

**EXHIBIT 1 TO LEAR CORPORATION PURCHASE ORDER AND CONDITIONS**

<b>Title:</b> Warranty recovery <i>vis-à-vis</i> Customers and suppliers	<b>Number:</b> QA-507	
<b>Object:</b> Divisional Procedure	<b>Revision:</b> A	
<b>Prepared by:</b> Barberis – Palumbo – Candeago	<b>Effective from:</b> 10/02/03	
<b>Approved by:</b> A. Cacace	<b>Previous revision:</b> 27/02/02	
<b>Entity:</b> Central Quality	<b>Page:</b> 1 of 3	
Changes:	Controlled by: Q. S.	

**1.0 PURPOSE:**

The purpose of this document is to define the operational methods for properly managing and allocating the warranty costs resulting from Lear's product support network as well as from the consequent plans concerning product/process improvement.

**2.0 SCOPE OF APPLICATION:**

This Procedure shall apply to the Parts supplied by Lear's Italian plants to Lear's car manufacturing Customers in the warranty period granted to their final Customers/users.

**3.0 DEFINITIONS:**

**WARRANTY RECOVERY:** technical meeting during which first and second-level analyses are carried out in order to ascribe liability for the anomalous parts being analysed.

**DEALERS:** car support network

**LEAR:** Lear Corporation's Italian plants manufacturing seats and car interiors (Internal Product Division)

**PARTS:** components and/or groups supplied by Lear to its Customers

**QUALITY:** Central Quality and/or Plant Quality departments.

**4.0 LIABILITY:**

The management of the warranty recovery process in relationships with LEAR's Customers and Suppliers shall be left in charge of the competent Lear plants, which shall coordinate with Lear's Central Quality in close cooperation with Engineering and Finance Management departments.

**EXHIBIT 1 TO LEAR CORPORATION PURCHASE ORDER AND CONDITIONS**

<b>Number:</b> QA-507	<b>Revision:</b> -	<b>Page:</b> 2 of 3
-----------------------	--------------------	---------------------

**5.0 REFERENCES**

Warranty Recovery Process Flow-Chart, QA-507-a.  
Sample analysis chart for warranty recovery *vis-à-vis* suppliers (Customer's document).  
Minutes of Warranty Recovery Meeting (Customer's document).  
Technical Chart concerning Lear's warranty recovery *vis-à-vis* Suppliers, QA-507b.  
Minutes of Warranty Committee Meeting, QA-507-c.  
Technical Meeting Calling Letter, QA-507d.  
Warranty Recovery Valorisation, QA-507e.  
Warranty Recovery Economic Definition, QA-507f.  
"Product/Process Improvement" Procedure QA-504.

**6.0 SOURCES:**

Central Quality is competent to provide additional information about this Procedure.

**7.0 PROCEDURE:**

7.1 Following collection of a sample from dealers, Lear shall be contacted by the Customer's Quality Management/Product Quality departments in order to proceed with the technical assessment.

This procedure consists of one or more meetings during which first and, if necessary, second-level analyses are carried out on Parts (in cooperation with Lear's Engineering and Labs or the Suppliers, as needed) in order to identify the percentages of defective components ascribable to LEAR and/or those ascribable to the Customer.

After having agreed upon such percentages, the Quality department shall execute on Lear's behalf the technical minutes concerning the joint technical assessment.

LEAR's Sale department and Quality department shall settle the related economic issues whilst establishing the methods for charging the different Customers.

If necessary, the Central Quality may calculate and allocate the value pertaining to each of the Lear production units involved, providing the Finance department with the related results.

The Finance department shall issue the debit note related to the plants involved, which shall enter the final costs indicated in the debit note as "Non-Quality Costs."

**Warranty recovery *vis-à-vis* suppliers**

7.2 The Quality department shall recover and store the materials in a Lear- dedicated area, whilst dealing with the related documentation supplied by the Customer.

Subsequently, it shall subdivide all the materials into macro-categories (frameworks, padding, mechanisms, covers, boards, roofs, decks, sun visors and miscellaneous per each model).

**EXHIBIT 1 TO LEAR CORPORATION PURCHASE ORDER AND CONDITIONS**

<b>Number:</b> QA-507	<b>Revision:</b> -	<b>Page:</b> 3 of 3
-----------------------	--------------------	---------------------

Materials shall then be examined and allocated to the various suppliers and/or inter-company, with results to be recorded per each component in the specific Technical Chart concerning Lear's warranty recovery *vis-à-vis* Suppliers, QA-507b.

Afterwards, the Quality department shall prepare a notice of call of a Technical Meeting, QA-507d to be sent to the relevant Suppliers.

