

Supplier Summit

Solero Technologies Supplier Requirements Review

February 22-24, 2022



Suppliers Are Partners

Together We All Succeed

- By the numbers!
 - Solero Technologies has 121 direct material and service suppliers support the people at Water Valley
 - ~55% of our cost of sales is with purchased components
 - In 2021 costs related to our supply base resulted in over \$1.1MM of profit leaks for our business.
- Your Quality, Delivery and Cost performance is important to our success
- Solero's success will be our supplier's success
- We need your help to keep our performance high so that we can all succeed together
- No impact to our commercial relationship due to name change
 - On February 8, 2022, BorgWarner Emissions Systems LLC changed its name to Solero Technologies, LLC. The new name is inspired by Solero Technologies' singular focus on growing its solenoid business. For more information, a copy of the press release (the "Release") is available at: <https://solerotechnologies.com/assets/download/SoleroTechnologiesAnnouncementRelease.pdf>. Our commercial arrangements with you will continue on all of their existing terms without change.
- In this Summit we will explain important points of our requirements that will help us be successful together.
 - There are not many changes from how we have done business in the past
 - This is a refresher for all of us to be aligned for 2022 and beyond

Supplier Manual

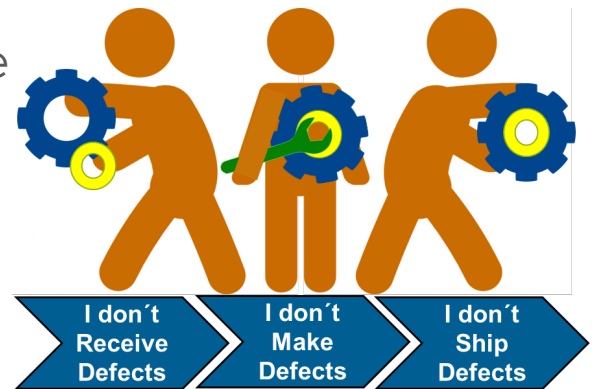
Section #1: Vision & Mission

- Our Vision & Mission are Coming Soon!
- For now, we have started with our new name: Solero Technologies!
- Our name is inspired by our iconic product, reinforcing how we make life better for others every day. It also celebrates our team's ability to think differently and create innovative solutions as we move confidently towards a cleaner future. Together, our name and brand reinforce the energy and collaboration that Solero Technologies brings to all we do.
- There are several ways to follow us to keep update on the exciting details of our new company!
 - Website www.solerotechnologies.com
 - LinkedIn www.linkedin.com/company/solerotechnologies/
 - Facebook www.facebook.com/solerotechnologies

Supplier Manual

Section #2: Quality Policy Principles

- Quality is at the very core of our Product Leadership culture. All Solero Technologies employees are therefore committed to CQC through our quality policy:
 - Customer Satisfaction
 - Quality Product
 - Continuous Improvement
- Solero Technologies Quality Policy
 - We produce quality products in a safe clean environment that satisfy our customer requirements through teamwork and continuous improvement.



Supplier Manual

Section #3: Goals & Scope

- Goals
 - The purpose of this manual is to provide Solero Technologies Suppliers and Solero Technologies Employees requirements and guidance as to our Commercial, Quality, Delivery, Technology and Business expectations.
- Scope
 - This Supplier Manual applies to all production material Suppliers and service part Suppliers that supply product to the production facilities of Solero Technologies.

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Section #4: Code of Conduct & Sustainability

- Respect for Each Other
- Power of Collaboration
- Passion for Excellence
- Personal Integrity
- Responsibility to our Communities
- Adherence
 - We expect your cooperation in ensuring adherence to our Supplier Code of Conduct.
 - If you or anyone in your company believes that a Solero Technologies employee or other Supplier has violated this policy, please contact the Compliance Office
 - Solero Technologies Compliance Office by phone at +1-844-448-0325.

