



January 4, 2021

To our valued Suppliers:

Enclosed is your copy of Clover Tool Mfg. Ltd.'s updated Supplier Quality Manual.

Suppliers to Clover Tool are expected to understand and comply with the conditions of business as described within this Supplier Quality Manual, and the detailed additional requirements or conditions that pertain to all suppliers to Clover Tool Mfg. Ltd

Clover Tool suppliers are responsible to communicate and ensure conformity to Clover Tool's requirements throughout their entire supplier chain.

The foundation of a good relationship with our supply base is premised on open, effective, and proactive communication. The occurrence of non-conforming product, unauthorized changes, or related supply or capability issues, present risk to both Clover Tool and our customers.

Your acceptance of any order from Clover Tool is limited to the terms and conditions specified in the Supplier Quality Manual found on our website [www.clovertoolmfg.com](http://www.clovertoolmfg.com) and incorporated by reference herein. Any additional or different terms and conditions proposed by the seller are hereby rejected unless otherwise expressly agreed upon in writing by the Purchasing Department and signed by the Purchasing Department's authorized representative(s).

The intent of these requirements is to eliminate surprises and special cause events that can impact Clover Tool's customers. These requirements include all suppliers and sub-contractors included as part of the process of manufacturing our components, and it is expected that you will manage your entire supply base with these principles. Clover Tool expects our suppliers to be committed to a zero-defect approach and to demonstrate that commitment through on-time delivery of fully conforming products, rigorous adherence to defined processes and requirements, and active participation in value improvement. We require the effective application of quality management systems, including Advanced Product Quality Planning (APQP) and corrective/preventive action processes. We will maintain a constant focus on continuous improvement of both ourselves and each supplier. We will measure and monitor performance, rewarding those who exceed our expectations.

If you have any questions or would like more information regarding this Supplier Quality Manual, please feel free to contact:

Peter Durbano CPA, CGA, CCLP  
Purchasing & Materials Manager  
Clover Tool Manufacturing Ltd.  
905-669-199 ext. 229  
[P.Durbano@clovertoolmfg.com](mailto:P.Durbano@clovertoolmfg.com)

Timothy Boothby  
Quality Manager  
Clover Tool Manufacturing Ltd.  
905-669-1999 ext. 233  
[T.Boothby@clovertoolmfg.com](mailto:T.Boothby@clovertoolmfg.com)

**CONTENTS:**

- 1.0 Introduction
  - 1.1 Policy and Vision
  - 1.2 Purpose
  - 1.3 Scope
- 2.0 General Requirements
  - 2.1 Quality System Requirements
  - 2.2 Environmental Requirements
  - 2.3 IMDS
  - 2.4 Applicable Statutory and Regulatory Requirements
  - 2.5 Conflict Mineral Requirements
  - 2.6 Continuity Planning
  - 2.7 Special Characteristics
    - 2.7.1 Special Characteristic Definition
    - 2.7.2 Control of Characteristics
  - 2.8 Internal and External Laboratory Requirements
  - 2.9 Identification and Traceability
  - 2.10 Supplier Audit
  - 2.11 Communication between Clover Tool and Supplier
- 3.0 Glossary of Terms
- 4.0 Advanced Product Quality Planning
- 5.0 Part Approval Process
- 6.0 Change Management Process
- 7.0 Layout Inspection and Functional/Validation Testing
- 8.0 Statistical Process Control and Cpk Report
- 9.0 Material, Heat Treatment and Surface Treatment Certificate
- 10.0 Preservation
- 11.0 Early Containment
- 12.0 Supplier Performance
- 13.0 Supplier Selection
- 14.0 Supplier Monitoring
- 15.0 Supplier Rating
- 16.0 Delivery
- 17.0 Packaging
- 18.0 Material Certifications
- 19.0 Defective Material
- 20.0 Supplier Notification to Clover Tool
- 21.0 Processing Suspect/Non-conforming product
- 22.0 Supplier Chargebacks and Penalties
- 23.0 Advanced Deviations
- 24.0 Controlled Shipping
- 25.0 Commodity Shipping
- 26.0 Addendum Letter for All Suppliers

## **1.0 Introduction**

### ***1.1 Policy and Vision***

At Clover Tool, **Quality** is the priority. Without a constant supply of defect-free parts, there is no chance for us to achieve higher levels of efficiency and productivity. Clover Tool has long been committed to the highest level of quality. We are challenged to excellence by our market's demand for superior products and service.

It is the policy of Clover Tool Mfg. to achieve a clear competitive advantage through continuous improvement in quality, service, delivery, and cost from our suppliers in the total supply chain.

It is the vision of Clover Tool that suppliers shall:

*Do it Right the First Time* - by planning, preparing, and being trained to supply quality products and services;

*Do it Right Every Time* - by assuring consistent quality products and services through addressing all concerns; and,

*Continually Improve* - by proactively improving the quality and value for products and services.

### ***1.2 Purpose***

This document describes the fundamental quality and environmental system requirements for all suppliers to Clover Tool, irrespective of their global location.

Our suppliers play an essential part in the ongoing quest for continuous improvement. We recognize that for suppliers to meet our request for consistent deliveries of zero-defect parts, we must be willing to establish long-term relationships, share engineering changes, supply delivery schedules, and exchange product expertise, etc.

### **Goals of the Supplier Quality Assurance Program**

The two primary goals of this program can be described as follows:

- Push incoming inspection tasks back to the supplier's process, where it is both controllable and correctable.
- Eliminate the costs associated with reworking, repairing, rejecting, re-handling, and returning substandard materials.

