Daimler Trucks North America (DTNA)

SUPPLIER QUALITY MANUAL

as referenced in Doing Business with DTNA

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At Daimler Trucks North America (DTNA), we are convinced that a successful partnership depends on trust and open communication. DTNA has a goal of maintaining long-term partnerships with its suppliers. Together, we must take responsibility for the future of this industry. Purposeful and efficient collaboration between DTNA and its suppliers will allow us to overcome challenges and achieve top performance.

DTNA is committed to the guiding idea of "Commitment to Excellence," and achieving top performance through outstanding teamwork with our suppliers.

Passion, Respect, Integrity, and Discipline: these four values form the core of the daily work at DTNA and are the basis of our successful, long-term working relationship with our suppliers.
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1.0 INTRODUCTION

1.1 Purpose
The purpose of the DTNA Supplier Quality Manual is to create a common level of understanding between DTNA and its suppliers. This element is critical to meeting and exceeding our customer’s expectations. The foremost objective of the manual is to communicate to our suppliers the DTNA quality requirements. It covers the most important quality-related processes and methods, from product creation to product performance, and identifies the allocation of tasks and responsibilities between DTNA and its suppliers.

1.2 Scope
The Supplier Quality Manual applies to all suppliers of parts and materials, tooling, and services to all Daimler Trucks North America LLC plants, subsidiaries, and divisions. This manual, in conjunction with “Doing Business with Daimler Trucks North America LLC,” provides the primary quality requirements.

1.3 Quality Policy
The quality policy is the guideline for our business activities. The enhancement of all business aspects is the goal of our business strategy.

Daimler Trucks North America LLC and its affiliated business units, brands and operations are committed to continually improve the performance of its products in all aspects of our customer's expectations and experiences with its products, services, and people, while maintaining its commitment to the environment and safety.

1.4 Quality Objectives

DTNA’s primary objective is to lead the industry in all facets of Brand Quality

To achieve high-quality and innovative products as well as to meet the expectations of our customers, DTNA has set measurable quality objectives. These objectives are:

- Zero-defect target approach, which includes adherence to cleaning, traceability, and packaging standards
- Products meet or exceed customer’s expectations and DTNA requirements for Quality, Cost, Delivery, and Technology, as reported in the External Balanced Scorecard (EBSC).
- Preventive quality methods are in place to assure any potential issues are identified and eliminated in advance
- Responsibilities and roles concerning operations are fully understood throughout DTNA’s supply chain
- Compliance with Customs-Trade Partnership Against Terrorism (C-TPAT), including transportation and supply chain
- Supplier ownership of quality by proactively checking DTNA Supplier Portal to continuously improve product quality through process improvement
- Timely communication, as well as consistent information flow and clear agreements on change management
- All relevant partners complete their tasks with professionalism and integrity in the agreed timeline
1.5 Quality Requirements and Expectations

- Quality rejects must not exceed 50 PPM
- Components and parts delivered to DTNA Truck Manufacturing Plants meet all specified requirements of the current DTNA drawing and are verified prior to shipment
- All Key Characteristics, including safety features are captured on the Control Plan and meet the process capability requirement of Cpk greater than or equal to 1.67
- Parts are ready for paint and/or build-ready, packaged properly in accordance with defined guidelines and shipped securely per all current C-TPAT standards
- Parts must be properly identified by part number, revision level, supplier code, and date of manufacture and must be fully traceable to raw material per DTNA standards

2.0 QUALITY MANAGEMENT REQUIREMENTS

2.1 Contact Information and DTNA Supplier Portal Access

Suppliers are responsible for providing DTNA Supplier Quality with necessary contact information for their Quality Department(s). DTNA Purchasing will furnish suppliers with contact information for the DTNA PPAP Coordinator from whom they can request the following:
- Supplier contact form – to be completed and returned
- Instructions for access to PPAP Management System.

2.2 Certification

The parts and services of our suppliers have a direct impact on the quality of our final products. Therefore, DTNA expects its suppliers to maintain a quality management system based on the current version of ISO 9001 or ISO/TS 16949. In certain circumstances, suppliers may be allowed to achieve certification within one year. Additionally, it is recommended that DTNA suppliers be ISO 14001 certified or work towards this certification, as this will become a requirement in the future.

