



February 2022

Subject: Quality Targets and final Customer specific requirements 2022

Dear Supplier,

Let us start by thanking you for the excellent result achieved during the year 2021, despite of difficult environment. Most of Suppliers are delivering parts without any incident. Year 2022 must be the year to consolidate the results and to continuously enlarge the number of Suppliers delivering zero incidents.

Inside MARELLI, we are finalizing the integration at both processes and systems levels.

"Supplier Quality Performance" (SQP), the unique tool for data exchange, in terms of Failure Analysis Requests, 8D Reports, Supplier rating, and other information and documents, is now available everywhere in the world. The MARELLI scorecard is accessible to any Supplier and is the reference to confirm the Supplier business share and any new business attribution.

You are therefore requested to keep under control all the parameters impacting on the scorecard and to act in the most virtuous possible way to improve your performance. The target is always to be a "Green" class company, avoid entering a red condition and supporting each MARELLI plant to achieve the target of 0 red quality score, assigned from the OEMs.

From our side, one action aimed to guide you towards 0 defect is to open a Controlled Shipping Level/ Firewall (CSL) for every claim detected.

So, in general, MARELLI is working to achieve global zero-defect target in each individual MARELLI plant; we expect maximum co-operation and contribution by you to satisfy this target.

We also expect that you implement all required actions to avoid any defect during warranty period.

We remind you that one point evaluated in the quality scorecard is the Quality System certification: according to Customer requirements, IATF 16949 Quality System certification is mandatory. It is therefore very important that you maintain updated data and certification copies on MARELLI system.

Next step will be the launch of the new APQP tool; it reflects the harmonized APQP process, that integrates the cumulated lessons learned, aimed to ensure a more robust methodology, and avoid any defect from start of production onwards.

A key activity to build a robust APQP is constituted by FMEA that, from now onwards, shall be executed according to AIAG / VDA 2019 version. We rely on you to fully deploy this approach across your organization and with your own Suppliers. The main changes linked to the new FMEA methodology are related to 7 steps approach, evaluation tables, action priorities, special characteristics, forms sheet, Monitoring and System Response (MSR).

The new APQP procedure integrates also the MARELLI Shipment Judgment Meeting (SJM) methodology, aimed to ensure parts fully approved at MARELLI start of production. We therefore count on you to get full PPAP / PPA release on time and positively approved at the first time.

MARELLI tools (SQP, APQP tool, eSourcing) are now accessible via the unique connection of Supplier Collaboration platform. Dedicated training materials are available in the systems itself.

To properly communicate the MARELLI requirements towards Suppliers, we also worked on the harmonization of the Quality Assurance System for Supplier (QASS). This new Quality Contract will start to be deployed towards Suppliers in the next coming weeks; its approval will become a basic requirement for getting new business.



We also remind that all official documents exchanged between Supplier and MARELLI shall be issued in English language.

Several new trends are emerging in Automotive, on which we need your maximum attention and cooperation.

The first is Cyber Security, pulled by the recent publication of UNECE WP29 R155 and of ISO 21434. This is becoming an emerging topic in every business, including the Automotive market, where all the actors in the Supply Chain have to put in place proper countermeasures to prevent any risk to disrupt business continuity, to introduce unavailability of provided services, to breach data confidentiality, violate any contractual clause or introduce vulnerabilities in MARELLI products / infrastructures.

The second is Information Security, which is also a precondition to ensure an effective Cyber Security. ISO 27001 and TISAX are the main certifications which are being expected more and more extensively by OEMs and which ensure a robust Information Security Management System.

More at global level, Sustainability is becoming a topic of considerable importance throughout the automotive industry. Within it, the automotive Supply Chain becomes increasingly globalized and MARELLI is now more than ever faced with the managing of the associated businesses practices, with long-term sustainability actions.

MARELLI is committed to ensuring its ongoing contribution to a more sustainable world and we are aware that a real improvement in Sustainability comes only when we work with collaborative partners across the Supply Chain. MARELLI is aware that can't be sustainable Company if our Suppliers are not committed on the same value. We therefore expect your maximum co-operation and contribution in the Sustainability initiatives that we are going to launch.

In general, we expect that you put in place appropriate and adequate organization to ensure compliance to each above and emerging requirement.

In addition, the other program for which we expect to receive your full support is the yearly declaration about compliance of your Company to the updated Conflict Minerals regulation, in compliance to the US Act and the new EU Regulation and in the respect of the assigned declaration due dates.

In order to meet all the above targets, we expect you to define a robust and pragmatic quality improvement plan, including the definition of the 2022 quality targets for all your sub Suppliers, in accordance with the MARELLI requirements: in fact, all described targets apply to all components purchased by MARELLI, both direct supplies to MARELLI and supplies assembled by sub-contractors.

Finally, we expect that you diffuse this letter and the attachment to all the concerned people within your organization. For any comment, please contact the concerned Commodity SQA Managers, according to the contact list in attachment.

Without any feedback from you by February 25, 2022, Marelli will consider the above Quality targets accepted.

Thank You in advance for Your co-operation

Best regards,

A handwritten signature in blue ink, appearing to read 'A. Koehler'.

Andy Koehler

Chief Purchasing Officer

A handwritten signature in blue ink, appearing to read 'Christian Tarnowski'.

