

# SUPPLIER MANUAL

SAGE Automotive Interiors Supplier Manual is effective as of **September 23, 2013**.  
All previous editions of this Supplier Manual are obsolete.

# Table of Contents

## ***SAGE Business Philosophy***

**Section #1 Vision & Beliefs**

**Section #2 Quality Policy Principles**

**Section #3 Goals & Scope**

**Section #4 Supplier Code of Conduct**

**Section #5 Supplier Manual Access**

## ***SAGE/Supplier Business Product/Service Processes***

### **Section #6 Commercial Expectations**

6.1 Purchasing Process

6.2 Continuous Improvement

6.3 Minority Sourcing Program

6.4 Service & Replacement

6.5 Terms & Conditions

6.6 Warranty

6.7 Invoicing

### **Section #7 Tooling and Gauging Policy**

7.1 General

7.2 Quotation

7.3 Invoicing

7.4 Tooling Identification and Ownership

### **Section #8 Quality Requirements**

8.1 General

8.2 Supplier Assessments

8.3 Complaint on Purchased Material (CPM)

8.4 Supplier Charge back System

### **Section #9 Materials/Delivery Expectations**

9.1 Delivery Expectations

9.2 Packaging/Containerization

## ***Performance and Process Issues***

### **Section #10 Supplier Performance Metrics**

- 10.1 General
- 10.2 Quality Performance
- 10.3 Delivery Performance
- 10.4 Innovation Performance
- 10.5 Cost Reduction Performance
- 10.6 Additional Metrics
- 10.7 Supplier Performance Report Card
- 10.8 Supplier Rating System

### **Section #11 Approval Supplier List Process**

- 10.1 General
- 10.2 Supplier Classification

# ***SAGE Business Philosophy***

## **Section #1 Vision & Beliefs**

### **1.1 Vision**

SAGE Automotive Interiors will continue to provide our customers excellent value in the automotive body cloth and headliner business. SAGE will strive to be the market leader in design, engineering, and technical capability supported by world class manufacturing. Our strengths in consumer research, sustainability and innovation will solve consumer problems for the OEM. Through seamless global integration and thought leadership, SAGE will become the number one preferred automotive interior in the world.

### **1.2 What We Value: The SAGE Beliefs**

#### **Respect for Each Other**

SAGE must operate in a climate of openness, trust and cooperation, in which each of us freely grants others the same respect and decency we seek for ourselves. We expect open, honest, and timely communication.

#### **Power of Collaboration**

Our goal is to preserve the freedom each of us needs to find personal satisfaction while building a strong business that comes from unity of purpose. True unity is more than a melding of self-interests: it results when goals and values are shared.

#### **Passion for Excellence**

SAGE chooses to be a leader—in serving our Customers, advancing our technologies, and rewarding all who invest in us. To sustain our leadership, we relentlessly seek to improve our performance. We bring urgency to every business challenge and opportunity. We anticipate change and shape it to our purpose. We encourage new ideas that challenge the status quo, and we seek to involve every mind in the growth of our business.

#### **Personal Integrity**

We at SAGE demand uncompromising ethical standards in all we do and say. We are committed to doing what is right—in good times and in bad. We are accountable for the commitments we make. We are, above all, an honorable company of honorable people.

#### **Responsibility to Our Communities**

SAGE is committed to good corporate citizenship. We strive to supply goods and services of superior value to our Customers; to create jobs that provide meaning for those who do them; and to contribute generously of our talents and our wealth in the communities in which we do business.

## Section #2 Quality Policy Principles

SAGE Automotive Interiors recognizes the importance of quality in all that we do. Therefore, SAGE is dedicated to maintaining the highest quality products and services while continuing to seek improvements to achieve higher standards. It is our goal that, through our dedication to quality, we will strengthen the long term profitability of SAGE and our customers. Our aspirations for continually improved products and services are achievable only through the full participation and commitment of all SAGE associates.

## Section #3 Goals & Scope

“We need Suppliers who are capable of providing best-in-class quality and services.”

