Dear Supplier,

For more than 100 years, the Gates Corporation has been dedicated to providing our customers with the highest quality power transmission and fluid power products and services. This uncompromising focus has helped us build a reputation rooted in our dedication to innovation, quality, and industry leadership.

Suppliers play a critical role in our mission to advance the science of motion performance by helping us provide safe, forward-thinking products, services, systems, and solutions to our customers. This role requires the successful management of product quality and high standards through a clear understanding of our requirements, expectations, and performance measures that together power the achievement of our continuous improvement objectives.

The Gates Supplier Requirements Manual outlines these requirements and standards for quality, delivery, and continuous improvement and we expect our suppliers to meet and comply with all of them.

We look forward to an ongoing partnership based on communication and trust as the cornerstone of our relationship. The quest for excellence is never ending, and we look forward to this journey with you.

Sincerely,

Ken Friedman  
President, Americas

Giorgio Brusco  
President, EMEA

Paul Lee  
President, APAC

Ken Parks  
VP, Technology

Corbett Foster  
VP, Procurement

David Ivan  
VP, Continuous Improvement
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This manual specifies the requirements of suppliers to Gates Corporation including its subsidiaries worldwide, and as such, is referred to as “Gates” in this manual.
2.0 **SCOPE:**
This manual applies to all suppliers of materials, products or subcontracted manufacturing services or operations, to any Gates Corporation facility.

This manual defines The Gates Corporation's requirements for suppliers to comply within their operations to ensure that parts, services and materials delivered to Gates and its customers meet all specifications and to assure the quality of supplied parts and materials.

3.0 **GATES SUPPLIER CLASSIFICATION AND CAPABILITIES**

ISO9001 and ISO/TS16949, latest editions, are the quality system standards for Gates. Suppliers to Gates will be classified as a Class I through Class III supplier as outlined below:

3.1 **Class I:**
3.1.1 Class I suppliers are defined as suppliers whose product/material is used by Gates to supply material/products to any Original Equipment (OE) customers that require compliance to TS 16949 for Gates and its sub-tier suppliers. Class I suppliers are defined to be suppliers whose product/material can be used by Gates to supply material/products to any Gates customers.

3.1.2 Gates and its Original Equipment (OE) customers require suppliers to maintain a quality management system certified to ISO9001, latest edition, by an accredited third party and the ability to be compliant to TS16949, latest edition.

3.1.3 Class I suppliers shall adhere to the requirements of the Automotive Industry Action Group (AIAG), Advanced Product Quality Planning (APQP) including Production Parts Approval Process (PPAP). This is to ensure that the documentation, development, and implementation of procedures and processes are carried out in a manner that will assure that product quality and/or services meet these standards.

3.1.4 **Supplier Requirements:**
Class I suppliers shall be able to fulfill the following requirements:

- Product Approval Process: Level III, AIAG PPAP sample submission requirements;
- ISO9001 latest edition certified
- Meet all additional requirements of Gates and its OE customers, including compliance with current Gates and OE customer terms and conditions.
- Gates may perform an onsite assessment to confirm that the suppliers’ quality management system is compliant to TS16949, AOE Customer-specific requirements or Gates specific requirements.

*NOTE: Gates preference for Class I suppliers is that their Quality Management system is ISO/TS 16949.*

3.2 **Class II:**
3.2.1 Class II suppliers are defined as suppliers whose product/material is used by Gates to supply materials/product to non-OE customers, such as Aftermarket or Industrial General Market customers, or OE customers that do not require TS 16949 compliance by Gates or its sub-tier suppliers.

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This manual specifies the requirements of suppliers to Gates Corporation including its subsidiaries worldwide, and as such, is referred to as “Gates” in this manual.
3.2.2 Class II suppliers classification requires suppliers to maintain a quality management system certified to ISO9001, latest edition, by an accredited third party, or other internationally recognized Quality Management System (QMS) (such as: API-Q1, ISO/TS 29001, AS/EN/JISQ9100, or ISO 13485)

3.2.3 Class II suppliers shall adhere to a product approval process as identified by the applicable Gates facility and / or Gates design centers.

3.2.4 **Supplier Requirements:**
Class II suppliers shall fulfill the following requirements:

- Product Approval Process: Sample submission requirements as identified by the applicable Gates facility.
- Maintain accredited third party certification to an internationally recognized QMS, latest edition;
- Gates may perform an onsite assessment to confirm that the suppliers’ quality management system is compliant to the ISO 9001 standard and Gates specific requirements.
- Meet any additional requirements of Gates including compliance with Gates terms and conditions.

3.3 **Class III:**
3.3.1 Class III suppliers are defined as suppliers whose product/material may be used by Gates to supply materials/product to non-OE customers or OE customers that do not require compliance to TS 16949. These suppliers have limited or no accredited third party quality management system and put additional responsibility on the Gates facilities which use these suppliers to ensure Gates delivers quality products to Gates customers. Gates encourages suppliers in this class to move towards a Class II or I rating to ensure current and future business opportunities with Gates.

3.3.2 Class III suppliers do not have an internationally recognized Quality Managements System by an accredited third party in place.

3.3.3 Class III suppliers shall adhere to a product approval process as identified by the applicable Gates facility and / or Gates design centers.

3.3.4 **Supplier Requirements:**
Class III suppliers shall fulfill the following requirements:

- Demonstrated capability to deliver product/material to Gates specifications
- Gates may perform an onsite assessment to confirm that the suppliers’ processes and capabilities are adequate to deliver to Gates specific requirements.
- Meet any additional requirements of Gates including compliance with Gates terms and conditions.
3.3.5 Gates facilities using Class III suppliers shall review the product/ materials being supplied to ensure appropriate controls are in place to limit potential impact from supplier while delivering quality products to Gates customers.

*NOTE: Gates preference is not to have suppliers without a QMS certification of any kind and encourages suppliers to achieve some QMS certification.

3.4 New Suppliers Approval Process:

3.4.1 New potential suppliers are classified as Class I, II or III and are added to Gates Approved Supplier List, as may be required. The appropriate persons at Gates accomplish this through a supplier approval process that includes meeting the requirements identified in Section 3.0, and internal agreement and sign-off. Suppliers are not candidates for the supply of materials or services unless they have undergone this process and have been added to the Approved Supplier List.