The principles to be recognized in support of this program are: The suppliers must assume full responsibility for the quality of their products and services.

Clover Tool should not be required to verify that the supplier has provided acceptable product.

Each supplier should have in place or develop an effective quality system based on defect prevention rather than defect detection to include statistically based quality planning, with goals of reduced variation and continual improvement.

### ***1.3 Scope***

This manual applies to all external direct material/component suppliers, including sub-tier process suppliers, i.e., heat treat, coating, plating etc. Also, any consignment components or material directed to be used by our customers.

## **2.0 General Requirements**

### ***2.1 Quality System Requirements***

IATF / ISO Certification:

Suppliers of automotive products and services are required to be ISO9001:2015 or IATF16949 registered by an accredited third-party certified body. Suppliers are required to provide evidence of their quality certification to Clover Tool's Quality Department annually.

Supplemental Requirements:

The Automotive Industry Action Group ("AIAG") has published several manuals that standardize procedures, reporting formats, and technical nomenclature, which are required by ISO/IATF and Clover Tool. It is Clover Tool's expectation that our suppliers remain current with these standards to fully comply with the requirements of ISO9001: 2015 / IATF16949-2016. Clover may also require a MAQMSR assessment.

Supplier Audits & Access to Supplier Facility:

All suppliers of Clover Tool shall be required to give full access to supplier development personnel as required to conduct "Supplier Quality System Audits", being an audit of such supplier's procedures, as necessary to meet Clover Tool and its customer requirements, which have been delivered to supplier. Supplier will be given, at a minimum, a 24-hour advance notice of these scheduled audits and the areas to be reviewed.

The supplier must meet REACH, the Global Automotive Declarable Substance List requirements regarding chemicals or material used in products and/or services. See [www.gadsl.org](http://www.gadsl.org) . Any presence of listed chemicals must be accounted for and the supplier must initiate phase-out plans. As our supplier we are asking that for every new or changed material or process, please complete the REACH survey, and acknowledge with a compliance letter to Clover Tool.

### ***2.2. Environmental Management System***

All Clover Tool suppliers shall comply with the latest version of ISO 14001 or be in the process of achieving this certification by December 2021.

### ***2.3 I.M.D.S***

All suppliers shall sign up for IMDS and implement a process to report SDS (Safety Data Sheets). If requested, the supplier shall register the part or substance in the International Material Data System (IMDS) before any delivery to Clover Tool.

### ***2.4 Applicable Statutory and Regulatory Requirements***

The supplier shall ensure their supply chain complies with all applicable statutory and regulatory requirements where Clover Tool operates, including country of receipt, country of shipments, and any Clover Tool customer identified country of destination provided. Clover Tool will provide

information to the supplier during the initial quoting and quality planning processes. The supplier is responsible to ensure their supply chain is also in compliance.

### ***2.5 Conflict Minerals Reporting***

As you may already be aware, on August 22, 2012, the U.S. Securities and Exchange Commission (“SEC”) adopted a final rule (the “Rule”) to implement reporting and disclosure requirements related to “Conflict Minerals” as directed by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”). The Rule requires manufacturers who file certain reports with the SEC to disclose whether the products they manufacture or contract to manufacture contain “conflict minerals necessary to the functionality or production” of these products that directly or indirectly finance or benefit armed groups in the Democratic Republic of Congo or specified adjoining countries (the “Covered Countries”). The Rule aims to further the humanitarian goal of ending violent conflict in the Covered Countries, which has been partially financed by the exploitation and trade of Conflict Minerals.

The Conflict Minerals currently covered by the Rule are: Columbite-Tantalite (Coltan) and its derivative metal Tantalum; Cassiterite and its derivative metal Tin; Wolframite and its derivative metal Tungsten; and Gold. The U.S. Secretary of State may designate additional minerals in the future.

Clover Tool intends to make reasonable efforts:

- (i) to know, and to require each Clover Tool supplier to disclose to the Company, the sources of Conflict Minerals used in its products; and
- (ii) to eliminate procurement, as soon as commercially practicable, of products containing Conflict Minerals obtained from sources that fund or support inhumane treatment in the Covered Countries.

To ensure compliance with the Rule, Clover Tool must request information regarding the use of conflict minerals from its suppliers, who in turn, must solicit that information from the next tier of suppliers, continuing down the supply chain.

Accordingly, Clover Tool has introduced to its global supply chain, a requirement that suppliers assist the Company in complying with the disclosure requirements mandated by the Dodd-Frank Act for conflict materials, and the Rule, as well as any related laws and rules.

### ***2.6 Continuity Planning***

Contingency planning shall be according to the latest version of IATF 16949. In addition to the preparation of contingency plans, the suppliers shall perform a thorough and systematic risk analysis of (business) interruption, also called Business Continuity Planning (BCP). It identifies risk areas, creates solution, implements improvement, performs acceptance tests and maintenance of the BCP. The aim is to map and prevent unexpected delivery stops to Clover Tool.

### ***2.7 Special Characteristics***

#### ***2.7.1 Special Characteristics Definition***

A product characteristic or manufacturing process parameter that can affect safety or compliance with regulations, fit, function, performance, or subsequent processing of product.

**Safety:** A special characteristic related to those product requirements (dimensions, specifications, tests, or process parameters) which can affect compliance with government regulations, safe vehicle/ product function, or endanger any operator of manufacturing and/or assembly process.