Supplier Manual

Section #5: Supplier Manual Access/Responsibilities

- Solero Items
 - Solero will make all the documents available to suppliers soon.
 - Contact GSM or Supplier Quality Management if there is an immediate need for info.
 - We will have a supplier website in the future where information can be obtained
- Supplier Items
 - Keep current release of manual
 - Communicate with your QMS registrar that the requirements of this manual must be included in the audit
 - Have a system to distribute and verify employee understanding about the requirements in this manual.
 - That we have the correct contact information for communications related to the manual.

Supplier Manual

Section #6: Commercial Expectations

- 6.1 Purchasing Process
 - 6.1.1. Supplier Agreement (like Non-Disclosure Agreement)
 - 6.1.2. Request For Quotation
 - 6.1.3. Supplier Selection Criteria
 - Supplier's demonstrated performance in environmental management, quality, delivery, and cost reduction
 - Supplier Consolidated Risk Assessment
 - Supplier's total cost competitiveness & commitment to continuous improvement
 - Supplier's demonstrated participation in Minority Business Sourcing (United States only) (6.3)
 - Supplier's demonstrated technical capabilities, Engineering support of Solero Technologies programs, and Program Management of new product launches
 - Supplier's overall financial condition
 - Supplier's acknowledgement and acceptance of Solero Technologies' Purchase Order Terms and Conditions
 - Other items, such as customer-directed, regional requirements, etc.
 - Meet requirements mentioned in 9.1 of this Supplier Manual
 - 6.1.4. Cost Breakdown Analysis
 - 6.1.5. Purchase Orders
 - 6.1.6. Purchasing Authorizations

Supplier Manual

Section #6: Commercial Expectations Continued

- 6.4. Service & Replacement
 - Suppliers are obligated to provide service component requirements for a minimum period of 15 years following the conclusion of series production or as otherwise stated in writing by Solero Technologies.
 - Service components must be priced at production pricing for a minimum of five years after Solero Technologies Customer production has ceased. In no event will replacement parts be made available to Solero Technologies at prices that are not competitive or exceed those charged to other comparable Customers of the Supplier.
- 6.5. Terms & Conditions
 - The Supplier must comply with the Solero Technologies Supplier Manual as well as the Terms and Conditions contained in the Solero Technologies Purchase Order. The Supplier will consult with the appropriate Solero Technologies Supplier Representative for clarification.
- 6.6. Warranty
 - The Supplier will accept the warranty requirements specified in the Purchase Order Terms and Conditions and/or separate agreements. Additionally, Supplier will be responsible for all applicable warranty costs.
- 6.7. Invoicing
- 6.8 Advertising & Public Communication
- 6.9. Contingency Plan
 - The Supplier shall prepare contingency plans to satisfy Solero Technologies and IATF 16949 requirements in the event of an emergency such as utility interruptions, labor shortages, key equipment failure and field returns.

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Section #7: Tooling & Gaging Policy

- Solero Technologies reserves the right to immediately remove Solero Technologies-owned tools
- Suppliers must receive written authorization from Solero Technologies before:
 - Moving or destroying tooling
 - Altering tooling capacity
 - Disposing of service parts tooling
 - Selling products made from Solero Technologies tooling to any other Customer is not allowed.
 - All Special Tooling owned by Solero Technologies must be identified
 - The Supplier is responsible to adhere to all legal safety requirements as applicable.
 - The Supplier is responsible for ensuring that its sub-Suppliers adhere to the above guidelines.
- Supplier's Responsibilities
 - Maintaining, repairing, refurbishing, & replacing tooling in production condition at no cost to Solero Technologies
 - Solero Technologies will retain all title and ownership rights for said repaired, refurbished, or replaced tooling for the defined lifetime of the tool, unless otherwise agreed to in writing by Solero Technologies.
 - Disposing of the tooling at no cost when directed in writing by Solero Technologies
 - Keep detailed maintenance records for the tooling.
 - Monitor tool life and advise the Solero Technologies Supplier Representative well in advance when tooling replacement is necessary
 - Ensure that enough components will be in Supplier's inventory and available to support Solero Technologies production prior to and during the time that the tooling is being refurbished or replaced.