Before presenting the following guidelines, we want to provide the general principles that drive this program to make sure that each Supplier’s decision to participate is made with a complete knowledge of our objectives, of the procedure used, and what is expected of all Supplier companies.

### 3.1 Goal

The demand for improved product quality is widely recognized as the primary challenge facing our industry. SAGE has been committed to producing the highest quality product possible. Our policy is to meet and/or exceed Customer requirements with the standard of measurement set at zero defects. This manual details the procedures and systems of the SAGE quality approach, the basis of which is defect prevention and continuous improvement. SAGE is committed to this approach, and we expect the same commitment from our Suppliers. It is important that SAGE’s supply base develops the same enthusiasm for leadership and displays the willingness to work toward the common goals outlined in this manual. With this in mind, SAGE has created this common Supplier Manual applicable for all SAGE locations. The Supplier Manual is intended to provide the following:

- Communicate SAGE’s expectations, goals and minimum requirements to assure quality of supplied parts.
- Encourage open, unrestricted communication of ideas, information and notification of problems among Suppliers, SAGE and its Customers in the spirit of teamwork and cooperation.
- Develop an overall plan to ensure smooth production trials and launches both at SAGE and the Supplier, based on effective planning and communication.
- Define the quality assurance procedures and documents that Suppliers must use. All Suppliers are expected to follow an effective quality system based on ISO 9001, with a goal of working to achieve ISO TS-16949 certification.

## 3.2 Scope

This Supplier Manual applies to all raw and indirect material Suppliers that sell product to the production facilities of SAGE. These procedures may be applied to other parts and materials (such as consumable tools and supplies). The applicability of these procedures to tools and supplies will be indicated on purchase orders.

### Responsibilities

- Suppliers must maintain a comprehensive Quality System to ensure compliance with the requirements of the contract and this document. This manual explains SAGE minimum expectations as well as the process SAGE follows to assess the capability and performance of each Supplier. SAGE seeks Suppliers who have a minimum of ISO 9001 and who will achieve ISO TS16949 registration.
- SAGE also seeks Suppliers who have ISO 14001 or comparable registered Environmental Management Systems.

## Section #4 Supplier Code of Conduct

SAGE expects all suppliers to adhere to the highest standards of excellence. Suppliers' adherence to these standards should be reflected in all aspects of their operation including employee, business and community relationships.

Suppliers will, at all times, conduct business with SAGE in a spirit of collaboration and mutual respect. In the course of interaction with SAGE, suppliers should recognize that information of a confidential nature, including but not limited to, business plans, financial data, and intellectual property, may be disclosed. Suppliers are expected to maintain the integrity of this privileged data within the supply relationship.

Suppliers are expected to report usage of conflict minerals in their products, and in their supply chains. More information on this topic is available at [www.conflictreesmelter.org](http://www.conflictreesmelter.org). Suppliers should complete the Electronic Industry Citizenship Coalition and Global e-Sustainability Initiative (EICC/GeSI) Conflict Minerals Reporting Template annually. This template is available at <http://www.conflictreesmelter.org/ConflictMineralsReportingTemplateDashboard.htm>. The completed template should be available upon request from SAGE.

Through this collaborative interaction, suppliers will ultimately help SAGE achieve improved products for our customers, an enhanced workplace for our employees and a better environment for our communities.

## Section #5 Supplier Manual Access

### 5.1 SAGE Responsibility

5.1.1 Provide Supplier access to the latest released version of the SAGE Supplier Manual

5.1.2 Update Supplier Manual as required and notify Suppliers. This notification will occur in one of the following methods:

- SAGE Internet site
- Copies distributed directly to the supplier

## 5.2 Supplier Responsibility

- 5.2.1 Supplier must use the latest released version of the SAGE Supplier Manual, as posted on the SAGE Internet site.
- 5.2.2 Supplier must provide training to their personnel regarding the location on the controlled version of the SAGE Supplier Manual.
- 5.2.3 Supplier must provide SAGE Purchasing Department with accurate Supplier contact information. The Supplier must notify SAGE when any changes occur.

