



MP-S-038

BorgWarner

**Supplier Manual for
Non-Automotive**

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BORGWARNER

THIS DOCUMENT IS UNCONTROLLED IF PRINTED ON PAPER.

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BorgWarner Business Philosophy

Section #1 **Vision, Mission, & Beliefs**

1.1 Vision

A Clean, Energy-Efficient World.

Mission

We deliver innovative and sustainable mobility solutions for the vehicle market.

1.2 What We Value: The BorgWarner Beliefs

Inclusion (respecting individuals)

- We believe in mutual respect.
- We create a safe environment where we are free to be ourselves.
- We value diversity in people, ideas and experiences.

Integrity (honoring truth)

- We believe in transparency and authenticity.
- We do and say the right thing even if it is not the easy thing.
- We depend on each other to deliver what we promise.

Excellence (focusing on results)

- We believe there is always a way to achieve superior results.
- We contribute to our development by seeking knowledge and sharing information.
- We set high goals and hold ourselves accountable to achieving them.

Responsibility (our commitment)

- We believe safety is a top priority.
- We care about our local communities and the global environment.
- We make a meaningful impact through our talents and resources.

Collaboration (building trust)

- We believe teamwork drives high performance.
- We work together without boundaries.
- We are one BorgWarner.

Section # 2 Quality Policy Principles

Quality driven management and employee dedication are keys to success and Customer satisfaction. BorgWarner is committed to building products that are sound and dependable. We will improve our business continuously in quality, cost, and reliability. We will consistently provide products and services which meet or exceed Customer expectations, and satisfy Customers by anticipating their requirements.

BorgWarner seeks to achieve and maintain a reputation of excellence throughout the communities it serves. To achieve this, dedication to quality in everything the Company does will be a top priority of all of our employees and Suppliers, in particular under the premise to protect human rights and prevent or minimize environment related risks at all times in our supply chain. We believe that success will come only through continuous renewal. Quality is at the very core of our Product Leadership culture. All BorgWarner employees are therefore, committed to CQC.

Customer Satisfaction

Quality Product

Continuous Improvement

Section # 3 Goals & Scope

“We need Suppliers who are capable of providing best-in-class quality and services.”

Before presenting the following guidelines, we want to provide the general principles that drive this program to make sure that each Supplier’s decision to participate is made with a complete knowledge of our objectives, of the procedure used, and what is expected of all Supplier companies.

Goal

The purpose of this manual is to provide BorgWarner Suppliers and BorgWarner Employees guidance as to our Commercial, Quality, Delivery, Technology and Business expectations.

The demand for improved product quality is widely recognized as the primary challenge facing our industry. BorgWarner has historically been committed to producing the highest quality product possible. Our policy is to meet and strive to exceed Customer requirements with the standard of measurement being zero defects. This manual details the procedures and systems of this quality approach, the basis of which is defect prevention and continuous improvement. BorgWarner is committed to this approach, and we expect the same commitment from our Suppliers. It is important that BorgWarner’s supply base develops our same enthusiasm for excellence and displays the willingness to work toward the common goals outlined in this manual. With this in mind, BorgWarner has created this common Supplier Manual applicable for all BorgWarner locations supporting the following points:

- Communicate to the Supplier BorgWarner’s expectations, goals and minimum requirements to assure quality of supplied parts.
- Encourage open and free communication of ideas, information and notification of problems among Suppliers, BorgWarner and its Customers in the spirit of teamwork and cooperation.
- Develop an overall plan to ensure smooth production start-up and ramp-up both at BorgWarner and the Supplier, based on effective planning and communication.
- Define the quality assurance procedures and documents Suppliers must follow to assure application of an effective quality system certified to ISO 9001.

Scope

This Supplier Manual applies to all production material Suppliers and service part Suppliers that supply product to the production facilities of BorgWarner for non automotive applications. These procedures may be applied to other parts, materials, and services (such as consumable tools and supplies, indirect material, capital equipment, and non-production services). The applicability of these procedures to tools and supplies will be indicated on purchase orders.

“Off the shelf/catalog components” refers to parts sold generically in the marketplace with a manufacturer specific part number and have not been custom designed for use by BorgWarner.

“Customer/Blueprint components” refers to parts that have been designed by or for BorgWarner for use in our end products and typically will have a BorgWarner Assigned part number and associated print.

Responsibilities

- All production material Suppliers and service part Suppliers must maintain a comprehensive Quality System to ensure compliance with the requirements of the contract and this document. This manual explains BorgWarner’s minimum expectations as well as the process BorgWarner follows to assess the capability and performance of each Supplier. BorgWarner seeks Suppliers who have a minimum of ISO 9001 for non automotive applications. BorgWarner expects Suppliers also cascade this requirement to their subcontractors.
- The organization shall pass down all applicable statutory and regulatory requirements as well as special product and process characteristics to their Suppliers and require the Suppliers to cascade all applicable requirements down to the supply chain to the point of manufacture.
- BorgWarner also seeks Suppliers who have ISO 14001 or comparable registered Environmental Management Systems.
- All production material Suppliers and service part Suppliers must inform BorgWarner if another customer places that Supplier on a special status regarding quality and/or delivery. Such a status could be controlled shipping, customer shutdown due to a supply issue, or a field action.

Section #4 Supplier Code of Conduct

The BorgWarner Beliefs serve as a guide for our employees on the way we conduct our business—with our customers, our employees, our Suppliers, and our communities. These beliefs, which are deeply rooted in our culture, also serve as a framework for the standards of business conduct, we expect of any Supplier that does business with us. Further, these commitments are in accordance with the Supply Chain Due Diligence laws. Compliance with these standards will be a mandatory component of our purchase contracts worldwide and must also apply to subcontractors, in particular under the premise to protect human rights and prevent or minimize environment related risks at all times in our supply chain. It is also expected that our Suppliers cascade similar expectations described in this Supplier Code of Conduct to their own Suppliers. The Supplier’s shipping location is encouraged to complete the AIAG Supply-Chain Sustainability eLearning. This training is free of charge and can be accessed at the following link:

<https://www.aiag.org/store/training/details?CourseCode=ELSCS>

4.1 Inclusion. Respecting individuals

BorgWarner operates in a climate of respect, courtesy and impartiality. The same fairness and impartiality should be extended to all legitimate Suppliers who wish to

compete for BorgWarner business. We expect open, honest and timely communication. BorgWarner Suppliers should encourage a positive and diverse workplace by not tolerating harassment or discrimination, including that involving national and ethnic origin, race, color, social origin, health status, sexual orientation, religion, gender, age, political opinion, or disability.

Basic Working Conditions Guiding Principles

BorgWarner expects its Suppliers and Sub Suppliers to develop policies and practices for all of its facilities worldwide, to provide working conditions that are appropriate under applicable law and that support and uphold the BorgWarner Beliefs. We also expect suppliers to adhere to the International Labour Organizations' (ILO) Declaration on Fundamental Principles and Rights at Work and the UN Guiding Principles on Business and Human Rights.

- **Use of Child Labor is prohibited**
Prohibits Suppliers from employing any person below the age of 15 except as part of a government sponsored training or apprenticeship program.
- **Forced Labor and corporal punishment is prohibited**
Prohibits Suppliers from using forced labor in any form and further prohibits physically abusive practices, including corporal punishment or the threat of corporal punishment.
- **Freedom of association**
Expects that suppliers respect the rights of workers to establish and join an organization of their own selection and their rights to collective bargaining, in accordance with local laws. Workers must not be penalized or subjected to harassment or intimidation for exercising any legally protected right to join or not join such legal organizations. Encourages open communication between management and employees regarding working conditions without fear of retaliation, intimidation, or harassment.
- **Compensation**
Expects that Suppliers' employees will receive compensation and benefits that are competitive and consistent with applicable laws regarding minimum wages, overtime hours and legally mandated benefits. The compensation paid to suppliers' employees should constitute at least a minimum of a fair and living wage.
- **Ethical Recruitment**
It is our expectation that our suppliers hire workers lawfully, in a fair and transparent manner that respects human rights. Suppliers should not mislead or defraud potential workers about the nature of the work, ask workers to pay recruitment fees, or confiscate, destroy, conceal, or deny access to worker passports and other government-issued identity documents. Workers should receive a written offer in a language well understood by the worker, stating in a truthful, clear manner their rights and responsibilities.
- **Working Hours**
Expects Suppliers to comply with applicable laws regulating hours of work.