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Section #8: Prototypes

- Identifies requirements for prototype component certification
 - Minimum inspection requirements
 - Deviation requests when required
 - Material certifications
 - Gage and capability analysis when required
 - Injection molded parts process certification
- Prototype packaging must have a special label
- Prototype tooling
 - Retention
 - Marking

Supplier Manual

Section #9 Quality Requirements

- 9.1 General
- 9.1.1 Quality Management System
 - All Suppliers must comply with the Solero Technologies quality expectations defined in this section.
 - Suppliers are fully responsible for the quality of their products.
 - An effective Quality Management System must be in place to ensure Zero Defects.
 - Suppliers and their subcontractors are expected to work in accordance with the requirements described in ISO 9001 and be working toward IATF 16949 and all AIAG & VDA reference documents, including:
 - Production Part Approval Process
 - Failure Mode and Effects Analysis
 - Advanced Product Quality Planning
 - Measurement Systems Analysis
 - Statistical Process Control.
 - Latest certification(s) must be on file with Solero Technologies.
 - Suppliers are required to hold subcontractor's latest certification(s) on file and submit to Solero Technologies upon request.
 - These requirements are mandatory unless otherwise agreed to in writing by Solero Technologies or by written permission from the Customer given to Solero Technologies.
 - 2nd Party Audit: In some cases, Solero Technologies will provide 2nd party certification through the annual Supplier audit process.
 - In this case, Solero Technologies reserves the right to charge the Supplier for this certification.

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Section #9 Quality Requirements

- 9.1.2 Customer Specific Requirements
 - It is the responsibility of the Supplier to:
 - Pass down all applicable statutory and regulatory requirements (Team Feasibility Commitment) as well as special product and process characteristics to their Suppliers and require the Suppliers to cascade all applicable requirements down to the supply chain to the point of manufacture
 - Certified to ISO 9001:2015 “Quality management systems – Requirements”
 - Comply with IATF 16949:2016 “Fundamental quality management system requirements for automotive production through second party audits”
- 9.2 Quality Systems Basics
- 9.3 Supplier Assessments
- 9.4 Advanced Product Quality Planning
- 9.4.1 General & 9.4.3 APQP Status Reporting
 - Solero Technologies will utilize the APQP forms pending implementation of an electronic APQP system.
 - Solero Technologies will still require all Suppliers to take ownership of and manage the APQP process, including their sub-contractors.
 - Suppliers will be responsible for keeping their product quality planning timelines up to date. Suppliers are expected to update their estimated completion dates on frequent intervals or when there is a change that will impact overall program timing.
- 9.4.2 Off Tool Samples
 - 100-piece capability study for designated characteristics (based on 20 subgroups of five or 25 subgroups of four) per Automotive Industry Action Group (AIAG) statistical process control (SPC) and production part approval process (PPAP) documents.
 - Some customer specific requirements may require additional samples and subgroups based on statistical significance.
 - Full dimensional layout will be required unless waived in writing by Solero Technologies APQP representative.

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Section #9 Quality Requirements

- 9.5 We Are Ready Process Audit
- 9.5.3 Supplier Responsibility
 - Perform Run-At-Rate Requirements. Supplier's operation schedule shall meet the weekly volume requirements of Solero Technologies and shall be no more than five days per week unless otherwise agreed in writing by Solero Technologies.
- 9.6 Production Part Approval Process (PPAP)
- 9.6.2 Detailed PPAP Submission Requirements
 - All PPAP requirements in this manual shall apply to each submission unless waived by the Solero Technologies Supplier Representative
 - GSM-F032 Supplier PPAP Checklist should be used for any products in which a PPAP is submitted to Solero Technologies.
 - Where practical, EPC checks shall be completed in a designated area, separate from production (off-line) with verified secondary gaging
- 9.7 Early Production Containment (EPC)
- 9.8 Process Capability and Monitoring
- 9.9 Complaint on Purchased Material (CPM)

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Section #9 Quality Requirements

- 9.10 Supplier Charge Back
- 9.10.2
 - Look for additional updates regarding the chargeback table included in this section soon.