Evidence of a fully-functioning quality management system is produced by a 3rd party registrar. Copies of valid certification must be sent to DTNA’s Supplier Quality Department (SQ), unsolicited. It is the supplier’s responsibility to ensure that DTNA has valid certificates at all times.

Should the re-issuing of a certificate be delayed, the supplier must notify Supplier Quality before the current certificate expires and provide the new re-certification date. The supplier shall then send a copy of the certificate upon successful re-certification. If the valid certificate or binding schedules for obtaining the corresponding certificate have not been presented, DTNA is entitled to consider discontinuing business and/or resourcing the product or service. Certification status is a key component in the criteria for Masters of Quality and can significantly impact the supplier’s standing.

Exemption

Certain suppliers may be exempt from the certification requirement depending upon the nature and/or quantity of products and services provided to DTNA. Exempt status is determined solely by DTNA Supplier Quality. Examples of suppliers who may be considered exempt from registration requirements are:
- Low volume suppliers of custom components
2.3 **Sub-Supplier Requirements**

We encourage our suppliers to have sub-suppliers (tier-2 suppliers) that maintain a management system in accordance with ISO 9001, as a minimum. DTNA reserves the right to directly assess a tier-2 supplier that has a significant impact on the final quality of the product. Furthermore, the tier-1 supplier shall be held responsible for faults of its sub-suppliers.

Suppliers shall ensure their sub-suppliers use the PPAP process and have the responsibility for managing PPAP for their sub-suppliers, including engineering deviation requests. Tier-2 PPAP submissions to DTNA are not required, but shall be made available upon request.

The supplier shall require its sub-suppliers to ensure that:

- A highly-developed focus on quality exists throughout the company and supply chain
- The required product safety is guaranteed when components are developed
- Appropriate quality assurance measures are taken to minimize the probability of defective products occurring
- Defective products are identified and quarantined early on in the production workflow
- The quality capability of the production processes is stable and proven
- Quality data and the legally-required compliance tests are documented in sufficient detail in order to prove that the products have been manufactured in accordance with all relevant laws and safety standards
- Product traceability is assured along the entire supply chain
- Any product, process, or supply chain change shall be communicated to DTNA and approved prior to incorporation, when requested by DTNA.

2.4 **Automotive Industry Standards and DTNA Requirements**

The use of and compliance with Automotive Industry standards, tools, and procedures is vital to supplying product to DTNA. The supplier is required to use the latest edition of these standards, most of which are available at [www.aiag.org](http://www.aiag.org). Examples: Production Part Approval Process, Advanced Product Quality Planning, FMEA, etc.

All other expectations and requirements described in “Doing Business with Daimler Trucks North America LLC” shall be followed by the supplier.

2.5 **Welding Certification**

Welding is a key process, so it is essential that every feasible precaution is incorporated to ensure the quality of this process. For welding processes, DTNA requires that:

- Suppliers maintain appropriate welding certifications for equipment
- All welding equipment needs to be operated by certified personnel
- Parts must be welded in accordance with their respective AWS Standard
  - Welding Steels - all arc welding of steels shall be in accordance with AWS D1.1
  - Welding Aluminum - all arc welding of aluminum shall be in accordance with AWS D1.2
- DTNA strongly encourages all weld inspectors to be AWS certified
Welds must be visually inspected by a certified (or equivalent) welding inspector
DTNA may request initial sampling parts for destructive verification of a supplier’s welding processes

### 3.0 SUPPLIER QUALITY PROCESSES

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#### 3.1 Supplier Assessment and Selection

The intent of supplier evaluation is to review and evaluate the performance of potential and existing suppliers in terms of the four value drivers: quality, cost, technology, and supply. Supplier evaluation supports pre-production, series production and aftersales purchasing processes and provides an early indication of support needs for suppliers in the case of an award. Procurement Trucks and Buses methods of supplier evaluation include the On-site Assessment and External Balanced Scorecard.

The On-Site Assessment (OSA) is used in specific cases to evaluate NEW and CURRENT suppliers within the scope of a new contract award for product projects and series production. The main element is the on-site evaluation of the supplier by a cross-functional team of representatives from Purchasing, Engineering, Quality, Manufacturing, Materials, and Supplier Evaluation. Results of an On-Site Assessment are communicated to the supplier at the end of the assessment, noting highlights and potentials for improvement.