Subsequently, the Quality department shall define the liability percentages and calculate the related value, using the different Customers' parameters and assessments.

The percentages shall be formally recorded in the Minutes of the meeting of the Warranty Recovery Committee, QA-507c, while the economic values shall be entered in the specific QA-507e form.

- 7.3 During the following technical meetings, the Quality department shall agree with suppliers and/or internally upon the allocation of the liability for the non-conforming parts. If needed, they shall carry out additional technical assessment in cooperation with the dedicated entities and calculate the related economic values.

At the end, the calculations shall be formally entered in the Warranty Recovery Economic Definition form (Qa-507f), to be jointly executed by Lear Quality department and the Supplier as confirmation and full acceptance.

- 7.4 Said form containing the economic values shall be sent by the Quality department to Finance Department.  
The Finance department shall issue the debit note *vis-à-vis* Suppliers.  
The recovered amount shall be transferred by the Finance department to the different plants based on their claims.

- 7.5 In the event a supplier does not accept the Warranty Recovery Economic Definition form, the Quality department shall suspend negotiations and file a request for New Business Hold against such supplier. The New Business Hold process shall end after the positive settlement of the dispute.

After a positive settlement of the dispute, paragraph 7.4 shall apply.

- 7.6 In case of anomalies, the Central Quality shall verify any progress of the ongoing improvement activity, if any, or shall commence a procedure for requesting the product/process improvement (QA-504) that involves the relevant production plants and Lear's Engineering, SQA and PMs.

**WARRANTY RECOVERY  
PROCESS FLOW-CHART**

WARRANTY RECOVERY VIS-A-VIS SUPPLIERS

*Phase 4*

WHO	WHAT	HOW	WHEN
<p>QUALITY DEPT.</p>	<p>VALORISATION BASED ON LIABILITY PERCENTAGES AND CUSTOMER'S PARAMETRES, AND SHARING LIABILITY WITH THE SUPPLIER</p>	<p>THROUGH AN ANALYSIS OF FIAT'S ECONOMIC DATA QA-507c – QA-507e – QA-507f</p>	<p>3 DAYS</p>
<p>QUALITY DEPT.</p>	<p>IS THE DEFINITION ACCEPTED BY THE SUPPLIER?</p>	<p>YES</p>	<p>NO</p>
<p>QUALITY DEPT.</p>	<p>A "BUSINESS HOLD" PROCEDURE IS COMMENCED AGAINST THE SUPPLIER</p>	<p>LETTER INFORMING THE COMMENCEMENTS "NEW BUSINESS HOLD"</p>	<p>1 DAY</p>
<p>QUALITY DEPT.</p>	<p>SETTLEMENT OF THE DISPUTE</p>	<p>NEGOTIATIONS</p>	<p>1 DAY</p>
<p>QUALITY DEPT.</p>	<p>DEFINING THE METHODS FOR MONETARY RECOVERY</p>	<p>NEGOTIATIONS</p>	<p>1 DAY</p>
<p>FINANCE DEPT.</p>	<p>ISSUANCE OF A DEBIT NOTE VIS-A-VIS THE SUPPLIER</p>	<p>DEBIT NOTE</p>	<p>1 DAY</p>
<p>FINANCE DEPT.</p>	<p>ISSUANCE OF A CREDIT NOTE VIS-A-VIS THE PLANTS FOR THE "RECOVERED AMOUNT"</p> <p>END</p>	<p>CREDIT NOTE</p>	<p>1 DAY</p>

LEAR CORPORATION Product Quality - Warranty	<b>WARRANTY RECOVERY ..... MODEL .....</b>											
	Recovery Ref: _____ of:			Lot no:		Year Period:			Supplier:			
Setting:				Component:					No. of cases:			
Customer Ref.:												
Production Date:												
ANOMALY FOUND:												
ANOMALY IDENTIFIED/CONFIRMED BY THE SUPPLIER:												
IMPROVEMENT												
YES		NO										
DATE AND SIGNATURE OF THE SUPPLIER FOR ACCEPTANCE				SAMPLES EXAMINED				DATE AND SIGNATURE OF LEAR FOR ACCEPTANCE				
				SAMPLES ACCEPTED								
				SAMPLES UNACCEPTED								

**Date:**

**MINUTES OF THE MEETING OF THE WARRANTY RECOVERY COMMITTEE**

**Supplier:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**A definition has been agreed upon with** \_\_\_\_\_ **Company:** \_\_\_\_\_