- **Equal Employment**
Expects Suppliers to have written policies promoting equal employment opportunities and formal, independent practices for responding to any complaints.
- **Health and Safety**
Expects Suppliers to promote safe and healthy work environments for all employees in all types of workspaces and expects commitment to continually improving the same. Suppliers should also provide proper Personal Protective Equipment (PPE) when applicable and have an emergency preparedness and response plan. Hazard and risk analysis systems should be implemented to minimize the potential for incidents or accidents. If Suppliers provide their workers with residential facilities, they must provide clean and safe accommodations. Suppliers should also properly manage the health and safety of contractors as part of a company's extended supply chain.
- **Use of Private or Public Security Forces**
Suppliers must not commission or use private or public security forces to protect the business if, due to a lack of training or control on the part of the company, the deployment of the security forces may lead to violations of human rights.
- **Women's Rights**
Gender inequality underpins problems such as unequal opportunity in employment and unequal pay for equal work. BorgWarner expects its suppliers to provide equal opportunity in employment and commit to equal pay for equal work.

4.2 Integrity. Honoring truth

We at BorgWarner demand uncompromising ethical standards in all we do and say—we expect our Suppliers to do the same. Our policies prohibit the acceptance of gifts, services, or anything of such value that the good judgment of the recipient might be influenced, or that a third party might reasonably perceive as influencing that judgment. Payments of money, property, or services for the purpose of obtaining business or special consideration are prohibited. If a BorgWarner employee solicits a gift or entertainment opportunity from a Supplier for their personal use, the request is to be declined. We discourage our employees from purchasing goods or services from BorgWarner Suppliers for their personal use, even though paid for by the employee.

- BorgWarner recognizes that in some cultures, business gifts and business entertainment are considered an important part of the development of business relationships. Any gift or entertainment must be evaluated to ensure it is in the best interest of BorgWarner, consistent with BorgWarner policies and the law, and in accordance with local custom.
- No listing of ethical guidelines can be considered complete. It is incumbent upon those affected by this policy to avoid the misconception that if it is legal, it is ethical. Appropriate conduct must reflect good judgment, fairness and high standards.

Anti-Bribery (US Foreign Corrupt Practices Act and UK Anti-Bribery Act of 2010)

BorgWarner expects all Suppliers (direct material, indirect material, and services) to comply with all laws and regulations applicable to its business, at all governmental levels worldwide.

The use of corporate funds, property or other resources for any unlawful or improper purpose is prohibited. Anti-corruption laws require that companies meet prescribed accounting and internal control standards and impose severe penalties on both companies and individuals for certain types of payments and practices. BorgWarner Employees and our Suppliers may not give, promise or authorize any payments, either directly or indirectly to government officials in any country.

Anti-Bribery Due Diligence

All Suppliers (direct material, indirect material, and service provider companies or individuals) who will have contact with government officials on BorgWarner's behalf are required to complete an Anti-Bribery Due Diligence Questionnaire (preferably prior to award of business). The questionnaire is available in the Supplier section of the BorgWarner, Inc web page (<http://www.borgwarner.com/en/Suppliers/default.aspx>) or in the GSM Suppliers Site document section in Extralce.

Conflicts of Interest

Conflict of interest occurs when an individual or a corporation (either private or governmental) is in a position to exploit his/her or their own professional or official capacity in some way for personal or corporate benefit. BorgWarner expects suppliers to ensure that their employees avoid and disclose situations where there is any perceived or actual conflict of interests and that decisions be based on solid business judgment unclouded by favoritism resulting from personal relations and opinions.

Anticorruption and Anti-money laundering

BorgWarner does not tolerate bribery, corruption or money laundering under any circumstances. Bribery involves offering, giving, receiving, or requesting something of value to improperly influence a business decision and can take many forms, including money, gift cards, travel, employment (including internships), entertainment, and charitable contributions. Giving bribes to anyone, including government employees or officials, directly or through a third party, is prohibited. BorgWarner also prohibits facilitation payments, which are small payments intended to expedite a non-discretionary, routine government process or service (such as obtaining a visa or clearing goods through customs). BorgWarner, its employees, and suppliers are subject to local anti-bribery, anti-corruption and anti-money laundering laws. If you suspect a bribe or other improper payment has been made, contact the BorgWarner Compliance Office immediately.

Fair Competition and Anti-Trust

BorgWarner expects its suppliers to uphold fair competition and anti-trust standards including, but not limited to, avoiding business practices that unlawfully restrain competition; improper exchange of competitive information; and price fixing, bid rigging, or improper market allocation. An effective compliance policy and strategy

enables a company to minimize the risk of involvement in competition law infringements, and the costs resulting from anti-competitive behavior.

Financial responsibility (Accurate Records) & Disclosure of Information

BorgWarner expects that suppliers perform their business dealings in a transparent manner and accurately reflect them in the companies' financial reports and filings. Financial responsibility refers to a company's responsibility to accurately record, maintain, and report business documentation including, but not limited to, financial accounts, quality reports, time records, expense reports, and submissions to customers or regulatory authorities, when appropriate. Books and records are expected to be maintained in accordance with applicable law and generally accepted accounting principles. BorgWarner expects its suppliers to disclose financial and non-financial information in accordance with applicable regulations and prevailing industry practices.

4.3 Excellence. Focusing on results

BorgWarner seeks to be a leader—in serving our Customers, advancing our technologies, and rewarding all who invest in us. To extend our competitive position, we expect our Suppliers to relentlessly improve their own performance and to bring urgency to every business challenge and opportunity.

Data Protection and Data Security

BorgWarner expects its suppliers to implement robust data privacy and security standards that protect an individual's personal data, regardless of whether they are employees, customers, suppliers, or job applicants. Suppliers should respect the privacy and civil liberties in respect of the collection, retention, use or dissemination, as well as any other processing of personal data.

Intellectual Property

"Intellectual Property" includes inventions, patents, trade secrets, "know-how", trademarks, logos, and copyrights. Suppliers should use commercially reasonable practices to avoid the unjustified transfer of confidential technology and know-how (e.g., copyright, trademark, design, patent) and must be diligent to identify, protect, and defend our Intellectual Property as well as the Intellectual Property of our (OEM) customers and sub-suppliers.

Counterfeit Parts

BorgWarner expects its suppliers to develop, implement, and maintain methods and processes appropriate to their products and services to minimize the risk of introducing counterfeit and materials into deliverable products and adhere to relevant technical regulations in the product design process.

Export controls and economic sanctions

Suppliers must comply with all applicable laws and regulations governing the conduct of international trade, including sanctions, export controls, boycotts, and customs. Suppliers should have appropriate policies and procedures to ensure compliance with applicable export controls and economic sanctions laws and regulations of all relevant countries. If the supplier is involved in the sale, marketing, distribution, or transportation of products or services, or the transfer of technology across international borders, the supplier must verify that the transactions do not involve restricted individuals, companies, countries, or regions, and that the products do not require an export license or other authorization.

4.4 Responsibility. Our commitment

We are committed to good corporate citizenship. We expect our Suppliers to abide by all applicable employment, environmental, health and safety laws and regulations. We will not allow the use of any forced, involuntary or child labor by Suppliers who provide goods or services to us. We commit ourselves to prevent and minimize any risk to human rights or environment in our business areas and in our supply chain.

Rights of Minorities and Indigenous Peoples

BorgWarner expects that its suppliers respect the rights of local communities to decent living conditions; education, employment, social activities; and the right to Free, Prior, and Informed Consent (FPIC) to developments that affect them and the lands on which they live, with particular consideration for the presence of vulnerable groups.