4.0 QUALITY EXPECTATIONS

4.1 General Expectations:

4.1.1 The Gates Corporation expects Zero defects from its supply base. In order to achieve this, suppliers shall utilize and deploy the quality management systems and standards as identified in the Section 3 above. This includes for Class I suppliers, unless waived in writing by the supplied Gates location, adherence to the latest edition requirements of the following manuals published by the AIA/G:

- Measurement Systems Analysis Reference Manual (or any other requirements specified by Gates AOE customer)
- Potential Failure Mode and Effect Analysis Reference Manual
- Production Part Approval Process

Production part approval is required for new materials, components, parts, goods or services; changes in process; part number; engineering level; manufacturing location, material subcontractor(s) and production process environment. All design, process, or sub-contractor changes must be communicated to Gates to obtain direction of elements and level of PPAP required. PPAP submission is also required by Gates to its customers. If there are any questions concerning the need for Production Part Approval, please contact the responsible Gates Quality or Purchasing Representative.

4.1.2 Ongoing, suppliers shall provide updated copies of their third party certifications as changes and renewals occur. Failure to do so could result in removal from Gates Approved Supplier List.

4.1.3 Suppliers play a key role in the processes and products at Gates. As such, it is expected that suppliers work closely with Gates in all phases of the product realization and delivery process.
4.1.4 Any product, supplied to Gates under an approved deviation number must have the deviation number identified on all products and packaging shipped to Gates. Suppliers should contact the appropriate Gates location for receipt of a deviation number or clarification. An action plan with correction time must accompany all deviation requests.

4.1.5 Gates, with prior notice shall be provided access to a supplier’s facility to conduct a system or process audit. Gates may also require facility access to perform a system and process audit for repeat non-conformances, and if a supplier’s PPM (parts per million) performances rating falls below an acceptable level.

4.2 Production Part Approval Process (for all parts Gates requests a PPAP):

4.2.1 Suppliers shall fully comply with all requirements set forth in the AIAG Production Part Approval Process (PPAP) manual, latest edition, as identified by the Gates facility. All sample submissions, including the required documentation, testing, material certifications must be completed on time. NOTE: As part of the supplier’s PPAP sample submission, process capability studies must be submitted for all key characteristics and/or other characteristics specified by Gates. An electronic submission of PPAP documents is preferred.

Suppliers should contact their respective Purchasing Department to obtain information as to where the PPAP submissions must be forwarded.

4.2.2 For Class I suppliers, the supplier’s internal laboratory shall have a defined scope that includes their capability to perform the required inspection, test or calibration services. This laboratory scope shall be included in the quality management system documentation. Accreditation to ISO/IEC17025 may be used to demonstrate supplier in-house laboratory conformity to this requirement but is not mandatory.

4.2.3 External/commercial/independent lab facilities used for inspection, test, and calibration services by suppliers shall be accredited to ISO/IEC17025 or national equivalent.

4.2.4 Gates has the following expectations:

a. A mutually agreed-upon Sample Submission of PPAP date is reflected on Gates’ purchase order and is part of our contractual expectations. Dates are firm and cannot be changed unless agreed to by Gates’ respective Purchasing Department. This applies to all sample submissions.

b. Gates expects that PPAPs submitted by suppliers be accurate and conforming to specifications.

c. Sample submissions of PPAP for die cast parts must include X-rays to ensure compliancy of porosity standards.

d. If a situation arises where the suppliers’ processes are unstable and/or may not meet specifications, the supplier shall identify, evaluate and wherever possible eliminate the causes of variation prior to PPAP submission.

e. The supplier shall notify Gates of any unstable processes that exist and shall submit a corrective action plan prior to any submission.
f. If acceptance criteria cannot be obtained by the PPAP promise date, the supplier shall submit to Gates for approval a corrective action plan and modified control plan.

g. Under special consideration, Gates may grant a deviation prior to PPAP submission. This deviation must be referenced in all in-coming PPAP documents and product packaging to Gates.

4.2.5 After receipt of a supplier’s sample submission, Gates will provide written notification identifying sample submission disposition. In the event of sample submission rejection, the supplier will proactively contact the applicable Gates location with an action plan and timing or correction and re-submission.

4.2.6 Any supplier’s sample submissions requiring re-submissions due to rejection of samples can result in a charge back to the supplier for additional labor costs, handling costs, travel expenses, etc. which Gates may incur.

4.2.7 A systemic and sequential review of the supplier’s process may be completed through a Process Sign-Off (PSO) by Gates. The purpose is to verify the supplier’s readiness and assure understanding of complete program requirements. This may include an on-site process audit review with a run-at rate to confirm compliance to quoted/committed manufacturing capacity and capability. Process parameter information/sheets should be supplied to the Gates facility being supplied. Gates’ Customer may require Process Sign-Off by their designated representatives.

4.2.8 For any part/material for which a supplier has submitted a PPAP the supplier must notify and receive written approval from the appropriate Gates facility prior to making any changes to the product, process, equipment, material, location change, sub-contractor change, including any supplier’s sub-contractor changes in these areas through the development cycle to and during production. This is imperative as changes can affect Gates’ manufacturing processes and products.

4.2.8.1 Sample Submission, including PPAP may require validation, and/or testing by Gates.

4.2.8.2 In the event that the material or product is still in the development phase, suppliers must maintain and provide clear documented records of the materials, methods, manufacturing processes used, process parameters, and include key process drivers used with the sample materials provided.

4.2.9 For all product and materials supplied to Gates, suppliers must obtain and approve PPAP sample submissions from its sub-contractors prior to authorizing production commencement. Suppliers, upon Gates request, will provide copies of sub-contractor’s PPAP documentation.

4.2.10 Samples shipped into Gates must be clearly marked “samples” (labels, or if unavailable, sufficient marking must be applied, detailing the following information: product identification, product specifications, quantity, addressed to the correct person or activity). Sample packages must contain complete sample submission or PPAP documentation.
4.2.11 If requested, Suppliers shall submit a copy of the bar code label which will be used to label the shipping containers with the PPAP submission. This will be reviewed and approved by the Gates facility Quality and/or Material Control Departments which is supported by Gates Packaging Engineering.

