

Revision	Release Date	
1	13-Oct-2021	<ul style="list-style-type: none"> Initial Release
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Prepared		Approved	Released
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Approval records maintained by BOS Team			

1.0 Purpose

This standard communicates RECARO’s minimum set of requirements to the suppliers. It is the expectation of RECARO that all suppliers - Direct and Indirect, Supply Chain and Tooling, Machinery & Equipment - comply with all the requirements and expectations documented in the Global Supplier Standards Manual (GSSM)

2.0 Scope

This standard applies to all RECARO 3rd party suppliers.

3.0 Responsibility

All external suppliers (Direct and Indirect, Supply Chain and Tooling, Machinery & Equipment Suppliers) are expected to comply with all requirements and expectations documented in the GSSM.

Suppliers are responsible for reviewing new and revised RECARO Requirements including Customer Requirements and determining the impact on their Quality Systems and promoting awareness of the GSSM at their locations

Each Direct and Indirect, Supply Chain and Tooling, Machinery & Equipment Supplier is expected to comply with all requirements and expectations documented in RECARO’s Global Supplier Standards.

4.0 Process

4.1 Supply Chain Management Expectations Introduction

4.1.1 Introduction: The supply chain organization at RECARO contributes to manufacturing excellence in quality, cost and delivery to the customer. In particular, the supply chain function assures the on-time delivery of component material and shipment of finished goods at the lowest cost.

Continuous improvement in our global supply chain systems is, and will continue to be, a competitive advantage for RECARO. This advantage is created through the engineering and design of Lean Replenishment and Logistic Business processes, which are enabled through effective application of Lean Technologies. To fully leverage the potential of these innovative systems and processes, the knowledge and capabilities of our extended enterprise must be flexible and capable of meeting our replenishment requirements.

Total Supply Chain Management is achieved through the execution of comprehensive, common business processes and systems such as:

- IATF16949 standards
- AIAG Materials Management Operating Guidelines
- RECARO (RECARO) Business Operating System (R-BOS)

The following are critical supply chain elements that must be in place to execute flawlessly:

- Communicate electronically between suppliers and customers
- Implement/Utilize Lean Manufacturing practices
- Analyze demand (830, 862, 866, etc.) –
 - Understand and react to schedule variation week to week
 - Reconcile Cums weekly
 - Compare demand to capacity
- Proactive communication through the supply chain when there are potential issues in meeting demand requirements
- Ship according to the transportation routing instructions
- Respond to the Customer specified replenishment method(s) and establish Replenishment processes to assure on-time delivery from the extended supply chain
- Respond to “issue communication” tools (DMR, MQR, etc.)
- Development of team members which focuses on: Process knowledge, technical capability, problem solving skills, and leadership ability
- Implement repeatable processes that minimize human intervention, and audit them to assure conformance using the MMOG (External supplier) or MMSA (Internal RECARO Supplier)
- Identify and measure key metrics on a monthly basis, with an emphasis on corrective action planning to address metrics that don’t meet goals

4.1.2 Scorecard Performance: There are the following areas that RECARO measures to review supplier performance within Supply Chain Management.

Metric	Points	Chapter	Description
DMRd Score	8	DMRs	Measures on time delivery
DMRi Score	5	DMRs	Measures accuracy of shipment information
ASN Compliance	5	Electronic Commerce	Indicates whether a supplier provides ASNs with every shipment
Trade Agreement	2	Free Trade Agreements	Measures compliance to annual NAFTA submission requirements or other global Trade agreements

Global Supplier Standard Supply Chain Management				RECARO
Proprietary and Confidential	R-PSOS-ST-13-E	Rev 2.0	Page 3 of 29	

The chapters contained in the RECARO Supplier Standards manual will instruct you on our expectations for your performance in order that together we may create a supply chain that executes flawlessly each and every time.

4.2 Electronic Commerce

4.2.1 Introduction

Electronic Commerce Requirements - RECARO and our automotive customers require EDI (Electronic Data Interchange) to be utilized by all suppliers throughout the Supply Chain. This includes the ability to receive releases (830 - weekly, 862 – daily), and send ASNs (856).

All of our initiatives, policies, and transaction sets comply with the guidelines set forth by the Automotive Industry Action Group (AIAG) / VDA. Our suppliers must have the capability to interface with us in one or more of the following options:

- Traditional EDI package
- Visibility tool (i.e., i-Supply) (Not applicable South America)
- 3rd party provider (i.e., Covisint) (Not applicable South America)

Any updates, new releases, system changes, etc. will be communicated to our partner suppliers by the RECARO Supply Chain Management and Purchasing organizations.

All suppliers must develop a contingency plan for their primary EDI system. This allows us to keep both product and information flowing if the primary system fails for any reason. To inquire about the specific details of using EDI with RECARO, please contact your Regional RECARO Materials Analyst via e-mail. Or preferred e-mail for materials department in each region.

- **NA**
- **EU**
- **JPN**

4.2.2 Advanced Shipping Notice (ASN): An ASN is the electronic transfer of shipment data from a supplier to a customer. The customer plant utilizes the information contained within the ASN in three ways:

- Determine and confirm goods in transit.
- Verification against the shipment as product is received.
- If the supplier is ERS (evaluated receipt settlement) approved, the ASN serves as an electronic invoice that will generate payment to the supplier.

Accuracy is imperative in order to maintain the integrity of information related to inventory records, MRP/supplier schedules, and invoice payments. ASN timeliness is critical to information accuracy and functionality. Failure to send ASN's will result in non-compliance on your Supplier Scorecard, the issuance of a DMR (discrepant material report), and the potential for a charge-back.

The ASN must be created upon finalization of the shipment and be received by RECARO within one hour from the time the shipment leaves the supplier's shipping location, or prior to its arrival at the RECARO plant, whichever is earliest.

All shifts in a facility must be capable of sending the ASN to meet these requirements. Confirmation of ASN receipt is available to suppliers (contact the RECARO plant for availability). In order for the ASN to be successfully transmitted to the RECARO plant, the ASN must contain all of the SPECIFIED INFORMATION listed below. ASN's received without a BOL number will fail our rules and not be received, and a DMR will be issued for failure to send an ASN.

1. BOL Number (Bill of Lading)
2. Shipment date/time
3. Gross weight of shipment
4. Net weight of shipment
5. Total Bill of Lading quantity (e.g., # of cartons)
6. Standard Carrier Alpha Code (SCAC)
7. Mode code (e.g., "E" for expedite, "A" for air, etc.)
8. Pool points location (if applicable)
9. Trailer number (or air bill if it's an air shipment)
10. Packing slip number(s)
11. Ship from location (our supplier code or supplier DUNS Code)
12. Ship to location(s) (our plant code(s) including dock code(s)) or DUNS Code
13. Part number
14. Engineering change level (Part)
15. Quantity shipped
16. Unit of measure
17. Purchase order number
18. Number of cartons shipped of each part
19. Quantity per carton EDI SPECIFICATIONS

Note: Additional requirements may be communicated to the supply base, dependent on the OEM customer's specific requirements.

4.3 International Shipping

4.3.1 International Shipping Introduction: The purpose of this section is to provide suppliers of RECARO with a better understanding of their responsibilities as exporters and suppliers. Our goal is to ensure that suppliers are aligned with the procedures of RECARO as we strive to adhere to Customs Regulations.

This section contains information regarding:

- Shipment requirements for exports to RECARO
- Warehouse & inventory requirements for international shipments
- Documentation requirements

Each supplier to RECARO, is responsible for complying with all customs laws and regulations as it relates to their activity with RECARO. This includes, but is not limited to, the items outlined in this manual.

4.3.2 Incoterms: RECARO uses INCOTERMS 2010 for its standard. The incoterm for each supply chain is negotiated at the time of the contract and will be stated on the Purchase Order when issued to the supplier.