#### 3.2 Risk Mitigation

Suppliers are responsible for identifying and minimizing all possible risks that have been identified as early as possible. During the product development phase, the supplier shall apply appropriate preventive quality planning methods, e.g. feasibility analysis, reliability studies, and risk analysis.

Suppliers have the responsibility to analyze their product/process design, and they are urged that their sub-suppliers do so as well. For suppliers having design responsibility, system and design FMEA analyses must be performed and any safety-related characteristics must be clearly identified on drawings and technical documents.

#### 3.3 Preventive Supplier Management

Preventive Supplier Management (PSM) is a comprehensive approach to preparing for a successful product launch, which involves cross-functional participation between the supplier and
DTNA. The aim of PSM is to detect and eliminate any potential issues up-front and to ensure supplier readiness prior to start of production.

PSM involves:

- 100% part availability at pre-series
- Series launch with 100% PPAP-approved parts
- All findings resolved prior to SOP

PSMs are generally performed for new suppliers, new supplier commodities/locations, or any supplier condition deemed a risk, as determined by DTNA’s Risk Analysis.

### 3.4 Checking Fixtures and Gages

All suppliers must provide DTNA with parts that meet DTNA engineering specifications and drawing requirements. The supplier has responsibility for and shall measure the characteristics of the product to verify that the requirements have been met at appropriate stages of development. If checking fixtures and/or gages are required by DTNA or the supplier to ensure conformance of parts, the supplier must submit quotes for checking fixtures during the initial quoting process.

The request will be managed by DTNA’s Tooling Operations Group (TOG). DTNA expects the supplier to work closely with the TOG and Supplier Quality, as needed, during the development, to resolve tooling concerns impacting the quality of the part.

Production check-fixtures, CMM holding fixtures and other tooling aids must meet the DTNA “Prototype - Sheet Metal - Checking Fixture/Gages Construction Standards.”

- The fixture manufacturer is responsible for verifying and certifying that the checking fixture is constructed within tolerance, unless otherwise specified with an Engineering deviation, and for verifying that the checking fixture has been constructed to the same engineering release and revision level as the part being inspected.
- DTNA requires a complete set of drawings prior to construction for each fixture/gage. A Gage R&R study is performed on all fixtures per DTNA specification by using digital hand tools or CMM with the Percent Measurement Variation (PMV). The requirement for all checking fixtures is to be less than 20% and should not exceed 30%.
- The certification and verification of all fixtures/gages must be completed prior to PPAP and pre-series production, and on file ready to audit/review as determined by DTNA.

DTNA suppliers are expected to maintain tooling in good working condition and to contact the TOG regarding any DTNA-owned tools requiring replacement or refurbishment. For details, see “Doing Business with Daimler Trucks North America LLC.”

### 3.5 Parts Delivered Prior to Production Release

All prototypes and sample parts (A/B/C-samples) delivered to Corporate locations must conform and be verified to the requirements established at that phase of the project.

Parts shipped to DTNA plants prior to production release must be, as a minimum, inspected against the DTNA drawing and shipped per the Exception Conditions. Any deviation(s) from the drawings/specifications needs to be approved by DTNA Engineering. Contact Supplier Quality if support is needed.

Preseries parts are considered to be representative of production parts.
3.6 **Production Part Approval Process (PPAP)**

The purpose of PPAP is to ensure that all DTNA requirements are thoroughly understood by suppliers and manufacturing processes in the production environment are capable of producing parts that consistently meet DTNA-defined requirements. DTNA requires suppliers to perform a full Level 3 PPAP of all applicable elements for every part number delivered to DTNA plants in accordance with the latest AIAG standard and retain records on file.

Supplier Quality issues PPAP requests via the PPAP Management System to confirm compliance of PPAP requirements. If a request is pending, PPAP approval is required prior to supplying parts in order to avoid rejection at DTNA Truck Manufacturing Plants, unless parts are shipped per the Exception Conditions. PPAP should be submitted for the requested elements and in accordance with the instructions provided. Should submission not be required, the supplier is still required to complete a full Level 3 PPAP of all applicable elements and retain records on file. DTNA may audit supplier’s PPAP records at any time. Suppliers are expected to forward those PPAP documents within one business day.

