

**1.0) Scope/Purpose:**

This document defines the material, delivery, and logistics, requirements for a supplier conducting business with Lear.

**2.0) Responsibility**

**2.1)** It is the responsibility of a supplier to adhere to the requirements listed in this document and Lear Corporate purchase order terms and conditions. In the event that an inconsistency between this document and the purchase orders terms and conditions exists, the purchase order terms and conditions shall supersede this document.

**3.0) Definitions**

**3.1) EDI** – Electronic Data Interchange

**3.2) ASN** – Advanced Shipment Notice

**3.3) AIAG** – Automotive Industry Action Group

**3.4) 830 Weekly Schedule** – A schedule of Lear’s requirements for products organized in weekly quantities for shipping/delivery. This is where fabrication and material authorizations are communicated. This information is communicated once weekly.

**3.5) 862 Daily Schedule** – A schedule of Lear’s requirements for products in daily quantities. This information is communicated on a daily basis.

**3.6) 856 ASN** – Advanced Shipment Notification that is sent for every shipment a Supplier makes to Lear

**3.7) Up To Schedule Plan** – A Supplier’s planned shipping schedule plotted against a Supplier’s schedule requirements received from Lear showing when a Supplier will again be shipping to the schedule requirements without being behind schedule. The Up To Schedule Plan is generated by a Supplier for all parts that are behind schedule to the requirements appearing in the Weekly Schedule requirements

**3.8) Accumulative Based Schedule** – A schedule that uses an accumulation of receipts or past schedule requirements as a beginning point for calculation of current and future requirements in accumulated values. The weekly accumulated values would be the result of adding weekly net requirements to the base accumulated number to determine a particular week’s accumulated requirement. It may also mean that a schedule is sent using only accumulated quantities for each week that were developed

using the same logic of a base accumulated number to which weekly net requirements are added.

- 3.9) Net Requirement** – A schedule requirement that details the amount required for a particular specified time period.
- 3.10) Fabrication Authorization** – A financial commitment that Lear provides to its Suppliers for payment of any excess Supplier finished goods inventories that were included in the 830 Weekly Schedule and not required to be shipped by Lear. The authorization is given in terms of quantity of a Supplier's finished goods inventory using the Lear part number and the part number's unit of measure as directed by Lear. Any payment for excess is at the finished goods inventory sales price.
- 3.11) Material Authorization** – A financial commitment that Lear provides to its Suppliers extending beyond the Fabrication Authorization for excess work in process and raw materials that were required to support a Lear Schedule requirement and not required to be shipped by Lear. The authorization is given in terms of quantity of a Supplier's finished goods inventory using the Lear part number and Lear directed unit of measure that must be translated into quantities of raw materials. Any payment for such work in process and raw materials is made at the raw materials purchase price paid by a Supplier.
- 3.12) RMA** – Return Material Authorization – A controlled number issued by a Supplier to the Lear receiving facility for return of material.
- 3.13) FOB** – Free On Board. (See Lear Corporation Purchase Order Terms and Conditions available on the Lear website <http://lear.covisint.com>)
- 3.14) PTA** – Premium Transportation Authorization; a number provided by Lear to its Suppliers when a premium freight shipment is to be shipped with Lear accepting shipment cost.
- 3.15) ETA Date** – Estimated Time of Arrival for a shipment at a Lear receiving location.
- 3.16) C-TPAT** – Customs-Trade Partnership Against Terrorism
- 3.17) Downtime** – The idling of production and production support resources at a production facility of Lear or its Customers.
- 3.18) Pay on Consumption** – A method of paying a Supplier based on the date a Lear facility ships its product to its Customer.
- 3.19) SOLAS** – Safety of Life at Sea
- 3.20) IMO** – International Maritime Organization

#### **4.0) Requirements**

##### **4.1) Communication**

- 4.1.1)** A Supplier must be connected via EDI with Lear Corporation for Weekly Schedule Release, Daily Schedule and ASN's.