## 5.3 Revisions

- 5.3.1 Any updates to the SAGE Supplier Manual will be provided to the supplier as stated in the SAGE responsibility section above. Suppliers will be notified electronically if there are any substantial revisions to the manual.

## Section #6 Commercial Expectations

### 6.1 Purchasing Process

#### 6.1.1 Supplier Agreement

- If requested, Suppliers must sign and return the Mutual Confidentiality Agreement regarding Property Information Security and Disclosure to the appropriate SAGE Purchasing Representative prior to being issued an invitation to quote.
- Suppliers must sign and return all other agreements as deemed necessary by the Purchasing management team.

#### 6.1.2 Request for Quotation

- Potential Suppliers will be invited to participate in the quoting process. Suppliers are required to use the forms supplied in the request for quotation. Failure to use SAGE documents may result in a “no quote status”. (Contact SAGE Purchasing representative for further instructions.)

#### 6.1.3 Supplier Selection Criteria

- The following criteria can be used to award new business:
  - The Supplier’s demonstrated performance in quality, delivery, innovation and cost reduction (Reference in SAGE SSM-F003 Supplier Performance Score Card)
  - Supplier Consolidated Risk Assessment (SSM-F002).
  - Supplier’s total cost competitiveness and commitment to continuous Improvement
  - Supplier’s demonstrated participation in Minority Business Sourcing
  - Supplier’s demonstrated technical capabilities, Engineering support of SAGE programs, and Program Management of new product launches
  - Supplier’s overall financial condition
  - Supplier’s acknowledgement and acceptance of SAGE Purchaser Terms and Conditions.

#### 6.1.4 Cost Breakdown Analysis

- As requested, Suppliers must supply detailed and accurate cost information on appropriate forms.

#### 6.1.5 Purchase Orders

- Refer to the SAGE Purchase Order Terms and Conditions.

### 6.2 Continuous Improvement

#### 6.2.1 General

- Continuous Improvement in regard to cost reduction is an essential element of long-term business success for SAGE and its Suppliers. In order to remain competitive, SAGE and its

Suppliers must continually pursue ways to eliminate waste and reduce the cost of our products.

## 6.3 Minority Sourcing Program

### 6.3.1 Expectation

- Suppliers located in the United States are expected to have a formal Minority Business Enterprise (MBE) development program. SAGE expects Suppliers to make every effort to procure a minimum of 5% of the material and/or services from a certified Minority Business Enterprise.
- In order to be classified as a Minority Business Enterprise a company must satisfy the following criteria
  - The business is no less than 51% owned and operated by U.S. minority citizens
  - The minority owners are active in the management and daily business operations
  - The owners belong to one of the following U.S. minority groups:
    - Africa American, Asian America, Native American Indian, Asian Pacific American, Hispanic American, America Eskimo, and America Aleuts.
  - The business is certified by the National, State, or Local Minority Business Development Council

## 6.4 Service & Replacement

### 6.4.1 Duration

- Purchase Order requirements apply for a minimum period of fifteen (15) years of service after the last shipment of any goods or as otherwise stated in writing by SAGE.

### 6.4.2 Pricing

- Service components must be priced at the production pricing for a minimum of five years after SAGE Customer production has ceased. In no event will replacement items be made available to SAGE at prices that are not competitive or exceed those charged to the other comparable Customer of the Supplier

## 6.5 Terms & Conditions

**6.5.1** The Supplier must comply with the SAGE Supplier Manual as well as any Terms and Conditions stated on SAGE Purchase Orders. The supplier will consult with the appropriate SAGE Purchasing Representative for clarification.

## 6.6 Warranty

**6.6.1** The Supplier will accept the warranty requirements specified in the Purchase Order Terms and Conditions and/or separate agreements. Additionally, Supplier will be responsible for all applicable warranty cost.

## 6.7 Invoicing

### 6.7.1 General

- The Supplier will contact the SAGE Corporate Accounts Payable department for invoicing requirements.

### 6.7.2 Standard Invoicing Instructions

- The following information must be included on all invoices submitted to SAGE:
  - The term "Original" should be noted on any original copy of an invoice
  - The term "Duplicate" should be noted on any additional copies submitted with the original invoice.