Land, Forest and Water Rights and Forced Eviction

We expect that suppliers avoid forced eviction and the deprivation of land, forests and waters in the acquisition, development or other use of land, forests and water.

Environmentally Responsible Products and Processes

BorgWarner expects its suppliers to responsibly protect the environment for the benefit of society and future generations. Suppliers should strive to conserve, recycle, and reuse resources efficiently, using responsible and sustainable environmental practices, including but not limited to energy and emissions reduction initiatives, monitoring and reporting. Suppliers should minimize water consumption, effectively reuse and recycle water with responsible treatment of wastewater discharges and prevent potential impacts from flooding as a consequence of rainwater run-off, as required by and in accordance with applicable law.

To assure that our products and processes will provide the maximum benefit and least damage to the environment, we expect BorgWarner Suppliers to:

- Develop and offer products that help contribute to improved fuel efficiency and reduced emissions
- Evaluate and minimize the complete-life cycle environmental impact of your products and processes
- Minimize waste generation
- Lead in the conversion to environmentally friendly materials including the use of recycled and recyclable materials

- Maximize the efficient use of resources such as water
- Obtain energy from renewable sources and/or lower impact resources wherever practical to reduce greenhouse gasses
- Protect ecosystems, especially key biodiversity areas, impacted by their operations, and avoid deforestation in accordance with international biodiversity regulations.
- Monitor and control the impact of their operations on soil erosion, nutrient degradation, subsidence and contamination to preserve soil quality.
- Minimize noise emissions from industrial processes to reduce disturbance of the surrounding community and environment.
- Not disturb animal welfare, respecting the five animal freedoms formalized by the World Organization for Animal Health (OIE).
- Strive for environmental leadership in regions in which you operate and fulfill the environment-related obligations set out in the Supply Chain Due Diligence laws

Air Quality

Suppliers should routinely monitor and disclose, appropriately control, minimize, and to the extent possible, eliminate emissions contributing to air pollution, as required by and in accordance with applicable law. Suppliers should assess cumulative impacts of pollution sources at their facilities and mitigate their pollution levels accordingly.

Responsible Chemical Management

Suppliers should identify, minimize, or eliminate the use of restricted substances in manufacturing processes and finished products to ensure regulatory compliance. Suppliers should also be aware of any use of restricted substances in processes and finished products, and actively investigate suitable substitutes to maintain product and environmental stewardship.

4.5 Collaboration. Building trust

Successful business relationships are the result of mutual goals and values. We encourage differentiating technologies that challenge the status quo and help support BorgWarner's product leadership model. We view every Supplier relationship as an opportunity to extend our enterprise and grow our business. Information given to us must be accurate, and when requested, will be treated as confidential information so designated.

4.6 Adherence

We expect your cooperation in ensuring adherence to our Supplier Code of Conduct. We expect Suppliers throughout our entire supply chain to adopt and enforce policies in accordance to those stated above. BorgWarner seeks to identify and do business with organizations that conduct their businesses to these standards.

BorgWarner personnel are expected to report any known or reported violations of this code to their respective Vice President without fear of retaliation.

If you or anyone in your company believes that a BorgWarner employee or other Supplier has violated this policy, please contact the BorgWarner Compliance Office by phone at +1 248.754.0656, or e-mail to Complianceoffice@BorgWarner.com. You may also report to an independent party by calling 1-800-461-9330 in the United States or from outside the United States, go to <http://www.convercent.com/report> to find your

country's toll free number, or call collect to +1-720-514-4400 using the appropriate country code specific to your location and where you are dialing, or at compliancehotline.borgwarner.com.

4.7 Due Diligence in Supply Chains (Supply Chain laws)

In accordance with the applicable Supply Chain Due Diligence laws BorgWarner obliges all suppliers in its direct supply chain to fulfill human rights and environment related due diligence obligations in order to prevent and minimize any risks to human rights and environment-related risks or to end those in case of a violation. The direct suppliers are responsible that their sub-suppliers act in compliance with the requirements of the Supply Chain Due Diligence laws.

BorgWarner has implemented a risk management system in which regular risk analysis are conducted to identify possible adverse effects on human rights and environment related topics in its own area of business as well as towards its suppliers for direct material and indirect material and other vendors. In case a risk is identified, preventive measures and remedial action will take place.

Suppliers based on a defined risk category are required to complete a Self-Assessment-Questionnaire. The questionnaire will be provided by BorgWarner. Further information involving the Supply Chain Due Diligence laws can be found on <https://www.borgwarner.com/suppliers>.

Section #5 Supplier Manual Access/Responsibilities

5.1 Supplier Communication/Access

BorgWarner utilizes a Supplier Extranet site for external communication. This site is referred to as ExtraICE and can be located at (<https://extraice.borgwarner.com>). Supplier specific information such as Supplier Manuals, Forms, Scorecards, Training, etc. can be found under the GSM Supplier Website header tab.

5.2 BorgWarner's Responsibility

Provide Supplier access to the latest released version of the BorgWarner Supplier Manual for non-automotive products.

Update Supplier Manual as required and notify Suppliers

Specific approach to access and notification to be determined by your BorgWarner Global Supply Management (GSM) representative.

5.3 Supplier's Responsibility

Ensure Supplier uses the current released version of the BorgWarner Supplier Manual.

Provide training to their personnel regarding the location of the controlled version of the BorgWarner Supplier Manual.

Suppliers must ensure that BorgWarner has the correct Supplier contact information allowing notification of any changes.

5.4 Revisions

Any updates to the Supplier Manual will be provided to the Supplier as stated in the BorgWarner Responsibility section above. Suppliers will be notified through electronic means of any changes to the manual.

Suppliers should never use an uncontrolled version of the BorgWarner Supplier Manual. They should always reference the controlled copy.

BorgWarner/SupplierBusinessProduct/Processes

Section #6 Commercial Expectations

6.1 Purchasing Process

6.1.1 Supplier Agreement (like Non-Disclosure Agreement)

- Unless otherwise directed, Suppliers must sign and return the Supplier Agreement (e.g. Confidentiality Agreement) regarding Proprietary Information Security and Disclosure to the appropriate BorgWarner Supplier Representative prior to being issued an invitation to quote.
- Supplier must sign and return all other agreements as requested.

6.1.2 Request For Quotation

- Manual Request for Quotation
 - Potential Suppliers will be invited to participate in the quoting process. Suppliers may be required to use the forms supplied in the request for quotation. Failure to use BorgWarner documents may result in a "no quote" status (Contact your local BorgWarner Supplier Representative for further instructions).

6.1.3 Supplier Selection Criteria

- The following criteria can be used to award new business:
 - The Supplier's demonstrated performance
 - Supplier Consolidated Risk Assessment
 - Supplier's total cost competitiveness and commitment to continuous improvement
 - Supplier's demonstrated participation in Minority Business Sourcing (United States only)
 - Supplier's demonstrated technical capabilities, Engineering support of BorgWarner programs, and Program Management of new product launches
 - Supplier's overall financial condition
 - Supplier's acknowledgement and acceptance of BorgWarner's Purchase Order Terms and Conditions
 - Other items, such as customer-directed, regional requirements, etc.

6.1.4 Purchase Orders

- Refer to the specific BorgWarner purchase order terms and conditions.

6.1.5 Purchasing Authorizations

- Only employees from BorgWarner's Global Supply Management (GSM) and/or Indirect Purchasing organizations are authorized to commit monies to a Supplier. This commitment must be in the form of an authorized Purchase Order. This applies to all direct, indirect, service and prototype purchases as well as tooling, capital, design and development, etc. The appropriate purchasing representative responsible for the tooling purchase orders will communicate these requirements, where possible, on the tooling purchase orders themselves.

6.2 Continuous Improvement

Continuous Improvement in regard to cost reduction is an essential element of long-term business success for BorgWarner and for its Suppliers. In order to remain competitive, BorgWarner and its Suppliers must recognize the requirement to find effective ways to eliminate waste and reduce the cost of our products.