Issue	Fee	Automatic Debit
TCP Issued due to NCP	\$5,000 plus labor to validate per occurrence	No
Late/Missing ASN	\$1,500 per occurrence	Yes
Incorrect ASN	\$1,500 per occurrence	Yes
Missing/Incorrect Label	\$3,000 per occurrence	Yes
Early Delivery	\$3,000 per occurrence plus any freight	No
Missing/Late Delivery	\$3,000 per occurrence plus any line downtime	No
Line Shutdown Time	\$2,000 per hour + labor to make-up downtime	No
Solero Internal Sorting Time	\$45 per hour	No
Make-Up Labor	\$45 per hour	No
Maintenance Make-Up Labor	\$100 per hour	No
Third Party Sorting at Customer	Cost plus 15% mark-up	No
Scrap	Cost per scrapped component	No
Failure to use TMC portal for domestic shipments	Difference between shipment costs or \$500, whichever is greater	No
Failure to follow Small Shipment Requirements	\$1,500 per occurrence	Yes

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Section #9 Quality Requirements

- 9.11 Traceability Requirements
- 9.12 Embedded Software Requirements
- 9.13 Product Safety Requirements
- 9.14 Cleanliness Requirements

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Section #10: Supplier Change Management

- Continue to use eSCR on BorgWarner ExtraICE site for communicating Temporary And Permanent changes
- All Permanent and some Temporary changes must include the structured presentation as defined in section 10.3.2 - Change may be rejected if this isn't provided
 - Presentation provides us all the information we need to explain the change to our internal validation team and pass your change to our customer, if needed.
- Other forms of communication like a letter, email or telephone call will not be considered a formal request.
- Permanent eSCR must be submitted no less than 120 days prior to the planned start of production (SOP)
- Certain Solero Technologies programs or product lines may have established change windows or times where no changes are allowed. Find out about how this impacts your products so you can plan effectively.
- Suppliers are required to manage their changes with Solero – entering the eSCR isn't a guarantee of the change being processed. Follow up with your GSM and SQME contact to drive your needs
- Permanent eSCR approval is not approval to ship products per releases. PPAP approval is required to ship products to releases. PPAP material will be handled as special orders through a spot-buy PO.

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Section #11: Materials/Delivery Expectations

- All goods or containers must be marked with the appropriate country of origin
- All suppliers must certify that they are C-TPAT compliant and attest to no use/purchase of conflict minerals or business with embargoed countries
- All suppliers must be set up to send Advanced Shipping Notices (ASNs)
 - Only one ASN per packing slip
 - ASN number must match packing slip number (exactly)
 - ASN must not be sent before the shipment is shipped and no later than 1 hour after shipment has left
- On time delivery is not more than 2 days early and 0 days late
 - It is the responsibility of the supplier to notify the customer if the delivery schedule cannot be met
 - Solero reserves the right to update demand up to the day of shipment to meet customer needs
 - Any supplier outside of the US must maintain 30 days stock at a warehouse in the US or at their facility
 - If stock is maintained at supplier's facility, expedite charges will be expected to be paid by the supplier, regardless of Incoterms
- Small Pack Guidelines must be adhered to
 - If shipping multiple small packages on the same day, regardless of part number, packages must be consolidated into one pallet or one consolidated container
 - Each container must be labeled per labeling instructions and each container must have its own packing slip and ASN
 - Packaging must be sufficient to prevent damage to the product
- All violations to the above will be enforced in accordance to charge back schedule in Section 9 of the supplier manual