- Each invoice must contain a unique invoice number (not repeated)
- SAGE Supplier number
- SAGE purchase order number
- Quantity
- Unit and total price
- Country of origin
- Complete and detailed description of the merchandise
- The terms of sale (latest version of INCOTERMS)
- Supplier will ensure that all information provided on all invoices and shipping/business documents and/or electronic data accurately reflects the physical goods in the shipment.

## Section #7 Tooling Policy

### 7.1 General

- SAGE will issue purchase orders for special tooling, including dies, jigs, fixtures, templates, inserts, molds, patterns, gauges, test equipment, etc as agreed upon.
- SAGE reserves the right to immediately remove SAGE-owned tools.
- Suppliers must receive written authorization from SAGE before:
  - Moving or destroying tooling
  - Altering tooling capacity
  - Disposing of service parts tooling
  - Altering tooling or processing in any way.
- Selling products made from SAGE tooling to any other Customer is strictly prohibited.
- The Supplier is responsible to adhere to all legal safety requirement as applicable
- The Supplier is responsible for ensuring that its sub-Suppliers adhere to the above guidelines.

### 7.2 Quotation

#### 7.2.1 Tooling Quotation

The items in this section must be considered as part of a tooling quotation to SAGE unless otherwise specified by SAGE.

- Tooling quotation must include expense breakdown, including fixtures, dies, gauging, and other costs as well as tooling design (i.e., number of cavities, material, etc.).
- Capacity of the tool must be clearly defined on the quotation.
  - Capacity will be calculated on 5-day-3-shift basis unless otherwise directed by SAGE.
- Tool life must be clearly defined on the quotation
- Cavity replacement must be clearly defined on the quotation. This should be provided as a per part cost or as a cavity replacement cost.
- The quotation must specify lead-time breakdowns including design, build, testing and PPAP submission & approval.

#### 7.2.2 Supplier's Responsibilities

- The Supplier is responsible for maintaining, repairing, refurbishing, and replacing tooling in production condition at no cost to SAGE and SAGE will retain all title and ownership rights for said repaired, refurbished, or replaced tooling for the defined lifetime of the tool, unless otherwise agreed to in writing by SAGE.
- The Supplier is responsible for disposing of the tooling at no cost when directed in writing by SAGE.
- The Supplier will keep detailed maintenance records for the tooling. The Supplier will make these records available to SAGE on request.

- The Supplier will monitor the tool life and performance to ensure that repair , replacement and maintenance , whether or not the responsibility of the Supplier , are identified and corrected prior to the time that part quality or production capacity are affected. This will include regular dimensional reviews on specific part characteristics. Supplier agrees to make this data available to SAGE on request.
- The Supplier will on regular basis monitor tool life and advice the SAGE Purchasing representative well in advance when tooling replacement is necessary.
- The Supplier will ensure that sufficient quantities of components will be in Supplier’s inventory and available to support SAGE production prior to and during the time period that the tooling is being refurbished or replaced.

**7.2.3 Tooling Run-off**

- The Supplier must document tooling run-off quantities in the quotation.

**7.3 Tool Invoicing**

**7.3.1 Invoice Amount**

- Supplier invoices should document expenditures for SAGE-owned tooling (including a full cost breakdown). In addition, invoices must show the exact physical location by city, town, state or province, and country where the tools will be used in production. Supplier invoices for tooling should reflect the tooling amount or the actual cost incurred, whichever is less. Any discrepancies should be brought to the attention of the SAGE Purchasing representative.  
Note: Supplier must provide photographs of SAGE-owned tooling with all tooling invoices.

**7.3.2 Payment Authorization**

- SAGE will authorize payment for tooling when PPAP and required statistical studies are approved, and all photographs received, or as otherwise agreed upon with SAGE.

**7.3.3 Bill of Sale**

- Supplier will provide a bill of sale acknowledging payment and ownership of all SAGE tooling.