DTNA will accept Daimler Global Supplier Management equivalents of PPAP: Pruefbericht, PPF or PSO, but the correct documentation must be submitted in the manner requested. A limited scope PPAP for low volume production parts may be arranged directly with DTNA’s Supplier Quality Department, but must be agreed upon prior to PPAP completion/submittal.

The supplier is required to submit a Product/Process Change Notification (PPCN) to DTNA Supplier Quality for any (supplier-initiated) design or process changes. Supplier Quality will review the change and determine the need for PPAP submission.

**Notes:**

1. Preseries parts are considered to be representative of production parts.
2. When PPAP approval has not been obtained for the requested (parent) part number, the supplier must follow the Exception Conditions for any associated child/children.
3. PPAPs for supplier-initiated changes DO NOT satisfy the requirement for any requested PPAPs.
4. Any PPAP information that is requested for submission that a supplier deems as confidential must be presented via Webex or on-site at DTNA Corporate.
5. When submitting a dimensional report (element 9), supplier must include a bubbled DTNA drawing with numbering that corresponds to the items listed on the dimensional report.
6. When the supplier is unable to meet requirement of the drawing and/or specification, they must include a deviation, approved by DTNA Engineering, as part of the PPAP submission.

PPAPs and PPCNs for parts that are solely used at Thomas Built Buses, Freightliner Custom Chassis Corporation (FCCC) or Gastonia, (i.e. no usage at DTNA truck manufacturing plants), should be submitted directly to PPAP Coordinators for those specific locations (not DTNA Corporate).
PPAP status

**Approved**
Approval is granted once DTNA Supplier Quality has reviewed and approved PPAP. If no DTNA submission required, supplier must complete full Level 3 PPAP for all applicable elements, self-approve all elements, and maintain records. Supplier must provide evidence to DTNA upon request within one business day.

**Interim Approved**
Approval is granted for a limited time or quantity only, if the supplier’s root cause, action plan and timeframe are acceptable. An expiration date will be assigned to all “Interim Approvals.” If PPAP is not resubmitted and approved before the expiration of the Interim Approval, the PPAP will convert to an unapproved status.

**Rejected**
No approval is granted. Elements must be corrected to meet DTNA requirements and PPAP resubmitted (in full). Exception Conditions must be followed in order to meet any pending shipments, as applicable.

PPAP Exception Conditions
The supplier must complete inspection and ship per the Exception Conditions process under two circumstances:
1. Full Level 3 PPAP has not been successfully completed/on file.
2. PPAP approval (Approved or Interim Approved status) has not been obtained by DTNA Supplier Quality for a requested item (outstanding PPAP Request). Note: When PPAP approval has not been obtained for the requested (parent) part number, the supplier must follow the Exception Conditions for any associated child/children.

The following process will remain in effect until PPAP requirements (#1/#2 above) are satisfied.

**DO NOT SHIP UNTIL THE FOLLOWING STEPS ARE COMPLETED**

1. All parts shipped to DTNA must be 100% inspected (all parts, all features, and notes); electronic components must be functionally tested.
2. If parts do not conform to the specification, contact DTNA Supplier Quality prior to shipping.
3. Label the exterior of the package/container with a sheet of 8.5 X 11” heavy bond white paper, identifying the parts as “100% INSPECTED” in at least 1” black, bold lettering. This will indicate that the parts conform to the Exception Conditions.
   - Parts that are submitted under the Exception Conditions should be contained in their own shipment or in an entirely different package/container than other parts. They should be easily identifiable.
   - The label should adhere very well to the package/container so that it is not lost during transportation. If the package is received with no label, the parts will be rejected.
   - **Note:** If the part is also a sample part, please label the exterior of the package/container as “SAMPLE PART FOR PPAP;” follow the instructions previously outlined for the “100% INSPECTED” label.
4. Records of the required inspection described above must be maintained by supplier and be made available to DTNA Supplier Quality upon request.
Supplier responsibilities for PPAP