- 4.1.1.1) 830 Weekly Schedule Release – AIAG ASC X12 Version accepted by Lear receiving facility.
- 4.1.1.2) 862 Daily Schedule – AIAG ASC X12 Version accepted by Lear receiving facility.
- 4.1.1.3) Advanced Shipment Notification – AIAG ASC X12 Version accepted by Lear receiving facility.
- 4.1.1.4) Accepted Versions by site are available on the Lear website <http://lear.covisint.com>.
- 4.1.2) A Supplier must connect with Lear Corporation for EDI through Covisint. 4.1.2.1) Contact with Covisint is at [www.Covisint.com](http://www.Covisint.com).
- 4.1.3) A Supplier must have communication access by means of voice communication (Phone) and email.
- 4.1.4) A Supplier must provide advanced notification of any potential supply disruption within forty eight (48) hours of receiving an 830 Weekly schedule containing releases from Lear.
  - 4.1.4.1) The potential supply disruption is communicated on Support Issue Form SIF01.06 available on Lear website
- 4.1.5) A Supplier must provide Up To Schedule Plans to the Lear receiving facility's Materials department if any potential supply issue(s) exist.
  - 4.1.5.1) The Up To Schedule Plan is submitted on Form UTSP09.03 available on Lear website <http://lear.covisint.com>.
  - 4.1.5.2) The Up To Schedule Plan is required from a Supplier.
    - 4.1.5.2.1) For each potential disruption occurrence.
    - 4.1.5.2.2) Submitted weekly within two work days of receiving the 830 Weekly Schedule Releases, until supply has been reestablished and is stable.
- 4.1.6) A Supplier must provide New Program Launch Status Reports six months prior to the first planned delivery date.
  - 4.1.6.1) The New Program Launch Status Report is submitted on Form LSR01.06 available on the Lear website <http://lear.covisint.com>.
- 4.1.7) A Supplier must use the Lear receiving facility selected language in all shipment documentation, labeling and correspondence when communicating with Lear.
  - 4.1.7.1) See Lear Policy Language01 available on the Lear website <http://lear.covisint.com>.

- 4.1.8)** A Supplier must provide a Contact List with the names, phone numbers (both office and mobile) and email addresses of individuals that can speak the primary language of the Lear receiving facility and are accessible on a 24 hour basis. This list must be submitted to Lear Purchasing and the Lear receiving facility Procurement, Quality and Lear Engineering departments.
  - 4.1.8.1)** The Contact List must contain the names of individuals in a Supplier's organization that can be contacted and make decisions for a Supplier's organization in the areas of Cost, Delivery, Quality and Engineering.
  - 4.1.8.2)** The Contact information must be submitted to Lear on the Supplier Contact List Form SCL02.28.06 available on the Lear website <http://lear.covisint.com> and updated whenever a change happens within a Supplier's organization.
- 4.1.9)** A Supplier must be available to have face to face and conference call meetings with Lear as defined by Lear.
  - 4.1.9.1)** Meeting type and schedule will be defined by the Lear receiving facility department Contact that is having the issue.
    - 4.1.9.1.1)** Purchasing
    - 4.1.9.1.2)** Engineering
    - 4.1.9.1.3)** Procurement
    - 4.1.9.1.4)** Quality

## **4.2) Schedules**

- 4.2.1)** Meeting type and schedule will be defined by the Lear receiving facility department Contact that is having the issue.
  - 4.2.1.1)** 830 Weekly Schedule Release document
  - 4.2.1.2)** 862 Daily Delivery Schedule document
  - 4.2.1.3)** Kan Ban or Pull Signal documents
- 4.2.2)** A Supplier must receive, process, and react, to Delivery Schedule requirements that are Accumulative based.
- 4.2.3)** A Supplier must abide by the Authorizations appearing in the 830 Weekly Schedule Release. The Fabrication and Material Authorizations in the 830 Weekly Schedule Release are based upon what production schedule Lear receives from its Customers.
  - 4.2.3.1)** Lear will revise the Material Authorization appearing in the 830 Weekly Schedule based upon the schedule releases

received from its Customer by the amount of lead-time the Lear facility applies to its schedule requirements.

