

ANNEX A

SPECIFIC REQUIREMENTS - AMERICA

Revision History

Revision	Description of Change(s)	Responsible	Effective Date
0	First release	Ezra Reyes SQE Manager	2019-01-14
1	Updated section 6 Warranties and OEM customer complaints , section 12.1.1 SPR. Added 17.3 Customer specific requirements.	Chris Mansell SQE Manager	2021-06-02

1.0 Purpose

- 1.1 This Annex describes the specific quality requirements from Johnson Electric America in addition to the corporate requirements described in the Johnson Electric Supplier Handbook - Quality Requirements (CCWGD-OP-2018001).

2.0 Scope

- 2.1 This applies to Johnson Electric Americas Suppliers and Sub-Suppliers, as well to all direct material, component or part supplied to JE Americas either directly or via a subcontractor.

3.0 Reference

3.1 Internal

- CCWGD-OP-2018001 Supplier Handbook – Quality Requirements
- CCHQD-SP-0000036 Supplier Handbook – Hazardous Substance Control
- CCMDD-SP-0000024 Supplier Management Procedure – Medical Device

3.2 External

- ISO 9001, Quality management systems requirements
- IATF 16949, Quality management system requirements for automotive production and relevant service parts organizations.
- ISO 13485, Medical devices - Quality management systems - Requirements for regulatory purposes
- ISO14001, Environmental management systems – Requirements with guidance for use
- VDA 6.3, Process Audit standard for Product Development Process / Serial Production and Service Development Process / Providing the Service
- VDA 6.5, Product Audit, VDA
- Advanced Product Quality Planning and Control Plan (APQP), AIAG
- Production Part Approval Process (PPAP), AIAG
- Potential Failure Mode and Effects Analysis (FMEA), AIAG
- Statistical Process Control (SPC), AIAG
- Measurement System Analysis (MSA), AIAG
- Special Process: Heat Treat System Assessment (CQI-9), AIAG
- Special Process: Plating System Assessment (CQI-11), AIAG
- Special Process: Coating System Assessment (CQI-12), AIAG
- Special Process: Welding System Assessment (CQI-15), AIAG

- Special Process: Soldering System Assessment (CQI-17), AIAG
- Special Process: Molding System Assessment (CQI-23), AIAG
- Special Process: Casting System Assessment (CQI-27), AIAG
- Automotive Warranty Management Guideline (CQI-14), AIAG
- Sub-Tier Supplier Management Process Guideline (CQI-19), AIAG
- Other relevant CQI Special Process standards, AIAG

4.0 Definition and Abbreviation

- 4.1 OIR - Outgoing Inspection Report (Also known as CoC or CoA)
- 4.2 HSF - Hazardous Substance Free
- 4.3 KPC - Key Product Characteristics
- 4.4 Safety D-Parts - Raw material / component / part / product which has one or more critical characteristic(s) on Product Safety, it also called as “D-characteristic”
- 4.5 SC - Customer Significant Characteristics
- 4.6 JMT - Johnson MedTech
- 4.7 For other definitions and Abbreviation, please refer to the Global Supplier Handbook - Quality Requirements (CCWGD-OP-2018001).

5.0 Qualification and Competency Required

- 5.1 In addition to what is required in JE’s Global Supplier Handbook - Quality Requirements; JE Americas expects their supplier to:
 - 5.1.1 Have competency in AIAG Core Tools (including APQP, FMEA, MSA, SPC and PPAP) to their last revision.
 - 5.1.2 Comply with the Global Supplier Handbook - Quality Requirements (CCWGD-OP-2018001), Johnson Electric’s different customers’ requirements, government regulations and this Annex.

6.0 Regulations

- 6.1 Area of Application.
 - 6.1.1 In the event other standards are noted in JE drawings and/or Purchase Order (PO), the supplier is responsible for maintaining and meeting the most recent revisions available (i.e. IPC-A-610 for printed circuit boards acceptance, AEC-Q200 for automotive passive electronic component, etc).
- 6.2 Environmental management regulations/Hazardous Substance Free (HSF)
 - 6.2.1 Supplier shall submit the following documents for part qualification during PPAP phase (and as required):

- Supplier Self-Declaration Letter (HSF compliance declarations)
- Supplier Self-Declaration Letter (REACH SVHC)
- IMDS
- RoHS 3 Third Party Laboratory Test Report
- Material Safety Data Sheet (MSDS) – as applicable.