6.3 Minority Sourcing Program

6.3.1 Expectation

- Suppliers located in the United States are expected to have a formal Minority Business Enterprise (MBE) development program. BorgWarner expects Suppliers to make every effort to procure a minimum of 5% of the material and/or services from a certified Minority Business Enterprise.
- In order to be classified as a Minority Business Enterprise a company must satisfy the following criteria:
 - The business is no less than 51% owned and operated by U.S. minority citizens
 - The minority owners are active in the management and daily business operations
 - The owners belong to one of the following U.S. minority groups:
 - African American, Asian American, Native American Indian, Asian Pacific American, Hispanic American, American Eskimo, and American Aleuts
 - The business is certified by the National, State, or Local Minority Business Development Council

6.3.2 Reporting of MBE Expenditure Data

- Suppliers are required to document purchases from those sources.

6.3.3 Requests For Quotation

- All quotations from Suppliers will be evaluated with consideration given to each Supplier's MBE development program implementation status.

6.4 Terms & Conditions

The Supplier must comply with the BorgWarner Supplier Manual as well as the Terms and Conditions contained in the BorgWarner Purchase Order. The Supplier will consult with the appropriate BorgWarner Supplier Representative for clarification.

6.5 Warranty

The Supplier will accept the warranty requirements specified in the Purchase Order Terms and Conditions and/or separate agreements. Additionally, Supplier will be responsible for all applicable warranty costs.

6.6 Invoicing

6.6.1 General

- The Supplier will contact the BorgWarner plant that will be receiving the product or service (BorgWarner receiving plant) for invoicing requirements.

6.6.2 Standard Invoicing Instructions

- Contact the receiving plant for the information to be included on all invoices submitted to BorgWarner.
- Supplier will ensure that all information provided on all invoices and shipping/business documents and/or electronic data accurately reflects the physical goods in the shipment.

6.6.3 Invoicing Consigned Inventory

- Contact the BorgWarner receiving plant for instructions regarding invoicing on consigned inventory.

6.6.4 Invoice-less Instructions

- Contact the BorgWarner receiving plant for verification and for instructions regarding Invoice-less payments.

6.7 Advertising and Public Communication

Seller shall not, without prior written consent of the BorgWarner Marketing department, in any manner advertise or publish its relationship with Buyer or Buyer's customers, make any reference to the award of business or use any trademarks or trade names of Buyer or any of its associated companies in any press release, advertising or promotional materials. Requests for permission on any of the above topics can be directed to mediacontact@borgwarner.com. Please include a detailed outline of the permissions you are seeking and the name of the individual you work with in BorgWarner purchasing for consideration

6.8 Contingency Plans

The Supplier shall prepare contingency plans to satisfy BorgWarner requirements in the event of an emergency such as utility interruptions, labor shortages, key equipment failure and field returns.

Section #7 Tooling and Gauging Policy

7.1 General

- 7.1.1 BorgWarner will issue purchase orders for special tooling, including dies, jigs, fixtures, templates, inserts, molds, patterns, gauges, test equipment, etc. as agreed upon.
- 7.1.2 BorgWarner reserves the right to immediately remove BorgWarner-owned tools.
- 7.1.3 Suppliers must receive written authorization from BorgWarner before:
 - Moving or destroying tooling
 - Altering tooling capacity
 - Disposing of service parts tooling
- 7.1.4 Selling products made from BorgWarner tooling to any other Customer is not allowed.
- 7.1.5 All Special Tooling owned by BorgWarner must be identified (see Special Tooling below).
- 7.1.6 The Supplier is responsible to adhere to all legal safety requirements as applicable.
- 7.1.7 The Supplier is responsible for ensuring that its sub-Suppliers adhere to the above guidelines.

7.2 Definitions

7.2.1 Special Tooling

- The following general (not all inclusive) guidelines provide characteristics that BorgWarner typically considers regarding whether or not tooling and measurement devices are considered special tooling:
 - Specifically designed for a BorgWarner part or product with little or no other application
 - Life and value is limited to the production and service life of the part(s) which they produce or measure
 - Directly affect the part they measure or produce including part specific gauges, dies, fixtures, gear cutters, broaches, molds, jigs, etc.
 - Can usually be re-located
 - May be found between “bolster plates” of a machine or pieces of equipment (including dies, welding fixtures, sub plates, or automation handling devices) and are not part of the general equipment
 - Unique computer software required to operate the tooling is considered part of tooling and is also the property of BorgWarner

7.2.2 Measurement Systems

- Any gauges, fixtures, tools, test equipment, etc., required to measure the part/process.
- Measurement Systems may be general in application and usable for many purposes.

7.2.3 Parts

- Any purchased or manufactured component or assembly intended for further manufacture or resale.

7.3 Quotation & Design

7.3.1 Tooling Quotation

The items in this section must be considered as part of a tooling quotation to BorgWarner unless otherwise specified by BorgWarner.

- Tooling quotation must include expense breakdown, including fixtures, dies, gauging and other costs as well as tooling design (i.e., number of cavities, material, etc.).
- Capacity of the tool must be clearly defined on the quotation.
 - Capacity will be calculated on a 5-day / 3-shift basis unless otherwise directed by BorgWarner.
- Tool life must be clearly defined on the quotation.
- Cavity replacement must be clearly defined on the quotation. This should be provided as a per part cost or as a cavity replacement cost.
- The quotation must specify lead-time breakdowns including design, build, testing and part approval/qualification.

7.3.2 Supplier's Responsibilities

- The Supplier is responsible for maintaining, repairing, refurbishing, & replacing tooling in production condition at no cost to BorgWarner and BorgWarner will retain all title and ownership rights for said repaired, refurbished, or replaced tooling for the defined lifetime of the tool, unless otherwise agreed to in writing by BorgWarner.
- The Supplier is responsible for disposing of the tooling at no cost when directed in writing by BorgWarner.
- The Supplier will keep detailed maintenance records for the tooling. The Supplier will make these records available to BorgWarner on request.
- The Supplier will monitor the tool life and performance to ensure that repair, replacement and maintenance, whether or not the responsibility of the Supplier, are identified and corrected prior to the time that part quality or production capacity are affected. This will include regular dimensional reviews on specific part characteristics. Supplier agrees to make this data available to BorgWarner on request.
- The Supplier will, on a regular basis, monitor tool life and advise the BorgWarner Supplier Representative well in advance when tooling replacement is necessary.
- The Supplier will ensure that sufficient quantities of components will be in Supplier's inventory and available to support BorgWarner production prior to and during the time period that the tooling is being refurbished or replaced.

7.3.3 Tool Design

- When tooling is designed by the Supplier, BorgWarner must be provided with electronic and hard copies of the design and all related drawings and specifications. Supplier, upon request from BorgWarner, will provide reproducible tooling prints for any existing tools.
- All designs must be based on the metric system unless otherwise agreed to in writing by BorgWarner.

7.3.4 Tooling Run-off

- The Supplier must document tooling run-off quantities in the quotation.

7.3.5 Measurement System

- BorgWarner's expectation is that all Measurement System devices must be validated.
- All gauging systems must give readings in metric unless otherwise agreed to in writing by BorgWarner.
- The Supplier is expected to maintain the integrity of the Measurement System and provide Gauge Repeatability & Reproducibility (R&R) if agreed to with BorgWarner purchasing plant.

7.4 Invoicing

7.4.1 Invoice Amount

- Supplier invoices should document expenditures for BorgWarner-owned tooling (including a full cost breakdown). In addition, invoices must show the exact physical location by city, town, state or province, and country where the tools will be used in production. Supplier invoices for tooling should reflect the tooling order amount or the actual costs incurred, whichever is less. Any discrepancies should be brought to the attention of the GSM representative. The Measurement System Equipment invoice must include complete descriptions of each device. Note: Supplier must provide photographs of BorgWarner-owned tooling with all tooling invoices.

7.4.2 Payment Authorization

- BorgWarner will authorize payment for tooling and Measurement System devices per the plant specific standard process. Photographs and proof of identification may be required before payment is authorized.