#### **4.3) Delivery**

- 4.3.1)** A Supplier must deliver shipments daily to an 862 Daily Schedule or Kan Ban or Pull Signal if required by the Lear receiving facility.
- 4.3.2)** A Supplier must accept return of over shipments. Over shipments are not accepted by Lear and overages will be returned to a Supplier with all costs associated with the return being a Supplier's responsibility. (See Lear Corporate Purchase Order Terms and Conditions for additional information available on the Lear website <http://lear.covisint.com>.)
  - 4.3.2.1)** A Supplier must provide an RMA to the Lear receiving facility for return of over shipments; the RMA is due within twenty four (24) hours of over shipment notification from Lear.
- 4.3.3)** A Supplier must deliver products as released including requirement increases equal to the schedule amount plus twenty percent (20%) on a daily or weekly basis without cost to Lear.
  - 4.3.3.1)** The Lear receiving facility will define if the percentage is based on the daily or weekly schedule requirements.
- 4.3.4)** A Supplier is responsible to reconcile ship/receipt accumulated quantities and maintain balance with Lear.
  - 4.3.4.1)** Premium costs generated due to accumulated ship/receipt quantities not in agreement are the financial responsibility of a Supplier.
  - 4.3.4.2)** Lear accumulated receipt quantities plus ASN'ed in-transit quantities, are considered correct, until a Supplier and Lear agree to change the Lear quantities.
- 4.3.5)** Lear accumulated receipt quantities plus ASN'ed in-transit quantities, are considered correct, until a Supplier and Lear agree to change the Lear quantities.
- 4.3.6)** A Supplier must have an established lead-time for supplying material, agreed to by Lear, defined in writing with sign off by Lear, prior to making the first shipment.
  - 4.3.6.1)** The lead-times are established upon receiving sign off by Lear and do not change unless agreed to in writing by Lear.

- 4.3.7)** A Supplier must have on-site support at the Lear facility within four (4) hours of notification.
- 4.3.8)** Additional information is available in the Lear Corporate Purchase Order Terms and Conditions available at the Lear website <http://lear.covisint.com>.
- 4.3.9)** Suppliers shipping goods transported to Lear via ocean container must abide by SOLAS requirements.
  - 4.3.9.1)** Supplier owned freight terms - A supplier with incoterms making them responsible for transportation/shipping of goods must provide their freight forwarder an accurate Verified Gross Mass (VGM) for every container shipped to Lear.
  - 4.3.9.2)** Lear owned freight terms - A supplier with incoterms making Lear responsible for transportation/shipping of goods must provide the accurate VGM to Lear's freight forwarder in accordance with the requirements of the forwarder.
  - 4.3.9.3)** A supplier that does not follow the SOLAS IMO regulation will be responsible for any costs and/or associated expenses, including, but not limited to: shipping delays, premium freight costs, port charges
  
- 4.4) Freight Terms**
  - 4.4.1)** A Supplier must accept the FOB Point selected by Lear. Lear will establish the shipping route and select the FOB Point based upon Origin/Destination.
    - 4.4.1.1)** Lear will select the FOB Point based upon the logistics route selected to move a shipment from a Supplier location to the Lear Manufacturing location.
    - 4.4.1.2)** The FOB Point will be selected once it is understood that business is or will be awarded to a Supplier.
    - 4.4.1.3)** The FOB Point will be selected by Lear Purchasing with input from Lear Corporate Logistics and Lear Customs.
  - 4.4.2)** A Supplier is responsible for any additional costs incurred by Lear for a Carrier failure where the Carrier is controlled by a Supplier.
    - 4.4.2.1)** Premium Freight Costs incurred by Lear to get material into the Lear receiving facility or to the Lear receiving facility's Customer.

