1. Objective

The objective of this Quality Agreement is to define the conditions, rules, guidelines, and methods, in terms of product quality, which SABÓ Suppliers must abide by and comply with in order to meet the quality requirements for all goods, products, parts, and services ordered by SABÓ.

The Supplier undertakes to comply with and accept this Quality Agreement, being thus subject to the consequences arising from the hypothesis of noncompliance with the rules set forth herein. All written communication between the parties must be preferably in Portuguese or English.

2. Applicability

It is applicable to all goods, products, parts, and services delivered by those Suppliers subject to the requirements set forth by SABÓ INDÚSTRIA E COMÉRCIO DE AUTOPEÇAS S.A.

3. Bases of the Agreement

3.1. This Quality Agreement will be based on compliance with the drawings and specifications of all goods, products, parts, and services, and will become effective upon formalization of the company as a Supplier of goods, products, parts, and services to SABÓ.

3.2. All material delivered to Sabó must be linked to a purchase order/authorization of delivery submitted via EDI, email, etc. After submission of the order, the supplier will have 72 hours to object the capacity of service, otherwise, it will be considered entirely delivered. Demand variations may be negotiated between the parties.

3.3. Reviews, Complementations, Adjustments, and Changes to this Agreement may be when necessary. Any one of the parties may propose a review, complementation, adjustment, and amendments by undertaking to accept or reach an agreement with the other party.

4. Basic Principles

The parties agree to the following requirements:

4.1. SABÓ is responsible for providing the drawings and specifications, among other technical documents associated with goods, products, parts, and services to be produced.

4.2. The levels of quality documented in this Agreement must be considered dynamic, with continuous improvement as a constant objective.

4.3. The quality of the goods, products, parts, and services is the full responsibility of the Supplier with respect to the statutory and regulatory conformities (the Supplier must confirm and be capable of providing evidence that all provided processes, products, and services are in compliance with the most recent statutory and regulatory requirements, among other requirements applicable to the countries where they are manufactured, and if supplied, to the destination countries identified by the Costumer), to the technical specifications, and the reliability aspects.

4.4. When requested by Sabó, upon quotation of a good, product, part, and/or service, the Supplier must submit the respective development schedule.

4.5. The development of a good, product, part, and/or service to SABÓ must follow the APQP (Advanced Product Quality Planning) or another type of documentation informed and required by Sabó. The activities applicable to each case will be defined in the Technical Review/Risk Assessment.

4.6. Parts, prototypes, and/or samples must be delivered to SABÓ accompanied with Dimensional Reports and Reports on Materials, and Sabó must issue a rejection when understanding that this action is applicable. Other documents may be requested upon prior notification to the Supplier.

4.7. The process for approving all purchased goods, products, parts, and services must follow the PPAP (Production Part Approval Process) procedure. Therefore, the most recently released version of the referred manual(*) must be considered on the date of approval.

The same concept must be extended to the approvals of components produced by sub-suppliers.

(*) For information on how to obtain the PPAP manual, please contact the IQA (Automotive Quality Institute) at www.iqa.org.br

4.7.1 The IMDS submission number must be recorded on the cover of the PPAP (PSW).

4.8. The Suppliers must consider as a standard the submission of level-3 PPAP, though SABÓ, upon prior notification to the Supplier, may define another level of submission at the start of development and/or if the need arises for a new submission of a project.

4.9. The supply of a good, product, part, and service in production regime is conditioned to the prior approval of the respective PPAP by SABÓ Product Engineering or Supplier Quality Engineering.

*4.10. The Supplier is held responsible for ensuring the use of packaging according to SABÓ's specifications or in their absence, appropriate packaging so that the goods, products, parts, and services arrive at SABÓ with assured integrity**.*

(**) The concept of integrity must include the cleanness of all packaging units, including the removal of obsolete identification tags.

4.11. All packaging units must be clearly identified and must contain at least the following information regarding the good(s), product(s), part(s), and service(s):
- SABÓ code;
- description;
- quantity;
- batch number;
- date of manufacture;
- instructions on how to dispose of packaging units.

