SPECIALTY COATING SYSTEMS™
A KISCO Company

General Supplier Requirements And Expectations

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1.0 PURPOSE

This document sets forth the basic requirements and expectations for all Specialty Coating Systems (SCS) suppliers that provide production materials, products and services.

It provides guidance for all supplier activities throughout all SCS organizations and establishes general policy.

This document also describes the primary activities, deliverables and performance required of the supplier's quality management system. Additional responsibilities may be outlined to suppliers within the relevant RFQ, Purchase Order, separate Supply Agreement and/or supplemental supplier requirements based on the nature and type of supplied material, product and service.

Not all sections may be applicable to all suppliers. Refer to relevant exclusions as necessary.

2.0 SCS PURCHASING OBJECTIVES

The overall goal of the SCS Purchasing Department is to maintain at all times, and under all conditions, a continuous supply of high quality, value-based material and services required to meet our customer deliveries, support production schedules or product development. Purchasing pledges absolute consideration to Specialty Coating Systems interests while striving to maintain and sustain long-term, mutually profitable and ethical supplier partnerships.

3.0 COMMUNICATION

Specialty Coating Systems practices open and honest communications.

All communications with suppliers will be done by, or with the knowledge of, the Purchasing Department.

Expectations are the same from suppliers. It is imperative that SCS Purchasing Department be kept informed of any event that could affect the delivery or quality of purchased products or services.

Suppliers are required to notify SCS upon discovery of an actual or suspected nonconforming product, at the supplier location or in transit or delivered to an SCS location. Suppliers are to obtain approval from SCS for nonconforming product disposition.

While problems or unexpected events can happen, SCS encourages active communication with its suppliers to enable both parties to quickly resolve the situation. No specification changes will be made by Purchasing without the approval of the requisitioning party during this process.

All questions or discussions regarding Supplier Requirements should be addressed to the respective SCS Buyer.

4.0 ORDER OF PRECEDENCE

The order of precedence for SCS purchases is defined in the Standard Terms and Conditions on the Purchase Order (PO). In the event of any inconsistency or conflict with the provisions of the PO, please contact the SCS Buyer for remedy. All Purchase Orders are to be confirmed by the supplier within two business days (48 hours) of PO issuance. SCS regards the confirmed PO as a mutually agreed upon business contract for goods and services.

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5.0 LEGAL AND ETHICAL CONDUCT

5.1 General Responsibilities

All suppliers to Specialty Coating Systems must have policies and practices to ensure compliance with all applicable laws in the countries which they do business. Suppliers are expected to be aware of the business practices of their own supply chain and ensure that they operate within the guidelines of this requirement.

This conduct is required to maintain a strong relationship between SCS and each of its suppliers.

5.2 Improper Payments

Business at SCS is conducted legally and ethically. No money, fee, commission, gift, consideration, or compensation of any kind is to be offered as enticement to SCS employees or those working on behalf of SCS in return for favorable treatment. Such actions are strictly prohibited and may be subject to applicable criminal laws and penalties.

5.3 Child / Forced Labor and Human Trafficking

SCS suppliers must comply with applicable local labor laws and employ only those individuals that meet minimum age requirements. In any case, it is the policy of SCS not to purchase products, materials or services from any company employing personnel under the age of sixteen (16) on a full-time or equivalent full-time basis.

Furthermore, SCS does not support the use of forced or involuntary labor. SCS will not purchase products, material or services where forced labor is practiced.

Human trafficking is the action or practice of illegally transporting people from one country or area to another, typically for the purposes of forced labor or commercial sexual exploitation. SCS will not purchase products, materials or services from suppliers who support human trafficking and is suspected or known.

5.4 Discrimination

This section only applies to USA Orders placed within the USA.

Contractors and subcontractors shall abide by the requirements of 41 CFR 60–1.4(a), 60–300.5(a) and 60–741.5(a). These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, sexual orientation, gender identity or national origin. Moreover, these regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, disability or veteran status.

5.5 Confidential Information

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SCS is committed to the compliance of all applicable legislation regarding the protection of personal, propriety and confidential information. Suppliers are expected to meet all applicable legislation, regulations and agreements governing the protection, use and disclosure of SCS proprietary, confidential and personal information as well as standard practice in the industry. The supplier maybe requested to sign a Confidentiality Agreement as part of the RFQ or approval process.