6.2.2 JE expects all suppliers to adhere to local and government, trade, and environmental laws wherever applicable.

Compliance to other regulations per JE PO, component drawings or contract is required.

6.3 Responsible Sourcing

- 6.3.1 Johnson Electric expects all suppliers to source responsibly including:
- No sourcing from unknown or unauthorized distributor(s) to avoid counterfeit components (refer to JE COUNTERFEIT PARTS PREVENTION POLICY).
 - No sourcing from Johnson Electric or JE customer's banned sources.
 - JE expects all suppliers to adhere to social responsibility by no sourcing for conflict minerals per EICC-GeSI and/or Frank-Dodd Law. Annual declaration using the latest EICC-GeSI Conflict Mineral Reporting Template is expected.

6.4 Contingency Plans

- 6.4.1 The supplier shall prepare contingency plans to satisfy Johnson Electric requirements in the event of an emergency such as utility interruptions, labor shortages, strike, equipment failures, shortages of material caused by a sub-supplier issue, etc. If the supplier knows in advance that Johnson Electric (on any of its branches), will be affected on a production interruption, the supplier shall notify JE's Planner, Buyer and SQE at least in the next 24 hours; if possible before the interruption. The immediate actions shall be communicated assuring supply of product. The supplier is required to advise JE of the recovery plan and work towards minimizing its effect on the JE site.

7.0 Precedence

- 7.1 In the event that differences exist between the different requirements established in the documents provided by JE to their suppliers, the order of precedence will be as below:
- 7.1.1 Johnson Electric Purchase Order
 - 7.1.2 Material specification or component drawing
 - 7.1.3 JE Supplier Handbook – Quality Requirements (CCWGD-OP-2018001)
 - 7.1.4 Customer Specific Requirements
 - 7.1.5 This Annex for Americas requirements
 - 7.1.6 International standards which are relevant to supplier items

7.1.7 Supplier's published data sheets

8.0 Supplier Quality Goals

- 8.1 In addition to the specific requirements established in the JE Supplier Handbook – Quality Requirements (CCWGD-OP-2018001), Johnson Electric Americas requires their suppliers to have continuous improvement initiatives with the target of process capability meeting or exceeding Ppk/Cpk of 2.0 for identified critical, safety or special characteristics.

9.0 Supplier Selection & Approval

- 9.1 Johnson Electric shall assess potential suppliers to become an approved and qualified supplier. Supplier shall work with JE SCS to complete the Supplier Assessment Questionnaire (SAQ) and Non-Disclosure Agreement (NDA).
- 9.2 An on-site audit shall be arranged if the potential supplier fulfills all initial requirements and assessments as identified in the Supplier Handbook – Quality Requirements (CCWGD-OP-2018001).





10.0 Part Qualification





10.1 Sample Evaluation (SER)








- 10.1.1 HSF compliance declaration letter, REACH SVHC Declaration, Material Composition Declaration, HSF Laboratory Test Report shall be submitted for SER along with samples whenever is required.

10.2 Special Characteristics

- 10.2.1 Customer Significant Characteristics (SC) are those features required by JE customers;
- 10.2.2 Key Product Characteristics (KPC) are features that may affect compliance with government regulations, safety of people, JE product fit and functions;
- 10.2.3 The below symbols are used by JE on drawings to indicate SC and KPC parameters. The process capability (Ppk/Cpk) identified in the table determines the acceptability of such characteristics through PPAP; Johnson Electric requires its suppliers to develop continuous improvement initiatives to meet or exceed Ppk/Cpk of 2.0 on any of this characteristics.

Symbol	SC1 	SC2 	SC3 	SC4 
Target	Ppk>2.00, Cpk>1.67; Apply SPC monitoring as appropriate.	Ppk>1.67, Cpk>1.33; Apply SPC monitoring as appropriate.	Ppk>1.33, Cpk>1.00 or 100% check; Apply SPC monitoring if appropriate.	Shall meet specification without specific Apply 100% inspection or SPC monitoring as appropriate.

Symbol	KPC1	KPC2	KPC3	KPC4
				
Target	Ppk>2.00, Cpk>1.67; Apply SPC monitoring as appropriate.	Ppk>1.67, Cpk>1.33; Apply SPC monitoring as appropriate.	Ppk>1.33, Cpk>1.00 or 100% check; Apply SPC monitoring if appropriate.	Shall meet specification without specific Apply 100% inspection or SPC monitoring as appropriate.