4.12. All project and/or process changes made by the Supplier must be previously notified to and approved by SABÓ Supplier Quality Engineering. Changes in the manufacturing site and/or location must be notified at least three (3) months in advance. Any goods, products, parts, and services which project has been changed, supplied through a new process, or in a new manufacturing site must have their respective PPAP approved prior to the start of supply.

4.13. If deemed necessary by Sabó, before a good, product, part, or service is supplied, the production capacity must be checked by means of an Process Audit in the Supplier facilities and/or a level-1 or level-2 controlled shipping system must be adopted, depending on the application of the referred good, product, part, or service.

4.14. If control devices and/or tools used in the production and/or control of the good, product, part, or service are projected and manufactured by SABÓ, the Supplier must try them out prior to the start of production for proving if their condition is appropriate for producing or checking parts according to the specifications indicated in a drawing. In those cases in which the Supplier is in charge of designing and manufacturing the control device(s) and/or tool(s), the Supplier will be held fully liable for their compliance.

4.15. Regardless of the responsibility for the design and construction of the control device(s) and/or tool(s), the Supplier must perform the respective maintenance services so that they are kept in perfect operating conditions throughout their expected useful life (more details are described in the instrument "Loan for Use of Goods").

4.16. At any time and upon prior consent of the Supplier, SABÓ is free to conduct System and Process Audits of any supplied goods, products, parts, and services.

4.17. If deemed necessary, SABÓ may request that the Supplier keep its process under Advanced Production Containment, Level-1 Controlled Shipping, or Level-2 Controlled Shipping. More details on these procedures are described in Attachment 1A.

4.18. Suppliers' performance is monitored in the following areas/categories: Logistics, Quality, and Quality System TS/IATF16949 (for suppliers intended for the OEM market).

4.19. A risk assessment process must be in place for identifying the production areas that could affect the service capacity, the supplier must have available a contingency plan to be implemented in cases of divergence in the production process, and all divergence cases that could pose a risk to service must be immediately notified.

4.20. Sabó will regularly asses the performance of its suppliers according to the following rating criteria:

- ***"Eligible" (Green) – score above 90% :*** *the supplier is eligible to participate in new projects and keeps current businesses;*

- ***"With Restrictions" (Yellow) – score between 80% and 89%:*** *the supplier may participate in new projects by submitting action plans and keeps the current businesses;*

- ***"Ineligible" (Red) – below 79%:*** *Sabó will take all reasonably appropriate measures, such as prohibiting the supplier from participating in new projects, charging costs and other expenses when justified and/or help the supplier establish an action plan to improve its performance/status.*

4.21 Sabó will issue Nonconformity Reports (RNC) in the case of rejections of batches of components/inputs. For RNCs issued for components/inputs used in the OEM market, the Supplier must use the Containment Spreadsheet to be attached to the RNC for reporting the amounts involved in the entire logistic chain, listing the containment actions initiated in the balances existing in every step of the process.
All containment actions must be return within no longer than 24 hours from receipt of the RNC.

5. ASSESSMENT METHODOLOGY

5.1 – Global Performance - Objective: *Eligible (Green)*

***Indicator** – Demonstrates in Eligible (Green), With Restrictions (Yellow) and Ineligible (Red) the results of the analysis of the topics listed in the table.*

As of August 14, each one of Sabó's Production Buildings will assess the Supplier, and therefore, if the Supplier supplies to more than one Building, the Supplier will receive information on the global performance of each one of Sabó's Production Buildings. The Production Buildings are divided into the following Purchase Organizations registered in our ERP:

- *1001 AM - kits /third parties*
- *1002 CPM*
- *1003 P6*
- *1004 P4 and P5*
- *1005 MOGI-MIRIM*

Global Performance is calculated based on the following detailed criteria:

a) Logistics:

***P E: Punctual Delivery -** Objective: 100%*

1) There is no tolerance towards delivery deadlines, and thus deliveries must be 100% punctual – score 1 or 100%;
2) In combined amounts, i.e. the supplier will be rated either 100% for deliveries made within their respective amounts or 1 in case of a difference between the order and that which was effectively delivered (for both excessive and missing amounts).
3) A score of 100% will be considered for the above categories in the AM market. If the need for a logistic assessment arises, Planners may request the inclusion of this category for AM Suppliers and the score for the categories may vary between 1 and 99%.