- Complete full Level 3 PPAP of all applicable elements on every part, whether or not evidence is requested, in accordance with latest AIAG requirements.
- Send all requested PPAP submissions as instructed by the specified due date
  - If a part does not meet all specifications, do not submit PPAP until an approved deviation is received from DTNA Engineering. Include deviation with PPAP submission.
  - PPAP format should be on Excel spreadsheet, as available through AIAG
  - Allow a minimum 10 business days for disposition of PPAP
- Note any discrepancies from DTNA specifications, any problems discovered during PPAP, and/or incomplete documentation on the Part Submission Warrant (PSW).
- PPAP sample parts must be labeled correctly (see Exception Conditions) and accompanied by Dimensional Results and marked-up DTNA print.
- Notify the responsible Supplier Quality Engineer (SQE) of any changes (e.g. process, plant location, sub-supplier) via the PPCN form (Process Part Change Notification)
- Retain documentation for the life of product plus one year

DTNA responsibilities for PPAP

- SQE determines if PPAP submission is required, and if so, what submission level
  - PPAP sample parts may be requested at SQE’s discretion
- SQE reviews PPAP submissions and PPCNs
- Notify suppliers of PPAP status
- Review and/or audit supplier PPAPs at any time
- Provide support to supplier for questions/issues

Reject Notifications for Exception Conditions or PPAP Samples

Parts delivered under Exception Conditions or PPAP sample parts submitted for PPAP which do not meet DTNA Engineering specifications or were not packaged/labeled properly will be rejected. (See Nonconforming Material)

Consequences for late or incomplete PPAP submission:
- Parts are placed on Receiving Inspection (Plant QA will reject part due to non-conformance of part or PPAP requirements)
- Plant has the authority to charge a processing fee for part rejection
- Negative impact on supplier’s EBSC

3.7 Nonconforming Material

DTNA is driven to continually improve the performance of its brands through a commitment to a zero-defect target. The following requirements are aimed at the rapid detection and correction of defects in order to achieve this objective.

Any nonconformance related to a safety issue requires the highest level of attention and prompt containment.

Supplier shall:
- Notify DTNA Supplier Quality immediately regarding all quality spills
- Support tracking of affected population and drive containment actions
- Actively participate to ensure timely resolution of quality issues
- Submit recalls to DTNA immediately, as directed
- Promptly direct root cause investigation and corrective action implementation
To prevent nonconforming parts from being shipped to DTNA, suppliers are expected to deploy necessary controls in their manufacturing process to identify and address known and potential nonconformances.

**Inspection / Reject Process**
Materials or products received from suppliers to be used at DTNA manufacturing plants are verified against the purchase order and DTNA drawing/specification. In addition to part features, rejection reasons may include part cleanliness, paint readiness, packaging, and part identification. Rejected parts will be documented on a Quality Reject Notification (QRN), which will automatically be emailed to the contact identified by the supplier. A Return Goods Authorization (RGA) response is required within 2 business days (48 hours) of the reject incident. Suspect parts can also be routed to Receiving Inspection by Plant QA. The parts will either be:

- Used as-is,
- Reworked, at the supplier's expense,
- Returned to supplier (if requested by the supplier), or
- Scrapped with an appropriate Return Goods Authorization (RGA).

DTNA highly recommends that suppliers take internal action on QRNs as they will impact the supplier’s score in the EBSC.

**Processing Fee**
DTNA will charge the supplier a minimum processing fee of $150 for each quality reject incident, which will be debited from the supplier in addition to the cost of the rejected/defective material. Please refer to the QRN which accompanies each reject incident for supporting details.

- Rejects with values less than $100 US can be scrapped and debited to the supplier at the time the reject is issued unless prior arrangements are made with DTNA plants
- Rejects with values greater than or equal to $100 US will be scrapped and debited to the supplier if a response is not received within 2 business days

**It is the supplier's responsibility to provide DTNA Supplier Quality with valid contact information at all times so Quality Reject Notifications may be properly distributed.**

**DTNA Deviations**
Deviations are used as a temporary modification to DTNA requirements. DTNA Engineering must approve all changes from the drawings or specifications. If DTNA Engineering has confirmed a drawing change to a supplier via email or other means, it is highly recommended that the supplier request an EWR number from DTNA Engineering in order to avoid potential rejects at the plants.