7.4.3 Bill of Sale

- Supplier will provide a bill of sale acknowledging payment and ownership of all BorgWarner Tooling and Measurement systems.

7.5 Tooling Identification & Ownership

7.5.1 All tooling and materials which BorgWarner furnishes either directly or indirectly to Supplier or which BorgWarner buys from or gives reimbursement to Supplier in whole or in part (collectively, "BorgWarner's Property") will be and remain the property of BorgWarner and be held by Supplier on a bailment basis. Supplier will sign or authorize BorgWarner to sign on its behalf any documents deemed reasonably necessary by BorgWarner to be filed with Federal, State or Local officials to record BorgWarner's title and interest in BorgWarner's Property. Supplier will not sell, lend, rent, encumber, pledge, lease, transfer or otherwise dispose of BorgWarner's Property. Furthermore, Supplier will not assert or permit any person claiming an interest through Supplier to assert any claims of ownership to or any other interest in BorgWarner's Property.

7.5.2 The Supplier will clearly mark or tag tooling and/or dedicated measurement devices and associated materials, as appropriate, with "Property of BorgWarner."

- 7.5.3 The Supplier will permanently mark the tooling with the part number, which the tool is intended to produce.
- 7.5.4 In the event that directly marking the tool is not practical, an identifying mark will be made and a corresponding record will be maintained that defines the corresponding part number to the mark. This record will be maintained for the life of the program.
- 7.5.5 A descriptive breakdown of each of the various components that make up the tooling and/or measurement devices, the size and type of equipment the tooling is designed for, proof of expenditures, as well as photographic evidence of the completed tooling and/or measurement devices must be submitted to the appropriate purchasing representative prior to payment authorization. Specific forms may be required by the plant. Additional information may be required dependant on specific program needs.
- 7.5.6 The tooling and/or measurement devices must be stored and handled in a manner to avoid damage and deterioration.
- 7.5.7 Any Supplier logo or other identifying mark placed in a tool/die that results in a Supplier logo on the end part is prohibited unless otherwise approved by BorgWarner in writing.

Section #8 Quality Requirements

8.1 General

8.1.1 Quality Management System

- All Suppliers must comply with the BorgWarner quality expectations defined in this section. Suppliers are fully responsible for the quality of their products. In order to ensure Zero Defects, an effective Quality Management System, such as ISO9001 or equivalent, is preferred to be in place. Suppliers are responsible for assuring their subcontractor's parts are approved and are under a controlled system of evaluation and review.

8.1.2 Plant-Specific Requirements

- In addition to complying with the quality expectations defined in this section, Suppliers must also comply with the additional quality expectations, where applicable, of specific BorgWarner locations or Customers.

8.1.3 Customer Specific Requirements

It is the responsibility for the Supplier to:

- Pass down all applicable statutory and regulatory requirements as well as special product and process characteristics to their Suppliers and require the Suppliers to cascade all applicable requirements down the supply chain to the point of manufacture
- Certification to ISO 9001:2015 "Quality management systems – Requirements" may be preferred.

8.1.4 Approved Supplier Status

- All Suppliers currently supplying direct or indirect material to BorgWarner are approved Suppliers. Approved Supplier lists are maintained by either the

BorgWarner business unit or specific BorgWarner facility. Approved Suppliers are those we currently purchase from, but it is possible they are not approved for new business awards.

8.2 Supplier Assessments

8.2.1 New Suppliers

- A BorgWarner Supplier Representative will provide access to the BorgWarner Supplier Manual. A virtual or on site assessment may be requested.

8.2.2 Existing Suppliers

- Depending on a risk analysis, BorgWarner may conduct an additional assessment audit.

8.3 First Article Planning

8.3.1 General

- BorgWarner requires all Suppliers to take ownership of and manage the First Article process. A BorgWarner Representative may initiate the planning process with Suppliers during a Kick-Off meeting. Suppliers subsequently have an obligation to establish a cross-functional team to manage the First Article process. This will typically apply to all Custom/blue print components and not to off the shelf/catalog components unless specifically requested by BorgWarner.
- BorgWarner will provide Suppliers with the requirements and dates. Suppliers will be responsible for keeping their timing up to date. Suppliers are expected to update their estimated completion dates to the appropriate BorgWarner Representative at frequent intervals or when there is a change that will impact overall program timing.

8.3.2 Off Tool Samples (OTS)

- Off tool samples (OTS) for custom / blueprint based components may be required before First Article approval for validations, customer preproduction builds, machine run off, etc.
- The plant will communicate the specific requirements.

8.4 We Are Ready Process Audit

8.4.1 General

- As a verification of the Supplier's production readiness, BorgWarner, after agreement with the supplier, may require completion of the We Are Ready (WAR) or similar process audit prior to Start of Production (SOP). Specific instructions, event timing and responsibilities will be agreed upon between BW and the supplier if the audit is required.

8.5 First Article Approval Process

8.5.1 General

- Suppliers must comply with the plant specific requirements for first article approval, certain Customer specific requirements could apply.

- There may be differing requirements for off the shelf/catalog components versus custom/blueprint based components.

8.5.2 First Article Inspection Requirements

- Unless specifically waived in writing by BorgWarner, all suppliers must follow the plant specific requirements for first article inspection and approval.
- Prior to a Supplier submitting for approval to BorgWarner, the Supplier may be asked to complete and submit a sub-Supplier Matrix.

8.5.2.1 IMDS & CAMDS and CCC Requirements

- International Material Data System (IMDS)
 - Suppliers are required to provide material data in electronic format per the requirements defined in the International Material Data System (IMDS). For specifics and further information relating to this requirement, visit <http://www.mdssystem.com>. Suppliers are also responsible for the on-time provision of all IMDS relevant material data for their products and the products of their supply chain.
- China Automotive Material Data System (CAMDS)
 - China Automotive Material Data System (CAMDS) is a product data management platform for implementing the “Recycling and Reutilization Policy of Automotive Product”, carrying out the certification of recoverability rate and prohibited/restricted substance and improving the recoverability rate of China automotive material. Therefore, any product shipped to BorgWarner for use in the China market may be required to satisfy this requirement. More information can be found at the following website: http://www.camds.org/camds_en.
- Chinese Compulsory Certification (CCC)
 - The China Compulsory Certificate mark, commonly known as CCC Mark, is a compulsory safety mark for many products sold on the Chinese market. It became effective on May 1, 2002. It is the result of the integration of China's two old compulsory inspection systems, namely "CCIB" (Safety Mark, introduced in 1989 and required for products in 47 product categories) and "CCEE" (also known as "Great Wall" Mark, for electrical commodities in 7 product categories), into a single procedure.
 - BorgWarner Suppliers and External Providers that produce product for usage in China may be required to comply with this regulation. External Providers can obtain information relating to this requirement at the following internet site: <http://www.cqc.com.cn>.

8.5.2.2 UL & CE Requirements

- All components sold to BorgWarner will require the appropriate certification based on the region of final use.

8.5.3 Submission Disposition and Notification

- There are three possible outcomes of a Supplier First Article Submission:
 - **Full Approval**—Parts are fully approved for series production. BorgWarner Material Control will specify proper delivery and release requirements.
 - **Interim Approval**—Parts are conditionally approved for a limited time or limited quantity.

- **Rejected**—Parts may not be used for series production and tooling purchase orders cannot be paid.
- BorgWarner will notify Supplier in writing when their First Article submission has been approved or rejected.

8.5.4 Interim Approval

- If an Interim Approval is granted, a revised First Article must be resubmitted with appropriate documentation before the Interim expiration date.

8.5.5 First Article Approval Requirements Waived

- Suppliers providing off the shelf/catalog components may not be required to submit for First Article approval. The specific plant will confirm if required.
- Custom/blueprint based parts must gain written approval from the appropriate BorgWarner representative(s) to have the First Article Approval requirement waived.

8.5.7 Shipping and Labeling Instructions

- The supplier must request and follow the BorgWarner site specific plant requirements for labeling and shipping.