***Extra Freights -** Objective: 100%*
Monitor if the Supplier used special freight for deliveries made to Sabó – freight contracted by the Supplier. If so, the score will be 1, when these freight types do not exist, consider 100% (for Suppliers in the AM market, the score may vary between 1 and 100% - if Logistics understands that we must downgrade in this category).

b) Quality:

Criteria 1 - Issuance of RNC to Supplier

Rating R3	Criterion	Score
1%	Number of RNCs > 2	0
50%	Number of RNCs up to 2	5%
100%	No RNCs	10%

Return of the correction/prevention action plan for the RNC issued to the Supplier:

Rating R3	Criterion	Score
1%	Non-completion of the Action Plan of RNCs within the deadline – more than 2 RNCs	0
50%	Non-completion of the Action Plan of RNCs within the deadline – up to 2 RNCs	5%
100%	All completed RNCs	10%

Notes:

1) If the supplier does not complete the RNCs within their respective terms, apply the above rules in the month of assessment. In case of unreasonable pending replies, keep them in the subsequent month(s), and for purposes of score, consider 1%, regardless of the number of RNCs in this/these condition(s);
2) In case of RNCs without a reply from the supplier for over 30 days, upon monitoring assessment, deduct 20% from the invoice obtained in the SAP/R3 (in the spreadsheet, keep SAP/R3 invoice between parentheses, and the invoice with a discount next to it);
3) In case of Process Audit actions pending completion by the supplier after the agreed term, deduct 10% from the invoice obtained in SAP/R3 (in the spreadsheet, keep the SAP/R3 invoice between parentheses, and the invoice with a discount next to it);

Return of the containment plan for the RNC issued to the Supplier:

Rating R3	Criterion	Score
1%	Non-completion of the Containment Plan of RNCs within the deadline.	0
100%	Completion and start of the Containment Plan process.	100%

Criteria 2 – External RNC – Customer Complaint

- In case an RNC is opened in the Sabó's RNC system when there is a complaint by the Customer, where the failure mode is in function of the component/MP used in the Sabó part.

Rating R3	Criterion	Score
1%	1 Open Internal Sabó RNC - with incurrence of costs	0
50%	1 Open Internal Sabó RNC - without incurrence of costs	15%
100%	If none of the above conditions is recorded.	30%

Criteria 3 – External RNC + Customer controlled shipping

- Sabó's RNC for Customer complaint where the failure mode is in function of the component/MP used in the Sabó part and which generates level-1 or level-2 controlled shipping (CS-1 or CS-2).

Rating R3	Criterion	Score
1%	1 Open Internal Sabó RNC - CS-2	0%
50%	1 Open Internal Sabó RNC - CS-1	20%
100%	If none of the above conditions is recorded.	40%

***Criteria 5* - TS/IATF16949 Certification – only valid for the assessment of suppliers in the OEM market.** This category is assessed by Sabó, as Sabó encourages its Suppliers to continuously improve the Quality System, including the Certification in Standard TS16949.