**Corrective Action**
If DTNA detects that a supplier’s parts frequently do not meet specifications, a Corrective Action Request (CAR) may be submitted to the supplier. A CAR, issued via FRACAS (Failure Reporting And Corrective Action System), is used to inform a supplier of a problem, to request corrective action, and to monitor the effectiveness of the actions taken. When systemic defects are signaled to the supplier by DTNA, the supplier shall promptly provide containment, fault analysis, and a corrective action plan.

Any nonconformance related to a safety issue requires the highest level of attention and prompt containment.
Suppliers must complete all sections of a Corrective Action Request and attach supporting documentation as evidence of effective corrective action. Suppliers are expected to use a
systemic problem solving tool for the root cause analysis, such as Fishbone/Cause and Effect Diagram, 8D, AIAG’s 7-Step Problem Solving Process, etc.

The CAR must be returned to Supplier Quality within the defined timeframe. A non-response to a CAR request will escalate the issue to the DTNA Purchasing Department and may result in Supplier Action Team (SAT) involvement (See 3.8).

The quantity of CARs, effectiveness of root cause analysis, and response time can negatively impact the EBSC and supplier evaluation ratings.

**Warranty Process**
The DTNA warranty process is designed to improve the overall brand quality and increase both customer and dealer satisfaction. When a part requires replacement in the field, a warranty claim is made. If the nonconformance is generated by a supplier, a claim will be submitted to the supplier via the Online Warranty Link (OWL) system.

**DTNA Purchasing Supplier Agreements** include a signed warranty agreement that requires the supplier to support DTNA’s warranty coverage and respond to claims within a specific timeframe. Current timelines are specified in the supplier warranty agreement and the DTNA warranty process is described in “Doing Business with Daimler Trucks North America LLC,” Section 11.

The Online Warranty Link (OWL) is the system used to manage the claims entering the recovery system from a dealer or customer. If the vehicle has warranty coverage for the performed repair, the responsibility for the claim is either assigned to DTNA, or assigned to the supplier. The supplier shall respond to the DTNA Warranty Recovery Department within the stated timeframes.

1. If the supplier accepts responsibility for a claim, the supplier needs to simply show acceptance/payment in the OWL system.
2. If the supplier responds, but challenges or denies either a portion or all of a claim, the denial must be justified by the supplier.
3. If a claim response is not received from the supplier within the specified timeframe, the Warranty Recovery Group will take action to resolve the claim. The supplier will be charged for all claims they do not respond to.

**Recall Process**
Information concerning potential safety-related product defects, noncompliance recalls, or campaigns in which case the supplier is responsible, must be forwarded immediately to DTNA Engineering and to Compliance and Regulatory Affairs (CRA) Departments with all supporting documentation and data. CRA will determine the need for an investigation. (See also “Doing Business with Daimler Trucks North America LLC,” Section 6)

### 3.8 Supplier Evaluation

**External Balanced Scorecard (EBSC)**
The External Balanced Scorecard (EBSC) is an instrument for continuous assessment of the performance of CURRENT suppliers. Target values are determined for each EBSC parameter in interdisciplinary cooperation with Operative Purchasing, Engineering, Quality, Warranty, Operative Materials, Change Over, Accounting, Aftersales Marketing, Aftersales Packaging & Labeling, Aftersales Materials, and Aftersales Purchasing are tracked in the
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EBSC through TARGET/ACTUAL comparisons. The results are communicated to the suppliers via the supplier portal. EBSC is used to support the following:
- Commodity Strategies
- Sourcing Decisions
- Supplier Development Activities
- Supplier Awards (Masters of Quality Award)

If you have any questions regarding Daimler Truck North America’s OSA or EBSC programs, contact the Supplier Integration Group within DTNA Purchasing.

The EBSC Quality rating constitutes qualitative and quantitative measures from various departments. Third party certification for quality system, campaigns and recalls, corrective action responses and PPAP timeliness are all part of the qualitative measure from Supplier Quality. PPM from plant rejects contribute to the quantitative score from Supplier Quality. Details regarding complete KPIs and all value drivers for the entire score are available in the EBSC.