4.3 Customer Specific Requirements

It is critical to Gates success to be responsive to our customer’s requirements and is a critical component within the Gates supply base to meet Gates customer requirements. Therefore, all Gates suppliers and their sub-suppliers shall comply with all defined Customer specific requirements as communicated by Gates. This applies to the manufacturing of products and all aspects of customer service, including:

- Quality Requirements
  The supplier and its sub-suppliers must meet all customer specific requirements and ensure the product and/or service provided are free of any deficiencies to these requirements.

- Logistic Requirements
  Suppliers are required to follow all customer specific logistic requirements as communicated by Gates through the lifetime of parts delivery.

- Supplier Facility Access
  By prior notice, suppliers shall allow Gates and Gates customer’s access to their facilities and those of their suppliers for the purpose of evaluating parts, processes, documents, methodologies and systems used in manufacturing.

4.4 Corrective Action Reporting (CAR):

4.4.1 Suppliers shall inform the appropriate Gates facility, of any potential quality or delivery problems on current product or new product, which could affect Gates in meeting our customers’ requirements or specifications.

4.4.2 If supplier’s non-conforming material is reported by Gates, at Gates election, suppliers are expected to immediately provide replacement conforming material and/or initiate activities such as the disposition of the non-conforming materials, inspection, certification and other services at the appropriate Gates facility. Gates may elect to implement containment and restricted shipping process to manage the disposition of the non-conforming materials. These activities will be at the suppliers’ expense, and in additional to any other remedies available to Gates. Detailed instructions of the restricted shipping process will be provided by the Gates facility impacted by the non-conforming material.

4.4.3 Initial response to CAR’s for quality concerns or rejections shall be submitted to Gates within 24 hours or 1 working day. Immediate and ongoing containment actions shall occur to prevent further shipments of non-conforming materials until permanent corrective actions are implemented. Disposition of the non-conforming materials shall occur in a timely manner. This includes the disposition of the materials in the entire materials pipeline.
4.4.4 Suppliers are expected to utilize methodical problem-solving processes. All suppliers will be expected to utilize 8-D problem solving technique. If required by Gates, the supplier, at their own cost, will submit non-conforming material/products to an independent accredited outside lab to assist in identifying the root cause of the non-conformance. The supplier shall provide final response within 15 working days. Final CAR response shall include root cause analysis including method used to identify the root cause, corrective and preventative action (error-proofing), elements of the proposed implementation process, how the success of proposed actions will be evaluated, how the solution will be implemented to other similar processes or products, necessary revisions to the Control Plan, Potential Failure Mode and Effects Analysis (FMEA), process flows, work instructions, etc. Suppliers will be measured in the timeliness of their response. If an adequate response cannot be completed within 15 working days, the supplier must notify the Gates issuing location of the situation. If supplier has not heard from Gates on final acceptance within 15 working days of supplier closed 8D submission to Gates, suppliers should follow-up on the status with the appropriate Gates personnel.

4.4.5 In addition to any other remedy available to Gates, Gates reserves the right to charge back all out of pocket costs resulting from supplier non-conformances. Payment for non-conforming goods/services shall not constitute an acceptance, limit or impair Gates’ right to pursue all costs and damages arising from such non-conformances (including costs and damages related to latent defects).

4.5 Traceability:

4.5.1 All suppliers shall maintain full traceability of all materials and services supplied to Gates from the finished state back to raw material. Prior to the supply of materials and services, the supplier will identify and establish the traceability system that will be maintained. Suppliers should review their system for traceability with Gates for approval.

4.6 Annual Component Layout: (For all Class I / Gates OE Suppliers)

4.6.1 For the supply of materials such as components or parts, suppliers must submit annual layout inspection information, as requested by Gates, to ensure continuing conformance to all Gates requirements. This must be identified on the Supplier Control Plan.

4.7 Gauging and Gauge Calibration:

4.7.1 Suppliers are expected, during the product development process, to review, and obtain gauge concept approval from the appropriate Gates Quality & Technical Personnel. Gauging must be in place and utilized as part of their PPAP submission.

4.7.2 Suppliers are expected to comply with the requirements involved in the control of inspection, measuring and test equipment of the quality system requirements per Automotive Industry Action Group (AIAG), Measurement System Analysis (MSA) Manual. Supplier-owned, Gates-owned, or customer-owned gauges at
the supplier will be calibrated, maintained, and repaired as necessary to ensure integrity in the inspection of production parts and materials by the supplier.

4.8 **Questions:** These are a few of the expectations of quality, and do not encompass all issues. Any questions concerning requirements or standards for quality should be directed to the Quality Manager of the specific Gates facility involved.

5.0 **TECHNICAL REQUIREMENTS**

5.1 **Technical Expectations:**

Class I suppliers are expected to be knowledgeable in the AIAG APQP Advanced Product Quality Planning and control plan latest edition, and expected to actively participate with Gates in all phases of the Product Quality Planning process. All Class II and III suppliers are also expected to actively participate with Gates in all phases of the Product Development Process. This includes active engagement in the following:

5.1.1 Assist in the development, maintenance and improvement of specifications for products or processes supplied to Gates.

5.1.2 As required by the program provide a unique identifier for each sample/process, even if it is to match previously supplied material/process.

5.1.3 As required by the program identify supplied product or process prototypes from experimental production, prototypes from full-scale production or commercial product from full-scale production.

5.1.4 As required by the program provide a production name for a commercial product, which must be manufactured from production intended equipment.

5.1.5 Provide health, safety and environmental information as requested with a minimum of a (Material) Safety Data Sheet for any material or product (reference, section 7.2).

5.1.6 During early development, all Class I suppliers must provide AIAG PPAP or similar industry standards information that characterizes the product or process and its ability to be produced repeatedly and uniformly. Class II and Class III suppliers may also be required by the program to provide PPAP information; such as process flow diagrams, process FMEA’s, process control plans and Measurement Systems Analysis to ensure process and product capabilities are in place.