4.3.3 Warehouse and Inventory Requirements: In order to minimize the risk of an inventory stockout and to support lean manufacturing, our strategy is to utilize a regional warehouse/domestic pick-up point to manage and retain buffer stock inventory for certain international supply chains.

A supplier may manufacture in another country, but they are expected to import to their own domestic warehouse or distribution center. RECARO will then pick up the freight at the named domestic facility. If a supplier does not have a domestic presence, RECARO will be the importer and will recommend the 3rd party warehouse provider with whom the supplier should contract to manage the buffer stock. RECARO will determine on a case-by-case basis when this requirement is necessary and will notify the supplier to implement these requirements.

4.3.4 Customs Brokers: RECARO has designated Customs Brokers to clear shipments on our behalf. Suppliers must use the designated broker as per the routing instructions set forth by RECARO's corporate offices.

4.3.5 International Shipment Documentation: Suppliers are responsible for providing complete and accurate documentation for all international shipments. Documents must be sent with each cross-border shipment. Documents include, but are not limited to, the Bill of Lading, Packing List, Commercial or Invoice, and a Certificate of Origin (NAFTA or other as requested) where applicable. Incomplete or inaccurate documents may delay the timely delivery of product to an RECARO's facility; therefore, failure to supply complete and accurate documentation will result in a supplier DMR and a debit for the cost incurred in a delayed shipment.

4.3.6 Valuation of Merchandise: Suppliers are responsible for stating the proper value of the product being shipped per the terms and conditions of your contract with RECARO. Failure to do so may result in a DMR and subsequent DMR debit charge.

4.3.7 Commercial Invoice: A commercial invoice shall accompany each export to an RECARO facility. Data required on the Commercial Invoice is as follows:

1. Port of entry to which the merchandise is destined.
2. Consignee (Ship to) complete name and the plant ID #
3. Bill to name, address, and tax ID#
4. Shipper address, Tax ID#, contact name, email, and phone number
5. Ship date
6. A complete detailed description of the merchandise, including the RECARO part number. It is critical that the RECARO part number is listed so that RECARO, as the importer, can apply proper HS Classification and FTA eligibility. Do not modify the RECARO part number (e.g., add a suffix or prefix). If shipment involves equipment, the invoice must also include the serial #, make # & model # and manufacture date.
7. Quantities, weights (net and gross) and unit of measures of the merchandise shipped. (e.g., liters, gallons, kilograms, lbs...)
8. Purchase price in the currency of purchase. Value of each item in the currency in which the transactions are usually made.
9. Currency (USD, EURO, PES, etc.)
10. All charges upon the merchandise itemized by name/category and amount. (Rebates, drawbacks, bounties, separately itemized, allowed upon the exportation of the merchandise)
11. Country of origin for each part listed
12. Assists, dies, molds, tools, engineering work and cost associated.
13. Tariff classification number (HTS)
14. Incoterms and stated place

Global Supplier Standard Supply Chain Management				RECARO
Proprietary and Confidential	R-PSOS-ST-13-E	Rev 2.0	Page 6 of 29	

15. Invoice #
16. Signature/Endorsement of shipper

17. Other specific country or regional requirements will be communicated by the region RECARO Trade compliance team.

The commercial Invoice and all attachments must be in the language appropriate for the country of importation. When the above contents are excluded from the invoice, the customs clearance of the shipment may be delayed. Often times a shipment is flagged for examination by customs due to the absence of values, description, and country of origin.

Special Notes:

- Equipment must be invoiced separately from Raw Material.
- Equipment must be separated on different skids from Raw Material
- Invoices must be sent at the time of dispatch of the shipment from origin with an ETA report (Estimated Time of Arrival), specifying the following:
 - Trailer Number
 - Quantity of bundles or skid
 - Time of estimated arrival

4.3.8 Country of Origin Marking: Every article of foreign origin (or its container) shall be marked in accordance with the regulations of the importing country.

4.3.9 International Shipment Checklist

1. Completed Bill of Lading with the name and address of the shipper, the consignee, and the broker. This must be the same BOL # as on the ASN.
2. Completed Packing List
3. Completed Commercial Invoice per guidelines listed above.
4. Completed Certificate of Origin or FTA certificate as needed.

4.4 Shipping and Replenishment Performance

4.4.1 Introduction: The standard for RECARO suppliers is 100% on time arrival of all parts required by the RECARO manufacturing site. This means shipping the correct quantity of the correct product to the correct location according to the designated replenishment method. It is mandatory that the supplier contact the RECARO plant immediately upon recognition of an issue if the release schedule cannot be met. The supplier shall have a process in place to ensure that any potential problems that could impact the RECARO operations are communicated as soon as they are identified. Differences shall be resolved with appropriate customer contact prior to shipment time.

It is our expectation that the supplier procures/produces to the high point of the forecast for authorized raw/fab, respectively. Notify your RECARO materials manager if you receive 2 or more subsequent releases which show a decreasing authorization.

Suppliers are expected to receive forecasts and releases electronically, and to process them without manual entry. Reference the RECARO Electronic Commerce document for further detail on electronic transmissions.

In the event a supplier does not receive a weekly release from RECARO, they must verify with the plant materials scheduler or manager that no release was sent, escalating the call if necessary for verification. If after multiple attempts (must include BOTH e: mail AND phone call) the supplier is not able to contact RECARO to verify release status, the supplier is authorized to use the most recent release to ship to RECARO, following established

Global Supplier Standard Supply Chain Management				RECARO
Proprietary and Confidential	R-PSOS-ST-13-E	Rev 2.0	Page 7 of 29	

guidelines for shipping to cum required by given dates.

- 4.4.2 Forecast Expectations: The forecast will grant fab & raw authorizations per the commercial terms between RECARO Purchasing and the supplier. RECARO will grant the supplier a raw and fab authorization in accordance with the authorization being provided by our customer. For example, RECARO may grant 4 weeks raw and 2 weeks fab, for a total of 4 weeks (i.e., you're authorized to convert 2 weeks of the raw, not carry an additional 4 weeks raw). This will be provided to the suppliers via EDI in their releases. Certain commodities may be granted different standards per their release. When EDI is not available alternate forms of communication will be utilized as determined by the RECARO plant. Deviations from the standard must be authorized by RECARO and will be communicated in the purchase order as well as the release.

RECARO has a central forecast department for electronic contract manufacturers. Contract manufacturers will receive periodic forecasts via e-mail which show the forecasted quantities over a predetermined horizon. The expectation is contract manufacturers will use this forecast to drive component planning/purchasing in order to meet the delivery signal sent by our manufacturing plants. The actual delivery/ship signal will be sent according to the process described below in section 5.3. This central forecast will override any EDI 830 forecast data sent by an RECARO manufacturing plant. (Not applicable South America)

Each RECARO plant may or may not require the supplier to ship according to the forecast release and will contact the supplier to set this protocol up if it's the desired method of delivery. In other words, the forecast release may also serve as the delivery signal. (Not applicable South America)

The authorization on a release is RECARO's financial commitment for released material.

Authorization for a cum amount and the lead-time required for a shipment are not synonymous. Lead-time is defined as the amount of time between recognition of an order and receipt of the order (can include manufacturing time as well as transportation time). This doesn't translate directly into the number of weeks RECARO will provide financial commitment in a cum authorization.

- 4.4.3 Shipping & Delivery: Authorization to ship specific product will be communicated to the supplier through RECARO plant designated replenishment method (MRP, KanBan, min/max, sequence). Within 90 days from SOP RECARO will notify the supplier of the designated replenishment method. During launch or pre-production, we will use MRP or spot-buys. Note: Replenishment method may vary from plant to plant. Please reference chapter 12, Replenishment Methodology, for further details on RECARO's standard replenishment tools.

A "Delivery signal" will show either a ship date or a delivery date. A delivery date defines when the goods are to be ultimately received by RECARO. A ship date indicates the date which the supplier should ship the goods. In this context the delivery date does NOT mean delivery to carrier.