**Significant:** A special characteristic that identifies those product parameters and requirements that are deemed important for customer satisfaction with a focus on capability to maximize customer satisfaction

Product features and dimensions should be considered significant is reasonably anticipated variation would affect reliability, durability, fit, function, assembly or manufacturability, or customer satisfaction (including internal customers).

### *2.7.2 Control of Characteristics*

Control method and checking frequency to be agreed by SQA during the APQP and PPAP process.

Control of Special Characteristics include:

- Error Proofing
- Significant Characteristics typically require that variation management activities must be performed to maintain the process that influences the characteristic, often with an established dimensional target. The expectations are that the processes are in control and the designated level of process capability has been established. Appropriate monitoring methodologies shall then be implemented to assure continued performance.
- If specified capability level for safety and significant characteristics cannot be achieved, 100% inspection is required

## ***2.8 Internal and External Laboratory Requirements***

All suppliers shall comply with the latest IATF 16949 requirements

## ***2.9 Identification and Traceability***

The supplier shall define an appropriate traceability system that enable to identify and segregate nonconforming and/or suspect product, and to ensure appropriate system is applied to the sub-tier supplier

The supplier is requested to provide full traceability for products with safety characteristics assigned on the drawing specifications.

When delivery of unique shipments such as deviation approved material, reworked material, PPAP samples, prototypes, etc. The packaging and labelling shall conform to Clovertool requirements.

### ***2.10 Supplier Audit***

Clover Tool reserves the right to conduct system and/or product & process audits based on IATF 16949 and any Clover Tool specific requirements. Audits may be conducted at any time at the supplier's site or at any sub-supplier's site to evaluate the supplier's production line and process capability to produce parts according to Clover Tool requirements. Depending on the results of an audit, the supplier or its sub-supplier is required to establish and implement an action plan which shall be defined and agreed upon within the context of the audit.

### ***2.11 Communication between Clover Tool and Supplier***

All official communications with Clover Tool shall be in English; documents that are not in English will not be considered valid.

The addresses for Clover Tool are as follows:

#### **Mailing Address**

Clover Tool Manufacturing Ltd.  
8271 Keele Street, Bldg. # 3  
Concord, Ontario L4K 1Z1  
CANADA

#### **Shipping Address**

Clover Tool Manufacturing Ltd.  
8271 Keele Street, Bldg. #3  
Concord, Ontario L4K 1Z1  
CANADA

#### **Contacts:**

Leslie Toth -Controller  
905-669-1999 ext. 262  
[L.Toth@clovertoolmfg.com](mailto:L.Toth@clovertoolmfg.com)

Peter Durbano -Purchasing & Materials Manager  
905-669-1999 ext. 229  
[P.Durbano@clovertoolmfg.com](mailto:P.Durbano@clovertoolmfg.com)

Ronald Menezes -Senior Buyer  
905-669-1999 ext. 244  
[R.Menezes@clovertoolmfg.com](mailto:R.Menezes@clovertoolmfg.com)

Tim Boothby -Quality Manager  
905-669-1999 ext. 233  
[T.Boothby@clovertoolmfg.com](mailto:T.Boothby@clovertoolmfg.com)

### **3.0 Glossary of Terms**

Where inconsistent terminology exists between IATF 16949 and this document, this document shall take precedence. Otherwise, the definition from IATF 16949 apply to this document.

8-D	8-Discipline (Corrective Action)
AIAG	Automotive Industry Action Group
APQP	Advanced Product Quality Planning
Cpk	Capability Index
MSA	Measurement Systems Analysis
NCR	Non-Conformity Report or SNCR (Supplier Non-Conformity Report)
PO	Purchase Order
PPAP	Production Part Approval Process
Ppk	Performance Index

PPM	Parts per Million
PSW	Part Submission Warrant
PTR	Production Test Run
RFQ	Request for Quotation
R&R	Gage Repeatability and Reproducibility
SCR	Supplier Change Request
SPC	Statistical Process Control
SQA	Supplier Quality Assurance
SQM	Supplier Quality Manual

## **QUALITY REQUIREMENTS**

### **4.0 Advanced Product Quality Planning (“APQP”):**

All suppliers for production and/or service programs shall use the latest revision of the AIAG APQP, Control Plan reference manual and/or SCR.

All PPAP submissions to Clover Tool shall contain Product Control Plans that meet the AIAG format. Suppliers may be required to attend prototype or pre-production meetings at Clover Tool or the final customer’s facility. Representatives from both manufacturing and quality departments should attend the APQP program meetings.

### **5.0 Product Part Approval Process (“PPAP”):**

Suppliers shall fully comply with all requirements specified in the AIAG PPAP manual as well as any customer specific requirements referenced on the Purchase Order. Where not specified it is Clover Tool’s expectation to receive a level 3 in accordance with the PPAP manual. Suppliers are required to “control” their sub-contractor’s material and PPAP approvals. PPAP submissions to Clover Tool shall include all appropriate sub-contractor warrants, performance testing, dimensional results (as per MSA standards), material certifications, and APQP required documents. Any proposed change to part or process after PPAP submission must be communicated to the Clover Tool’s facility prior to implementing change, written notification is preferred. The supplier is obligated to obtain PPAP approval by the Quality department from Clover Tool prior to implementation. IMDS documentation is required in all PPAP submissions to Clover Tool. If required need CQI certificate as related to the product or process.

PPAP samples must be taken from a significant production run. A significant production run shall be carried out according to the PPAP manual 4<sup>th</sup> edition. The size of the significant run shall be 1 to 8 hours continuous production of minimum 300 pieces, unless otherwise stated in the purchase order or agreed upon with the authorized Clover Tool representative.