8.6 Early Production Containment (EPC)

- This requirement may be required for Suppliers providing custom/blueprint based components to BorgWarner.
- This requirement does not apply to all off the shelf/catalog components, unless specifically requested by BorgWarner.
- Responsibilities and exit criteria will be communicated by the BW plant to the supplier.

8.7 Process/Characteristic Monitoring

- Certain characteristics may be deemed important or critical, and may require increased monitoring to ensure the quality of the parts.
- The appropriate BorgWarner representative will identify these specific requirements, or characteristics either by direct communication, specification, or product drawing.

8.8 Complaint On Purchased Material (CPM)

8.8.1 General

- BorgWarner will immediately notify the Supplier if non-conforming material is found. Upon verification that BorgWarner has received non-conforming product from a Supplier, BorgWarner will issue a Complaint on Purchased Material (CPM), or similar plant specific complaint, to the Supplier.
- Evidence of defect such as digital photos will be provided when possible. A sample of the defect may be sent to the Supplier upon request.
- BorgWarner will issue a complaint to the Supplier regardless of the disposition and/or use of the non-conforming material.

- A complaint will not be issued if the supplier notifies BorgWarner of a potential quality concern prior to the concern being found by BorgWarner and removes or sorts the suspect material and replaces it with "certified" material.

8.8.2 Containment Actions

For Supplier providing off the shelf/catalog components, upon receipt of a complaint from Borgwarner, the supplier must replace all defective parts and offer replacement of that shipment of parts with a new shipment of that part number.

For Supplier providing custom/blue print components, when receiving a complaint from BorgWarner, are required to ensure that BorgWarner's plants are supplied with enough certified stock to assure no disruptions to production.

8.8.2.1 Suppliers may be required to sort 100% of their product, including product at the BorgWarner plant(s), in transit, in warehouses, at the Supplier's production facility, etc.,

8.8.2.2 Material may be required to be labeled as certified or per the plant specific requirements or process.

8.8.3 8-D Reports

- For suppliers providing custom/blueprint components, they will respond to complaints by using the BorgWarner 8D Problem Solving Form (GSM-F007) or other equivalent form if agreed to by BorgWarner. The problem solving documentation will be submitted in response to each complaint, unless otherwise agreed to by the appropriate BorgWarner representative.
- For suppliers providing off the shelf/catalog components, a problem solving form may or may not be required and an answer to the complaint may or may not be required. This will be plant site specific and will be communicated when the complaint is generated.

8.9.2 Unauthorized Changes

- In cases where a Supplier has implemented an unauthorized change or has failed to deliver contracted products in accordance with the specifications and terms of the BorgWarner Purchase Order, all costs that are incurred by BorgWarner and/or its Customers will be the sole responsibility of the Supplier.

8.10 Traceability Requirements

Having a strong traceability system is a key component to overall success. Lack of traceability significantly increases the time for root cause analysis and identification of the source of a defect, as well as increased financial impact in the event of a quality incident.

Each BorgWarner plant will define traceability requirements.

8.11 Embedded Software Requirements

- Organizations must use a process for quality assurance of products with internally developed embedded software, and have an appropriate assessment methodology to assess their software development process
- The software development process must also be included within the scope of the internal audit program; the internal auditor should be able to understand and

assess the effectiveness of the software development assessment methodology chosen by the organization

8.12 Cleanliness Requirements

Product should be provided in a state of cleanliness consistent with the manufacturing process and meeting any BorgWarner Plant Requirements.

Section #9 Supplier Change Management

9.1 General

Recognizing that managing change is of critical importance, BorgWarner has plant specific Change Management processes designed to ensure the quality and integrity of BorgWarner products. Suppliers are expected to take a proactive approach to issues of non-conforming product or any changes to design, performance, materials, or processes. Suppliers should never ship such product before obtaining written BorgWarner approval. In cases where a Supplier has implemented an unauthorized change and BorgWarner and/or its Customers have been negatively impacted, the Supplier will be responsible for compensating BorgWarner for all associated costs.

9.2 Temporary/Permanent Changes

9.2.1 When seeking permission to make a temporary or permanent change to the design, performance, or processing of product supplied to BorgWarner, Suppliers must request approval prior to implementation. Note that any changes to Supplier-specified product characteristics also fall under this requirement even if they are not shown on the BorgWarner drawing and/or specification. Supplier is responsible for obtaining approval prior to shipping.

9.2.2 Suppliers must complete and submit the change request per the BorgWarner plant site specific process.

Section #10 Materials/Delivery Expectations

10.1 Delivery Expectations

10.1.1 Plant-Specific Requirements

- In addition to complying with the materials and delivery expectations defined in this section, Suppliers must also comply with the laws of the country of each receiving BorgWarner facility and additional materials and delivery expectations, where applicable, of specific BorgWarner locations.
- All goods or their containers must be marked with the appropriate country of origin. Suppliers are also responsible to supply BorgWarner with a certification of origin for each good and promptly notify BorgWarner if there will be a change in origin.

10.1.2 Program-Specific Requirements

- BorgWarner may specify expectations for materials during the process, RFQs, purchase orders and other forms of communication. The plant will communicate the specific requirements.

10.1.3 On Time Delivery

- Suppliers are expected to ship 100% on time to BorgWarner based on BorgWarner's terms and conditions as defined in its Purchase Order. Any costs associated with delays in shipments will be at the Supplier's expense.

10.1.4 Overseas Suppliers/Shipments

- It may be specified by BorgWarner, that Suppliers whose products require ocean transportation are required to maintain a minimum inventory buffer in the region of the receiving plant. The buffer should be determined by agreement with the BorgWarner plant site specific personnel. If agreed to implement, it is the Supplier's responsibility to monitor and maintain this buffer at all times. Any expenses incurred by a BorgWarner facility due to an inadequate inventory buffer could become the responsibility of the Supplier.

10.2 Packaging/Containerization

10.2.1 The Supplier will plan for the timely provision of containers and/or packaging media to support BorgWarner requirements. Off the shelf/catalog part numbers with already defined industry packaging methods can be exempted from this requirement.

10.2.2 Approval of Packaging should occur prior to first shipment by the BorgWarner receiving plant.

- Suppliers must utilize Supplier Packaging Form (GSM-F012) unless otherwise directed as part of the First Article approval process.
- Off the shelf/catalog components maybe exempted.
- All Packaging material must comply with ISPM 15 or any of its future revisions.

10.3 Labeling & Identification**10.3.1 General**

- These requirements are for the printing and placement of shipping/parts identification labels.
- Off the shelf/catalog components with industry standard labeling and identification can be exempted from some or all BorgWarner specific requirements.

10.3.2 Label Size & Materials

- The size of the BorgWarner label will be determined by the BorgWarner receiving plant.

10.4 Transportation & Supply Chain Security

10.4.1 Customs-Trade Partnership Against Terrorism (“C-TPAT”)

- The C-TPAT applies only to Suppliers providing goods to the United States. Suppliers supplying other regions must conform to the World Customs Organization (WCO).
- Supplier will certify in writing that it is either a participating member of the C-TPAT program as promulgated by the U.S. Customs and Border Protection Bureau or that it is in compliance with all applicable supply chain security recommendations or requirements of the C-TPAT program initiative (for more information go to <https://www.cbp.gov/border-security>). Supplier will indemnify and hold BorgWarner harmless from and against any liability, claims, demands or expenses (including attorneys’ or other professional fees) arising from or relating to Supplier’s noncompliance.
- Supplier agrees to provide all information necessary for BorgWarner to comply with all applicable laws, regulations and related legal reporting obligations in the country(ies) of destination. Supplier agrees to provide all documentation and/or electronic transaction records to allow BorgWarner to meet customs-related obligations, any local content/origin requirements, and to obtain all tariff and trade program duty avoidance(s) and/or refund benefits, where applicable. Supplier further agrees to assume, and to indemnify BorgWarner against, any and all financial responsibility arising from Supplier’s failure to comply with these requirements and/or to supply BorgWarner with the information required to meet legal reporting obligations, including, without limitation, any fines, penalties, forfeitures, or counsel fees incurred or imposed as a result of actions taken by the importing country’s government.
- The C-TPAT Supplier Status Form (GSM-F013) must be completed by any Supplier that is shipping over international frontiers where a BorgWarner entity will be responsible for the import customs formalities in the country of destination. The completed form, as well as any questions should be directed to your BorgWarner Supplier Representative.
- The C-TPAT Supplier Status Form (GSM-F013) is to be updated on an annual basis.