5.1.7 Suppliers will be expected to implement the documentation necessary to plan for quality and attend design reviews with Gates personnel. This review includes product design, manufacturability, and proposed gauging techniques. During the design reviews, suppliers are expected to give input into the manufacturability of the design/specification of the product, and sign-off for product or material “manufacturing feasibility” to the product or material design/specifications.
5.1.8 Suppliers shall provide development and ongoing manufacturing support of any product or process supplied to Gates.

5.1.9 Program Management: In general, suppliers are expected to be involved early in the product development process of each program. This early involvement in the product development process by suppliers is critical to our mutual success. As the product and required processes move from the concept phase to development and into production, Gates and the supplier should be refining production and process to provide product excellence to our customers. It is critical, and the intent of Gates, to have a "pre" or "early" sourced supplier ultimately as a production source. The supplier must realize that their level of intensity in the program must be high throughout the entire Product Development Process.

5.1.10 Suppliers are expected to assist in the development, maintenance and improvements to optimize their processes for leading edge, defect-free products supplied to Gates.

5.2 Other Technical Requirements:

5.2.1 Program Management: Suppliers are expected to attend design/product reviews and provide expertise in product, material composition(s) and manufacturing of materials. Suppliers are to participate fully in simultaneous engineering activities to prove materials and manufacturing processes to and through production and provide support in sample/prototype builds. Suppliers will participate with Product Development Teams in VA/VE activities, and provide documentation to fulfill Gates requirements.

5.2.2 Prior to the sign-off for production release, the supplier must ensure manufacturing feasibility and that all quality requirements can be achieved. The supplier will confirm feasibility by signing and returning to Gates a completed Team Feasibility Commitment Form, referenced in the latest revision of the AIAG’s Advanced Product Quality Planning and Control Plan Manual (APQP) as requested. For any exceptions identified, it is the expectation of Gates that these are addressed in a manner mutually beneficial to both parties.

5.2.3 During all program activities, the supplier may be expected to submit a regular program tracking log, depicting the status of the programs they are involved in, to the Gates, Technical and Purchasing Management applicable personnel.

5.2.4 The above outlines the routine technical and manufacturing interactions with Gates. Special issues may arise from either Gates or the supplier, that are not covered herein; these will need to be addressed if/when they occur. It is the expectation of Gates that these are addressed in a manner mutually beneficial to both parties.

6.0 GATES OWNED PROPERTY AT SUPPLIER LOCATIONS:
(i.e. Materials, Tooling, Molds, Grind Wheels, Equipment, Gauging, Fixtures, Packaging, etc.)

6.1 Suppliers shall provide, upon request, actual drawings and photographs of tooling, molds, grind wheels, equipment, gauging, fixtures, packaging, etc. which are owned by Gates.
Gates or its customer (in a usable electronic format). All drawings must be complete, detailed, legible and updated as changes authorized by Gates occur. Supplier will not use, modify, reverse engineer or replicate any property of Gates or its customer (regardless of whether such property has been purchased by supplier), except to the extent expressly authorized in advance by Gates in writing. Supplier acknowledges that Gates does not grant supplier any license or implied license of or relating to Gates’ intellectual property or otherwise, regardless of whether the underlying property (e.g., tooling, molds, grind wheels, equipment, gauging, fixtures, packaging, etc.) is currently or was formerly owned by Gates. Any such license must be expressly granted by Gates to supplier in a signed writing in order to be effective.

6.2 When the need for the procurement of tooling, molds, grind wheel, equipment, gauging, fixtures, packaging etc. arises, Gates payment policy of such items include items that are specific to the manufacture of Gates parts only. Gates will not include/consider for payment items which it considers as the supplier’s “capital equipment” in its payment policy for such items.

6.3 Tooling, molds, grind wheels, equipment, gauging, fixtures, packaging, etc. quoted by the supplier and the issuance of a subsequent purchase order by Gates, may be subject to a tooling audit by Gates or its customer to evaluate that the quoted cost requested by the supplier for such items is in line with and representative of the value of such items built or planned to be built.

6.4 Based upon the results of the audit, Gates may notify the supplier that it intends to change its purchase order and/or payment for tooling if it is determined through the audit that the cost of such items does not represent their value. If the supplier does not agree with the audit results, it may request that an independent third party audit be undertaken for the quoted cost and tooling, etc. within 30 days. Gates and supplier shall agree on the choice of the independent auditor and who will pay for the audit.

6.5 Suppliers shall provide, as required by the specific Gates facility, a timing chart for new tools, molds, grind wheels, equipment, gauges, fixtures, etc. or engineering changes to these items, etc. showing all phases in build and ultimate sample submission to the Gates Purchasing Department.

6.6 Suppliers are responsible for ensuring that all Gates-owned tooling, molds, grind wheels, equipment, gauging, fixtures, etc. are maintained by the supplier to capably support the life of the part/product while in production, as well as any “service” or “past model” requirements for a period of up to fifteen years, or as further specified by Gates customer, after production phase-out. It is the suppliers’ responsibility to make certain that all Gates-owned property, i.e. tooling, molds, grind wheels, equipment, gauging, fixtures, etc. is: a) regularly inspected, maintained in good condition and repaired at supplier’s own expense; b) used by supplier only for the benefit of and as directed by Gates; c) considered to be Gates’ personal property; d) conspicuously marked and permanently identified as property of Gates showing a complete description of item, including applicable item number; e) not co-mingled with the property of supplier or any other person or entity and ensure the confidentiality of Gates tooling; f) not moved from suppliers’ shipping location (as shown by the shipping address of supplier in the Gates purchase order); and g) used in compliance with Gates’ and the manufacturer’s instructions and in compliance with all applicable laws.
6.7 Unless otherwise agreed to by Gates, the supplier, at its own expense, shall keep and maintain in good (running/operating) condition, all tools, molds, grind wheels, equipment, gauges, fixtures, etc., including those owned by Gates. “Good (running/operating) condition” means that these items are maintained to meet Gates’ performance and quality control requirements for the life of the component/material as specified above.