Unless otherwise stated by the authorized Clover Tool representative, submission of a sample product is always required and provided sample must conform to all design requirements. The sample(s) must be sent as a separate shipment and with a separate delivery note. The package and documents must always be marked "PPAP" and addressed to the attention of the person at Clover Tool who ordered the PPAP. Regular production part deliveries are not permitted before approval has been granted by Clover Tool. This approval is sent to the supplier via a returned and signed Part Submission Warrant stating if the PPAP is approved or rejected

### **6.0 Changes Proposed by the Supplier**

Suppliers are required to notify Clover Tool of any intended product or manufacturing process changes, including those at sub-suppliers. Typical changes include, but are not limited to, new or refurbished tooling; a change in manufacturing site; sub-suppliers change; material change; or, substitutions, etc.

### **7.0 Layout Inspection and Functional/Validation Testing**

Clover Tool requires the performance of annual layout inspections and functional/validation testing to be submitted to Clover Tool upon request, free of charge.

### **8.0 Statistical Process Control and Cpk Report**

Clover Tool requires the performance of statistical process control and Cpk analysis for all special characteristics. Results shall be available for Clover Tool's review within 24 hours of request and may be required with each shipment.

### **9.0 Material, Heat Treatment, and Surface Treatment Certificate**

The EN 10204 Material heat treatment and surface treatment certificate shall be available for Clover Tool's review within 24 hours of request and may be required with each shipment. Clover Tool may require material certification be conducted by an ISO 17025 certified laboratory.

The supplier shall analyze, and test raw material of heat treat (at least one sample per batch) to determine the material's conformance to specifications for chemical composition mechanical properties and hardness. The requirement applies to both purchased and material produced by the supplier.

Annual revalidation for CQ11,12,15 upon request

### **10.0 Preservation**

According to latest version of IATF 16949 and ISO 9001:2015.

### **11.0 Early Containment**

Suppliers shall utilize the early production containment plan for all pre-production requirements to Clover Tool facilities and must follow GP-12 guidelines (or equivalent customer standard as applicable). Early production containment must be in place until all exit criteria specified by Clover Tool and the OEM customer is complete.

## **12.0 Supplier Performance**

Supplier Quality Performance requirements are “Zero Defects” on all product supplied to Clover Tool, and 100% on time delivery. Deviation from this requirement will result in the issuance of a Non-Conformance Report (“NCR”) and subsequent applicable charges.

Key product characteristics established on a product supplied to Clover Tool may require the supplier to submit product capability reports on an ongoing or requested basis to show conformance to customer requirements. This requirement will be set-up during the PPAP process and added to the supplier’s control plan. A minimum of a 1.67 Cpk is required of all key product characteristics on an ongoing basis. Deviation from this requirement must be received in writing from the Clover Tool plant being supplied.

## **13.0 Supplier Selection**

Clover Tool’s Purchasing Department is responsible for supplier selection and has the authority to choose the best supplier for Clover Tool’s needs from qualified or approved suppliers. Assistance from other departments within Clover Tool is utilized to assure that the supplier can consistently meet our specifications.

Clover Tool requires each potential production supplier to complete a supplier self-assessment audit form (#43-28), which provides us with essential information along with other criteria necessary in our supplier approval process, such as:

- a) Capacity Planning, adequacy of available resources (e.g.: people, infrastructure),
- b) Quality Management system,
- c) Customer designated special characteristics,
- d) Change Management Process,
- e) Business continuity planning (contingency plan), Logistics process, Customer Service & Certificate of Origin,
- f) Review applicable statutory and regulatory requirements applicable to the product and process.

Approval will be completed only after the appropriate Clover Tool department completes a quality system survey of the supplier and a pre-production sample run is approved, where applicable. The survey will evaluate procedures for control of drawings, adherence to specifications, inspection procedures, testing equipment, manufacturing capability, SPC activity and other associated quality control procedures. Heavy emphasis is placed on the supplier’s planning and commitment to quality. Any suppliers registered to the ISO or IATF 16949 system shall be exempt from this survey.

## **14.0 Supplier Monitoring**

To assist suppliers in gauging their performance, Clover Tool compiles a “Supplier Performance Report” every month. This report quantifies each supplier’s delivery and quality performance, SQA and Supplier Rating based on the following criteria:

- 1) Late Deliveries - 5 points per incident
- 2) Quality rating - 10 points per SNCR
- 3) Parts per Million or incident
  - i. 0–100 -5 points

- ii. 100–1000 -10 points
  - iii. Over 1000 -20 points
  - iv. Incidents -10 points per incident
- 4) Responsiveness -5 point per late response
  - 5) PPAP -2 points for late delivery
  - 6) Line Interruptions -5 points per incident
  - 7) Quality Management System

### **15.0 Supplier Rating**

The supplier's overall rating is determined once the two categories are calculated and the average of the two will generate a rating.

- > 80% is Acceptable
- 70-79% is Marginal, some improvement is required
- <70% is Unacceptable, corrective action is required

Other items taken into consideration regarding supplier performance include, but are not limited to, the following:

- Cost: Purchasing decisions based on total value, which considers inventory carrying costs, freight, warranty policies, etc.
- Flexibility: Schedule changes and lead-times are always important aspects of meeting customer requirements.
- Supplier Support: Contributions to the continual process of product development and improvement leading to the mutual enhancement of competitiveness.