As a supplier or potential supplier to SCS, you are prohibited from disclosing any information contained in drawings or performance standards to any third party or from using the information to produce the same item for any other customer.

5.6 Environmental, Safety and Regulatory Compliance

Suppliers are expected to demonstrate their commitment to preservation and protection of the environment. Suppliers must ensure compliance of their products to all current applicable government regulations. Suppliers may use certificate, warrants, product labels, materials specification reports, etc., to demonstrate that their products or materials comply with government regulations.

Suppliers must ensure that the product meet all internal, federal and local laws of the area it is manufactured. Additionally, suppliers must ensure that all government and safety constraints on restricted, toxic and hazardous substances have been complied with prior to shipment.

By the acceptance of a SCS purchase order, the supplier certifies that the product or service is free from lead or mercury contamination. If lead or mercury is a component of the supplied product or processes, the supplier must contact the SCS Buyer for direction.

Suppliers may be required to meet EU legislation or other regional requirements depending on the application of the material, product or service- this will be outlined in the RFQ or separate supply contract as necessary.

Prior to production release and/or the supply of product to SCS, the supplier must obtain and maintain copies of the latest Safety Data Sheets (SDS). Copies of the current / latest SDS must accompany each shipment or otherwise be provided to the appropriate SCS personnel.

Specific attention will be paid to the “risk phrases, product identifier, hazardous information and in the handling, storage and disposal of the product”. Hard copies are not required providing that the faxed copy or the electronic version cover the sixteen (16) basic sections of most Safety Data Sheets and that all information is legible. It is understood that a “Materials Certification” document or Material Specification document will not be acceptable as an equivalent to the requested Safety Data Sheet.

5.7 Export Laws

SCS is committed to full compliance with the export control laws and regulations of the United States. SCS will not purchase products, materials or services, nor have any transactions, with persons and organizations identified by the U.S. Government, with embargoed countries and with persons denied export privileges.

6.0 SUPPLIER CORRECTIVE ACTION REPORTING (CAR):

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6.1 Suppliers must inform the appropriate SCS Buyer of any actual or potential quality or delivery problem on current product or purchase order. Supplier must obtain written approval from SCS before non-conforming product can be used.

6.2 SCS may, based on the nature, type and severity of an identified supplier nonconformance, issue a Supplier Corrective Action (SCAR). Initial response to SCAR's must be submitted in writing to SCS within 2 business days (48 hours). Immediate and ongoing containment actions must be taken to prevent additional shipments of nonconforming materials. Disposition of the nonconforming materials must occur in a timely manner. This includes the disposition of the materials in the entire materials pipeline. Containment may include providing on-site knowledgeable personnel at an SCS location to sort, repair, or replace defective material.

6.3 Suppliers are expected to utilize methodical problem-solving processes in developing their final response to the problem. The supplier shall provide final response within 14 working days. Final CAR response shall include containment actions taken, root cause analysis including method(s) used to identify the root cause, correction and elements of the proposed implementation process, how the success of proposed actions will be evaluated, how the solution will be implemented to other similar processes or products, and necessary revisions to the product specifications.

6.4 SCS may also, based on the nature and severity of an occurrence, issue a Supplier Corrective Action to service providers and situations of non-conformances apart from product quality issues.

6.5 SCS may, at its discretion, charge Cost Recovery for costs resulting from supplier non-conformance. Payment for non-conforming goods/services shall not limit or impair SCS' right for Cost Recovery or diminish the suppliers' responsibility for being responsible for absorbing any SCS cost experienced due to latent material defects.

7.0 CONTINGENCY PLANS

Suppliers shall prepare contingency plans to meet SCS requirements, including the continuity of supply of goods and services, in the event of an emergency such as utility interruptions, labor shortages, key equipment failure and field returns, etc.

8.0 CUSTOMS AND TRADE AGREEMENTS

It is the supplier's responsibility to comply with customs and related trade agreement regulations. For North American suppliers, it is a condition of any purchase order that the supplier must supply, upon request, a complete and accurate USMCA (formerly known as NAFTA) Certificate of Origin, which must be updated as additional materials are ordered or as changes occur.