Christian Tarnowski

SQA Vice-President



Attachment to Quality Target 2022 - MARELLI major rules

Bid List scoring explanation

Each Supplier is evaluated, through SQP system by taking in account several parameters, as reported in the list here below:

- C0 warranty incidents
- C1 0 Km incidents
- C2 In process incidents
- C3 Incoming Inspection incidents
- Delay in answer
- Rejected 8D
- Re-occurrence
- Control Shipment / Firewall level 1
- Control Shipment / Firewall Level 2
- Negative APQP
- Change management
- Missing mandatory Quality Certification
- Negative Audit

A specific demerit is associated to each above parameter.

Your starting score is 100 and it is decreased by considering the demerit associated to each parameter.

Considering the final score, Your Company is classified:

- Class **green**: score ≥ 90
- Class **yellow**: $90 > \text{score} \geq 65$
- Class **red**: score < 65

Performance is calculated by using a rolling period of six months.

The scorecard is then combined with the following Supplier evaluation parameters:

- Signature of the Quality Assurance System for Supplier (QASS)
- Existence of any ongoing Yard Hold condition
- Existence of any ongoing Service Campaign
- Existence of any ongoing Recall Campaign

and used to evaluate the Supplier eligibility to new business.



Major rules for parts under development or under qualification

We expect from you:

- In terms of processes, we need your maximum effort and co-operation in the application of APQP process and APQP review that, if properly applied, supports both parties during the project development phase, to highlight any potential blocking point, drive the definition of consistent and effective actions as well as address appropriate escalations and prepare therefore a smooth and safe launch in mass production

- Into revised APQP review you will find chapters dedicated to the acceptance and implementation of Customer Requirements and Customer Specific requirements
- Another set of key requirements is constituted by the capitalized experience; we trust on your full engagement in the systematic application of lessons learned described in the Commodity Quality Check List
- Pro-actively participate in preparation of the Technical Analysis and during the meeting, by leading the technical discussion, highlighting and solving any blocking point and proposing best technical solution. Please remind that technical Analysis report shall be signed for acceptance
- During APQP phase, define and apply a robust Safe Launch to ensure the expected level of quality since the production ramp up
- During APQP phase, you are also responsible to cross check and demonstrate, for your Company and your sub-Suppliers, the capacity check result, including the scrap rate
- Diffuse PPAP / PPA within the committed APQP deadline and ensure a complete PPAP / PPA electronic copy together with Initial Samples as well as the diffusion of PPAP / PPA also in English version
- Store, as reference, a representative quantity of Initial Samples and keep at Your Premise for the complete component production life



Major rules for parts in production

- Environmental certification: strictly related to the Sustainability program, you are requested to demonstrate your commitment to the environment protection and provide a copy of the certification ISO 14001 or a plan to reach it.

- Compliance to Directive and Regulations: for each component supplied to MARELLI, you are required to ensure the compliance to any applicable Directive and Regulation (banning of heavy metals, Rohs, REACH, CLP). REACH and CLP Regulations require a strict focus by your organization by means of:
 - Only Representative in Europe in case your Organization is out of EU
 - Continuous monitoring of updated substances in Candidate list / Annex XIV / Annex XVII with immediate notification to MARELLI in case SVHC substances are supplied or included in product delivered to MARELLI in a percentage > 0,1 % w/w and in case there is a plan to substitute any substance included in the previous lists and the relative timing
 - Apply all activities defined by REACH regulation in relation to registration, authorization, restriction or notification
 - Provide a Safety Data Sheet (SDS) updated and compliant to REACH / CLP Regulations for substances and mixtures supplied to MARELLI according to the criteria defined by REACH Regulation
 - Respect all the Classification, Labelling and Packaging (CLP) Regulation requirements

- 8D report:
 - For each official concern from SQP (both quality and logistic), you are required to apply each step of 8D report and trace each result also into the MARELLI 8D report standard form that is available into the SQP portal, or in your own 8D report form, if this ensures the same level of detail and completeness and if agreed with MARELLI. The filled 8D report shall be then uploaded into the SQP portal
 - the 8D report shall be filled also in English for any incident
 - Moreover, each concern must be managed through the 8D Report Effectiveness Assessment, to be filled out and returned to MARELLI through the SQP Portal. MARELLI reserves the rights to review the assessment together with the 8D Report and ask you to discuss or amend the content of the 8D Report if it is not satisfactory
 - MARELLI is maintaining a special focus on 8D report effectiveness: please consider that you will be requested to organize mandatory training courses (provided by external certified bodies) to your staff in case of multiple 8D rejection by MARELLI due to un-consistent approach
 - When required, apply the actions described in the Quick Lesson Learned Letter, that collects the actions derived from the MARELLI experience capitalization on parts of same commodity, that must be implemented on the running parts of the same family / same technology to anticipate and avoid any potential problem



- Change management: as specified in the Quality Assurance System for Suppliers (QASS), your Company has to implement a process for change control, including the following steps: inform MARELLI in advance and get MARELLI formal agreement before putting in production any modification to supplied process / components. In case of non-respect of such rule, MARELLI will reserve the right to implement all securing actions (e.g. Controlled Shipping Level / firewall), including the possibility to review the current business conditions, to review the qualification status for the component that you provide and / or to contact the Quality System Certification Body. Please kindly remind that, during year 2021, MARELLI diffused the 4M Change Guidebook, that constitutes a further support to properly organize and manage any change, internally and towards your sub-Suppliers
- Automotive SPICE: it is a standard in the automotive industry, explicitly requested by most of OEMs and recommended by the major norms (e.g. IATF) for software development, and components with embedded software. In applicable cases, we expect that you put in place appropriate and adequate organization to ensure compliance to this standard

Commodity SQA managers to be contacted for any comment to 2022 target:

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