The supplier is expected to understand transit time and have product ready for shipment in order to meet the delivery date on the schedule, inclusive of transit time. Contact the RECARO plant if you have any questions as to which date is being transmitted.

The supplier is required to:

1. Take ownership for all parts manufactured for RECARO.
2. Control its processes to assure that the physical shipments correspond with the RECARO demand.

Global Supplier Standard Supply Chain Management				RECARO
Proprietary and Confidential	R-PSOS-ST-13-E	Rev 2.0	Page 8 of 29	

3. Ensure movement of containers is managed within RECARO's Container Management System
4. Have the ability to meet either a 15% week to week net schedule increase or a 15% cum increase over the period authorized under the raw and fab authorization. This does not apply once the supplier has been notified of a balance out. For an example of how RECARO calculates this value, refer to the "Diamond" file attached at the end of this document.
5. Contact RECARO plant Materials Representative(s) if supplier is unable to meet the replenishment schedule and supply the following information:
 - a. Date the parts will be available.
 - b. Suppliers plan to get back on schedule. Assign the necessary resources to resolve any delivery issues.
 - c. If an established window time is missed or release schedule cannot be met, contact your RECARO plant representative for agreement on necessity of expedites.
 - d. Obtain approval from RECARO for the mode & carrier chosen. Every effort must be expended to reach agreement on the expedited freight responsibility at the time of shipment. If the supplier is responsible, the freight must be shipped "PREPAID" and the supplier may choose their logistics company; however, in North America it is strongly recommended that Active PTM (888-786-4321) is contacted. The supplier is also responsible for tracking the in-bound freight to RECARO and advising the RECARO plant Material Representatives as to shipment status.

A supplier will be held responsible for downtime and other associated costs (i.e., Premium freight or charter costs) due to their inability to meet delivery requirements, in accordance with the purchasing terms and conditions. If a supplier is behind in their ability to meet the required cum, the plant expects the supplier to have the cum caught up by the Monday following the lead time authorized. For example, if the authorization is for 6 weeks, then the supplier should have the cum required produced and delivered no later than the following Monday by 8am EST.

4.5 Labeling Requirements

4.5.1 Labeling Introduction: The adherence to these labeling requirements, as well as the packaging requirements also stated within the RECARO Supplier Standards manual, is mandatory and will be continuously monitored. Non-compliance to these instructions will be brought to your attention through the issuance of a DMR (Discrepant Material Report) by our receiving plant.

Suppliers must ensure that all materials shipped to RECARO are correctly labeled and that the labels are properly attached. When labeling, verify that there are two labels per container on adjacent corners. The label must be placed in the upper left-hand corner of the main side. Whenever possible the label printing should be a bold black type with at least 25mm high letters. No more than one-part number is to be packaged in a container or shipped on a pallet (unless noted as a mixed pallet). Supplier owned packaging with "Return to" labels must be located in a clearly visible area that does not interfere with the production identification labels.

Label protection against moisture, weathering, abrasion, etc., may be required in harsh environments and is encouraged wherever practical. Care must be taken to assure that labels meet reflectivity and contrast requirements and can be scanned with contact & non-contact devices.

It is the supplier's responsibility to remove labels on returnable containers & affix a new label prior to shipment unless prior arrangements have been made with the RECARO receiving plant.

Global Supplier Standard Supply Chain Management				RECARO
Proprietary and Confidential	R-BOS-ST-13-E	Rev 1.0	Page 9 of 29	

4.5.2 Part Shipping Labeling: All labels affixed to a container must contain the following information:

1. RECARO Part Number
2. Quantity
3. RECARO Supplier ID Number
4. Label Serial Number
5. Part Description
6. MFG Date (manufacturing date)
7. Part Revision Level
8. Lot Number/Batch Number/Heat Code/Etc.
9. International Build Statement (i.e., Made in Mexico) (Mandatory for Parts Crossing Borders)
10. Manufacturing Address (Actual address of supplier's final assembly plant - name should Mirror RECARO scorecard plant location description to the fullest extent possible)

All containers must have the final RECARO destination information affixed either as a master label on the skid or within their standard label format affixed to each container. Data required includes RECARO site name, RECARO site number (when known), Address, city, state, and postalcode. An example of an acceptable label is at the end of this section.

Other General Label Specifications

Label Size: 4.0 inches (102mm) high by 6.0 inches (152mm) wide.

Label Color: White label with black printing (there may be some plant specific color requirements).

Adhesives: Adhesive types can be pressure sensitive or dry gummed as long as adherence to the package substrate is assured and application is wrinkle-free. Note: If labels are applied to returnable packaging, the adhesive must not leave a residue after the label is removed, and the label must be easily removed without tearing. Paper is not preferred on returnable packaging.

Data Identifiers: All barcodes must have a data identifier. For example, the part number should have a leading "P" or "Q" for quantity.

The above definition is the minimum requirements. There may be other regional or plant requirements that can be requested. Some examples include:

- 2D Barcode (See Section 5.9)
- Colored label stock
- Delivery Note/Packing Slip Number
- Storage location in the plant
- Ship-to Address of the RECARO plant the material is shipping to • Etc.

4.5.3 Master Pallet/Mixed Pallet Labeling: When multiple containers of the same part number are placed on a single pallet, each container is required to be labeled as well as a master label for the pallet. The master label should contain the words "Master Label" and be placed on the outside of the shrink wrap. The individual container labels should be scanned to create the Master Label. The quantity on the master label should reflect the sum of the quantities of all of the individual container labels. See the sample below in section 5.6.

When release quantities require cartons of mixed material on one pallet, a special "Mixed Load" label and a "Master Label" for each part number and affixed on the outside of the shrink wrap must be used in addition to being labeled per RECARO Labeling Specifications. See the sample below in section 5.6.

All containers must be loaded to cubic capacity to maintain load density, package integrity, and obtain optimum transport utilization. The following criteria must be observed when shipping mixed loads to an RECARO plant:

1. Cartons must be uniform in size to maintain load stability.
2. Each pallet must have material / product for only one RECARO plant.
3. Avoid shipping less than a full layer whenever possible.

RECARO Supplier Scheduling should be contacted to establish load quantities into their releases.

For unit load packaging that is shrink wrapped, the master label and mix load labels must be applied to the outside. When individual containers are palletized and made into a unit load for mechanical handling, the master label shall be attached to two adjacent sides of the unit load.

4.5.4 International Shipment Labeling: Shipments to or from countries (e.g., Mexico, US, Canada, EU) may require special labeling, other than the Odette standard. RECARO Trade Compliance team should be contacted to assist in obtaining the proper labels required if needed.

4.5.5 Sample Shipment Labeling: When shipping sample parts for RECARO part submission or new revision level, the "Sample Part" label must be utilized and must contain the name of the site Packaging Engineer and / or the person expecting to receive the container.

Packaging Test shipments must have a "Sample Parts" identification label placed in a highly visible area and must contain the name of the site Packaging Engineer and / or the person expecting to receive the container.

RECARO's requirements for shipping labels are based on the Odette / AIAG bar-coded format. Reference the AIAG Parts Identification and Tracking Application (B-4) document and the AIAG Trading Partner Labels manual (B-10) for labeling specifications.

4.5.6 Odette, Euro-Supplier Labeling Option: RECARO recognizes the European automotive industry approved Odette transport label for the identification of packaging and container contents for suppliers located in Europe. The label is 'A5' size and has standard printing with the addition of bar coding. It may be self-adhesive for expendable packaging or can be printed on paper and placed in a pouch or affixed to the container.

4.5.7 RECARO SAP Implementation GTL Label Requirement: RECARO began rolling out SAP to its plants in 2011. With that implementation, a new requirement for using the Global Transport Label began. This replaces any of the label requirements above. If you supply any of the plants live on Saturn SAP, this requirement applies to you. The label specification can be found in the forms section of the supplier portal.