6.8 All tooling, molds, grind wheels, equipment, gauging, fixtures, packaging etc. purchased by Gates include their ownership and the ownership of design, and the rights of development. This includes any 3D solid models, EDM electrodes (if applicable), or other peripherals, etc. used to manufacture such items.

6.9 All Gates-owned property, i.e. tooling, molds, grind wheels, equipment, gauging, fixtures, packaging, materials, etc. (“Property”), at the suppliers’ site are held by the supplier as a bailement and will be returned to Gates promptly upon request. If needed by Gates, the supplier will provide documents to perfect Gates’ interest in the Property. The supplier will not scrap, destroy or dispose of Property without prior written permission from Gates.

6.10 The supplier must maintain, at supplier’s cost, the appropriate property / casualty insurance to cover the cost of replacement of Gates owned property on the supplier’s premises. The supplier will provide Gates with a copy of the certificate(s) of insurance naming Gates, as the loss payee and additional insured. Supplier will indemnify and defend Gates and its global affiliates from and against claims, damages and losses arising from supplier’s use of Gates-owned property.

6.11 Prior to proceeding with any changes which affect the supplier’s quoted capacity, or any changes relating to Gates owned property, i.e. tools, equipment, gauges, fixtures, property etc., (for example, reduction in tool capacity and capability through-put), suppliers must notify the Gates Purchasing Department to obtain written authorization to proceed. Demonstrated capacity must be shown to the quoted volumes. If tools, molds, grind wheels, equipment, gauges, fixtures, etc. purchased by Gates are unable to demonstrate supplier quoted capacity and capability which resulted in a purchase order and/or payment by Gates, the supplier will be liable to provide a cost adjustment, representing the value impacted by such item(s). This includes reimbursement resulting from such occurrences, as applicable.

6.12 The Gates Purchasing Department must authorize any/all changes in writing prior to the supplier proceeding with engineering changes to any tool, equipment, gauges, fixtures, etc., and this includes cost related changes. Whether Gates or the supplier initiates a tool change, or repair, the supplier is responsible to maintain release quantities and continuity of supply. The suppliers must co-ordinate inventory requirements in writing with Gates Materials Management Department, and obtain authorization prior to proceeding with the repair or change to ensure the continuity of the supply of materials.

6.13 For suppliers processing Gates-owned materials at their facilities, Gates requires that suppliers control their processes to avoid material losses. All suppliers processing Gates owned materials are expected to maintain adequate and secure storage facilities to prevent physical damage or loss; maintain an accurate perpetual inventory of Gates’ material, and provide monthly details of receipts, shipments, and scrap or other
materials loss. Scrap and/or other losses must not exceed the pre-agreed upon terms with Gates. Notifications of any scrap or other losses need to be provided with an explanation as to the root cause as well as description of corrective actions put in place to minimize the negative impact to Gates. Physical inventory counts will be required on a regular recurring basis, as determined by Gates. Gates and/or persons authorized by Gates, shall be entitled to at all reasonable times to check and physically inspect inventory, the supplier’s records thereof, and may enter the supplier’s land and building for those purposes. This shall not absolve the supplier of the responsibility to provide acceptable product, nor shall it preclude subsequent rejection by Gates.

7.0 **HEALTH, SAFETY & ENVIROMENTAL EXPECTATIONS:**

7.1 **General:**

7.1.1 Gates is committed to the highest standards of product quality and business integrity in its dealings with Suppliers. We require that working conditions in the Gates’ supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible. Suppliers are obligated in all of their activities to operate in full compliance with the laws, rules and regulations of the countries in which they operate.

Gates requires our Suppliers to acknowledge and agree to Gates Supplier Code of Conduct and to conform to its standards and provisions. Failure to comply with the standards and provisions set forth in Gates Supplier Code of Conduct may result in Supplier disqualification. For a copy of the Gates Supplier Code of Conduct contact your respective Gates purchasing representative.

7.1.2 In addition, suppliers are encouraged to become certified or to be compliant to the ISO 14001 environmental management system requirements standard and the Occupational health & Safety Management Systems Specifications (OHSAS 18001). As a minimum, Gates anticipates all suppliers shall have established a commitment to the reduction of waste, of harmful emissions, control of environmental pollution and the provision of a safe work environment for its employees.

7.1.3 This includes compliance to “End of Life Vehicle” regulations, including adherence as required in the International Material Data System (IMDS) for the supply of materials as required.

7.1.4 Suppliers must comply with customer specific requirements for restricted and reportable substances. If a supplier has questions regarding customer specific requirements for Gates product, they should contact the appropriate Quality Department within Gates.
7.2 Material Safety Data Sheets / Safety Data Sheet (MSDS / SDS):
Prior to production release and/or the supply of product to Gates, the supplier must obtain and maintain copies of the latest (Material) Safety Data Sheets (MSDS or SDS). Copies of the current/latest (Material) Safety Data Sheets (MSDS or SDS) must be provided to the appropriate Gates personnel. Specific attention will be paid to the risk phrases, product identifier, and hazardous information and in the handling, storage and disposal of the product. A hard copy is not required providing that the faxed copy or the electronic version is compliant with the current applicable regional standard of MSDS or Globally Harmonized System for Classification and Labeling of Chemicals (GHS SDS) format and that all information is legible. It is understood that a “Materials Certification” document or Material Specification document will not be acceptable as an equivalent to the requested Safety Data Sheet.

7.3 Government Laws and Regulations:
It is the supplier’s responsibility to comply with governmental, safety, environmental, regulations, and laws relative to purchased materials and products and the manufacturing process.

8.0 MATERIALS AND DELIVERY EXPECTATIONS
8.1 Delivery:
8.1.1 For production and prototype orders, 100% on-time delivery performance which includes correct quantity shipped to release or order, is required. Gates will monitor supplier delivery performance.

8.1.2 Suppliers not meeting an acceptable on-time delivery (OTD) performance level must submit a corrective action request. Failing to meet acceptable delivery requirements may result in a charge back to the supplier for the associated premium freight and any damages or costs incurred by Gates.

8.1.3 Gates monitors premium freight. A few examples of delivery non-conformances resulting in premium freight are listed below.