If the supplier's rating drops to <70% (unacceptable) the supplier will be notified by a non-conformance and a plan of action should be taken. If after two consecutive rating reviews no improvement is made, the supplier will be subject to Section 9(a) of the agreement entered into between Clover Tool and the supplier (the "**Agreement**", a form of this agreement is appended as an addendum to this Supplier Quality Guide) and may be subject to removal as an approved supplier.

### **16.0 Delivery**

Purchase Orders are placed with specific delivery dates to be received at Clover Tool's dock. It is imperative that these dates be adhered to in order that our production schedules are not impeded. If the supplier determines that delivery dates cannot be met, the Clover Tool Materials Department should be advised of the situation immediately.

Clover Tool has an unloading capacity of 15,000 lbs. for our receiving forklifts.

Shipments more than 10% above the quantity ordered will not be accepted except by **prior** written approval by Clover Tool.

Clover Tool discourages early deliveries and, in some cases, may return shipments collect. Furthermore, no shipment should be split unless previously authorized in writing by Clover Tool.

Supplier must contact the Clover Tool to establish material receiving times. Regular receiving hours are 7:00 am to 10:00 pm Monday to Friday. However, Production Department or Purchasing Department requirements may change. It is the supplier's responsibility to periodically re-confirm receiving times. Raw materials receiving is limited to the hours between 9:00 am to 5:00 pm.

It is the responsibility of the supplier to advise Clover Tool when the expected delivery date will not be met. If Clover Tool is not advised of a late delivery, Purchase Orders reaching a past due status will be followed up by our Purchasing Department and the supplier will be rated with late arrival. Supplier may be charged back for production downtime or any other related expenses caused by the late delivery.

In some cases, depending upon the supplier's geographical location, Clover Tool will arrange to pick up orders from the supplier.

### **17.0 Packaging**

All parts and materials shipped to Clover Tool are to be packed as per Clover Tool's packaging instructions previously delivered to supplier and protected to prevent transit and handling damage and mitigate the risk of corrosion.

Any coils with a 12" width or less must be delivered lying flat on a skid. If there are several coils on a skid, there must be a 3" hardwood spacer wrapped in paper or if spacers are not wrapped a sheet of paper must be placed between each layer to prevent moisture damage. Paper interleave must never be used (when a layer of paper is wrapped up in the coil).

Any coils with a width over 12" must be sent standing up with the eye of the coil facing the rear of the truck, so that we are able to unload with a forklift from the rear of the truck. If there are several coils strapped together, there must be 3" hardwood paper wrapped spacers between the coils and the total weight should not exceed 15,000 lbs. Each coil has 4 straps per coil and 1 around the outside of the coil. Edge protectors are also required.

All coils must meet the following criteria minimum outside diameter: 48", Minimum 20" Coil ID, Maximum Coil Weight 15,000 lbs. Maximum outside diameters will be outlined on an item-by-item basis.

Suppliers are responsible for assuring that every coil is tagged. The aforementioned criteria for coil material apply unless otherwise specified by Clover Tool.

Suppliers are responsible for special packaging methods as indicated on the Purchase Order or in the applicable engineering or material specifications.

The supplier shall notify the Purchasing Department by written notice prior to any packaging change.

When materials with different part numbers are shipped together, the Purchase Order number, part number and quantity of each part number and lot traceability must be clearly marked on the outside of each box and visible without unloading a pallet.

AIAG bar-coded labeling on product packaging is preferred by Clover Tool, other labeling format should be pre-approved by Clover Tool's Quality Department as part of the PPAP submission.

## **18.0 Material Certifications**

Certification for proof of material and/or process control is required for all outside processors, i.e., steel suppliers, coaters, parts manufacturing, etc., where so stated on Clover Tool prints, specifications or as otherwise requested by the Clover Tool Purchasing, Engineering, and/or Quality departments.

Failure to supply required certifications or evidence of process control can result in the rejection of the shipment and the issuance of a SNCR.

The supplier is responsible for assuring that it has the needed drawings and specifications. Verification of revision status of new copies may be obtained by contacting the applicable Clover Tool representative.

## **19.0 Defective Material**

All incoming material is subject to inspection, although our direction is toward “inspection-less receiving”, with parts “accepted as received” to enhance our just in time efforts.

When defective material is received, two alternatives are considered:

1. Whenever possible and practical, rejected material will be returned to the supplier, at his expense, for replacement and/or credit.
2. Should Clover Tool elect to do so, and should certain criteria be met, the parts may be accepted under deviation, sorted to remove the unusable parts or reworked before they are accepted by the Quality Department into Clover Tool stock.

All expenses related to sorting and rework will be accumulated and charged back to the supplier. The supplier must be issued a SNCR by Clover Tool.

The Purchasing Department or Quality Department will contact the supplier for return authorization and arrange for the return of the defective material. The supplier’s account is debited at the time the material is returned. If inbound freight charges are incurred by Clover Tool an appropriate add-on will be applied to the debit. Customer supplied, or resale material, will follow customer dictated requirements.

The Purchasing Department may issue a new purchase order to cover the return of reworked and/or replacement parts.

The supplier is responsible for analyzing the defect and providing an 8D or similar format Corrective Action to our Quality Department.

The requirement for Corrective Action response timing will be as follows:

1. Initial action response is expected by supplier within 24 hours;
2. Direct, detection, and systemic root causes must be defined by supplier within 5 business days;
3. Permanent actions must be determined and submitted by supplier to Clover Tool within 15 business days.