4.5.8 2D Barcode Requirements

RECARO requires a 2D barcode to be utilized on the label. Below are some of the requirements for the 2D barcode”

1. PDF417 is the required 2D barcode.



- 2. Minimum 2D barcode data content requirement:
 - a. Part Number (P)
 - b. Quantity (Q)
 - c. Serial Number (S)
 - d. Vendor Number (V)

- 3. Optional or as required 2D barcode data content:
 - a. Delivery Number (packing slip) (2S)
 - b. Manufacturing Date (12D)
 - c. Batch or Lot (1T)
 - d. Container Type (B)
 - e. Eng. Change Level (2P)

4.5.9 Label Example: The attached is a specification that can be used as a guideline in building the label format.

Table 1. Suggested LPB Character Parameters

Lines Per Block	Maximum Characters Per Line	Approximate Point Height	Approximate Height in Inches	Approximate Height in Millimeters
1 LPB	8	64	0.90	22.0
2 LPB	18	32	0.40	11.0
3 LPB	28	20	0.25	7.0
4 LPB	34	16	0.20	5.0
5 LPB	42	12	0.15	4.0
6 LPB	48	10	0.12	3.0
7 LPB	59	8	0.10	2.0
8 LPB	68	6	0.08	1.5

PDF417 2D BARCODE SYNTAX & TECHNICAL SPECIFICATIONS

Data Syntax Structure Example:



Data Syntax:

[]>^R_S 06^G_S P12345678^G_S Q160^G_S S0000123456789^G_S V5900438^R_S ^E_O_T



Syntax String References:

[]>	Compliance Indicator
R S	Record Separator
06	Data Format
G S	Group Separator
P	Part
Q	Quantity
S	Serial
EOT	End Of Transmission

Printable Characters:

ASCII / ISO646 Character	Decimal	Hex	Description
[91	3B	Part of Message Header
)	41	29	Part of Message Header
>	62	3E	Part of Message Header

Non-Printable Characters:

ASCII / ISO646 Character	Decimal	Hex	Description
R S	30	1E	Record Separator
F S	28	1D	File Separator
G S	29	1C	Group Separator
E O T	04	04	End of Transmission

Label Examples with the 2D Barcode

(P) Part No. 2264707-201B 			
(Q) Quantity 1500 	Description Camry, CVR. RR60 HV FAB/LTH		
(V) Supplier 59000438 	Mfg. Date 2015-04-05	Ship to Adient - Lakewood 204 Douglas Ave. Holland, MI. 49424, USA	
	Country of Origin MX		
(S) Serial 41366286310 	Batch / Lot 152	Ship From Adient - Tlaxcala Via Corta Puebla KKM. 20.5 St. Ana Chiahutempan San Luis Teolochoico	
	Eng Level 5		

Master Label Examples with the 2D Barcode

(P) Part No. 2264707-201B 			
(Q) Quantity 6000 	Description MASTER LABEL		
(V) Supplier 59000438 	Mfg. Date 2015-04-05	Ship to Adient - Lakewood 204 Douglas Ave. Holland, MI. 49424, USA	
	Country of Origin MX		
(S) Serial 41366286310 	Batch / Lot 152	Ship From Adient - Tlaxcala Via Corta Puebla KKM. 20.5 St. Ana Chiahutempan San Luis Teolochoico	
	Eng Level 5		

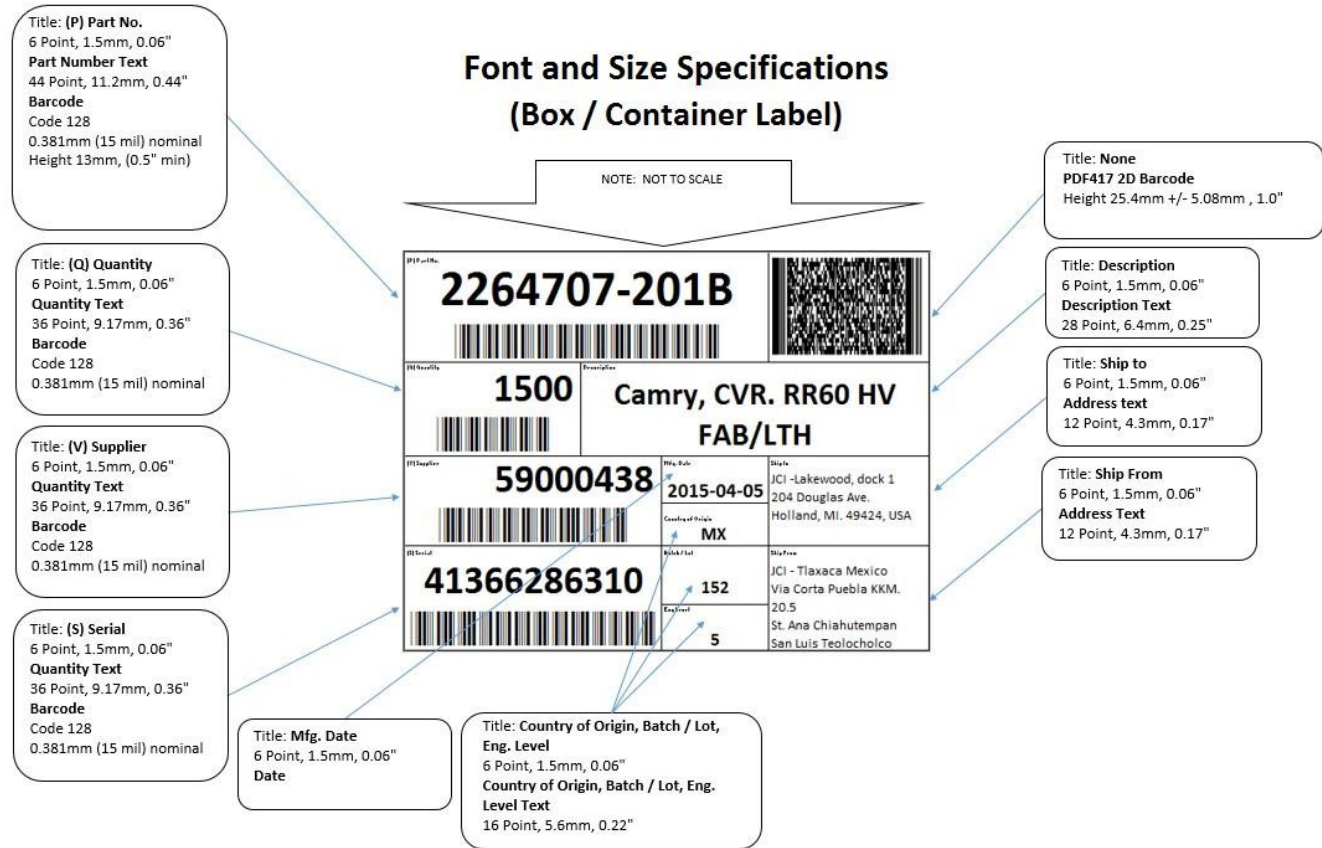
Mixed Load Label Example



Label Field and Dimension and Layout



Font and Size Specification



4.5.10 Labeling Non-Conformance Process: For suppliers that do not meet the minimum standards, the Discrepant Material Report (DMR) process will be followed. Repeat issues will be issued an MQR.

4.6 Discrepant Material Reports

4.6.1 DMR Introduction: This procedure defines the process which RECARO uses to communicate issues and monitor supplier performance with regards to accuracy of part shipments and accompanying documentation.

4.6.2 DMR Requirements: A DMR is issued when a shipment is received with one or more issues in the following categories: issues could occur at the header level, line-item level, or both. There are 2 DMR metrics which RECARO measures:

1. DMRd: Delivery performance, based on reasons shown in **bold below**
2. DMRi: Information accuracy performance, based on remaining non-bold reasons shown below.