**7.4 Tooling and Ownership**

- All tooling which SAGE furnishes, either directly or indirectly, to supplier or which SAGE buys from or gives reimbursement to Supplier in whole or in a part (collectively, “SAGE’s property”) will be and remain the property of SAGE and be held by Supplier on a bailment basis. Supplier will sign or authorize SAGE to sign on its behalf, any documents deemed reasonably necessary by SAGE, to be filed with Federal, State or Local officials to record SAGE’s title and interest in SAGE’s property. Supplier will not sell, lend, rent, encumber, pledge, lease, transfer or otherwise dispose of SAGE’s Property.  
The Supplier will clearly mark or tag tooling as appropriate, with “Property of SAGE”  
In certain instances, the Supplier will be required to mark or tag the tooling with the additional note, “Property of “(OEM)” as directed.

## Section #8 Quality Requirements

### 8.1 General

#### 8.1.1 Quality Management System

- All Suppliers must comply with the SAGE quality expectations defined in this section. Suppliers are fully responsible for the quality of their products. In order to ensure Zero Defects, an effective Quality Management System must be in place. Suppliers to SAGE shall be third party registered to ISO 9001-2008 or TS16949 by an accredited certification party unless otherwise specified by SAGE.

#### 8.1.2 Plant-Specific Requirements

- Suppliers must also comply with the additional quality expectations, where applicable, of specific SAGE locations or Customers.

### 8.2 Supplier Assessments

#### 8.2.1 New Suppliers

- SAGE Purchasing Representative will provide access to SAGE Supplier Manual and will request completion of the SAGE Supplier Questionnaire (SSM-F001) and Supplier Consolidated Risk Assessment (SSM-F002). SAGE may also complete an On-site Supplier Quality Systems Assessment. Once completed and submitted, SAGE will determine whether the candidate Supplier has the required quality systems, technical core competencies, program management and financial stability to be awarded new business.

#### 8.2.2 Existing Suppliers

- Depending on the complexity of the product being purchased or other potential risk, SAGE may conduct an On-site Supplier Consolidate Risk Assessment (SSM-F002). Once completed, SAGE will determine whether the candidate Supplier has the required quality systems, technical core competencies and financial stability to be awarded new business.

### 8.3 Complaint on Purchased Material (CPM)

#### 8.3.1 General

- SAGE will immediately notify the Supplier if non-conforming material is found. Upon verification that SAGE has received nonconforming product from a Supplier, SAGE will issue a Complaint on Purchased Material (CPM) to the Supplier.
- Evidence of the defect will be provided when possible (example-digital photograph). A sample of the defect may be sent to the Supplier upon request.
- SAGE will issue a CPM to the Supplier regardless of the disposition and/or nonconforming material and improper PPAP submissions. SAGE will apply only the number of nonconforming parts to the Parts Per Million (PPM) calculation if containment actions are forwarded within 3 days and sort results are forwarded within 10 days.

#### 8.3.2 8-D Reports

- General
  - The Supplier will respond to CPM's by using the SAGE 8-D Problem Solving form (SSM-F005) or other form approved by appropriate SAGE personnel. The 8-D documentation will be submitted in response to each CPM, unless otherwise agreed to by the appropriate SAGE representative. E-mail is the preferred method of response.
- Initial Submission
  - Suppliers must submit an initial 8-D Report that documents the containment action taken and the sort results found. SAGE must receive the initial 8-D Report within 24 hours of notification. 3-D report must be submitted within 48 hours and the 5-D report must be submitted within 14 days.