10.2.4 Existing critical item (KCC ) and control item (KC []) on old drawings are equivalent to current KPC2 and KPC4 severally. The symbols  and  on GATE drawings are equivalent to current KPC2. The symbol  is superseded by the symbol . The symbol  on GATE drawings is equivalent to KPC3.

10.2.5 The supplier is required to identify the methods and controls used to monitor all JE designated customer significant characteristics (SC) and key product characteristics (KPC) in the production control plan.

10.3 Production Part Approval Process

10.3.1 In addition to the PPAP requirements established in the JE Supplier Handbook – Quality Requirements (CCWGD-OP-2018001), Johnson Electric Americas requires their suppliers to submit a Conflict minerals self-declaration by using the EICC-GeSI Conflict Minerals Reporting Template found in the following website:
<http://www.responsiblemineralsinitiative.org/conflict-minerals-reporting-template/>

11.0 Mass Production Control

11.1 Supplier Outgoing Quality Control

11.1.1 The supplier is required to attach a hard copy of the OIR and Cpk data on every shipment and send a scanned copy to COA@johnsonelectric.com identifying in the subject the supplier name, part number and manufacturing date/lot number.

NOTE: The supplier shall keep a softcopy ready and accessible upon request.

12.0 Supplier Monitoring and Development

12.1 Supplier Performance Rating (SPR)

12.1.1 Supplier performance will be monitored regularly and at least quarterly for materials purchased for production.

- Scope: Direct material only, Suppliers comprising the top 80% of spend YTD & with quality concerns during that reporting period – regional level (Americas)
- How frequent : Quarterly
- Target (overall):

Supplier Classification	SPR Score	Consequence Actions
(A) Preferred Supplier	i) Overall SPR ≥ 80%; and ii) Quality ≥ 32; and iii) Delivery ≥ 24	N/A
(B) Capable Supplier	i) Overall SPR in the range of 50% - 80% ; and ii) 24 ≤ Quality < 32; and iii) 12 ≤ Delivery < 24	N/A
(C) Supplier Under Probation	i) Overall SPR < 50%; or ii) Quality < 24; or iii) Delivery < 12	Improvement plan/action needed

12.1.2 The following is the criteria considered to calculate the Supplier Performance accordingly for each category:

Elements	Quality			Competitiveness			Delivery
Weight	40%			30%			30%
Sub-Weight	30%	40%	30%	50%	25%	25%	100%
Max Point	10	10	10	10	10	10	10
Criteria Number	Q1	Q2	Q3	C1	C2	C3	D1
	Supplier PPM	Quality Incidents	Fulfill 8D Cycle Time Targets	Payment Terms	Percent of Savings/Increases	Fulfill Quote & Response Time Targets	On Time Delivery

12.1.3 In a quarterly basis, those suppliers that were scored below 51% will be receiving via e-mail their SPR score.

NOTE1: Suppliers with 2 consecutive Quarters with RED Ratings will be required to submit a Quality Improvement Plan (QIP). This plan will be monitored by Commodity Manager and SQE.

NOTE2: Any 3 Quarters with RED Ratings will place the Supplier on NBOH until the Quality Improvement plan has been implemented and signed off by Commodity Manager and SQE.

NOTE3: Supplier shall submit a QIP within 15 calendar days after RED score is provided. If QIP is not presented in such period, Supplier will be placed in NBOH status. If no QIP is provided within a 1 month period, the supplier will be phased-out.

NOTE4: After QIP is submitted, the supplier shall close all QIP activities within 4 months. Failure to meet the timeline will result in a decision to remove business.

*The escalation process may vary in cases of single-sourced commodities or customer directed suppliers.

12.2 New Business On-hold (NBOH)

12.2.1 Considerations for placing a supplier on NBOH include, but not limited to:

- Failed SPR
- Failure to submit Quality Improvement Plan (QIP) when requested.
- Failure to close QIP activities.
- Frequent and/or repeat quality incidents/non-conformances.
- Supplier causing problems impacting JE customers such as spills or frequent reported warranties.
- High ppm levels.
- Implementing any change without JE written approval.
- Lack of supplier responsiveness (corrective action reports, requests for information, RFQs, etc.).
- Unjustified price increases, payment term adjustment requests, etc.

- Frequent and/or repeated delivery problems (ahead of time or late, incorrect shipping, billing documents, etc.).New Business On-hold (NBOH).

12.3 Controlled shipment

12.3.1 Controlled shipment will be imposed to the supplier at JE Supplier Quality's discretion (especially on re-occurrence of non-conformance).