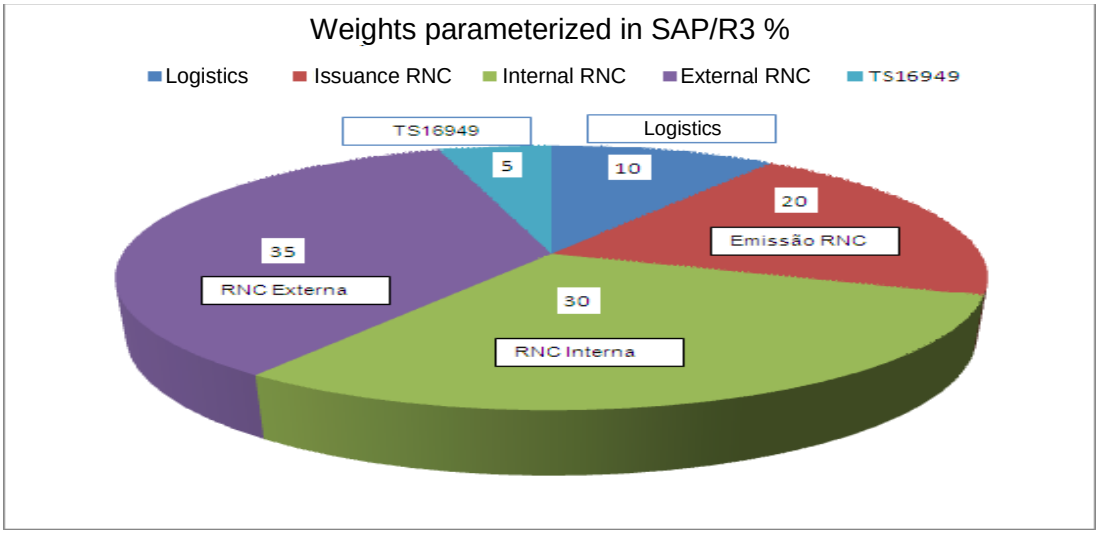
Rating R3	Criterion	Score
1%	Supplier does not have Certification TS16949	0
100%	Supplier has Certification TS16949	5%

Note: for Suppliers in the AM market, consider the score as 100%, regardless of the Certification in this standard or not.

Important notes:

- *Time to Reply RNCs – Containment actions MUST be replied within no longer than 24 hours and the corrective/definitive action must be replied within no longer than 15 days.*

- *Weights of each criterion mentioned in 5.1 a), b), and c):*



5.3 – Other Notes

5.3.1 ***Environmental and Quality System Certifications***

Minimum requirement: Desirable ISO 9001:2008 Certifications: TS/IATF16949 and ISO 14001

"All suppliers are responsible for keeping updated copies of all Quality Certificates with Sabó"

5.3.2 SABÓ will use the suppliers' performance history, applying the analyses provided for in item 4.19 of this agreement, to assess the maintenance of current business, as well as the participation of the supplier in new quotations.

5.3.3 The Supplier is responsible for keeping on file all documents and records related to the Quality of the goods, products, parts, and services for one (1) year in addition to the useful life of the goods, products, parts, and services supplied to Sabó.

5.3.4 Analysis and release of any produced good, product, part, or service by SABÓ through samples submitted by the Supplier will not imply approval of every ordered batch or all other goods, products, parts, or services.
Sabó may reject or return any goods, products, parts, or services presenting defects or failures, or which are in disagreement with the quality standards and levels set forth in this Agreement, at any moment, upon verification that the referred defect is attributable to the supplier.
The Supplier will be held responsible for all legal effects in case of the sale and/or distribution to the market by SABÓ of parts presenting defects or failures, or which are in disagreement with the quality standards and levels set forth in this Agreement.

5.3.5 The Supplier is responsible for ensuring the supply of a new good, product, part, or service during the life of the project, including P&A.

5.3.6 Sabó requires its suppliers to inspect the lay out on a yearly basis for all supplied items, as it may be requested anytime if the need for proving this requirement arises.

6. WARRANTY DEFECTS

6.1 SABÓ may condition the acceptance of any good, product, part, or service to its prior analysis, whether full or partial, for complaints about and/or full or partial return of the batch, by virtue of hidden defects or failures and/or nonconformity with the specifications, standards, and drawings, among other of SABÓ's formally documented indications, in spite of the fact that this may be done at any time, even after the batch has been accepted or paid, provided that it is only through use that it is possible to verify these defects, failures, and/or nonconformities.

6.2 The Supplier is held fully responsible for the application of its goods, products, parts, or services in SABÓ's production process, as they may not undergo any type of inspection before use.