9.0 SOURCE INSPECTIONS

SCS may require inspection of product and processes at the supplier's facility by SCS trained personnel as listed on the Purchase Order prior to shipment. The supplier shall furnish, at no cost to the Buyer, necessary facilities and equipment, supply data, and perform tests as required by applicable drawings, specifications, and inspection instructions. SCS shall notify the supplier, whenever, possible at least 48 hours in advance.

10.0 RIGHT OF ENTRY

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SCS reserves the right to enter the supplier's premises for evaluation of products and processes. The supplier will be notified prior to the visit. The supplier should identify proprietary processes before entry. When applicable, an arrangement will be made to execute a mutual nondisclosure agreement to protect from disclosure to unauthorized individuals. The right of entry also applies to SCS customers and regulatory authorities to the applicable facilities of the supplier and to all applicable supplier records.

11.0 PACKAGING AND LABELING

Product must be shipped to SCS in a manner that prevents damage during shipment with proper identification on each shipping carton. Individual cartons must be clearly marked (or contain documentation within) with the appropriate Purchase Order number, SCS part number(s) (if applicable), description, quantity, and any necessary lifting and/or handling instructions. If special packaging requirements are required, they will be specified on the SCS drawing or Purchase Order.

12.0 ESD SENSITIVE DEVICES AND ASSEMBLIES

Any components, materials, or assemblies that are susceptible to Electrostatic Discharge (ESD) damage must be processed at the supplier within an acceptable ESD program consistent with ANSI/ESD S20.20 or a SCS approved program. Antistatic or static dissipative packaging material must be used for all ESD sensitive components and assemblies. The outside packaging must be clearly identified as containing ESD sensitive material.

Certifications stating that ESD prevention measures were in place and were used during the processing of the PO may be required at the discretion of the Buyer.

13.0 CHANGE IN MANUFACTURING PROCESSES OR LOCATION

In the event the supplier intends to change the product, location of manufacture or alter the manufacturing process of any product that may change or affect the quality of product, the supplier shall provide six (6) months prior written notice to SCS. This includes subcontracting existing processes. No process changes are allowed without SCS approval in writing.

14.0 NOTIFICATION OF PRODUCT DISCONTINUANCE

Suppliers shall provide SCS at least 12 months prior written notice of their intent to discontinue manufacture and/or support of any product. Prior to discontinuance the supplier shall fulfill any and all purchase orders placed for such product pursuant to the terms of the purchase order. On or immediately prior to the actual date of discontinuance of such product, SCS shall have the right to make a last time buy.

15.0 SUPPLIER MANAGED INVENTORY (VMI) AND CONSIGNED INVENTORY

Suppliers may be asked to participate in VMI, Kanban, and/or consigned inventory programs for the mutual benefit of SCS and the supplier to reduce the amount of time that is spent processing and managing orders and inventory. Supplier participation is strongly encouraged.

16.0 SUPPLIER PERFORMANCE REQUIREMENTS

SCS determines supplier performance based upon the delivery and quality of purchased material or service. The overall Supplier Rating is the combined delivery and quality score

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weighted 40% for delivery and 60% for quality. SCS expects suppliers will achieve and maintain a “good” to “excellent” supplier rating. A more detailed explanation of the SCS supplier performance rating program will be provided by the Buyer as detailed in the *Supplier Performance Rating System* (400-0275).

17.0 ON-SITE CONTRACTOR SERVICES

All contractors working in or on SCS premises are responsible for themselves, their employees and any sub-contractors employed by them for the following:

- Complying with all legal or SCS EH&S requirements.
- Complying with all health, safety, fire security and site instruction requirements.
- Ensuring that all equipment brought onto the site, including any borrowed or hired, is safe and only used in accordance with legal requirements.
- Indemnifying SCS against any and all loss, injury, damage or claim which may arise directly or indirectly as a result of any EHS acts or omissions on the part of the contractor. The contractor must prove adequate insurance covering this liability.
- Reporting all accidents and occurrences, as required by law, to the EHS Coordinator and Site Manager employing their services and any other such accidents or occurrences that pose a hazard to SCS employees and/or property.
- Reporting any unsafe act or conditions that may affect the ability to meet the contract.
- Wearing appropriate safety equipment on-site.
- Notifying SCS personnel of any chemicals to be brought on-site and disposition of any waste generated.