Repeat non-conformances will require the supplier’s senior management (at a minimum a representative from the supplier’s quality and production departments) to present the Corrective Action to the Clover Tool management team at a meeting that will be conducted at Clover Tool.

The submission of Corrective Actions is mandatory and failure to submit a Corrective Action may result in chargebacks.

Rejections and deviations become a part of the supplier's performance record and will be reflected in the Quarterly Supplier Performance Report compiled by Clover Tool's Quality Department.

To process the non-conforming material in timely manner and ensure material flow, Clover Tool has developed the following policies:

### **20.0 Supplier Notification to Clover Tool:**

Suppliers must always notify Clover Tool in writing in cases where non-conforming products/materials or suspected non-conforming products/materials have been shipped. Once notification in writing has been given to Clover Tool's Purchasing Department, such notice shall be deemed to be given in accordance with Section 9(a) of the Agreement and the potential non-conformance by a supplier shall be followed up by:

1. containment, including the relevant third party, where necessary, at Clover Tool facility to include replacement (certified) material if requested;
2. written initial Corrective Action response with containment method/identification within first 24 hours of delivery of notice, when requested;
3. direct, detection and systemic root causes must be defined within one week of delivery of notice;
4. written long-term Corrective Action (including risk analysis) response with root cause and irreversible Corrective Action(s) within 10 days of delivery of notice.

### **21.0 Processing Suspect/Non-Conforming Product**

If a third party notifies supplier of a complaint relating to a product or materials originating from supplier, the following steps shall be complied with:

1. supplier is required to deliver written notice of the complaint to Clover Tool within 24 hours following the receipt of complaint;
2. supplier will be required to immediately respond with certified replacement product expedited at sufficient intervals to minimize the impact to Clover Tool or to the third party;
3. supplier will be required to issue RMA# and rejected material must receive a disposition within 7 days from the receipt of complaint;
4. if the rejected material has not received a disposition within 7 days from the receipt of complaint and no RMA# issued, product will be sent back at supplier's expense;
5. material deemed non-conforming and identified as "return to vendor" is to be picked-up within 30 days of the NCR being issued or the material will be scrapped at the supplier's cost and no recourse can be taken.

### **22.0 Supplier Chargebacks and Penalties**

Clover Tool will debit suppliers for incurred costs associated with handling, processing, sorting, and managing supplied non-conforming products/materials in Clover Tool's facility and/or at our customer facility (include standard sorting fees).

The applicable fees are as follows:

1. initial administration charges - \$500

2. charges relating to equipment downtime required due to non-conforming products/materials - \$300/hour
3. use of forklift - \$65/hour
4. operator sorting of non-conforming products/materials - \$25/hour
5. quality review support of non-conforming products/materials - \$85/hour

Suppliers to Clover Tool are expected to understand and comply with the conditions of business as described within this Clover Tool Supplier Quality Guide. For purpose of clarification supplier is encouraged to contact the Quality or Purchasing Group at Clover Tool.

### **23.0 Advanced Deviation**

Authorization for deviation from specifications may be obtained by obtaining written confirmation from Clover Tool. A deviation number will be issued after Engineering and Quality Departments agree to the deviation. The shipping papers and parts containers will be marked with the deviation number.

Clover Tool will furnish suppliers with notices of rejection or deviation.

Clover Tool gives preference to those suppliers who handle problems before parts have been shipped.

### **24.0 Controlled Shipping: Level 1 and 2 Procedures**

Within ten days of completing the Process Control Plan audit conducted with respect to the reported issues the supplier shall deliver to Clover Tool an action plan in writing to address the reported issues.

If the supplier action plan is not deemed acceptable by Clover Tool, at its sole discretion, the supplier will be placed under controlled shipping level 1 for 30 days from the date that such action plan is not deemed acceptable by Clover Tool. Controlled shipping level 1 requires the supplier to have internal dedicated personnel to certify the conformity of 100% of the products prior to their distribution.

The supplier shall be placed in controlled shipping level 2 for 30 additional days if it fails to contain non-conforming material while in control shipping level 1. Controlled shipping level 2 grants authorization to Clover Tool to hire a third-party company to certify 100% of the products at the supplier's facility prior to their distribution.

The supplier shall be prepared to assume all costs related to the establishment of controlled shipping levels 1 and 2 forthwith upon request by Clover Tool.

Failure to regain control following controlled shipping level 2 might trigger re-sourcing for a new business partner, at Clover Tool's sole discretion.

### **25.0 Commodity Suppliers**

The same policies apply to suppliers who furnish Clover Tool with commodity items. This is because such companies in some cases do not produce the products they sell. Clover Tool encourages these suppliers to be motivated and suggest ways in which we can more efficiently perform a job and/or realize cost savings.

Systems, procedures, and requirements contained within this guide are reviewed annually, in addition to normal ongoing review procedures, to promote an assessment of effectiveness. Suppliers are invited to forward any input which is felt may assist in this process.

## **26.0 Addendum Letter for all Suppliers**

To all suppliers:

This letter constitutes our agreement (“**Agreement**”) with regards to the supply of all types of material (Ferrous and/or Non-Ferrous, or components) to be supplied by any SUPPLIER to Clover Tool Manufacturing Ltd. (“**CLOVER**”).