6.3 Should quality and/or punctuality issues arise, the Supplier will be formally notified and requested to take corrective actions.

6.4 SABÓ is responsible for making available those goods, products, parts, and services considered as discrepant, as well as those substituted internally or in the field for analyzing the Supplier. In the event that the good, product, part, or service has been incorporated to the Sabó product, Sabó will be held responsible for making available the Sabó product.

6.5 Once if failure by the Supplier is verified in a case involving the application of a nonconforming good, product, part, or service, which generates failures in our final product and/or prevents its application, whether internally or in the field, the Supplier must reimburse SABÓ for all caused losses, and use its best efforts to seek the regularity of the supply, ensuring the quality levels specified for the project.

6.6 When failure by the Supplier is verified and by agreement between the parties, it is necessary to fully inspect the goods, products, parts, and services, or if they undergo any type of rework or adjustment for use by SABÓ, one of the ratified companies indicated below (they have integration) will be contracted by the Supplier for these actions, within the term determined by Sabó. If the supplier does not take action to establish normality in Sabó's production, the latter will be authorized to charge the Supplier for the amount of the costs regarding the performance of these tasks.

6.7 The Supplier expressly represents that every good, product, part, or service covered by this Quality Agreement is in conformity with its respective drawing(s) and technical specification(s), as well as with the samples approved in the respective PPAP, and that it is strictly in accordance with the relevant legal standards, thus assuming all civil and criminal liabilities eventually required in the future.

6.8 In the event that the Supplier, for any reason, fails to provide SABÓ with a good, product, part, and/or service in accordance with the technical specifications and/or other information, the Supplier will assume all civil and criminal liabilities originated from events caused by defect or inadequacy of the offered product, at any time, the Supplier will assume full liability if a campaign with users or final consumers of the products traded by SABÓ's customers proves to be necessary for rectifying product defects or inadequacies.]

6.9 The Supplier undertakes to adjust the goods, products, parts, or services supplied to the Sabó Group to the provisions of the Purchase Orders and in the memoranda for quotations, so that they are all fully free of heavy metals, especially hexavalent chrome, so as to meet the provisions of the Guideline, as of December 1, 2008, as provided for in the Environmental Responsibility Commitment Agreement (European Guideline 2000/53/CE) – Specifications and Scope.

6.10 According to clause 8.2.2 TS/IATF16949, the Organization must audit each manufacturing product for determining its efficacy. The applicability and efficiency of the Thermal Treatment (HTSA), Superficial Treatment (PSA), and Superficial Treatment (CSA) processes must be determined using the CQI-9 Manual – Heat Treat System Assessment 2nd Edition; CQI-11– Plating System Assessment, and CQI-12 – Coating System Assessment published by AIAG. This requirement must also be applied to the organization's eventual sub-suppliers.

Notes:

- *Assessment of 2nd part by a qualified auditor, as described in the CQI Manuals and in accordance with the above specifications, meets the self-assessment requirement;*

- *Implementation efficacy must be based on evidence that the Organization relies on a process that includes elements, such as qualified auditors, self-assessment checklist, including consistency of all pieces of evidence, suppliers' development process when applicable, monitoring of implementation, definition of the process of corrective actions, and record maintenance. When applicable, the PPAP process audit must also take into account the requirements in the CQI-9, CQI-11, and CQI-12 manuals;*
- *Those suppliers who have processes auditable through CQI-9, CQI-11, and CQI-12 must submit the assessment to Sabó on a half-yearly basis - Customer-specific requirement.*

6.11 Validity and revalidation of Inputs – expiration date

- *The supply of those inputs which expiration date is defined by the manufacturer must abide by the Consumer Protection Code (Law 8078/1990), i.e. to allow Sabó time for consumption, all batches to be supplied must have at least 50% of the validity term determined by the manufacturer. In the event that the validity of a particular input expires at Sabó, we will request the Manufacturer to revalidate the referred input (in case it is purchased by a Distributor, the request will be made to the Distributor that will coordinate this revalidation with the Manufacturer, and upon return by the Distributor of the final report on the batch being analyzed).*

6.12 Contingency plan

The supplier must have contingency plans ready to be implemented in case of a divergence in the regular operation of the transaction so that we can meet our demand at no risk.