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Section #12: Supplier Performance Metrics

- 12.2 Quality - 40 %
 - Complaint on Purchased Material (CPM) – 20 Points
 - Responsiveness to CPMs/8-D Closure (10 points)
 - PPM Defect Rate (10 Points)
- 12.3. Delivery - 30 %
 - On Time Delivery Score (25 points)
 - Premium Freight Score (5 Points)
- 12.4. Cost Management - 30 %
 - Cost Reduction Score (20 Points)
 - Other Performance Objectives (10 points)
 - Customer Support & Responsiveness
 - Technology & Innovation
 - Flawless Launch
 - Quality Systems
 - Commercial Alignment

Supplier Manual

Section #13: Process Audits – Post SOP

- 13.1 Verification of Conformance
 - Solero Technologies and its Customers reserve the right to verify product and process conformance according to the requirements at the Supplier's and subcontractor's premises—on a scheduled or unscheduled (event-orientated) basis or frequency.
- 13.2 Auditor Access
 - Suppliers are to ensure the auditors have full access to all Solero Technologies product related processes and documents—e.g., FMEA, control plan, measurements, etc.
- 13.2.1
 - These audits will be based on using the Solero Technologies Supplier Process Audit Form (GSM-F015).

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Section #14: Approved Sourcing List (ASL) Process & Directory

- 14.1. The Approved Sourcing List (ASL) is a list that contains all direct material Suppliers and their corresponding sourcing classification.
- 14.2. Supplier Classifications
 - Under Development
 - Approved
 - Preferred
 - Strategic
- 14.3. New Business Hold

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Section #15: Supplier Summits/Conferences

- As Solero continues the transition, there will be more updates to come.
- Solero plans to host at least one Supplier Summit per quarter to communicate these changes and updates.

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Section #16: Record Retention

- Section #16 Record Retention
 - No Changes
 - The control of records will satisfy all regulatory, Solero Technologies, and Customer requirements. These records must be available for review by Solero Technologies upon request and retained for periods of time specified by Solero Technologies.
 - Record retention may be reviewed during the APQP process as part of customer requirement pass-down.

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Section #17: Requirements for Electronics Suppliers

- The electronic content of vehicles is high and increasing, and therefore plays an increasing role in determining the overall quality and reliability of the vehicle
- While we don't currently have any electronics commodities, this section has requirements related to those suppliers that may send us electronics components in the future.

Supplier Manual

Appendix A-2: Solero Technologies Special Shipment Labeling Requirements

- Prototype material
- PPAP Material
- Material delivered under deviation
- Change point material
- Any other material that has not been approved by Solero Technologies for production use (PPAP)
- Palletized material:
 - All four sides plus the top of pallet.
 - At least one label on each unit on the pallet
 - One label in the inside of any sealed containers or one label on the top of any open containers
- For small shipments (singular or consolidated packages):
 - At least two sides of the package
 - One label in the inside of any sealed containers

Solero Technologies
SPECIAL SHIPMENT

Part Number: _____

Part Name: _____

PO Number: _____

Reason for Special Shipment:

Prototype

PPAP Initial Sample Parts

First Shipment After Change

Parts Containing Deviation

Sorted, Reworked, or Repaired Parts

Other: _____

Approved eSCR: _____ **CPM:** _____

Solero Contact: _____

Solero Contact Phone: _____

Supplier Contact: _____

Supplier contact Phone: _____

Directions for this Label

Supplier: Complete this label and apply to all material as per the requirements found in Section A the Solero Technologies GSM-P001

Solero Technologies Receiving Personnel: Receive Material and immediately put on quality hold. Do Not take this material to the production line. Contact the Solero Technologies contact listed above to make them aware that the material has been delivered and to define the next steps to store and disposition this material.



Thank YOU!