 containment, level 2 containment, and onsite verification of the supplier actions as required.
- b) If the issues are still not resolved or if the first escalation contact is not available, then the responsible Regional Purchasing Manager is contacted and provided with a written summary of documented communication with supplier and clear identification of terms that were agreed to that are now in dispute. Final approvals must come from the Global Purchasing Director.
- c) If the plant cannot resolve the issues in the above manner, then Corporate Supplier Quality Management is contacted to assist with the escalation steps.

Controlled Shipping, Levels will be required from the Crust Suppliers for unresolved quality issues. Lear Leather Division will send written communication to the crust suppliers for the controlled shipping level requirements, and the exit criteria. The progression for controlled shipping will start at CS1 and progress to CS3 should the quality issues not be resolved. The crust suppliers shall be responsible for all costs related to containment activities due to unresolved issues, including:

- Internal containment at the Lear Leather Division Plants or customers.
- Use of Third-Party containment companies by Lear Leather Division Plants or customers.
- Third-Part containment at the crust suppliers, or other locations.

Materials Escalation Process:

- a) Plant informs supplier of discrepancies, requests response and corrective action, and reaches an agreement on resolution with supplier.
- b) If plant cannot resolve the issues in this manner, then Corporate Materials Manager (Supplier) is contacted to assist.
- c) If the issues are still not resolved or if the first escalation contact is not available, then the Director (Materials Management) is contacted and provided with a written summary of documented communication with supplier and clear identification of terms that were agreed to that are now in dispute.

Lear Leather Division will also contact the crust supplier's certification body for any unresolved customer satisfaction issues.

Crust Supplier Performance Communication

The Lear Leather Division plants shall monitor the performance of all crust suppliers as required per IATF 16949. The crust supplier will be informed of the supplier monitoring results monthly. It is the responsibility of the crust supplier to monitor customer satisfaction indicators with the Lear Leather Division plants in accordance with the requirements of IATF 16949.

Pre-production and New Product Launch Requirements (APQP)

All approved production suppliers involved in pre-production and new product launches are required to formulate advanced quality plans to support the development of new products and/or

services in accordance with the guidelines in the Advanced Product Quality Planning and Control Plan (APQP) manual published by the Automotive Industry Action Group (AIAG).

Lear Leather Division may require advanced shipment of a quantity of new material to assure there is no adverse impact on subsequent processing at Lear Leather Division plants or our customers. Suppliers are expected to produce, package, label, and ship parts for trial runs as directed by Lear Leather Division.

During any program launch at a Lear Leather Division production facility, a supplier may be required to provide on-site representation. The supplier's launch support representative(s) must be knowledgeable, capable, and empowered to make decisions. Coverage must be provided for all shifts as required.

Suppliers may be required to attend key event builds prior to production launch.

Temporary and extraordinary controls shall be put in place to absolutely guarantee no non-conformances are received by Lear Leather Division during the launch time-frame. All new components or assemblies, as well as all carry-over components or assemblies that are identified as a safety or critical item, or those that contain any special record retention requirements must have additional production controls and/or inspection implemented prior to Lear receiving the component or assembly for launch. Each component or assembly shipment must be certified for the identified period. Exit criteria must be approved by Lear Leather Division.

Crust Suppliers Product Approval Process

Suppliers are not authorized to begin production or ship material to Lear prior to obtaining approval from the Lear Leather Division receiving facility per the requirements of the AIAG Production Part Approval Process (PPAP) Manual, according to the latest revision level. Any deviation to this requirement must be approved in advance and agreed by Lear in writing. Directed suppliers may be considered "PPAP approval exempt" by Lear through a specific contractual agreement with the appropriate Customer(s).

All sample submissions are to be Level 3 unless otherwise specified. Lear may require that the supplier complete OEM specific documentation.

Product material and substance content for all commercial products must be reported via the International Material Data System (IMDS) by all crust suppliers to Lear Leather Division.

Products containing substances of concern that are prohibited as per current GADSL (ref. www.gadsl.org) are forbidden. The supplier's IMDS/CAMDS data must always reflect the supplier's product when delivered to Lear Leather Division. All suppliers must provide evidence of product data submission acceptance by Lear Leather Division with every Production Part Approval Process (PPAP) submission, or upon special request. PPAP or any other product approval will not be granted for the parts that do not comply with this requirement. Crust suppliers are responsible for cascading this requirement and collecting IMDS/CAMDS data from their respective sub-suppliers.

PMCRR-IMDS (Product Materials Content & Recyclability Reporting-International Material Data System) data must be updated per IMDS and customer requirements.