Global Supplier Standard Supply Chain Management



Proprietary and Confidential

R-BOS-ST-13-E

Rev 1.0

Page 16 of 29

Level	Category	Definition
Header	Incomplete/Inaccurate Commercial Invoice	International shipment where the commercial invoice is missing info.
Header	Late Shipment against Defined Delivery Window/Shipping Window	Entire shipment arrives after scheduled window time and was not the fault of carrier delay
Header	Missing Commercial Invoice	International shipment that was missing a commercial invoice
Header	No ASN	Supplier doesn't send an ASN for the entire shipment, or it arrives later than the shipment. Should be used for suppliers that are ASN capable or been told to be capable and have not complied.
Header	Missing Container Management Confirmation	Supplier not adhering to RECARO regional returnable container management system
Header	Early Shipment against Defined Deliver/Shipping Window	Supplier not adhering to defined window delivery and shipping window
Header	None	
Header	No Packing slip/BOL	Missing packing slip when shipment arrives
Header	Shipping in the wrong container	Supplier shipping without approval in non-approved packaging
Header	Incorrect ASN	
Header	Incomplete Packaging Definition Approval	Supplier has not submitted packaging (PDF) for approval

Global Supplier Standard Supply Chain Management



Proprietary and Confidential

R-BOS-ST-13-E

Rev 1.0

Page 17 of 29

Header	Label Non-Conformance	Supplier not shipping to RECARO label standards
Header	Purchase Order Discrepancy	Wrong PO# shown on the packing slip or ASN.
Header	Wrong Ship-to Address	Shipment that was sent to another RECARO facility firstor paperwork lists incorrect address. DMR is issued by RECARO facility which ultimately receives it (NOT bythe facility who received it by mistake).
Header	Incorrect Freight / Routing Instruction	Shipment was delivered by the wrong carrier or through incorrect consolidation point
Line	ASN Qty Different than Packing Slip	Quantity on the ASN doesn't equal the printed quantity on the packing slip. <i>Not used for over or under shipments where a new item is shipped that didn't have an ASN.</i>
Line	Box Qty Different than Label	Quantity in the box doesn't equal the printed quantity on the label. <i>Not used for over or under shipments where a new item is shipped that didn't have an ASN.</i>
Line	Incomplete/Inaccurate Packing Slip/ASN	Parts were shipped but not listed on the packing slip/ASN, or there was missing/inaccurate data on the Pkg slip/ASN

Level	Category	Definition
Line	Incorrect Part Number on Label	Part number on the label doesn't match part number in the box
Line	Label Nonconformance	Label is not printed to RECARO standards, e.g., missing barcode, missing part #, Qty info, or CoO (Country of Origin).
Line	Late Shipment/Loading Against Defined Delivery/Pick-up Window/Shipping Window	Item arrives after scheduled window time and was not the fault of carrier delay (could be applicable to one part that was thrown on the second day's truck. Plant should not issue an under shipment DMR when the first truck arrived w/o this part).
Line	Non-conformance to Packaging Specification	Parts arrived in expendable when should have been in returnable' s. Parts arrived in wrong sized containers, etc...
Line	Over shipment	Supplier shipped more pieces than required in the release; min/max; kan-ban. Assumes the ASN showed this increased Qty and matches the shipment.

Line	Packing Slip Qty Different than Label	Packing slip shows 40 pieces, box / label shows different quantity.
Line	Purchase Order Discrepancy	Wrong PO# shown on the packing slip or ASN; wrong freight terms used for shipment
Line	Under shipment	Supplier shipped less pieces than required in the release; min/max; kan-ban. Assumes the ASN showed this decreased Qty and matches the shipment.
Line	Returnable Container Non-conformance	RECARO container assets not returned within 45 days of RECARO shipping to supplier. Failure to perform container bookings in RECARO's Container Management System
Line	Nonconformance to Packaging Specification	Parts arrived in expendable packaging rather than the returnable, or in the wrong container entirely (returnable or expendable as applicable). Missing signed/approved packaging data forms
Line	Early Shipment against defined delivery/shipping window	Supplier not adhering to defined window delivery
Line	Damaged Packaging	Component supplier that owns the transportation responsibility. Damaged packaging and components arrival at RECARO facility
Line	FIFO First in First Out Non-Conformance	Suppliers not shipping to FIFO

4.6.3 DMR Communication

DMR Communication to the Supplier

1. Receiving or Material Analysts identify information quality / shipment errors as close to the time of the receipt as possible and create a DMR issue within RECARO internal IRIS system
2. The Material Analyst reviews the shipment documentation and evidence of the error and determines whether the DMR is valid. When the Supplier Scheduler approves the issue, an e-mail notification is automatically sent to the affected supplier and any additional people the Supplier Scheduler has entered into the issue.

DMR Supplier Response Expectations

1. Upon receipt of a DMR, the supplier is required to complete a 4D within 24hrs, and if required an 8D (See below for 8D instructions).
2. If the supplier believes that the DMR is inaccurate or unsubstantiated, the supplier may dispute the issue, which then prompts the Supplier Scheduler to either agree with the dispute, reject the dispute, and return the DMR to the supplier, or override the dispute to allow the 4D to progress through the system.
3. The supplier is expected to assign an internal champion to address all DMR related issues and to provide timely and accurate responses to the issues that have been identified via

the DMR.

4. The supplier's DMR champion must track the suppliers DMR performance, drive corrective action for all DMR's and communicate improvement plans to the appropriate supplier personnel (e.g., Account Manager, Customer Service Manager, Materials Manager, etc.).

DMR 8D Supplier Response Expectations

1. Provide the requesting Material Analyst an initial 8-D complete through the first 4 steps within one business day. This should include identification of all potential causes of the problem, how the problem was communicated to the scheduler, and immediate containment actions.
2. Provide the completed 8-D to RECARO within 5 business days of the DMR. Repetitive errors or chronic problems with information accuracy may result in an MQR meeting, and if not resolved could escalate to a hold on new business for the supplier.

DMR 8D Material Analyst Responsibility

1. If the Material Analyst approves the dispute, the DMR is removed from the supplier's record and considered closed. The related DMR quantity does not count in the DMR score calculation.
2. If supplier's response (either dispute or 4D) is not obtained within one business day of issuance, RECARO will consider the DMR acknowledged and close the DMR as accepted. The quantity will count against the supplier's rating for that month, and it will be noted that the supplier did not respond or dispute.
3. If there is disagreement regarding a DMR between the Material Analyst and Supplier, the Material Analyst will elevate it to their Business Unit Supply Chain Engineer for mediation.

Corrective Action

1. Unless a dispute is accepted, the Material Analyst expects the supplier to perform corrective action. The Material Analyst reviews and tracks the corrective action submitted by the supplier for each DMR issued. The Material Analyst determines if the corrective action is effective and will close the DMR. Once a DMR is closed, it cannot be disputed, cancelled, or reversed.
2. If corrective action is not effective, the Material Analyst issues an MQR in accordance with the Management Quality Review procedure.

4.6.4 DMR Ratings and Scorecard Review: Effective 2007, RECARO has split the DMR Supplier Scorecard metric into 2 metrics:

1. DMRd – measures the delivery performance of your shipments. This score is worth 5 pts maximum in the supplier scorecard, and will sum the quantity discrepant for any items with the following reject reasons (shown in bold text above):
 - a. Late Shipment Against Defined Delivery Window (header or line level)
 - b. Over shipment
 - c. Under shipment

$$\text{DMRd score} = [\text{total pieces discrepant}] / [\text{total pieces shipped}] * 1,000,000.$$

2. DMRi – measures the information accuracy performance of your shipments. This score is worth 5 pts maximum in the supplier scorecard, and will sum the quantity discrepant for any items issued for the remaining reject reasons

$$\text{DMRi score} = [\text{total pieces discrepant}] / [\text{total pieces shipped}] * 1,000,000.$$

Once a DMR is approved, the metric is automatically moved from RECARO internal IRIS

system to the Supplier Scorecard Application. Receipt information is added each month regardless of DMR activity, so if a supplier has no DMR's in a given month, the DMR Score would be zero for that month.