- Final Submission
  - Suppliers must submit the final 8-D Report for approval and closure as soon as practical, but no later than 30 days from the CPM issuance date. The supplier may request approval for an extension of the 30-day deadline, but must do so prior to the original deadline. Requests should be made to the appropriate representative of SAGE.
- Approval and Closure
  - The appropriate SAGE representative prior to closure of a CPM must approve a Supplier's final 8-D Report. Any 8-D's open beyond 30 days may negatively impact the Supplier's performance rating. **(See Supplier Performance Metrics section).**

## 8.4 Supplier Charge Back

### 8.4.1 General

- Suppliers are responsible for the quality, on-time delivery, and reliability of the product they supply. Product must meet any referenced specifications. The Supplier accepts financial responsibility for the consequences of non-conforming product and rejected PPAP submissions including, but not limited to, costs incurred for containment, sorting, premium freight, rework, repair, and replacement of defective material, resulting overtime, and productivity loss incurred by SAGE or SAGE's Customers.
- Following is the schedule for charge back cost associated with non-conforming products sent to a SAGE site:
  - Administration fee for each CPM issued:
    - Off –site 3<sup>rd</sup> Party Sorting- charges to be paid directly between Supplier and 3<sup>rd</sup> Party Sorting Company.
    - In-house sorting by 3<sup>rd</sup> Party Sorting Company (if allowed by specific SAGE site)- charges to be paid directly between Supplier and 3<sup>rd</sup> Party Sorting Company.
    - In-house sorting by SAGE personnel (if required to avoid down production line- Supplier will be responsible for actual costs incurred.
    - "Production Line Down" Charge- Supplier will be responsible for actual costs incurred.
    - Miscellaneous fees (rework, material handling, required Customer visit time and travel costs, expedites, Customer location sorting fees, testing, etc.) Supplier will be responsible for actual costs incurred.
    - Supplier will be responsible for all applicable warranty costs.

### 8.4.2 Unauthorized Changes

- In cases where a Supplier has implemented an unauthorized change or has failed to deliver contracted products in accordance with the specifications and terms of the SAGE Purchase Order, all costs that are incurred by SAGE and/or its Customers will be the sole responsibility of the Supplier.

### 8.4.3 Charge Back Debit

- The method of charge back will be by debit memo, processed by the SAGE receiving location.

## **Section #9 Material/Delivery Expectations**

### **9.1 Delivery Expectations**

#### **9.1.1 Plant Specific Requirements**

- In addition to complying with the material and delivery expectations defined in this section. Supplier must also comply with the laws of the country of each receiving SAGE facility. There may be additional materials and delivery expectations, where applicable, for specific SAGE locations. The Supplier should contact the appropriate material scheduler at the receiving SAGE production facility with any questions on plant-specific requirements.

#### **9.1.2 Program-Specific Requirements**

- SAGE will specify expectations for materials during Advance Product Quality Planning process (APQP), RFQ's, purchase orders and other forms of communication. The requirements include:
  - Labeling requirements
  - Capacity increments
  - Delivery terms according to the agreed INCOTERMS (Example: F.O.B. location, C.I. F. location, D.D.P.)
  - Containers, trays and other packing
  - Warehousing
  - Consignment
  - Production Identification
  - Hazardous Material restrictions (Including but not limited to IMDS/MSDS requirements)
  - Preservation of product (Contamination)
  - Material release and pull systems
  - Transportation mode and carrier route
  - Returnable Packaging (Avoid waste wherever possible)
- Suppliers are expected to ship 100% on time to SAGE based on the terms and conditions defined on the SAGE Purchase Order. The Supplier is expected to bear any costs associated with delays in shipments.

### **9.2 Packaging/ Containerization**

- The Supplier will plan for the timely delivery of containers and/or packaging media to support SAGE requirements. SAGE must approve all packaging design during APQP and prior to PPAP. Suppliers are not permitted to ship product to SAGE without packaging approval by SAGE.
- The Supplier will develop and implement a system to monitor container quantity and suitability. The Supplier will also ensure that the following conditions are met:
  - Containers are kept in reasonably clean condition (free from foreign material)
  - Labels from previous shipments are removed
  - Containers are maintained in working order (i.e., lubricant of gate hinges, operational spring clip locking devices etc.).
  - Packaging meets all government and environmental regulations

## Section #10 Supplier Performance Metric (Continuous Improvement)

### 10.1 General

#### 10.1.1 Supplier Performance Rating

- The SAGE Supplier Performance Rating System presents the criteria that will be used to evaluate Raw & Indirect Material Suppliers. Suppliers who ship to more than one SAGE plant will receive an overall rating. Ratings will be published on a monthly basis. A combined rating score will be generated by SAGE using the following metrics:
  - Quality – 40 %
  - Delivery – 30 %
  - Innovation – 20 %
  - Cost – 10 %