**Masters of Quality – Supplier Award for Excellence**
Each year, DTNA recognizes suppliers that meet our strict standards and demonstrate an ongoing commitment to quality improvement by awarding them with the DTNA Masters of Quality Award. The scores from the semi-annual, multi-functional evaluation (EBSC) are used to select Masters of Quality recipients. Suppliers with production and aftermarket purchases exceeding $500,000 annually and more than 12 months sales history are eligible.

### 3.9 Reactive Supplier Support
DTNA works with suppliers in a preventive mode prior to Start of Production to ensure a smooth launch, however should the supplier have continued quality issues throughout production, DTNA may take actions as listed below.

**Supplier Audit**
DTNA may conduct process and product audits at the supplier’s site(s). The supplier shall allow DTNA to determine whether their quality assurance activities meet the requirements of DTNA. We also expect suppliers to proactively perform their own process audits.

**Controlled shipping** (100% inspection)
DTNA may require suppliers to perform additional inspection to ensure conformance to specifications. This controlled inspection is in addition to normal controls conducted by the supplier in order to contain a specific issue.

Controlled Shipping may be applied in the following cases or as requested by DTNA:
- Repeat quality issues. Severity of a quality problem.
- Supplier’s current controls are not sufficient to ensure conformance to requirements
- Poor PPM performance
- High warranty or field failures

**Level 1 Controlled Shipping (L1CS):** Supplier is required to establish an additional inspection process (prior to shipment) in order to protect DTNA from receiving nonconforming material.
**Level 2 Controlled Shipping (L2CS):** Supplier is required to establish an additional inspection process conducted by a third party company at the supplier’s location, which represents...
DTNA’s specific interests to the containment activity. The third party is selected and **paid for by the supplier.**

DTNA may perform audits to verify Controlled Shipping is implemented and effective. Controlled shipping steps will remain in place until root cause(s) are identified, contained, resolved and verified.

**Supplier Action Team (SAT)**

Suppliers that show consistently poor performance over a 6-month period are appointed to the Supplier Action Team in order to improve performance. A monthly supplier performance report is created showing the on-going quality and shortage PPM performance of suppliers. Reviewed and analyzed by an SAT cross-functional team, the focus is on long-term, poor performing suppliers with a high impact on DTNA production.

A SAT package will be sent out to the supplier with quality and delivery discrepancies. It is expected that the supplier provide a pre-read at least one week prior to the visit and arrive at DTNA with qualified representative(s), prepared to present the issues, containment, root cause and corrective actions, as well as address any questions/requests. In the SAT meeting with the supplier, DTNA may accept, reject, or request additional information regarding the corrective action. Once it has been accepted, the incident will be logged and tracked. In the case of a reject, further follow-up meetings and containment actions are necessary.

**Supplier Disapproval**

Supplier Quality and Business Units of DTNA maintain criteria to determine the disapproval of suppliers. The following are criteria that Supplier Quality may use at its discretion:

- Supplier fails to maintain ISO 9001 or ISO/TS 16949 registration.
- Supplier continually fails to respond to DTNA Corrective Action Requests and SAT (Supplier Action Team) recommendations
- Supplier has a high reject rate and/or poor delivery performance for the last four consecutive quarters, and there are no signs of improvement.

The above criteria may be used in conjunction with criteria of other corporate and business departments to consider the need to disapprove the supplier for any new business, and to resource with another supplier.

**4.0 DTNA Commitment**

DTNA is committed to develop long-standing relationships with its suppliers and together achieve results that meet and exceed the customer's needs.
## Appendix A: Acronyms

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<td>APQP</td>
<td>Advanced Product Quality Planning</td>
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<td>AWS</td>
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<td>C-TPAT</td>
<td>Customs-Trade Partnership Against Terrorism</td>
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<td>CMM</td>
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<td>Compliance and Regulatory Affairs</td>
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<td>Failure Mode and Effects Analysis</td>
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<td>TS</td>
<td>Technical Specification (e.g. TS 16949)</td>
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Appendix B: Cross-reference to DTNA controlled documents

FOR INTERNAL USE ONLY

09SQ – PROC001, Supplier Quality
09SQ - PROC003, Production Part Approval Process
09SQ - PROC002, Masters of Quality
09SQ – R0002, PPAP Exception Conditions
09QA-WI002, Receiving Inspection
09QA-WI003, Part Inspection System
09QA-JA024, Reject Part Characteristic Codes