The total pieces discrepant could exceed the total pieces shipped on any given shipment if there are multiple issues per shipment and/or short shipments (where pieces shipped would be zero, and pieces discrepant would be the ordered quantity).

Suppliers will be debited \$250 US dollars or 250 Euros or local currency for every closed DMR issued. A DMR Debit Memo is issued to process the charges. The original is sent to Accounts Receivable, and copies are forwarded to the site Controller and Buyer. The Debit Memo will be processed within five days of its receipt.

The current supplier goal is to have a score less than 3750 for each of the DMR metrics, DMRd and DMRi, to receive points in your scorecard. Below is a grid showing the minimum and maximum scores per point level.

Points	Minimum Score	Maximum Score
5	0	0
4	1	1250
3	1251	2500
2	2501	3750
1	37501	5000
0	5000	No max

4.6.5 Supplier Chargeback Communication and Expectations: Similar to the DMR notification, SCB notices may be automatically generated from RECARO Electronic System(s) or provided as an Email attachment or hard copy form where electronic systems are unavailable.

Suppliers are expected to respond to a SCB within three working days. Failure to accept (or reject a SCB) within 30 working days will result in automatic debiting of all charges.

In cases where a supplier disagrees with the Supplier Chargeback, a written response to the originator of the SCB is still required by the specified due date. Disputed Chargebacks shall be escalated to the responsible Purchasing representative for assistance with final disposition. All Chargebacks should be targeted for closure within 30 days.

4.7 Logistics Requirements

4.7.1 Logistics Requirements Introduction: Logistics Requirements RECARO- Purchasing, Logistics, or the Transport Desk (depending on the region) will determine carrier selection and routing instructions in order to effectively manage inbound freight through the careful consideration of these factors:

- Supplier location
- Product volume
- Packaging
- Transportation costs
- Lead time

Global Supplier Standard Supply Chain Management				RECARO
Proprietary and Confidential	R-BOS-ST-13-E	Rev 1.0	Page 21 of 29	

RECARO expects our suppliers to share in the ownership of the shipping process to ensure products are received in a timely and cost-effective manner - essentially, at the right time, in the right container, at the right shipping price, to the right location. Below you will find supplier responsibilities necessary in order to fulfill our transportation requirements.

4.7.2 Logistics Requirements Communication: All shipments must be accompanied by appropriate documentation. Documentation may include, but not limited to, packing slip, bill of lading, FTA certificates, commercial invoices, CMR (EU and Asia) and hazardous materials information.

Carrier information must be included in the Advance Ship Notice (ASN) transmission to allow for trace ability and to ensure supplier compliance to RECARO routing instructions. When electronic generation of the ASN does not exist, the supplier is required to provide a faxed copy of the shipping documents.

(Excluding EU) The supplier is responsible for contacting the appropriate carrier, freight forwarder and RECARO materials personnel to ensure timely pick-up and delivery. It is the supplier's responsibility to set shipping window times in conjunction with RECARO plant materials personnel and the carrier to ensure delivery at the RECARO facility by the delivery date shown on the release.

(EU) The RECARO plants will send release to supplier. Dates in the material releases are understood to be ready for collection from 08:00 am in the morning of the pick-up date in order to ensure lead times.

Any failure to meet the agreed upon shipping windows that result in carrier detention charges may result in a debit to the supplier to compensate for excess carrier detention charges. (Excluding EU) Information to be provided should include, but may not be limited to, product availability, expected delivery time, special instructions, container dimensions, and weights. If shipping less-than-truckload quantities to one ship-to location, each skid must include a label indicating the plant name and address.

(EU) RECARO Transport Desk knows in advance what to collect and all related information.

4.7.3 Packing Slip Requirement: RECARO requires all suppliers to prepare their packing slip(s) in a standard format. The standard format can be found below, as well as within the forms section of the Standards Manual website.

Mandatory: Packing slip must be attached (glue or tape) to the packaging (pallet shipment). The packing slip must be in a pouch/sleeve that protects it but also allows it to be removed by receiving plant.

Failure to comply with this requirement will result in a DMR for the shipment per the DMR procedure. Items required in a specific location include:

- Packing Slip #
- Sold To info
- Supplier Production Plant
- Ship to
- BOL #
- Customer part #
- Description
- Supplier part #
- Quantity shipped
- PO #
- Footer which includes page number and repeats the pkg slip # Packing Slip Bill of Lading

Information Requirements

4.7.4 Bill of Lading Requirements: The following information instructs an RECARO Supplier on how to properly complete a bill of lading (BOL) form for shipments that are sent collect into RECARO.

4.7.5

Non-compliance to these requirements that result in excess freight charges to RECARO will be debited back to the Supplier.

A separate bill of lading must be created for each ship-to location, even when shipping on the same carrier. Each BOL must contain a unique BOL #.

Shipper/Vendor Information

Must include Vendor Name, Supplier ID, Street address, city, state, and zip.

Example 1

Akko Fasteners
 Supplier ID 302412
 6855 Cornell Rd
 Cincinnati, OH 45242

Example 2

Akko Fasteners - 302412
 6855 Cornell Rd
 Cincinnati, OH 45242

Consignee and Destination

The Ultimate Consignee should be shown as: RECARO, Plant name, and Plant #.
 The Destination must include Street address, city, state, and zip, and c/o where applicable.

Direct Shipment	Consolidation	Shipping through a Broker to Mexico
RECARO 24801 Capital Blvd. Clinton Twp. Michigan 48036	RECARO # 18620c/o CMAC 19661 Brownstown Center Dr. Suite 600 Brownstown, MI 48183	

The three examples above are not intended to replace current shipping instructions.

In addition to the above information, your BOL must include:

1. Number of Packages and/or Handling Units - If packages are consolidated on a skid, provide both package count and skid count on the bill of lading.
2. Description of shipment - Enter the description of each line item. Please note the type of package (carton, tote, barrel, etc.) and the quantity per package. Each line item must include the correct National Motor Freight Classification (NMFC) Item # and Class. This information is critical to ensure correct rating so as to avoid excessive charges.
3. Weight - Enter the total gross weight, in pounds, for each line item. Include the weights of pallets, skids, or any secondary container.
4. Freight Terms – (for domestic shipments only) Indicate 'FOB Origin, Freight Collect' terms if RECARO is responsible to pay for the shipment. All freight shipped to RECARO facilities should be shipped per the incoterm on the Purchase Order unless the shipment is a Supplier paid expedite or routing deviation.

4.7.6 Routing Instructions: Where RECARO is responsible for paying freight charges, a routing instruction will be provided to the supplier. The routing instruction will include at least one primary

Global Supplier Standard Supply Chain Management				RECARO
Proprietary and Confidential	R-BOS-ST-13-E	Rev 1.0	Page 23 of 29	

carrier and an expedited carrier and is issued by each RECARO receiving location.

It is the supplier's responsibility to ensure compliance and availability. Contact your appropriate plant materials personnel if you have not received a Supplier Specific Routing Instruction. A copy of the routing instruction must be signed and returned to the RECARO plant materials contact.

(EU Exception) In EU, the RECARO Transport desk manages a portion of the transportation, and in these instances, no routing instruction will be issued.

Plant approval must be obtained from the receiving plant materials personnel for any routing instruction deviation. Any deviation from these routing instructions without plant approval may result in a supplier debit to compensate for excess freight charges and/or administrative fees.

4.7.7 Premium Freight/Expedites: Any premium freight which results from a supplier event will be managed and paid for by the supplier. For international shipment this also includes export/import broker costs. RECARO will not take responsibility for the set-up, management, tracking or payment of a supplier-caused premium freight event. The supplier will communicate to the plant all expedite information and provide milestone updates to keep the plant informed on the arrival of the expedited components. RECARO reserves the right to take-over the management of the premium freight event if the supplier fails to communicate and effectively manage the event themselves. In these cases, the supplier may be charged for RECARO's time.

