

Supplier Terms and Conditions

The Forever Requirements

1. Proactively communicate with McGard/L.D. McCauley. Know when to raise the red flag.
2. Notify us of proposed material, process or subprocess (oils, coolants, additives, etc.) changes.
3. Notify us of proposed manufacturing changes.
4. You are responsible for sub supplier issues and must tell us about them.
5. Notify us of potential supply / capacity issues.

Supplier Quality Management System Development: Unless otherwise approved by McGard, supplier shall develop and maintain a quality management system that is, at the least, third-party certified to ISO 9001:2015 Quality Management System requirements; and will work towards the eventual goal of obtaining third-party certification to IATF 16949:2016 Quality Management System requirements. McGard is committed to supporting your achieving this goal and has developed a roadmap to help our suppliers achieve this goal.

Supplier Personnel Competence: Personnel performing work affecting quality while product/service is within Supplier's control shall be competent and qualified based on established criteria regarding education, experience, skills, training. The Supplier is responsible for determining acceptable standards and for monitoring that they are being met.

Statutory and regulatory compliance - General: Where specified in purchase order, supplier will ensure compliance with any specified statutory and regulatory requirements pertaining to the product/service.

Statutory and regulatory compliance – Supplier will comply with all applicable anti-human trafficking, forced labor, and modern slavery laws and rules. Supplier will take reasonable steps to ensure that no slavery, servitude, forced or compulsory labor, or human trafficking occurs in its provision of Services or supply chain.

Statutory and regulatory compliance – Flow-down to sub-tier suppliers: Where applicable, suppliers are required to flow down statutory and regulatory requirements specified by McGard to the supplier's suppliers and require their compliance to such requirements. Further, Suppliers are required to develop, implement, and maintain systems to ensure that their suppliers are compliant with these requirements, where applicable.

Control and monitoring of supplier performance: McGard performs continual monitoring of performance of critical suppliers considering factors including but not limited to: (a) quality, (b) on-time-delivery; (c) incidents of premium freight; (d) disruptions at McGard's customer receiving plant caused by McGard's supplier. Annually, McGard performs a supplier risk assessment considering the above factors. Suppliers presenting an acceptable risk to McGard as a result of the annual supplier risk assessment will be unconditionally re-approved for the following year. Suppliers who do not meet the established acceptable performance levels will be subject to actions deemed necessary to prevent unacceptable risks on McGard's product safety, personnel safety, product performance, process effectiveness or process efficiency, these actions can include increased incoming inspection, new business hold or removal of supplier from critical approved supplier list, subject to approval by McGard's Quality Council.

Supplier-McGard interactions & approvals: Supplier will notify McGard/L.D. McCauley prior to executing any of the following changes to your product and/or process:

- a. Changes in originally approved methods, material, processes, and equipment
- b. Changes in suppliers
- c. Changes in manufacturing location and layout

While notifying McGard of all changes is a requirement, not all changes will require approval from McGard/L.D. McCauley to implement the change. However, based on the potential severity of the proposed change on the end product, Supplier may require an approval from McGard/L.D. McCauley prior to executing the proposed change. Verification & validation by McGard or McGard's customer at supplier's premises: Upon providing reasonable prior notification to supplier, McGard and/or McGard's customer reserves the right to perform suitable and adequate verification and validation activities of products, service provisions or processes performed for McGard or McGard's customer at supplier's premises.

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