**For LEAR:** \_\_\_\_\_

**AS TO THE QUANTITIES OF THE ANOMALOUS PARTS ASCRIBABLE TO SUPPLIER'S LIABILITY, REPLACED ON CARS COVERED BY WARRANTY AND SETTLED IN THE PERIOD: MODEL:**

FIAT R E C O V E R Y	PART REQUIRING INTERVENTION		SAMPLE AREAS			FIAT NETWORK TOTAL			NOTES
	FIAT-GECMA DESCRIPTION	NUMBER OF PARTS	TOTAL NO. OF ANALYSED CASES	TOTAL NO. OF CASES ASCRIBABLE TO LEAR	%	TOTAL NO. OF INTERV. IN ITALY	TOTAL NO. OF INTERV. ABROAD	NO. OF CASES ASCRIBABLE TO LEAR	

L E A R R E C O V E R Y	PART REQUIRING INTERVENTION		SAMPLE AREAS			NETWORK TOTAL		
	SUPPLIER ANOMALY DESCRIPTION	NUMBER OF PARTS	TOTAL NO. OF CASES ASCRIBABLE TO LEAR	TOTAL NO. OF CASES ASCRIBABLE TO THE SUPPLIER	%	TOTAL NO. OF INTERV. AT LEAR'S EXPENSE WORLDWIDE	NO. OF CASES ASCRIBABLE TO THE SUPPLIER	

CENTRAL QUALITY

SUPPLIER INSPECTORATE

SUPPLIER

# LEAR

CORPORATION

## QUALITY MANAGEMENT

### PRODUCT QUALITY - WARRANTY

Secretary Office Tel.

Secretary Office Fax

Secretary Office e-mail

Turin \_\_\_\_\_

To: \_\_\_\_\_

F.A.O. Mr. \_\_\_\_\_

Copy to: **Quality Management**

F.A.O. Mr. Cacace

#### Supplier Inspectorate

F.A.O. Mr. \_\_\_\_\_

#### Purchase Manager

#### Plant Quality

F.A.O. Mr. \_\_\_\_\_

#### Sale Manager:

#### Engineering

F.A.O. Mr. \_\_\_\_\_

### Notice of Call for a Technical Meeting

SUPPLIER:

PRODUCT LINES:

TRADEMARK:

CAR:

YEAR:

A TECHNICAL MEETING IS CALLED FOR [DAY] AT [TIME] AT [PLACE] FOR JOINT ANALYSES IN VIEW OF PRODUCT IMPROVEMENT AND TO ALLOCATE LIABILITY FOR PARTS RETURNED FROM DEALERS

ANY SUPPLIER WHO CANNOT ATTEND THE MEETING IS REQUIRED TO ASK THIS DEPARTMENT FOR AN ADJOURNMENT.

BEST REGARDS

**WARRANTY RECOVERY – YEAR \_\_\_\_\_**

**Supplier \_\_\_\_\_**

**Model \_\_\_\_\_ Total EUR \_\_\_\_\_**

**Model \_\_\_\_\_ Total EUR \_\_\_\_\_**

**Model \_\_\_\_\_ Total EUR \_\_\_\_\_**

**Model \_\_\_\_\_ Total EUR \_\_\_\_\_**

**Model \_\_\_\_\_ Total EUR \_\_\_\_\_**

**Model \_\_\_\_\_ Total EUR \_\_\_\_\_**

**Model \_\_\_\_\_ Total EUR \_\_\_\_\_**

**Total Recovery EUR \_\_\_\_\_**



**LEAR**  
CORPORATION  
Product quality / Warranty

\_\_\_\_\_

**WARRANTY RECOVERY ECONOMIC DEFINITION – YEAR \_\_\_\_\_**

**Components of supplier \_\_\_\_\_**

Attendees: \_\_\_\_\_ Supplier

\_\_\_\_\_ Supplier

\_\_\_\_\_ **Lear Quality Dept.**

The Warranty Recovery relating to supplies for the year \_\_\_\_\_

for supplier \_\_\_\_\_ amounting to EUR \_\_\_\_\_ =

It is jointly agreed that

supplier \_\_\_\_\_'s liability is equal to EUR \_\_\_\_\_ =

In reference to the remainder amount equal to EUR \_\_\_\_\_ =, it is agreed and established that no elements emerged such as to ascribe any defect to supplier's components.

Supplier \_\_\_\_\_ shall acknowledge an amount of EUR \_\_\_\_\_ = *vis-à-vis* Lear as a recovery for the year \_\_\_\_\_ to settle defects according to the methods to be agreed upon with the Purchase Dept.

NOTES:

Accepted:

LEAR Corporation

Supplier

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_