- Supplier is behind schedule (past due).
- Supplier missed designated ship date, or excessive carrier waiting time.
- More or fewer than authorized number of shipments per week or month.
- Extra shipment due to rejects or supplier discrepancy or returns.
- Failing to use designated “milk run” of Gates appointed carriers.
- Incorrect quantity shipped to release or order.

8.1.4 Suppliers should refer to Gates’ purchase order and/or release, for quantities, dates, shipping method, engineering specification, revision level, etc.

8.1.5 Suppliers shall transmit transactions in accordance to the applicable Gates’ facility requirements, i.e. Electronic Data Interchange (EDI) Transactions, Advanced Shipping Notification (ASN) Transmittals, web-based transactions etc. (Refer to Gates specific facility location for requirements.)
8.2 Packaging:
8.2.1 All suppliers shall comply with Gates’ Packaging Standards, including bar code labeling requirements. The supplier will obtain Packaging Standard specifications and receive approval for supplier proposed packaging concepts (as required) from the applicable Gates facility and must be part of the sample submission package.

8.2.2 All Gates Class I suppliers shall comply with the Automotive Industry Action Group (AIAG) standards for Bar Code Labeling.

8.2.3 Suppliers shall ensure that all returnable packaging utilized is maintained clean, free, of contamination/debris and the effects of the environment (i.e. snow, ice, water), including free of effluence and infectivity in order to sustain product quality for the supply of materials and the health and safety of people who may come in contact with them.

8.2.4 For samples or special orders, suppliers must mark their containers with labels clearly identifying them as samples or special order, as stated in section 4.2.10.

8.3 EDI / ASN:
8.3.1 All suppliers should be capable of interfacing with Gates via Electronic Data Interchange (EDI) and provide Advanced Shipping Notification (ASN) which are compatible to ANSI X 12 version 4010, or have a written waiver from Gates. Suppliers should check with specific facility location to identify type of Bar Code label required (i.e. 2D, 3D, etc.).

8.4 Materials Management:
8.4.1 Materials Management System:
Class I suppliers to Gates should use the Global Materials Management Operations Guideline/Logistics Evaluation (MMOG/LE) as the basis for their materials management systems. The MMOG/LE is a collaborative effort between automotive companies and the supplier community to define the essential components of a materials management process.

Copies of the guideline and implementation training can be obtained from the following sources: Automotive Industry Action Group (AIAG): http://www.aiag.org; Odette International Ltd.: http://www.odette.org.

9.0 GENERAL REQUIREMENTS:

9.1 Confidentiality:
9.1.1 Gates owns confidential information that relates to Gates’ products, processes, or operations. Gates may elect to share the confidential information with the supplier from time to time. Gates is strongly committed to protecting its confidential information; consequently, the supplier may be required to sign or may have signed a secrecy agreement covering the confidential information.

9.2 Commercial:
9.2.1 Request for Quotation for materials, goods and services will be solicited from Gates’ Approved Supplier List by the Purchasing Department along with the
specifications, standards, description of work, prints, drawings, etc. Alternatives are encouraged as a means of improving quality, reducing cost or increasing serviceability. Suppliers are encouraged to provide these opportunities as an addendum in their quotation for our consideration. Only quotations solicited by Gates’ Purchasing Department will be considered.

9.2.2 Gates standard purchase order terms and conditions (found at www.gates.com/potems) are understood to be integral to Gates’ Request for Quote, in addition to all other specifications. Objections to these requirements and terms and conditions must be identified in writing at the time of quotation, unless specified in a mutually signed supply agreement.

9.2.3 Transactions will be governed by Gates’ Terms and Conditions, unless specified in a mutually agreed supply agreement.

9.2.4 The requirements in this manual are an integral part of the purchase order or contract between Gates and the supplier. As such, supplier’s failure to comply with this manual is a material breach of its contract or purchase order with Gates.

9.2.5 Supplier Cost Reduction Program: Gates participates in cost reduction programs with its customer as a part of its continuous improvement activities and customer requirements. It is expected that suppliers participate/support Gates’ Customer Cost Reduction Programs, productivity programs, or other actions in support of continuous improvement and cost reduction initiatives.

9.2.6 In the event that there are changes during the product and the process development that involve change in cost, the supplier will provide immediate written notification to Gates’ purchasing and technical personnel detailing a breakdown of the cost changes. Submission of the revised cost does not constitute acceptance and will be subject to review. Only authorized personnel within Gates’ purchasing department are authorized to commit Gates financially.

9.2.7 Gates and/or persons authorized by Gates shall be entitled at all reasonable times to check and inspect the materials, tooling, parts, etc. and supplier records thereof, and will visit the supplier facility onsite for those purposes. This shall not absolve the supplier of the responsibility to provide acceptable product, nor shall it preclude subsequent rejection by Gates. Gates’ customers may also participate in the on-site visit.

9.2.8 Provide capacity guarantees for product volumes as requested by Gates at its time of request over project lifetime.

9.2.9 Gates reserves the right to modify the requirements in this manual from time to time, and will up-date the supplier accordingly.

9.3 Record Retention:

9.3.1 Quality Records: Production Part Approval Process (PPAP) records shall be maintained one (1) calendar year after the part or material is out of production. Production inspection and test records (i.e. control charts, inspection and test
results) shall be retained for five (5) calendar years after the end of production in
which they were created. Records of inspection shall be maintained for each
inspection or test performed, unless waived in writing by Gates. The actual test
result (variable or attribute) should be recorded. Simple pass/fail records of
inspection are not acceptable for variable measurements.

Quality System records, including internal quality system audits and management
review shall be retained for three years as a minimum.

9.3.2 Purchasing Records: Tooling records, purchase orders and amendments shall
be maintained for the length of time that the material, part (or family of parts) is
active for production and service requirements plus seven calendar years
unless otherwise specified by Gates or as required by applicable law. All Gates
purchase orders/amendments are included in this requirement. Purchase
orders/amendments for any Gates-owned property, i.e. tooling, equipment,
gauging, fixtures, packaging, etc. are also included in this requirement.