### 10.2 Quality Performance

#### 10.2.1 PPM Defect Rate (30 Points)

- The expectation is 0 PPM. Formula: (Total Number of Defective Parts Found/Parts Delivered in the Month) x 1,000,000). SAGE will count only nonconforming parts, but the Supplier must forward sort results from “in house” sorts or the full quantity will be applied to the Supplier’s PPM calculation.
- Unless otherwise specified by SAGE, the following scale will apply to all Suppliers:  
Suppliers:
  - 0 PPM – 1,000 PPM            30 Points
  - 1,001 PPM – 3,000 PPM    25 Points
  - 3,001 PPM – 5,000 PPM    20 Points
  - 5,001 PPM – 7,000 PPM    15 Points
  - 7,001 PPM – 9,000 PPM    10 Points
  - 9,001 PPM – 11,000 PPM   5 Points
  - > 11,001 PPM                0 Points

#### 10.2.2 Responsiveness to CPM’s/8-D Closure (10 Points)

- The expectation is that the Supplier will submit a response to SAGE with 8-D closure within 30 days. Suppliers will not be penalized if granted a Long Term Action Pending to the 30-day period.
- The following scale will apply to all suppliers:
  - 8-D closure(s) submitted within 30 days    10 Points
  - Any 8-D open for more than 30 days        0 Points

### 10.3 Delivery Performance

#### 10.3.1 On Time Delivery Rate (25 Points)

- The expectation is delivery of product 100% on time – the accurate quantity on time.
- Formula: Number of Deliveries on time/Number of Purchase Orders required.
- The following scale will apply to all Suppliers:
  - 100 % on time delivery    25 Points
  - 98-99 % on time delivery  23 Points
  - 91-97 % on time delivery  20 Points
  - 83-90 % on time delivery  15 Points
  - 76-82 % on time delivery  10 Points
  - < 75% on time delivery    0 Points

### 10.3.2 Shipment Performance (5 Points)

- Suppliers are expected to ship on time, as committed, without causing expedited freight charges for SAGE:
  - No Supplier – induced Expedited Freight 5 Points
  - Supplier – induced Expedited Freight 0 Points

## 10.4 Innovation Performance

### 10.4.1 Innovation Rating (20 Points)

The Supplier will collaborate with SAGE sourcing leaders to develop new products or improve existing products.

- The following scale will apply to all suppliers:
  - Technical – Development Support 10 Points
  - Sample Turn around 5 Points
  - Advance Technology Capability Score 5 Points

## 10.5 Cost Reduction Performance

### 10.5.1 Cost Reduction Rating (10 Points)

- The expectation is that the Purchase Order (PO) unit price is reduced by at least 3% per year for all products supplied to SAGE. This can be achieved through contractual cost reductions as well as implemented Value Improvement Process (VIP) type reductions.
- Unless otherwise specified by SAGE, the following scale will apply to all Suppliers:
  - 3% Saved 10 Points
  - 2.99 – 2.50 % 8 Points
  - 2.49 – 2.00 % 6 Points
  - 1.99 – 1.00 % 4 Points
  - < 1.00 % 0 Points

## 10.6 Additional Metrics

### 10.6.1 Each SAGE Plant Will Monitor the Following Categories:

- Number of Complaints (CPM)
- Number of Unauthorized Changes
  - Unauthorized Changes are all changes related to raw and indirect materials of the production products internally or by subcontractors without information/approval by SAGE.
- Number of Major Disruptions
  - Major Disruptions are disruptions which affect SAGE's Customer. The end result is a production stage shut down at SAGE, or a delivery interruption to SAGE Customers.

**10.6.2 SAGE may decrease the supplier rating by one full grade for any occurrence of CPM's, Unauthorized Changes or Major Disruptions.**

## 10.7 Supplier Performance Report Card

### 10.7.1 Report Card Content

- The Supplier Performance Report Card (SSM – F003) documents Quality, Delivery, Innovation and Cost Performance data.
- The Scorecard may be issued per Business Unit or per plant.