- 4.4.2.2)** Downtime at Lear or at the Lear Customer where production and production support resources are idled due to lack of material contained in the delayed shipment.
- 4.4.2.3)** Damaged Material received by a Lear facility. (See Lear Corporation Purchase Order Terms and Conditions available on the Lear website <http://lear.covisint.com>.)
- 4.4.2.4)** Any Customs fees or fines paid to deliver shipment to the Lear receiving facility.
- 4.4.3)** A Supplier must use the Lear selected Carrier for any transportation route where Lear controls the transportation route.
  - 4.4.3.1)** A Supplier must contact the Lear receiving facility's Traffic activity immediately if a Lear selected Carrier is unable to convey the shipment.
  - 4.4.3.2)** A Supplier must accept, and utilize any third party logistics organization selected by Lear.
    - 4.4.3.2.1)** A Supplier must conform and adhere to the instructions provided by the third party logistics organization.
    - 4.4.3.2.2)** Non-compliance with a third party logistics organization's instructions resulting in additional costs to move the shipment is a Supplier's responsibility.
  - 4.4.3.3)** Failure to utilize a Carrier selected by Lear, will result in a charge back of all costs in excess of what Lear pays for the move under normal conditions, including:
    - 4.4.3.3.1)** Excess cost of transportation
    - 4.4.3.3.2)** Premium freight to get material into the Lear receiving facility or to the Lear receiving facility's customer.
    - 4.4.3.3.3)** Any additional customs fees or fines
    - 4.4.3.3.4)** Any administration cost as a result of consuming Lear resources, time and/or materials, associated with resolving and executing the chargeback.
      - Administration costs include:
        - 4.4.3.3.4.1)** Accounting Analyst Time
        - 4.4.3.3.4.2)** Accounting Clerical Time
        - 4.4.3.3.4.3)** Accounting Managerial/Supervision Time
    - 4.4.3.3.5)** Any Liability, legal fees and expenses paid by Lear in resolution of a claim for damages due to the unapproved carrier's actions.
- 4.4.4)** A Supplier must have and show on shipment documentation a PTA Number from Lear, when making a premium shipment at Lear expense; failure to have a PTA Number will result in the shipment cost being charged to Supplier.

- 4.4.5) A Supplier must provide a list of Contacts, Phone Numbers and Email Addresses of Carriers that will be conveying shipments to Lear that are under the control and responsibility of a Supplier.
  - 4.4.5.1) The Contact information must be submitted by a Supplier on Form SCCL 02.06 available on the Lear website <http://lear.covisint.com>.
- 4.4.6) A Supplier must provide a status report weekly, detailing where shipments are located and ETA Date at the Lear receiving facility for Carriers and Logistics Routes under a Supplier's control and responsibility.
  - 4.4.6.1) Shipment Status to be reported by a Supplier on Form SSS 02.06 available on the Lear website <http://lear.covisint.com>.
- 4.4.7) Premium freight shipments that are the responsibility of a Supplier must be paid by the Supplier for full cost of the shipment because of the Supplier causing the need for the premium freight shipment.
- 4.4.8) All Carriers (Land, Sea and Air) that are considered the responsibility of a Supplier must be C-TPAT certified.

#### 4.5) Packaging

- 4.5.1) A Supplier must comply with the Standard Pack quantities defined by the Lear receiving location.
- 4.5.2) A Supplier must comply with the Lear defined container as established by the Lear receiving location.
- 4.5.3) A Supplier must comply with the Lear defined Label Specifications as established by the Lear receiving location.
  - 4.5.3.1) Label specifications must conform to AIAG standards
- 4.5.4) A Supplier must package the shipment when using air transportation to protect it from damage, including:
  - 4.5.4.1) Protect material from dirt, oil and grease.
  - 4.5.4.2) Protect material from water and moisture
  - 4.5.4.3) Protect material from excessive and harsh handling.
  - 4.5.4.4) Package in units that can be handled and moved by two individuals without need for equipment.
- 4.5.5) If returnable containers are to be used for a product supplied by a Supplier, responsibility for purchase, management and replenishment of returnable containers will be negotiated on a case by case basis between Lear Purchasing and a Supplier.