9.3.3 Specified retention requirements may be revised at the direction of Gates, and
Gates OE and non-OE customers.

9.3.4 The above requirements do not supersede any governmental regulatory
requirements.

9.4 Contingency Plans:
9.4.1 Suppliers shall prepare contingency plans to satisfy Gates/customer
requirements, including the continuity of supply of goods and services, in the
event of an emergency such as utility interruptions, labor shortages, key
equipment failure and field returns, and natural disasters etc. The Contingency
Plan shall include descriptions of the responsibilities, activities and
communications to ensure continuing supply.

9.5 Customs and Trade Agreements:

9.5.1 It is the supplier’s responsibility to comply with relevant customs and related
trade agreement regulations. For North American suppliers, it is a condition of
any purchase order that the supplier must supply a complete and accurate
NAFTA Certificate of Origin and other applicable Free Trade Agreement
certificates which must be up-dated, as additional materials are ordered, or as
changes occur.

9.6 Export Controls:

9.6.1 Suppliers shall not use, distribute, transfer or transmit any products, software or
technical information (even if incorporated into other products) provided to it by
Gates except in compliance with all applicable export control laws and
regulations. These export control laws include but are not limited to the U.S.
International Traffic in Arms Regulations (ITAR), the U.S. Export Administration
Regulations (EAR), and the U.S. Office of Foreign Assets Control (OFAC)
Regulations; and similar laws in other countries.
9.7 Import Security:

9.7.1 This section shall only apply to suppliers who provide goods to buyers within the United States, or those whose goods are supplied to Buyers with knowledge that those goods are intended for shipment to the United States. Security: Buyer is committed to supply chain security and to comply with the requirements of the US Customs and Border Protection’s Customs Trade Partnership Against Terrorism. Supplier agrees to become C-TPAT compliant within ninety (90) days of accepting this agreement, to keep abreast of changes to the guidelines at http://www.cbp.gov/border-security/ports-entry/cargo-security/c-tpat-customs-trade-partnership-against-terrorism, and to update their policies, procedures and practices to ensure continuing compliance. Suppliers that utilize subcontractors to fulfill buyer’s contract requirements shall also ensure that their subcontractors comply with C-TPAT guidelines.

Buyers’ Right to Audit: Buyer may, at is discretion and expense, audit the suppliers’ compliance with the guidelines or may engage outside consultants to perform the audits at its expense. Although it will generally provide suppliers notice of compliance audits in advance, buyer reserves the right to perform unannounced audits of supplier compliance.

9.8 Wood Packaging:

9.8.1 All wood packaging used by supplier must comply with the International Phytosanitary Standard, Invasive Species Pest Management, (ISPM15) for regulated wood packaging material (WPM) entering countries which have adopted this standard. Suppliers shall comply with all operational guidelines and procedures of the customs agency or department of the importing country. All regulated WPM used by suppliers shall be treated and marked according to the ISPM15 standard and applicable importing country regulations.

9.9 Preferential Duty Treatment, Country of Origin, Duty Drawback:

9.9.1 Suppliers shall provide the company with a valid, accurate completed blanket certificate of origin or manufacturer’s affidavit for all products ordered by November 30 for the following calendar year or prior to the first shipment of product sufficient to be used by Company as proof of eligibility for any applicable duty preferential treatment programs (i.e., FTD, GSP) as applicable. Certificate of Origin should include your part number and Gates product numbers, with a brief description of the product. If the products are not subject to preferential duty treatment, the suppliers must provide the country of origin of each product or supplier company letterhead for our records. Supplier shall also cooperate with Company in the substantiation of preferential duty program claims, preparation of response to customs inquiries, or other treaty claims that arise out of product shipped for any order. Suppliers shall provide Company with thirty (30) days written notice prior to making any pricing or sourcing changes for product that may affect our bill of materials and the application of preferential duty treatment programs. Upon request, Suppliers agree to provide Gates with copies of any documents necessary to allow Gates Corporation to claim duty drawback.
9.10 **Gates Corporation Import Control**

9.10.1 Compliance with Customs laws (of the applicable importing country) governing the importation of merchandise is a priority for Gates Corporation. As such, the management of Gates Corporation directs all employees involved in purchasing and/or importing merchandise from those suppliers outside the United States to comply with such provisions at all times. In turn, suppliers to Gates Corporation must be familiar with the relevant provisions of the law, regulations, rulings, tariff schedules, and decisions applicable to Gates’ import operations. Further, Suppliers must comply with all purchase order terms and conditions and notes contained thereon.

9.10.2 **Commercial Documents Required from Suppliers:**

Commercial invoices prepared by suppliers shall in include the following:

a. Seller name and address
b. Supplier complete address (manufacturer of goods) if different from the seller
c. Delivery address
d. Purchase order number (one commercial invoice per purchase order)
e. Invoice reference number
f. Quantity (Quantity shipped must match the quantity being referenced, as well as being open and shippable in accordance with the most recent purchase order amendment, as issued to the supplier.)
g. Complete noun description of product (in English, unless otherwise specified)
h. GATES’ item/part number(s) (Use supplier part number if no GATES part number has been assigned.)
i. Country of origin (country of manufacture) Provide a formal Certificate of Origin if a preferential agreement exists between the destination country and the corresponding country of origin (i.e., NAFTA, GSP, etc.).
j. Value of goods in currency of importing country (both per unit and total). The commercial invoice value must match the billing invoice value.
k. Terms of Sale (Inco terms 2010)

In addition; Supplier invoices for every international shipment of product or commercially purchased items shall also include the following information:

l. the harmonized tariff number for each product;
m. any related assists (as contemplated by the customs regulations of the importing country);
n. an itemization of all charges for any related services, and whether these charges are included in the Price paid or payable
o. if required by law of the destination country, a list of all serial numbers for products shipped
p. any additional requirements for invoices required by in the importing or exporting country.
9.10.3 Packing List includes the following:
   a. All information shown on commercial invoice (see above) except for value
   b. Gross and net weights
   c. Total number of cartons shipped

9.10.4 Marking/Country of Origin Requirements
   The country of origin must be marked as follows:
   a. On the immediate container (the innermost level of packaging)
   b. On the article itself in compliance with the marking laws of the importing country's customs authorities.
   c. Conspicuous (can be easily seen with normal handling)
   d. Legible
   e. Indelible (resists fading)
   f. Permanent
   g. In the language required by the country of import, and any additional language as specified by Gates.