Any external test labs used must be accredited to A2LA or a comparable standard and meet ISO 17025, and the requirements of Lear Leather Division Customers.

Crust Suppliers Traceability Requirements

It is the supplier's responsibility to maintain traceability between of all in process and finished products to critical and regulatory characteristic controls, that are aligned with the requirements of the customers of Lear Leather Division. All products must be traceable to the current inspection and test status.

All products shipped to Lear Leather Division shall have Lot control and traceability throughout all stages of production at the crust supplier and be traceable to the entire supply chain of the crust supplier. Crust suppliers must implement additional product traceability tracking as required by Lear Leather Division and customers of Lear Leather Division.

The crust supplier shall provide requested traceability information as part of each shipment to Lear Leather Division Plants.

Control of Records

The customer requirements of Lear Leather Division shall be the precedent for all record retention policies for crust suppliers. Production part approvals, tooling records (including maintenance and ownership), product and process design records, purchase orders (if applicable), or contracts and amendments shall be retained for the length of time that the product is active for production and service requirements, plus one calendar year, unless a longer period is required by a customer of Lear Leather Division, an applicable law, or a regulatory agency in which case the longer period shall apply, or as otherwise specified by Lear Leather Division. (Production part approval documented information may include approved product, applicable test equipment records, or approved test data). Records include, but are not limited to, inspection and test records at the crust suppliers, laboratory test results, internal and external corrective actions, associated financial records, and process control records.

Warranty

All Suppliers must establish and maintain the resources to support warranty requirements. Suppliers must create, maintain, and provide upon request a warranty procedure and accompanying flow chart for containment, interim corrective action(s), root cause analysis, implementation of permanent corrective action(s), read across, lessons learned and sustained controls within the production process. For the avoidance of doubt, the requirements set forth below are in addition to, and not in any way a replacement of, the warranty terms set forth in Purchase Order Terms and Conditions.

Crust Supplier Contingency Plans

The Crust Suppliers shall document and maintain contingency plans in accordance with IATF 19649 6.1.2.3 (as documented below) to ensure continuity of supply to Lear Leather Division facilities.

- a) Identify and evaluate internal and external risks to all manufacturing processes and infrastructure equipment essential to maintain production output and to ensure that customer requirements are met.*
- b) Define contingency plans according to risk and impact to the customer.*
- c) Prepare contingency plans for continuity of supply in the event of any of the following, but not limited to key equipment failures; interruption from externally provided products, processes, and services; reoccurring natural disasters; fire; pandemics; utility interruptions; cyber-attacks on information technology systems; labor shortages; or infrastructure disruptions.*
- d) Include, as a supplement to the contingency plans, a notification process to the customer and other interested parties for the extent and duration of any situation impacting customer operations.*
- e) Periodically test the contingency plans for effectiveness (e.g., simulations, as appropriate), for cybersecurity: testing may include a simulation of a cyber-attack, regular monitoring for specific threats, identification of dependencies and prioritization of vulnerabilities. The testing is appropriate to the risk of associated customer disruption.*
Note: cybersecurity testing may be managed internally by the organization or subcontracted as appropriate.
- f) Conduct contingency plan reviews (at minimum annually) using multidisciplinary team including top management and update as required.*
- g) Document the contingency plans and retain documented information describing any revision(s), including the person(s) who authorized the change(s)*
- h) include in contingency plans the development and implementation of appropriate employee training and awareness*

The contingency plans shall include provisions to validate that the manufactured product continues to meet customer specifications after the re-start of production following an emergency in which production was stopped and if the regular shutdown process were not followed.

Further requirements for contingency plans are found in the IAOb communique Utility Interruption Contingency Plans from 28 February 2022.

This indicates that certified clients are required to have in place plans to ensure continuity of supply in the event of a utility interruption. This includes interruption of electric supply.

Such contingency plans could include any or a combination of the following, or other approaches:

- Backup electrical generators onsite or available through a service contract*
- Bank of parts to continue shipping during a possible periods of interruption*
- Customer approved alternative means to manufacture the parts on an emergency basis*

Conflicts of Interest

Suppliers must immediately notify Lear Leather Division Purchasing, if at any point there is an existing or potential conflict of interest between a supplier's interests, duties, obligations, or activities, including that of an individual employee, and Lear's interests, duties, obligations, or activities.

Revisions

ISSUE	DATE	REVISION FOR	REVISION BY
ISSUE	11/15/22	Release to LDO Operations Crust Suppliers	SR, RT