- Controlled shipment level 1 (CSL1) is conducted by supplier personnel and is a 100% inspection of material/part prior to shipment of the material. Duration of the controlled shipment activity will be based on inspection results and performance at the JE manufacturing site.

- If the executed controlled shipment by supplier (CSL1) is not effective, Controlled Shipment Level 2 (CSL2) inspection by 3rd party will be imposed by JE Supplier Quality. The costs for 3rd party control are the supplier's responsibility.

- JE reserves the right on assessing and auditing the 3rd party inspection area; supplier is fully responsible for the control of the 3rd party inspection working environment (i.e. ESD area and personnel properly grounded if electronics are being inspected, proper light and equipment in place to assess microscopic conditions, etc).

12.4 Cost of quality & recovery

12.4.1 In the event of confirmed non-conforming supplier parts reach JE or its Customers, JE SQE will notify and work with the supplier to remedy the situation including prompt analysis, containment and follow-up actions.

- Supplier shall be responsible for all associated costs including but not limited to sorting costs, premium freight, travel expenses, Customer fines, downtime, special equipment purchases, incidental charges, etc.

- Supplier Non-Conformance Chargebacks process starts when Johnson Electric incurs in a financial impact due to supplier non-conforming material or supply disruption. This process is designed and intended to help drive supply base improvements and hold suppliers accountable for poor quality and delivery performance. This is not intended to be punitive or generate profits.

- Financial impact may include the cost of investigation, sort, rework, testing activities, downtime, overtime, expediting, etc. The items listed in the table (1) below provide a summary of common potential costs associated with supplier non-conforming material or supply disruption. This list is not considered inclusive of all potential costs.

During Receiving	During the Manufacturing Process	When Parts Are at a Customer
<ul style="list-style-type: none"> • No Certification • Sorting • Rework • Premium freight • Premium costs paid to support production • Tooling, fixtures and 	<ul style="list-style-type: none"> • Downtime • Overtime • Line speed reduction • Additional manpower • Additional inspections and/or testing • Rework/Repair 	<ul style="list-style-type: none"> • Rework/Sort by JE at customer premises • Rework/Sort by Third Party paid by JE • Replacement of material at customer • Premium Freight

materials for inspection and/or rework	<ul style="list-style-type: none"> • Time lost due to model change caused by material unavailability • Equipment breakage • Scrap costs 	<ul style="list-style-type: none"> • Tooling, fixtures and materials for inspection and/or rework • Facility/Warehouse Storage Costs • Charges from customer (administrative fees) • Internal containment to prevent quality issues at customer (Quarantine, added inspections, certification of product, etc.) • Warranty claims or recalls
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TABLE 1

The following are the standard charges that will be applied when a Cost recovery event occurs:

Description	Chargeback	Explanation
Labor	\$40.00 USD/hour per person JE USA \$15.00 USD/hour per person JE Mexico	\$40.00 USD/hour per person applicable to labor within Johnson Electric United States. \$15.00 USD/hour per person applicable to labor within Johnson Electric Mexico.
Scrap	Quantity x piece price	Scrap associated with final assemblies, subassemblies and components.
Customer Cost Recovery	Amount charged to JE by the customer	Charges imposed by the customer to Johnson Electric due to the disruption generated by the supplier issue.
Equipment / Tools	Amount defined in the invoice	Equipment or tools bought to make a rework, to sort or test specifically related to the supplier quality issue.
Premium Freight	According to the carrier charges	Freight cost incurred inbound (from supplier to JE site) or outbound (from JE site to customer) due to the supplier quality nonconformance.
Travel Expenses	Airfare Car rental Fuel expense Hotel room charges	Travel expenses from Johnson Electric staff to the supplier site or to the customer facility to attend or asses the supplier quality nonconformance.
Administration Fee	\$500.00 USD standard fee	A \$500.00 USD administrative fee is assessed to each NCR. This applies to any supplier responsible quality or delivery issue that results in a reject or non-conformance report (NCR) generated. The administrative fee will not apply to informative reports to the supplier.

13.0 Supplier Classification

13.1 Refer to 12.1.1

14.0 Change Management

14.1 All supplier changes shall be reviewed and approved in a controlled manner to mitigate delivery and/or quality risk.

14.2 In the event of an emergency that requires a change from supplier or sub-supplier either due to shutdown, natural disaster, irreparable damage to tooling or equipment or any other critical condition that may interrupt supply or affect quality, the supplier shall notify Johnson Electric Supplier Quality and Supply Chain Services in less than 24 hours with a proper established plan for change implementation.