10.4.2 WCO Framework of Standards to Secure and Facilitate Global Trade (“WCO-Framework”)

- The WCO-Framework applies to all Suppliers exporting goods to locations other than the United States.
- Supplier will certify in writing that it is either a participating member of the WCO program as promulgated by the Worlds Customs Organization or that it is in compliance with all applicable supply chain security recommendations or requirements of the WCO program initiative (for more information go to <http://www.wcoomd.org>). Supplier will indemnify and hold BorgWarner harmless from and against any liability, claims, demands or expenses (including attorneys’ or other professional fees) arising from or relating to Supplier’s non-compliance.

10.4.3 Requirements for International Shipments

Contact the BorgWarner receiving plant for instructions on the commercially necessary documents to be included with the shipment.

10.4.4 Invoice Requirements

Supplier, if shipping internationally, contacts the BorgWarner receiving plant for instructions on standard international invoice requirements.

10.4.5 Packing List Requirements

Contact the BorgWarner receiving plant for instructions on what is to be included on the Packing List

10.4.6 Preferences/CoO – Certificate of Origin

- Free Trade Agreements (FTA)
- Preferential Treaties between the Supplier's Country and the Customer's Country
- CoO issued by the official agency in charge

The preferential documents must be included with the documents required for customs clearance. Any additional costs incurred due to missing documents will be charged to and accepted by the Supplier.

10.4.7 Importer Security Filing ("ISF" 10 + 2)

- All Suppliers shipping to BorgWarner U.S. locations via vessel must provide timely ISF information to BorgWarner or its designated Agent. The Supplier must include all ISF fields on their commercial invoice. For more information, the following link will direct you to the CBP ISF site.

<https://www.cbp.gov/border-security>

10.4.8 Import Control System (of the European Community)

The required information (see 12.4.3.1 + 12.4.3.2) has – for all transport modes – to be provided to the forwarder who will transmit them electronically to the Carrier. The Carrier completes the pre-arrival declaration in the form of an Entry Summary Declaration (ENS) to Customs authorities at the first point of entry to the European Community.

This information is used to perform a near real-time risk analysis which will inform Customs authorities on how to deal with individual shipments, reducing the risk of dangerous or suspicious shipments being admitted.

The Information must be transmitted timely as described in the regulations:

http://ec.europa.eu/ecip/security_amendment/index_en.htm

10.5 Designated Transportation Carriers**10.5.1 Freight Paid by BorgWarner**

For freight paid by BorgWarner, suppliers will utilize carriers designated by BorgWarner including third party logistics service providers (and utilize their portals or other instructed method of communication). Suppliers are expected to ship as required to meet BorgWarner releases and present proof of delivery if requested by receiving location. If a supplier fails to meet these expectations then the

supplier is responsible for associated costs, including premium transportation, to recover.

10.5.2 Freight Paid by Suppliers

For freight paid by suppliers, suppliers are expected to ship as required to meet BorgWarner releases and follow BorgWarner delivery instructions. If a supplier fails to meet these expectations, then the supplier is responsible for associated costs, including premium transportation, to recover

10.5.3 Special Circumstances

Under special circumstances, BorgWarner reserves the right to impose the use of BorgWarner designated transportation carriers.

Performance and Processes Issues

Section #11 Supplier Performance Metrics

11.1 General

This Supplier Performance Rating System presents the criteria that will be used by BorgWarner to rate production material Suppliers. Suppliers shipping to more than one BorgWarner plant will receive individual ratings from each Business Unit and supporting detail from each plant. Ratings will be published on a monthly basis using the following categories. A combined rating score will be generated by BorgWarner Business Unit—using the cumulative performance across all plants within that Business Unit.

11.2 Supplier Rating System

A Level (Score > 90)

Supplier is a preferred Supplier for new business (within commodity).

B Level (Score 89-75)

Supplier is approved for new business opportunities.

C Level (Score 74-60)

Sourcing opportunities are limited based on reasons for status. Effectiveness and suitability of Supplier system should be analyzed for root cause(s) and corrective action. Improvement plans may be required for review with BorgWarner.

D Level (Less than 60)

Supplier is not eligible for new business award without Senior Management review at BorgWarner. Corrective action plans should be reviewed with BorgWarner Management on a pro-active basis to maintain the business relationship.

11.3 Scorecards Color Rating

Characteristics	Green	Yellow	Red
Quality (30 Points)	23 to 30 points	18 to 22 points	0 to 17 points
Delivery (30 Points)	23 to 30 points	18 to 22 points	0 to 17 points
Cost (30 Points)	23 to 30 points	18 to 22 points	0 to 17 points
Launch Performance (10 extra Points)	10 points	5 to 9 points	0 to 4 points
Sustainability (10 Points)	7 to 10 points	4 to 6 points	0 to 3 points

Section #12 Process Audits—Post SOP

12.1 Verification of Conformance

BorgWarner and its Customers reserve the right to verify product and process conformance according to the requirements at the Supplier's and subcontractor's premises—on a scheduled or unscheduled (event-orientated) basis or frequency.

12.2 Auditor Access

Suppliers are to ensure the auditors have full access to all BorgWarner product related processes and documents

Section #13 Enterprise Approved Sourcing List (EASL)

13.1 General

The Enterprise Approved Sourcing List (EASL) is a list that contains all direct material Suppliers and their corresponding sourcing classification. The list is managed at an enterprise level. The EASL identifies the following information:

13.1.1 Supplier DUNS number, Supplier name

13.1.2 Commodities Approved for sourcing

13.1.3 Material

13.1.4 Supplier classification: Approved/Not Approved/Under Development

13.1.5 Business Unit usage

13.1.6 Suppliers will not be sourced production business from BorgWarner unless they are on the BorgWarner EASL. A Supplier can only be added to the BorgWarner EASL through the approval of a classification recommendation by a BorgWarner unit

13.2 New Business Hold (NBH)

At times the performance of a Supplier may be so problematic that actions above normal Supplier Development may be required. In these situations the BorgWarner Global Supplier Management team may choose to place a Supplier on New Business Hold (NBH). The purpose of New Business Hold is to signal to the Supplier that significant and immediate change and improvement is needed. It is the intent of BorgWarner Global Supply Management to work with the Supplier to resolve the performance issue(s) so that normalized business relations can occur.

Section #14 Requirements for Electronics Suppliers

14.1 Scope

The electronic content of assemblies are high and increasing, and therefore plays an increasing role in determining the overall quality and reliability of the product. This section gives clarification of the general Supplier quality requirements with respect to electronics.

The following requirements apply to BorgWarner Suppliers of electronic components and assemblies, regardless of the design authority. They are applicable unless specifically superseded by the product drawings or contractual agreements with BorgWarner.

14.2 Component Qualifications

To achieve the required product quality and reliability, AECQ-100/101/200 qualifications are required on all electronic components, where available, and will be stated on the Bill of Materials or related part drawings and specifications. Corrosion-prone electrode by sulphurated gas (corrosion on Ag electrode by sulphurated gas, etc.) is not allowed in components that have an Integrated circuit. The structure is so designed that the electrode is not exposed and protected by an appropriate circuit board coating.

UL and/or CE certifications for components are required as applicable for region of end use.

14.3 Workmanship Standards

The acceptance criteria and allowable rework processes are defined for electronic assemblies and associated parts. Unless otherwise stated on the product drawings, the following workmanship standards are required:

- PCB substrates
- IPC-A-600 Acceptability of Printed Circuit Boards, Class 3 (track welding is not allowed)

- IPC-TM-650 Test Methods Manual
- PCB Assemblies
- IPC-A-610 Acceptability of Electronic Assemblies, Class 3
- J-STD-001 Requirements for soldered electrical and Electronic Assemblies (The IPC standard takes precedence where the above standards conflict)

Rework within the above standards is only allowed if prior agreement is given by BorgWarner. Rework outside of the scope of these standards must be agreed by BorgWarner on a case-by-case basis.