#### 4.6) Customs



- 4.6.1) A Supplier must accept any Customs responsibility as established by Lear. Responsibility for management and cost of Customs clearance at point(s) of entry will be defined by Lear Corporate Logistics and Lear Customs.
  - 4.6.1.1) Lear Customs and Corporate Logistics will establish whether a Supplier or Lear will be responsible for managing, controlling, clearing and ensuring compliance with Customs requirements at a port of entry.
  - 4.6.1.2) Responsibility for Customs clearance will be determined based upon Origin/Destination and transportation route from Supplier to Lear facility.
- 4.6.2) A Supplier is responsible for complying with applicable Customs' rules and regulations for shipments, on entering and exiting country of the Lear receiving facility location.
- 4.6.3) A Supplier must be C-TPAT certified and conform to all security standards as defined in the C-TPAT program.
- 4.6.4) A Supplier must have on-site support at the Lear facility's Custom's location and/or the port of entry where an issue exists within four (4) hours of notification.

#### **4.7) Quality**

- 4.7.1) A Supplier must comply with all Quality Standards, Processes and Procedures as defined by the Lear Global Supplier Requirements Manual located at <http://lear.covisint.com>.
- 4.7.2) Supplier Quality Issues requiring sorting must be conducted at a facility off site from the Lear facility that is selected and paid for by a Supplier.
- 4.7.3) A Supplier must issue an RMA to the Lear receiving facility for any material rejected due to quality issues within twenty four (24) hours of the rejection notification.
- 4.7.4) A Supplier must have on-site support at the Lear facility or at the Lear Customer's facility within four (4) hours of notification.

#### **4.8) Past Model Service**

- 4.8.1) A supplier must comply with Lear/OEM Past Model Service Conditions, including:
  - 4.8.1.1) Support Period
  - 4.8.1.2) Price

- 4.8.1.3)** Reaction Time (The time required to procure raw materials and/or time required to produce and ship the product which must not exceed the time required to perform the aforementioned, for the product when it was active.)
- 4.8.1.4)** Tooling Retention Period
- 4.8.1.5)** A Supplier must recognize that a part becomes past model on the first work day after the last OEM Assembly Plant ceases use of the part in its production build.
- 4.8.1.6)** A Supplier must utilize a Standard Pack of one (1) when providing a past model service order.
- 4.8.1.7)** Additional information is contained in the Lear Corporation Purchase Order Terms and Conditions available on the Lear website <http://lear.covisint.com>.

#### **4.9) Premium/Downtime Costs**

- 4.9.1)** Any Supplier caused disruption resulting in premium freight or downtime cost to Lear or its Customer, is a Supplier's responsibility. In the case of premium freight, a Supplier is responsible for both inbound to the Lear receiving facility and outbound from the Lear facility to its Customer.
- 4.9.2)** Failure by a Supplier to provide written advanced notice of a potential supply disruption, resulting in premium freight or downtime cost at Lear or its Customer, is a Supplier's responsibility; in the case of premium freight, a Supplier is responsible for both inbound premium freight to the Lear receiving facility and outbound premium freight from the Lear facility to its Customer.
  - 4.9.2.1)** A Supplier must report any potential supply disruptions along with any requests for premium freight authorization on form PSDPR02.06 available on the Lear website <http://lear.covisint.com>.
- 4.9.3)** Lear does not accept responsibility for premium costs associated with maintaining supply of material from a Supplier that falls behind schedule due to a schedule increase driven by an OEM Customer. If an OEM schedule change drives the need for premium freight to or from a Supplier, Lear will not pay any premium costs to a Supplier, if the OEM Customer does not provide payment to Lear for such costs.