In consideration of the agreements herein made, CLOVER and SUPPLIER hereby agree to the following:

1. Prices and Other Charges:

During the Term (as defined below):

- (a) The prices for the specified types of material are set on the purchase order (“**PO**”) and are understood and agreed to by SUPPLIER to be the maximum firm prices (inclusive of all surcharges, premium charges and all other charges or costs) to be paid by CLOVER during the Term.
- (b) There shall be no additional raw material surcharges or other premium charges applied to the price during the Term unless agreed to in writing by CLOVER and SUPPLIER.
- (c) It is agreed that the price of any additional material types to be supplied by SUPPLIER to CLOVER and added to this Agreement during the Term will be equal in price of similar material types (same gauge and specification) set forth in PO at the time such material is added to this Agreement.
- (d) If at any point throughout the Term, CLOVER is put at a disadvantage due to non-competitive material pricing under this Agreement, SUPPLIER will take all commercially reasonable actions with their supplying partners to adjust pricing as appropriate to ensure CLOVER stays competitive.

2. Estimate of material requirements:

- (a) For planning purposes only, CLOVER will provide SUPPLIER with an estimated (“**Forecast**”) of CLOVER’s projected material requirements for the Term. The Forecast will be updated on an “as needed” basis as requirements may change. The Forecast indicates the capacity SUPPLIER must have available to supply to CLOVER, however, SUPPLIER acknowledges and agrees that the providing of the Forecast is for planning purposes only and does not constitute or create any obligations or commitment of any kind upon CLOVER to purchase the quantities indicated in the Forecast. The Forecast is subject to change from time to time.
- (b) Without limiting SUPPLIER’s requirements under paragraph 5 below, in the event of any supply allocation by SUPPLIER’s sub-suppliers, CLOVER will be guaranteed their material requirements as set out in the Forecast.
- (c) CLOVER will undertake reasonable commercial efforts to purchase material according to the Forecast, however the actual purchases may be reduced or cancelled if:



- (i) Any of CLOVER's customers decide to purchase or supply material themselves to CLOVER for use in the manufacture of their products;
- (ii) CLOVER's customers reduce their orders for products incorporating such material for any reason;
- (iii) The manufacturing of CLOVER's products is moved to low cost countries for economic reasons;
- (iv) SUPPLIER breaches any term of this Agreement or any PO issued by CLOVER for the purchase of material; or
- (v) SUPPLIER exercises its right not to supply under paragraph 5(f).

3. Currency:

All prices under this Agreement will be in Canadian funds, unless otherwise stated on the PO.

4. Technical Assistance & Productivity Gains:

Consistent with automotive and non-automotive industry requirements for continuous improvement and cost reduction, SUPPLIER will establish with CLOVER, an on-going cost reduction program utilizing technological, commercial, manufacturing and delivery improvements. SUPPLIER and CLOVER will mutually agree on the cost saving commitments.

5. Supply Requirements:

- (a) Subject to the other terms and conditions of this Agreement, SUPPLIER will supply CLOVER with material of such type and in such quantities and at such time as authorized by CLOVER in firm POs issued to SUPPLIER. CLOVER's PO supplier quality guide terms and conditions ("**Terms and Conditions**"), available via Internet at [www.clovertoolmfg.com](http://www.clovertoolmfg.com), are incorporated herein by reference and will apply to any PO issued by CLOVER.
- (b) SUPPLIER will ensure that all material meets CLOVER's specifications set forth in the relevant PO or otherwise in any document or PO issued to SUPPLIER. SUPPLIER will immediately replace or correct any defective material (at CLOVER's option). All costs associated with replacing material or correcting the defects will be paid by SUPPLIER. Should SUPPLIER fail to undertake remedial action within a reasonable time, CLOVER reserves the right to contract with others to correct the problem and will notify SUPPLIER about the remedial action. All costs associated with remedial action will be paid by SUPPLIER.
- (c) CLOVER will have reasonable access to SUPPLIER's production facilities to make inspections or conduct tests to ensure the purchased material meets the required specifications. SUPPLIER will, at its own expense, provide support with respect to test pieces, samples and general assistance. No such inspection by CLOVER will relieve SUPPLIER of its obligations under this Agreement or any PO.
- (d) SUPPLIER will not be required to continue supplying material to CLOVER if CLOVER commits an act of insolvency as described in paragraph 9(b) below.

- (e) Without limiting SUPPLIER's supply obligations under this paragraph, in the event of a disruption in supply from any of the SUPPLIER's sub-suppliers, with CLOVER'S prior approval, SUPPLIER will make every effort to source equivalent material from third parties and to make all shipping and other arrangements to ensure that CLOVER is not in any way disadvantaged. Those arrangements will include, but not limited to, storage at SUPPLIER's facility, at SUPPLIER's sole expense, of three month's supply of material required in accordance with the most recent estimate. In the event of any disruption, supply volumes, location of storage and logistical arrangements for material stored by SUPPLIER will be subject to prior approval by CLOVER. If SUPPLIER fails to secure alternate sources of supply, then SUPPLIER will indemnify CLOVER for all incremental costs incurred for all of CLOVER's purchases of materials from third parties specified in the most recent estimate.
- (f) Unless otherwise stated in this Agreement, SUPPLIER will not be responsible for any of CLOVER's costs, losses or damages suffered resulting from any delay in delivery or non-delivery, caused by fire, acts of God, embargoes, civil commotion, government action or any other cause or causes beyond the reasonable control of SUPPLIER (a "**Force majeure Event**") provided that SUPPLIER has used its best efforts to secure alternate sourcing as provided in paragraph (g) above. For greater certainty, SUPPLIER'S financial difficulties or the change in cost or availability of material based on market conditions or SUPPLIER actions will not be considered Force Majeure Events. A legitimate declaration of a Force majeure Event by a SUPPLIER's sub-supplier is not considered action within the SUPPLIER's reasonable control.
- (g) SUPPLIER acknowledges that damages at law would be an insufficient remedy if it breaches its obligations hereunder and any interruption in the supply of material to CLOVER's facility would cause irreparable harm. Accordingly, in an action brought by CLOVER, SUPPLIER agrees that CLOVER may apply for and have injunctive relief and specific performance of SUPPLIER's obligation under this Agreement.