9.10.5 Notifying Party/ Customs Broker
   If Gates Corporation is to act as the importer of record, please contact the applicable Logistics personnel at the applicable Gates facility.

9.11 Means of Enforcement

9.11.1 Non-compliance in any of the requirements in this manual may result in Gates Corporation rejecting and returning merchandise at the suppliers' expense, and may result in the assessment of debt memos and disqualification as a Gates Corporation supplier, in addition to other remedies available to Gates. Supplier shall indemnify, defend, and hold Gates harmless from any claims, costs, penalties or damages resulting directly or indirectly from Supplier's failure to comply with the requirements of this manual.

10.0 INVOICING

10.1 It is the supplier's responsibility to highlight in writing any invoice, which has been submitted and remains unpaid 15 days beyond terms. Upon written notification Gates will work with the supplier to resolve any issues with the highlighted invoices. The supplier may not take further action to remedy highlighted invoice issues until an understanding is reached between supplier and Gates on reason for delay and Gates resolution plan.

10.2 Invoices for tooling may be submitted only after the supplier has received written approval from Gates for the associated component(s). Unless prior arrangements with Gates' Purchasing Department have been made, tooling invoice(s) will not be honored unless Gates has issued an approval, and the obligations as identified in the purchase order have been met.
11.0 CONTINUOUS IMPROVEMENT

11.1 The supplier shall continually improve the effectiveness of the quality management system through the use of the quality policy, quality objectives, audit results, analysis of data, corrective and preventative actions, management review, and lean manufacturing principles. Continuous improvement shall be fully implemented throughout the supplier’s organization, i.e. quality, technology, productivity, service including timing, and delivery.

12.0 SUPPLIER PERFORMANCE EVALUATION SYSTEM:

12.1 Supplier performance evaluations for key suppliers are completed quarterly by the Gates facilities being supplied and are available either electronically or by mail to suppliers. The criteria outlined below may be part of the performance evaluation:

12.1.1 Quality: PPM (Parts per Million); Sample submission; Corrective Action Reporting; Material Certifications (as applicable). Supplier PPM performance results may be provided monthly.

(Note: PPM will be calculated based on “actual” supplier non-conforming quantities that are identified at the Gates facility. For suspect materials returned to the supplier, the PPM will be calculated based only on the “actual” non-conforming quantities reported by the supplier to Gates and not by the entire suspect lot returned to the supplier.)

12.1.2 Materials Management: Delivery on-time performance; Advanced Shipping Notices; Premium Freight, Compliance with Gates Transportation Management procedures.

12.1.3 Technical: Technical support through the product life cycle.

12.1.4 Commercial: Responsiveness and Support; Competitiveness; Supplier Cost Down Program.
12.2 Individual supplier performance evaluations will be issued in areas of Quality, Materials Management, Technical, and Commercial as outlined below:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green</td>
<td><strong>Excellent</strong>&lt;br&gt;Excellent performance that is meets Gates expectation. Green is an evaluation category indicating that there are no issues to prevent sourcing.</td>
</tr>
<tr>
<td>Blue</td>
<td><strong>Good</strong>&lt;br&gt;Continuous improvement plan is expected to be in place in the applicable areas by the supplier. Blue is an evaluation category that indicates that there are no issues to prevent sourcing. (**Note: The supplier should forward a corrective action plan for performance with a Blue rating or lower.)</td>
</tr>
<tr>
<td>Yellow</td>
<td><strong>Caution; Improvement Required</strong>&lt;br&gt;Corrective action plan shall be forwarded and reviewed with the applicable Gates' representative. Yellow is an evaluation category that indicates that “caution” is required in the sourcing decision, and new business awards may be affected.</td>
</tr>
<tr>
<td>Red</td>
<td><strong>Probation Status</strong>&lt;br&gt;Suppliers having this evaluation shall be classified in the red category. The red category indicates that the supplier is in probation, which may affect their continuation of business until they have an agreed upon corrective action plan by Gates and can show evidence of implementation and improvement. Unless waived by Gates, the red probation category status may affect the placement of new business.</td>
</tr>
</tbody>
</table>

13.0 Change Management

13.1 Engineering Changes:

Gates communicates engineering changes through an Engineering Change Request or Notification Forms (ECR/ECN). When Gates initiates an ECR/ECN, the supplier is expected to respond on the Engineering Change Request Form, and return it within five (5) working days from date of receipt. Any concerns or open issues the supplier may have with a change should be noted on the Engineering Change Request Form, and returned to the initiator at Gates. The supplier should also contact the appropriate personnel at Gates to review any exceptions so they can be addressed in a timely manner.
13.2 **Supplier initiated Product or process changes**

13.2.1 For suppliers providing parts/materials to Gates AOE customers (as evidenced by a PPAP part submission) these suppliers must adhere to the change notification process specified in 4.2.8 of this manual. For suppliers not delivering parts/materials to Gates AOE customers, these suppliers must notify Gates in writing at the earliest possible time prior to any changes in the material composition including raw material sources, or any changes in the process of manufacture that the supplier reasonably should expect could affect an end use of the product or material supplied. Upon notification of a change, Gates will review feasibility of the change and make disposition if the change can/cannot be made. For disposition of a supplier initiated change request, suppliers should follow-up on the status of their change request.

13.2.2 Changes which have not been approved by Gates and subsequently impact Gates products or process shall result in the assessment of charges for the cost impact to Gates resulting from the change.

13.2.3 Suppliers will be required to build and maintain sufficient inventories of product/material, as determined by Gates, to support transition of any changes and receiving the required Gates approvals.

13.3 **Tooling:**

Suppliers shall provide a timing chart as per the frequency identified by the specific Gates facility location for new tools, molds, grind wheels, gauges, fixtures, or engineering changes to these items, etc. showing all phases in build and ultimate sample submission to the Gates Purchasing Department.