#### **4.10) Engineering Change Notice**

- 4.10.1)** A Supplier must not act on an Engineering Change Notice without proper written authorization from Lear Corporate Purchasing and the Lear receiving facility controlling the change.
- 4.10.2)** A Supplier will be required to provide information relevant to the Engineering Change Notice to include, inventory levels on old part numbers, final accumulated quantity that will be shipped, initial ship date for new part numbers, confirmation that volumes for new part numbers can be met without issue, PPAP Approval plan for new part numbers, plus any other additional information deemed relevant to the Engineering Change Notice as defined by Lear.
  - 4.10.2.1)** A Supplier will need to provide preliminary information to define when a change can occur
  - 4.10.2.2)** A supplier will provide information to finalize when the change will occur
    - 4.10.2.2.1)** Obsolescence in excess of the final numbers used to determine when the break occurs, will be the responsibility of a supplier
    - 4.10.2.2.2)** Failure to meet ship requirements on a new part number based upon a suppliers plan to release initial shipments will result in all premium costs being charged to the supplier
- 4.10.3)** Any tooling requirements related to the change in part numbers must be communicated to the controlling Lear organization along with a plan that shows when the tooling will be in place and ready to produce PPAP approved parts.
  - 4.10.3.1)** A supplier is required to maintain any tooling paid for by Lear
  - 4.10.3.2)** Tooling cannot be moved to another Supplier facility without Lear written approval and a plan provided by a Supplier showing how material flow will not be interrupted; material flow interruption will result in a Supplier absorbing all premium costs associated with maintaining supply to the Lear Customer.
- 4.10.4)** Any plan or information submitted by a Supplier that will not be met, must be communicated to Lear with sufficient lead-time to prevent the generation of premium costs.
  - 4.10.4.1)** Lear will determine if the change in plan was submitted in time to prevent any premium cost generation; a Supplier will be responsible for any premium costs if Lear determines the change in plan was submitted too late to prevent premium costs.

**4.11) Performance Metrics**

- 4.11.1)** Supplier metrics will be based upon a predetermined performance level, including:
- 4.11.1.1)** Supplier Delivery (Part Numbers Shipped to Requirements)
  - 4.11.1.2)** On Time Delivery (Shipments that arrive on time)
  - 4.11.1.3)** Shipping Discrepancies
  - 4.11.1.4)** ASN Accuracy
  - 4.11.1.5)** ASN's Received on Time
- 4.12) Obsolescence Claims & Payment**
- 4.12.1)** A Supplier must use the Authorizations appearing in the 830 Weekly Schedule Release for calculation of an obsolescence claim. Obsolescence Claim responsibility is determined based upon the Accumulated Shipped for a part number and the part number's Accumulated Fabrication (Finished Goods) and Accumulated Material Authorizations (Work In Process and Raw Material) appearing in the 830 Weekly Schedule Release.
- 4.12.2)** A Supplier agrees that obsolescence claim payments from Lear, payment will not be released until Lear has received payment for the obsolescence claim from the OEM. Lear will not release any funds in payment of obsolescence claims to a Supplier until the OEM has paid Lear.
- 4.12.3)** A Supplier cannot submit an obsolescence claim until all the OEM Assembly Plants that use the part number build out. Only after the part number is considered inactive for current production can a claim be submitted.
- 4.13) Miscellaneous**
- 4.13.1)** A Supplier must use Lear established Units of Measure and Currency.
- 4.13.2)** A Supplier must comply with any requirements the OEM requires of Lear.
- 4.13.3)** A Supplier must accept Pay on Consumption at Lear facilities using this method of payment.
- 4.13.4)** A Supplier will only be paid for overtime expenses if the OEM or the Lear Customer pays Lear for the costs. The expectation of Lear is that a Supplier works whatever overtime is required to support schedule requirements.



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- 4.13.5)** A Supplier will not move any business to another manufacturing facility either internal to a Supplier's organization or external to a Supplier's organization, without providing a plan to Lear and having written approval to make the move of manufacturing location.
- 4.13.6)** Lear reserves the right to change or alter the requirements in this document as deemed necessary by Lear. Any change in business practices by an OEM can override the requirements in this document as deemed necessary by Lear. Only Lear can authorize adjustments to this document and the authorization must be in writing for the adjustment to be recognized by Lear. Authorizations must come from a Lear Vice President or higher level to be considered binding.