### 10.7.2 Issuing the Report Card

- Suppliers are entitled to view their Performance Report Card (SSM – F003) on a monthly basis. Suppliers that have not shipped product within the previous six months will not be issued a Report Card.

### 10.7.3 Review of Performance Score

- Suppliers are encouraged to review their performance scores with the appropriate SAGE Purchasing or Sourcing Leader representative. In the event that the Supplier believes that the Report Card contains inaccurate data, the Supplier should immediately notify the appropriate SAGE representative for discussion, review and resolution

## 10.8 Supplier Rating System

### 10.8.1 A Level (Score of 90 – 100)

- This is the highest rating level. All Suppliers start out in this category and remain in this category as long as their performance scores are maintained.

### 10.8.2 B Level (Score of 89 – 80)

- A Supplier will be placed in this category based on the performance score issued by the Supplier Performance Review Team. Supplier is required to formulate, implement and sustain corrective action to be considered for upgrade to A-level.

### 10.8.3 C Level (Score of < 79)

- A Supplier will be placed in this category based on the performance score issued by the Supplier Performance Review Team. New business with the Supplier is at risk. The Supplier is required to formulate, implement and sustain corrective action to be considered for upgrade to a higher level.

### 10.8.4 D Level (NEW BUSINESS HOLD)

- A Supplier can be placed ON NEW BUSINESS HOLD based on chronic performance failures. When a Supplier is ON NEW BUSINESS HOLD, that Supplier will not be eligible to bid on any new business from SAGE.

## Section #11 Approved Supplier List Process

### 11.1 General

- The Approval Supplier List (ASL) is a list of all approved direct SAGE Suppliers to be used for sourcing by the SAGE Purchasing Supplier Management Organization. The ASL identifies the following information:
  - Supplier name, location, and DUNS Number.
  - Commodities approved for sourcing
  - Supplier Financial Risk Rating based on DUNS & BRADSTREET (D&B) input
  - Quality and environmental certifications
  - Suppliers will not be sourced production business from SAGE unless they are on the SAGE ASL. A Supplier can be added to the SAGE ASL by approval of SAGE Purchasing Management.

### 11.2 Supplier Classification

- The Supplier classification links the Supplier to the commodity in the ASL. Below are the definitions of a Supplier's classification:
  - **Under Development:** A designation of “under development” is used for a Supplier who is conditionally approved for sourcing by a SAGE plant. A Supplier under development is a



- Supplier who is new to SAGE and is currently in a launch mode. Upon successful launch, the classification is changed from “Under Development” to “Approved”.
- **Approved:** All Suppliers that provide raw and indirect materials to SAGE must be classified as “Approved”. To become an approved Supplier, one of the following conditions must be met:
    - The Supplier was providing raw or indirect materials as 01/01/2010.
    - A SAGE Purchasing/Sourcing Leader recommended the Supplier be classified as “approved” based on a successful launch.
- Once the Supplier meets one of the above requirements, the Supplier can be designated as an “Approved” vendor.
- **Preferred:** In addition to meeting and maintaining all the requirements for “Approved”, Preferred Suppliers must meet SAGE’s strategic goals and consistently meet cross-functional expectations from engineering, quality, delivery, innovation and price.
  - **Strategic Supplier:** A Strategic Supplier is an approved Supplier that not only meets and maintains all the requirements for an “approved” Suppliers but also meet ALL of the following conditions:
    - The Supplier’s product or service is fundamental to the success of SAGE Core Business Operations.
    - A limited number of suppliers exist who can supply the product or technology
    - The financial and operational risk of moving to an alternative is great.
    - A significant amount of resources will be dedicated to this Supplier.
    - Both parties expect a long-term, mutually dependent relationship through negotiation and execution of Long Term Supply Agreements.
    - To be classified as a strategic Supplier, the SAGE Supply Management staff (Director, VP & COO) must all concur.