18.0 CALIBRATION SERVICES

When SCS sends product out for calibration and the source for calibration is not the OEM, the supplier performing calibration of the SCS product must be accredited to ISO/IEC 17025 or national equivalent. SCS may, based on Purchase Order, require evidence of certification and copy of supplier’s Lab Scope prior to awarding service contract. The standards, instruments, methodologies and reporting results (test reports/certificates) used in calibration must meet the requirements of ISO/IEC17025. Calibration activities shall be performed to the manufacturer’s method or internationally recognized (i.e. ASTM) methodology and manufacturer’s specification unless otherwise stated on the Certificate of Calibration. The calibration must be traceable to national or international measurement standards (e.g., NIST) unless otherwise stated in writing on the SCS purchase order. If the supplier finds that their calibration instruments are out of calibration, the supplier must contact SCS immediately. Supplier shall retain all traceability, processing, inspection, test and Quality Records for a period of no less than 10 years that pertain to the purchase order.

19.0 FABRICATED/MACHINED PARTS

SCS may supplement the Purchase Order and specifications for fabricated and machined parts with additional quality and/or supplier requirements. These additional requirements may be in the form of appearance, functional, adhesive, finish, material and testing quality standards. Sampling inspection or first article may be performed by SCS with the inspection results used to determine receipt acceptance. The use of a sampling plan in no way effects the right of SCS to reject any unit(s) of material found defective at a later date.

20.0 FIRST ARTICLE INSPECTION / PPAP SUBMISSIONS

Suppliers of manufactured material, product or componentry may be required to submit a First Article Inspection (FAI) Report, initial part submission or formal Pre-Production Part

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Approval Process upon request. Such requirements will be specified in the Purchase Order. In the event an FAI Report is specified, inspection and acceptance by SCS of a first article is required prior to the start of production. The first article report shall, at a minimum, include the part description, Purchase Order number, quantity inspected, inspection date, method of inspection, drawing, drawing revision number, specification dimensions, with tolerances and the actual measurements to demonstrate compliance with all specification requirements. First Articles must conform to all requirements of the Purchase Order and related documents, and shall be submitted for inspection and functional approval.

21.0 TRANSPORTATION CARRIERS; SHIPPING AND LOGISTICS SERVICES

SCS contracted freight shipping and logistic services are expected to act as agents of SCS and exercise all due diligence and fiduciary duties. Such services will be required to provide evidence of compliance to applicable regulatory, licensing, insurance and industry specific requirements. Additional and supplementary criteria by SCS, if required, will be defined in Purchase Orders.

22.0 SCS PRODUCT AND MATERIAL LIABILITY INSURANCE

The supplier is responsible to provide adequate insurance coverage to cover the costs of replacing SCS material lost or damaged due to theft, fire, flooding, tornadoes, earthquake, human errors, intentional malicious attacks or other natural or unnatural disasters.

23.0 FLOW-DOWN REQUIREMENT / APPROVED PROCESSES OR SOURCES

When required in writing by SCS, suppliers must use customer-approved processes or sources.

In addition to requirements of SCS, suppliers may also be required to comply with SCS customer ‘flow-down’ requirements and SCS customer approved/designated special processes. If such flow-down requirement does apply, they will be conveyed on the Purchase Order.

If the supplier is an SCS customer designated or directed source, the supplier shall still be responsible to SCS and comply with SCS requirements, Purchase Orders and supplier controls.

24.0 STATUTORY & REGULATORY REQUIREMENTS

When statutory or regulatory requirements are required in order to do business with SCS, SCS will communicate this requirement in writing. SCS may also require periodic audits and/or supporting documents.

25.0 RECORD RETENTION REQUIREMENTS

Unless otherwise specified on the Purchase Order, Quality Agreement or other purchasing directives, the supplier shall retain records related to the Order for a minimum of three (3) years.