When expediting freight at RECARO expense, authorization must be obtained from the appropriate RECARO receiving plant materials personnel. Unauthorized expedited freight may result in a debit to the supplier to compensate for excess freight charges and/or administrative fees.

(NA) RECARO utilizes Active PTM (888-786-4321) to manage all premium freight shipments into our facilities.

(EU) RECARO utilizes Flash, Intime, or any other selected & nominated premium freight carrier.

Upon authorization of an expedite shipment, the supplier should be prepared with the following information to share with the arranging party:

1. Protect time (the time by which the shipment must arrive)
2. Ready time (the time by which the shipment will be ready for pickup)
3. Shipment terms (collect if at RECARO's expense)
4. Origin
 - a. address
 - b. contact
 - c. operating hours of shipping facility
5. Shipment details
 - a. weight
 - b. dimensions
 - c. stack ability
6. Destination details
 - a. address
 - b. contact
 - c. plant number

4.8 Cumulative Maintenance

4.8.1 Cumulative Maintenance Introduction: The generation, verification, tracking and reconciliation of cums is the standard requirement for Automotive Tier 1 suppliers, including RECARO.

Global Supplier Standard Supply Chain Management				RECARO
Proprietary and Confidential	R-BOS-ST-13-E	Rev 1.0	Page 24 of 29	

Cums are a way to identify the amount of product that is required to ship to your customer. RECARO expects the supplier to reconcile cums upon receipt of each EDI release. Identifying and initiating the resolution process of cum discrepancies is the responsibility of the supplier. The definition and procedure are defined below.

4.8.2 Cumulative Maintenance Communication: RECARO will provide the supplier with the following:

1. A starting cum of 0 upon issuance of a new purchase order
2. Last cum received quantity will be noted on each EDI release. Each shipment received will be accumulated to provide the last receipt cum received. This will include the last quantity received, date received into RECARO inventory, and the supplier packing slip number received by the RECARO manufacturing facility. The last receipt cum received could potentially change under the following conditions:
 - a. Subsequent receipt of shipment into RECARO's inventory
 - b. Issuance of Supplier Material Return (SMR) or a Discrepant Material Return (DMR). Issuance of an SMR or DMR may result in either an increase or decrease of RECARO cum received.
 - c. Cum reset (may be done annually). Supplier will be notified prior to this occurring.
3. An electronic or manual release indicating net quantity due and total cum required per due date.
4. Prior cum required quantity - this field will represent the previous quantity due.
5. Physical copy of SMR or DMR to support cum resolution.

RECARO expects the supplier to:


1. Track and accumulate all production part shipments. This will become the supplier's cum shipped quantity.
2. Update suppliers cum shipped quantity when the supplier is issued a SMR or DMR.
3. Identify past due quantities - using the most current release the formula is the RECARO lastcum received quantity minus the prior cum required quantity.
4. Identify RECARO cum required - using the most current release formula is the RECARO lastcum received plus the net quantity due (If an alternate replenishment method is designated by RECARO, the cum required will serve as forecast data rather than replenishment requirements).
5. Net quantity required is calculated using the most current release's cum required minus the suppliers cum shipped quantity.
6. Resolve any cum discrepancies with the appropriate RECARO materials personnel immediately.

Please direct any questions regarding cumulative maintenance to your RECARO plant materials contact.

4.9 Balance Out and Claims Process

4.9.1 Balance Out and Claims Process Introduction: Balance Out and Claims Process - RECARO believes that obsolete material claims can be avoided by minimizing lead times, strictly adhering to production schedules, and properly managing inventory received by our suppliers. Most obsolete material claims occur at the balance out of a product. Balance out is defined as end of model year as well as current model engineering changes. Our goal at balance out is to have zero obsolescence.

4.9.2 Balance Out and Claims Process Communication: One of the tasks in our balance out process requires the RECARO materials plant representative to notify, in writing, the source supplying the components to be balanced out. RECARO notification of balance out as well as defined balance out filing parameters will take place outside of the established authorization window.

Global Supplier Standard Supply Chain Management				
Proprietary and Confidential	R-BOS-ST-13-E	Rev 1.0	Page 25 of 29	

Claims received after the established deadline may not be honored.

After receiving balance out notification, any supplier planning to produce a contractual minimum run order which exceeds raw/fab authorization must first receive written approval from the RECARO supplier scheduler or balance out coordinator.

In the event that obsolescence occurs due to the discontinuation of a part, the following procedure must be followed to file a claim:

1. Determine the highest RAW and (FAB) fabricated material authorizations issued by RECARO. To determine the highest RAW/FAB authorizations, a cumulative release history must be reviewed. The 15% rule is no longer a requirement once a B/O notification has been issued. In addition, suppliers should refer to the "High Release" and/or their Purchase Order for RAW/FAB authorizations.
2. Fill out the "Obsolescence Claim Form" and attach the supplier management or schedule/release documents, purchase order, and any minimum run authorizations to support the claim.
3. All obsolete material must be segregated and stored, pending audit and final disposition by RECARO and/or the OEM.
4. External supplier claims totaling less than \$500.00 aggregate will not be submitted to the OEM, nor paid to the supplier.
5. Supplier must obtain RECARO plant authorization in order to sell claimable material at a price lower than unit cost. The following forms can all be found in the Forms section of the RECARO Supplier Standards Manual.

4.10 Replenishment Methodology Requirements

4.10.1 Replenishment Methodology Requirements Introduction: In order to standardize supply chains, optimize inventory levels and minimize freight expense, RECARO has defined four replenishment methods to order material from our supply chain partners.

Our goal is three-fold:

1. Optimize turns, truck utilization, and prevent premium freight by using one of 4 standard methods per discrete supply chain; minimize use of other methods
2. Maximize internal & external visibility of component parts
3. Appropriate use of technology & electronic commerce to communicate replenishment signals

This means that a supplier could receive different replenishment signals from different RECARO receiving plants, and a single RECARO plant could use different signals with different suppliers. A supplier should not have multiple signals from the same RECARO plant unless they are going through different stages in the product life cycle.

Why not just ONE method?

The determination of which method is used is based on many components, but to simplify this explanation it depends on the following:

1. Lean manufacturing strategy – or where the RECARO plant is at in their journey to lean manufacturing.
2. Stability of customer demand
3. Supply Chain footprint – or how close the shipping point is to the end destination.

To determine the optimal replenishment method to use for each component, RECARO

plants will follow a standardized process annually or when operational or supply chain conditions shift (i.e., when a supplier moves production to another location that is geographically different than the existing supplier location). RECARO will communicate these changes to the supplier as soon as possible.

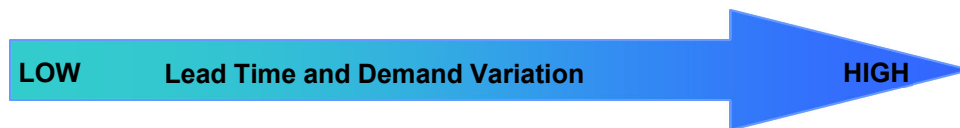
(NA Only) Suppliers who ship either in truckload quantities or as part of a milk run may be requested to utilize future forecasted demand (within raw and fab authorizations) to fill

allotted space on the designated carrier. The supplier should utilize future demand from material according to priority level, e.g., a part with additional demand 2 days out should be used before demand showing due 2 weeks out. When there is a choice, the supplier should always ship the higher runner first. Suppliers not filling their allocated space may be liable for freight costs associated with lost utilization opportunities. Pulling ahead in order to fill a truck will not result in an over-shipment DMR in these instances.

The four methods are:

1. **MRP** - Use of standard EDI signal (i.e., 830 and 862) to communicate required shipment quantities. –
2. **KanBan** - KanBan may be communicated either via e-mail, internet, or through a visibility tool (i.e., Trade beam) – KanBan provides discrete quantities the supplier must monitor and use to calculate required shipment quantities.
3. **Min/Max** - Through the visibility tool, Min/Max provides a range of acceptable inventory levels the supplier must monitor and use to calculate their required shipment quantities.
4. **Sequence** - Replenishment data that is sent to suppliers to optimize truckload utilization and/or prioritize shipments. This method is commonly used when suppliers make multiple deliveries in the same day to a given RECARO site.