15.0 Sub-Supplier Management

15.1 Supplier must implement a Sub-Supplier Management process following JE Supplier Handbook – Quality Requirements (CCWGD-OP-2018001), adhere to this Annex and implement it per CQI-19 Sub-Tier Supplier Management Process Guideline.

16.0 Warranty Returns and OEM customer complaints.

16.1 Supplier shall report Warranty and OEM Customer complaint part analysis through the NCR 8D tools given by Supplier Quality Engineer. The part shall be analyzed and provide the complete 8D in less than 15 calendar days.

17.0 Other Requirements

17.1 Package & Label

17.1.1 Product name/no. and supplier's lot no. should be shown on the package and/or label clearly

17.2 Periodic Product Validation

17.2.1 For Automotive, Aerospace or Medical products, supplier shall provide in an Annual basis a PSW, full dimensional layout data, Capability studies (if applicable), material test results and the Conflict Mineral Reporting Template.

17.2.2 For industrial Product, supplier shall provide the same requirements previously mentioned but every three years

17.2.3 If for any reason, the part required in the PO has not been produced in more than one year; same mentioned requirements shall be submitted when part is required.

17.3 Customer Specific Requirements

17.3.1 Any other customer specific requirements that may apply will be sent by e-mail by the Johnson Electric Supplier Quality Representative.

18.0 Medical (Johnson MedTech) Requirements

18.1 Johnson MedTech Suppliers shall adhere to the requirements established in the JE Supplier Handbook – Quality Requirements (CCWGD-OP-2018001) including this Annex.

18.2 Supplier Classification

18.2.1 Suppliers are classified into 7 categories as Table 2

Note 1: Item & part classification refer to part classification on drawing.

Note 2: Class A & B suppliers are defined as the JMT key suppliers.

<u>Supplier Classification VS Item/part Classification</u>	
<u>Item/part Classification</u>	<u>Supplier Classification</u>
Class A	Class A
Class B	Class B
Class C	Class C
Class D	Class D
Class E	Class E
Class F	Class F
Service Provider	Class G

Table 2 Supplier Classification

18.3 Supplier Selection and Qualification

18.3.1 Suppliers are qualified for the approved supplier list based on the following criteria, defined in Table 3:

<u>Quality Requirements</u>	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>	<u>Class F</u>	<u>Class G</u>	<u>Quality Records / Documentation</u>
Service Provider Assessment Questionnaire	N/A	N/A	N/A	N/A	N/A	N/A	Yes	SPAQ
Supplier Assessment Questionnaire	Yes	Yes	Yes	Yes	Yes	Yes	N/A	SAQ
ISO 9001 certified	Yes	Yes	Yes	Yes	Yes	Yes	Optional	ISO 9001 certificate
ISO 13485 certified	Preferably	Preferably	Optional	Optional	Optional	Optional	Optional	ISO 13485 certificate
PSA	Yes	Yes	Yes	Yes	Yes	Yes	N/A	PSA
VDA 6.3 (Annual audit)	Yes	Yes	Optional	Optional	Optional	Optional	N/A	VDA 6.3
Hazardous Substance Process Management	As required per Customer or Part criticality							

Table 3 Supplier Assessment Criteria

18.4 Continuous Supplier Development

18.4.1 VDA 6.3 assessment for JMT “Class A & Class B” suppliers is scheduled and performed by SQE.

18.4.2 VDA 6.3 assessments for “Class A & Class B” suppliers in mass production stage should be on-site at least every two years; however, the below categories can be exempted for this assessment:

(a) Supplier with ISO 13485:2016 certificate by an accredited third-party certification body (verification of certification expiry date and scope is required).

(b) Supplier is a trading house for off-the-shelf materials/components, with the evidence of official dealership from the top of the world manufacturer.

(c) Supplier who is also a customer

NOTE: For Class C-F suppliers, audit depends on supplier quality performance.

18.4.3 Based on the results of the supplier assessment, Supplier shall develop a Quality Improvement Plan (QIP) with both short term and long term corrective actions items.

18.5 Supplier Disqualification and Re-qualification

18.5.1 Supplier is potentially disqualified if fails the VDA 6.3 audit, fails on providing a QIP or cannot meet the QIP established actions from either NBOH exit or VDA 6.3 audit.

18.5.2 JMT and SCS will follow the Supplier Selection & Approval process as established in section 9.0 from JE Supplier Handbook – Quality Requirements.

18.5.3 Once the second source is approved, the current supplier shall be removed from the Approved Supplier List (ASL).