14.4 Printed Circuit Boards (Printed Wiring Boards)

- The Printed Circuit Board (PCB)/Printed Wiring Board (PWB) substrate/laminate is recognized as a complex component of the overall PCB assembly. The bespoke design and lengthy batch manufacturing process have unique risks. It is the responsibility of BorgWarner's electronics Suppliers to ensure that these risks are managed.
- All PCB laminate Suppliers on BorgWarner products are required to have IATF16949 certification and have a Control Plan covering their processes.
- All PCB Suppliers are required to meet BorgWarner qualification and tests requirements.
- PCB laminate Suppliers are required to test all PCB batches according to the agreed Control Plan and using the methods defined in IPC-TM650.
- The PCB Suppliers are required to retain microsections evidencing these results for a minimum of five years.

14.5 Traceability

The effective management of traceability is critical to reducing the impact of defective product, both in the supply chain, and in the field.

Suppliers of electronic assemblies to BorgWarner must:

- Demonstrate lot traceability of all electronic components
- Apply serial number traceability to all BorgWarner work in progress
- Apply serial number traceability to all finished product supplied to BorgWarner
- Ensure traceability of all inspection and test records to the individual unit
- Ensure retrieval of records within 24 hours
- Provide UL and/or CE certification of components as applicable to region of use

BorgWarner reserves the right to audit Supplier traceability systems at any time.

14.6 Use of Alternative Components

- Electronic products are validated with components from specific manufacturers. Any variation from this validated condition risks production and field issues.
- BorgWarner Suppliers are responsible for ensuring that the specified component manufacturers and part numbers are maintained and prevent unauthorized alternatives and counterfeits from being used.

- Suppliers of electronic assemblies to BorgWarner must not vary from the specified component manufacturer and part number without the formal permission of BorgWarner.
- In the event of advice from Supplier on restricted/limited supply of components, Suppliers must inform BorgWarner immediately to trigger qualification of alternative components.
- Where BorgWarner has given qualification of alternative components, the Supplier must maintain traceability of the use of such alternatives, and NOT mix alternatives within one production batch of the finished product.
- As well as component changes, any change of process materials such as fluxes, solder paste, or solder bar are classed as a notifiable change.

14.7 Alternative Sources of Components

- The approved sources of electronic components are either direct from the manufacturer, or through their nominated distributors. There is a greatly increased risk of counterfeit components when procuring from alternative sources.
- Suppliers of electronic assemblies to BorgWarner proposing to source components from alternative sources (i.e., brokers, non-approved distributors, etc.) must gain formal approval from BorgWarner.
- In such an event, a validation plan must be submitted, agreed, and performed, to confirm that the components are genuine and within specification. The agreed validation may include visual, functional, or other evaluation methods.

14.8 Component Shelf Life

- Manufacturers may define the shelf life of components, solder paste, adhesives, etc. to ensure that they can be processed to achieve the required results.
- Any manufacturer's recommendations regarding component shelf life and storage must be followed by the Supplier. Any deviation from these recommendations requires approval from BorgWarner.
- In such an event, a validation plan must be submitted, agreed, and performed, to confirm that the components are acceptable for use.

14.9 Handling & ESD Protection

- Suppliers must implement an ESD control system, based on ANSI S20.20, or if applying an equivalent standard, this must be agreed with BorgWarner.
- Suppliers must follow all component packaging, handling and ESD requirements stated by the manufacturers, plus any in-process handling requirements to achieve the required quality levels.

14.10 PCBA Tooling Qualification

- All tooling used on PCBs and PCB assemblies must be verified before use, to confirm that strain levels are within acceptable limits (as defined in IPC-9704). Unless otherwise agreed with BorgWarner, this limit is 500µε.

14.11 Software Obligations during Product Lifetime

- Suppliers with software parts have a warranty obligation to provide fixes and/or patches, along with new versions or updates of the software during the entire product lifetime cycle, including the spare part period.

14.11.1 Software Quality Assurance Process

- Suppliers of product related software, or products with embedded software shall provide evidence of implementation and maintenance of a software quality assurance process for their products upon request.
- Suppliers of product related software agrees to have ASPICE report or self assessments on similar product before, during and after software development phase.
- ASPICE level 2 needs to be fulfilled before SOP; lighthouse projects cannot be considered for assessment quote.
- All tools used for software development and supporting processes (e.g. requirement or configuration management systems) need to be certified for use in applicable industry. Tools, software and hardware used for ASIL-related products need to fulfill ISO 26262 standard.
- The network needs to be protected against cyber-attacks. The Supplier agrees to have reviews from internal and external BorgWarner experts to control security and data integrity.

14.11.2 BorgWarner Rights to Use Software, including Licensed Software

The term "use" includes the right:

- To copy, install, transfer, store, load, test, execute the software on all available systems including the right to compile the software, or parts of it, for other products
- To combine, integrate or embed the software in other software or in hardware intended for use in or in conjunction with a BorgWarner product (hereafter referred to as "products"), nevertheless that the product will not be developed by BorgWarner internally
- For calibration, configuration, and parameterization of the software
- To use the software as part of a BorgWarner product or together with BorgWarner products for demonstration
- BorgWarner has the right to make copies not only for backups

14.11.3 Supplier Obligation to Use Software Tied to Specific Hardware

- Software shall only be used with specific hardware or only be used in connection with specific hardware.
- The software Supplier has to provide additional software, if necessary, to load, install and run the software to the hardware.

14.11.4 Software Documentation

BorgWarner has the right regarding all documentation provided by the Supplier, inclusive of the operating manual, to:

- use
- duplicate (also digital), copy, reprint, scan
- translate
- modify

- disseminate
- and otherwise dispose

14.11.5 Sub-Licensing

BorgWarner has the right to grant sub-licenses to the Licensed Software and to the corresponding documentation to “Authorized Third Parties.”

- a) This includes the right to use the Licensed Software in connection with all BorgWarner and/or customer project(s).
- b) For developing, combining and/or integrating the Licensed Software with or in other products from BorgWarner or customer, responsible persons like systems developers / integrators.
- c) To render repair, maintenance, or similar services for the BorgWarner Product, additional, also, third parties which require a right to use the Licensed Software.
- d) a) – c) Also includes customers of BorgWarner and/or any of the customer’s affiliates which require a right to use, market or disseminate the Licensed Software as part of a BorgWarner Product.
- e) a) – d) This right also includes the right to grant end users corresponding rights.

14.11.6 Obligations during the warranty period

Throughout the warranty period the Supplier shall provide to BorgWarner, without entitlement to any separate remuneration, unless explicitly otherwise agreed in writing in the respective individual transaction agreement, the following services:

- a) Workarounds
- b) Error corrections
- c) Fixes and patches
- d) Updates
- e) a) – d) to remedy critical errors and malfunctions
- f) All generally available new versions or updates of the Licensed Software and sub-components used by the Licensed Software
- g) All necessary information, not only with regard to error restriction
- h) Error correction and/or error environment
- i) Technical support on the telephone or via email

14.11.7 Source code

If the source code of the Licensed Software is not provided to BorgWarner, the Supplier agrees that upon BorgWarner’s request, or in case of ownership change of the Supplier, or bankruptcy, it shall enter into a source code escrow agreement and deposit the source code at a renowned depository to be chosen by BorgWarner for the benefit of BorgWarner.

Section #15 Supplier Manual Revision History

Rev	Date	Section Modified & Description of Change	Author/Editor
1	27-Jan-2023	Approved & Released for Distribution	Dwallace

2	01-June-2023	Updated section 11.1 to be more specific on scorecard to align with project to launch supplier scorecard 8/1/23	D Wallace
3	16-June-2023	Revised chapter 4 to incorporated ESG (Environment, Social, Governance) elements	D Wallace