The following visual shows how the different methods fit together given an increase in lead time and/or demand variation.



<u>Sequence</u>	<u>I KANBAN</u>	<u>I MIN MAX</u>	<u>MRP</u>
<p>FIT Order and Delivery within Broadcast</p> <p>Drawback System Limitations</p>	<p>FIT Supply at rate of consumption Simplest for discrete shipments</p> <p>Drawback Potential Reduced T/L Utilization</p>	<p>FIT Supply at rate of consumption T/L Utilization w/flexibility</p> <p>Drawback More Complex for Flex Shipments</p>	<p>FIT Firm Push Truckload Utilization</p> <p>Drawback Misalignment Consumption and Supply</p>

4.10.2 Visibility Replenishment Tool used for Min/Max and I-KanBan

(NA Only) Two of the above methods (min/max and electronic KanBan) utilize the RECARO defined tool for visibility and lean replenishment. If the RECARO customer plant determines that min/max or I-KanBan is the appropriate methodology, they will contact each supplier to

Global Supplier Standard Supply Chain Management				RECARO
Proprietary and Confidential	R-BOS-ST-13-E	Rev 1.0	Page 27 of 29	

advise them of the decision that they will be using min/max or I-KanBan.

Each supplier must then gain access to, attend training for, and work with the customer plant to define and implement the operating procedure and parameters for using the visibility/lean replenishment tool. This requirement must be met in order to be considered for an annual award. On a periodic basis the plant will revisit the matrix to ensure their replenishment method is still optimal. If the plant determines that one of the other 3 methodologies is optimal, they will contact the supplier and work with them to implement the change.

Exceptional Conditions Only

The Manual Replenishment Release form would be acceptable in conditions where it is not possible to use one of the four designated RECARO replenishment methods.

- System failure, power outage, MMS failure, etc.
- Sequenced Loads: Situations where demand is communicated to the plant in the form of lots or sequenced and the plant utilizes this information to sequence material directly to the production line.
- Trailer mapping: A material map is provided to prioritize the location of material on a trailer due to limited plant floor space (warehouse on wheels), thus enabling accessibility to material that would be used first.
- Multiple Loads per day: Multiple daily shipments, i.e., 16 foam loads per day, may require RECARO to prioritize the flow of material.
- Critical Requirements RECARO recognizes that there may be times where demand may have to be prioritized for a supplier in critical inventory situations.

In such cases, it is acceptable to define critical inventory requirements to a supplier through a spreadsheet that simply defines and prioritizes from the existing replenishment signal requirements.

4.11 Materials Management Operations Guideline

4.11.1 Materials Management Operations Guideline Introduction: The Materials Management Operations Guideline (MMOG/LE) is a global document jointly created by the Automotive Industry Action Group (AIAG), Odette representatives, OEM representatives, and automotive suppliers.

It is a document with recommended business practices for the supply chain management processes of automotive industry suppliers and is intended to establish a common definition of materials practices to facilitate effective communication between supply chain partners.

The purpose of the MMOG/LE, as well as the reasoning behind the deployment of this by RECARO Inc, is to produce one common material planning and logistics evaluation that can be used by the supplier and customer throughout the product life cycle, including the early development phases.

The MMOG/LE is being deployed with our suppliers as a self-assessment tool; although RECARO reserves the right to audit MMOG/LE scores by conducting an onsite review of supplier facilities. The MMOG/LE was re-written by AIAG in 2009, and the new version is the only accepted version. It is also known under the product code "M-7" on the AIAG website.

Suppliers can purchase a download of the MMOG/LE publication or attend training on how to use the assessment by contacting AIAG on the internet at www.aiag.org, or calling (248) 358-3003.

4.11.2 Scorecard Performance: A MMOG/LE should be completed for each supplier shipping

location (child location on the scorecard) to RECARO in order to serve as a guideline in developing their materials management business processes. It only has to be submitted once per location, but on an annual basis RECARO expects the supplier to review their status and notify the scorecard manager if the score has changed.

(US)RECARO Supply Chain Scorecard Manager: cathy.m.robertson@RECARO.com

(EU)RECARO Supply Chain Scorecard Manager:
oscar.roque@RECARO.com

4.12 Security

4.12.1 Security Introduction: RECARO is committed to ensuring the security of its supply chain. Security measures are set in place with the primary goal of preserving the safety of our employees, protecting the physical property from loss or damage, safeguarding the integrity of our intellectual property, and preventing interruptions in the manufacturing process.

We expect the same approach to be taken by the supplier with whom we conduct business: to make a commitment toward the common goal of creating a more secure and efficient supply chain.

4.12.2 Security Procedure Requirements: Suppliers should develop and implement a comprehensive security plan throughout their operations and supply chain, following the recommendations outlined by the specific country's security program where the supplier is located. For example, if a supplier is located in Canada, they should follow the security guidelines for PIP (Partners in Protection). Other country security programs are as follows: EU (AEO), US (CTPAT), MX (AEO).

All suppliers that ship across an international border to an RECARO plant located in North America will receive an annual Security Assessment sent from our 3rd Party provider Pinkerton. This assessment must be completed for RECARO to complete a security risk assessment for our supply base and maintain compliance with its CTPAT certification for locations in US, Mexico, and Canada.

Failure to complete the assessment may result in a site visit by Pinkerton at the supplier's cost.

If an assessment shows a security risk to RECARO, a site visit may be conducted by Pinkerton at RECARO's cost.

If you have any questions regarding the survey, you may contact

- Richard Paulin, Pinkerton: richard.paulin@ci-pinkerton.com (646-872-7746)
- Tamara Stilwell, RECARO: Tamara.a.stilwell@RECARO.com (734-254-4832)

Country specific security programs covers multiple business points, including but not limited to:

- Corporate Security: Strategy & Vision
- Business Partner Risk Assessment Requirements
- Security Procedures
- Participation/Certification in Foreign Customs Administrations Supply Chain Security Programs
- Container Security & Inspection
- Container Seals
- Container Storage
- Physical Access Controls

Global Supplier Standard Supply Chain Management				RECARO
Proprietary and Confidential	R-BOS-ST-13-E	Rev 1.0	Page 29 of 29	

- Visitors Controls
- Pre-Employment Verification and Personnel Termination Procedures
- Shipping & Receiving Security Procedures
- Cargo Discrepancies
- Security Training and Threat Awareness
- Physical Security
- Information Technology Security including Cybersecurity

- Agricultural Security

4.13 Free Trade Agreements

4.13.1 Certification Requirements: As put forth in our global terms and conditions, RECARO suppliers are responsible for providing timely and accurate responses to solicitations relative to Free Trade Agreements. This is true whether or not a supplier ships product across an international border.

Trade agreement certifications may be solicited by RECARO or by a designated service provider. It is expected that suppliers will respond to the solicitations by the deadline provided.

Suppliers should note that signing the various documents carries the legal obligation to advise RECARO of any changes that would affect the accuracy or validity of the information. This notification must be in the form of an amended document.

Suppliers that fail to comply, risk losing their eligibility for a supplier award via a supplier scorecard rating deduction and/or the ability to quote on new business.

4.13.2 Scorecard Performance

All suppliers are credited with 2 points for compliance on their scorecard to begin the year. Points are deducted if a location is solicited for a free trade agreement and fails to respond by the due date stated on the solicitation. There are 2 scorecard values:

As required = 2 points

Late = 0 points

4.13.3 Training: Training is strongly recommended for all suppliers for the specific Trade programs pertaining to your region.

4.15.13 RECARO Baseline RASIC SSOW

5.0 Records/Logs

Not applicable.

6.0 References

RECARO Supplier Portal: <https://www.RECARO.com/suppliers>