#### 6. Product Development:

CLOVER products are constantly evolving to meet the requirements of a competitive marketplace. The material used in such products is also evolving to meet changing requirements for formability, strength and weight. Accordingly, CLOVER reserves the right under this Agreement to undertake material development activities directly with the SUPPLIER's sub-suppliers on a unilateral basis in order to achieve product development goals. This includes supply of certain quantities of material directly to CLOVER from time to time for this purpose.

#### 7. Consistent with CLOVER's requirements with respect to material ordered from SUPPLIER, such requirements may include by not limited to:

- Just in time supply arrangements
- Disruption of supply rules
- Specific sub-supplier sourcing requirements
- Quality system requirements
- Material size requirements, etc.

Specific requirements will be documented on the PO or the Terms and Conditions which shall comprise a part of this Agreement, this Agreement shall govern.

## 8. Payment Terms:

Unless agreed otherwise in writing, CLOVER will pay for all material purchased from SUPPLIER as per CLOVER's standard commercial terms which are 60 days from date of shipment. SUPPLIER has the right to pre-determine credit worthiness and establish reasonable credit limits.

## 9. Terms and Termination:

The term of any Agreement ("**Term**") will commence and end on the specified dates determined at the beginning of this Agreement or as set out on the PO, subject to the following provisions:

- (a) Unless an alternate process is expressly set out in the Terms and Conditions, in the event that CLOVER or SUPPLIER breaches a material term of the Agreement, then the other party ("**Innocent Party**") shall provide the party in breach ("**Breaching Party**") with written notice together with reasonable details of the breach. If the Breaching Party has not cured the breach within 30 days after receipt of the notice, the Innocent Party may terminate this Agreement immediately upon delivery of a further written notice of termination to the Breaching Party; provided, however, if the Breaching Party is CLOVER, SUPPLIER agrees to continue supplying material as ordered by CLOVER during a period of time needed by CLOVER to complete the transition to a new SUPPLIER.
- (b) For greater certainty, each of the SUPPLIER'S obligations to satisfy CLOVER with respect to price, quality, service, and delivery of material will be considered to be a "material term"; and,
- (c) Either CLOVER or SUPPLIER may terminate this Agreement if the other party becomes bankrupt or insolvent; becomes subject to a receiving order or liquidation; makes an arrangement for the benefit of its creditors; or ceases to carry on business in this ordinary course.

## 10. Confidentiality

Each of the parties hereto agrees that, except as may be required by applicable law, they shall not, without the prior written consent of the other party hereto, directly or indirectly, disclose, instruct, or divulge any information disclosed by the other party pursuant to this Agreement to any third party provided that such information may be disclosed to employees of the receiving party who need to know the same in carrying out their responsibilities pursuant to this Agreement and are informed of the confidential nature of the information. In addition, such information shall be used solely for the purpose of this Agreement. The obligations of confidence, including the obligations of confidence relating to any disclosure made pursuant to the Agreement, shall survive the termination of this Agreement. Such confidentiality obligations shall not apply to information which; (i) was known by the receiving party prior to the date of this Agreement (ii) is or becomes public knowledge through no fault of the receiving party; or (iii) becomes available from another source not bound to the disclosing party obligations of confidentiality.

## 11. Entire Agreement:

This Agreement and the applicable PO issued by CLOVER from time to time hereunder, together with the Terms and Conditions, which forms an integral part thereof, shall be the entire agreement and understanding between the parties and shall supersede all prior agreements, understanding and memoranda between them as to the subject matter hereof. Notwithstanding the foregoing, the terms

of this Agreement shall be in addition to and not in substitution for the terms of the POs, except in the case of any conflict, in which case the terms of this Agreement shall govern.

#### 12. Governing Law:

This Agreement shall be governed by and interpreted in accordance with the Province of Ontario. For greater certainty, the UN Convention of Contracts for the International Sale of Goods shall not apply to this Agreement.

#### 13. Indemnity by Supplier:

Supplier shall indemnify, defend, and hold harmless CLOVER, its affiliates, and their respective officers, directors, employees, consultants, and agents (the “**Indemnified Parties**”) from and against any claims, fines, losses, actions, damages, expenses, legal fees, and all other liabilities brought against or incurred by the Indemnified Parties, or any of them arising out of:

- (a) death, bodily injury, or loss or damage to real or tangible personal property resulting from the use of or any actual or alleged defect in the goods or services, or from the failure of the goods or services to comply with the warranties hereunder;
- (b) any claim that the goods or services infringe or violate the intellectual property rights or rights of any person;
- (c) any intentional, wrongful, fraudulent, or negligent act or omission of supplier or any of its affiliates or subcontractors;
- (d) any breach, non-performance of or non-compliance with any covenant, agreement, or obligation of supplier under or pursuant to this Agreement; or,
- (e) any liens or encumbrances relating to any goods or services contracted for by Clover Tool under this Agreement.

#### 14. Limitation of Liability:

Except for damages that are a result of the gross negligence, fraudulent conduct, or willful misconduct of a party, in no event will either party be liable to the other party or any other person for any exemplary, aggravated or punitive damages arising from this Ag