26.0 COUNTERFEIT MATERIAL/UNAUTHORIZED PRODUCT SUBSTITUTION (CM/UPS)/FRAUDULENT ACTIVITY

<u>Electrical Parts</u>

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All electrical, electronic and electro-mechanical parts delivered and/or used in the manufacture of deliverable products shall be from the Original Component Manufacturer (OCM)/Original Equipment Manufacturer (OEM) or their franchised distributor.

Parts shall not be used or reclaimed and misrepresented as new.

Parts shall not be acquired from independent distributors or brokers.

The supplier must have a certification from the OCM/OEM, and that certification shall be delivered with each lot/ shipment.

SCS suppliers that procure electrical, electronic and electro-mechanical parts must have a counterfeit parts program plan to ensure it does not receive counterfeit parts into inventory, use them in manufacturing, or inadvertently sell them to other parties.

The supplier shall have a counterfeit detection process that meets the intent of SAE standard AS5553, Counterfeit Electronic Parts, Avoidance, Detection, Mitigation, and Disposition.

Suppliers that deliver next higher assemblies shall flow this requirement down to all their sub-tier suppliers to prevent the inadvertent use of counterfeit parts and materials.

Suppliers of next higher assemblies shall specify on their purchase order to their sub-tier suppliers that they shall only procure electrical, electronic and electro-mechanical parts from the original manufacturer of the part or the original manufacturer's franchised distributor only.

Non-Electrical Parts

Suppliers that procure non-electrical standard parts need to have a counterfeit parts program plan to ensure it does not receive counterfeit parts into inventory, use them in manufacturing, or inadvertently sell them to other parties.

The supplier shall have a counterfeit detection process that is similar to, and meets the intent of, SAE standard AS5553, Counterfeit Electronic Parts, Avoidance, Detection, Mitigation, and Disposition.

Suppliers of next higher assemblies shall flow this requirement down to all their sub-tier suppliers to prevent the inadvertent use of counterfeit parts and materials.

Fraud

Specialty Coating Systems defines fraudulent activities as deceit, trickery, dishonest practice, or breach of confidence intentionally perpetuated for profit or to gain some unfair or dishonest advantage. This includes but is not limited to falsification of information, intentional omission, false pretenses, and deliberate misuse of qualified resources or certification/qualification/authorization. SCS does not tolerate any form of fraud and is committed to preventing, reporting, and correcting any instance of fraud.

27.0 SCS USA SITES AND USA SUPPLIERS TO COMPLY WITH EXECUTIVE ORDER 13224

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Supplier will adhere to the directions provided in Executive Order 13224: “Executive Order on terrorist financing – blocking property and prohibiting transaction with persons who commit, threaten to commit, or support terrorism”.

28.0 SUPPLIER EMPLOYEE AWARENESS

Supplier will ensure that their employees are aware of their contribution to the supplier’s product or service conformity, product safety, and importance of their ethical behavior. To clarify, supplier’s product or service conformity means meeting SCS requirement as stated on purchase order (if applicable) and supplier requirements.

29.0 CONFLICT MINERALS POLICY

This section only applies to USA Orders placed within the USA.

The Securities and Exchange Commission (“SEC”) has adopted rules regarding disclosure and reporting requirements with respect to “conflict minerals” as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The rules require public companies to disclose whether the products they manufacture or contract to manufacture contain conflict minerals (tin, tungsten, tantalum and gold) that are necessary to the functionality or production of those products.

SCS supports the goal of the rules to end violence and human rights abuses in the Democratic Republic of the Congo and surrounding countries that may be financed by proceeds from trade in these minerals. SCS is committed to complying with all requirements applicable to SCS under the rules.

SCS will work with our customers cooperatively in connection with their conflict minerals programs, and we expect our suppliers to support us in implementing the necessary conflict minerals compliance programs. SCS requires that suppliers provide us with conflict minerals declarations using the EICC/GeSI Conflict Minerals Reporting Template and/or such other documentation as SCS may require. Any suppliers continuing failure to comply with this policy or refusal to support the SCS conflict minerals compliance program will likely lead to the termination of our business relationship with that supplier.

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