7. Work Conditions in the Automotive Chain

Sabó understands that the supplier must be committed to the human and social rights of its employees, as well as committed to abide by the principles, standards, and legislations in effect for all activities involved in services or materials delivered to Sabó Indústria e Comércio de Autopeças S.A. The supplier must both be attentive to all requests listed as follows, and fully comply with all international laws and standards.

7.1 Child Labor

Child labor will not be tolerated in any manner. Unless a higher age limit is set forth in the local legislation, no persons under the age for completion of mandatory education, or younger than 15 years of age (or 14 years of age when permitted by OIT Convention No. 138), will be employed.

In the case of authorized minors, the company is responsible for providing work conditions, work hours, and wages appropriate for their age, and at least in accordance with the local applicable legislation.

If child labor is verified in a location where Sabó products and/or components are produced, Sabó will request that the applicable measures be taken in order not to worsen the social situation of the child in point.

7.2 Wages & Benefits

Wages, including overtime hours and benefits, must be equal to or greater than the level required by the applicable legislation.

7.3 Forced Labor

Forced or involuntary labor will not be tolerated in any manner. This includes prison, servile, and forced labor, among other forms of labor against somebody's will or choice.

7.4 Freedom of Association and Collective Bargaining

All employees are free to exercise their legal rights, to join, or to refrain from joining organizations that represent their interests as workers. No employees should be subject to coercion or harassment in the pacific exercise of these rights. The employer must also respect the right reserved by its employees to collective bargaining.

7.5 Harassment, abuse, and discrimination

No employees can be subject to bodily punishment or physical, sexual, psychological, or verbal abuse or harassment. Amounts regarding disciplinary fines or penalties should not be deducted from the wages, unless this is regulated by a collective agreement or recognized by law.

The Sabó Group recognizes and respects cultural differences. However, all employees must be strictly treated in accordance with their capacities and qualifications in all decisions associated with work, including, among others, hiring, career development, remuneration, benefits, training, dismissal, or termination of the contract.

7.6 Health and Safety

All employees should work in a safe and healthy work environment, and when applicable, all residential facilities must be safe and healthy, having the local laws as a minimum requirement. The employer must take all appropriate measures to prevent accidents or diseases in the workplace.

7.7 Work Hours

Sabó recognizes the need for a healthy balance between work and leisure time for all employees. Unless a lower maximum number of work hours is determined by national regulations, and with the exception of extraordinary cyclical circumstances, no employees should be requested to work for more than 48 hours in a regular work week or a 60-hour total work week (including overtime hours). With the exception of extraordinary cyclical circumstances, all workers reserve the right to at least one day off rest every seven days.

8. Acceptance by the Parties

8.1 Other responsibilities not mentioned in this Agreement, which could eventually compromise or create supply and provision issues, must be immediately solved by and between the parties, notwithstanding any other responsibilities assumed hereunder.

8.2 In case new goods, products, parts, or services, or at the discretion of the parties, this Agreement may be reassessed and updated.

8.3 New goods, products, parts, and services will be subject to the same conditions as of the date of appointment of the Supplier as an effective source.

8.4 The validation of this Agreement must remain until its updating or review.

8.5 This INSTRUMENT is a document accessed electronically and is valid even if it has not been signed by the parties.

8.6 Receipt of the first batch and service provided to Sabó, will mean that the Quality Agreement has been analyzed, and that the supplier fully agrees to all described conditions.

Attachment 1

- ***Advanced Production Containment (CAP)***

Advanced Production Containment is intended for increasing process controls at the start and acceleration of the production of a particular item, so that any quality issues can be quickly identified and corrected at the supplier's facilities rather than at Sabó.

CAP basically consists of strictly increasing the strictness of the Control Plan, be it by increasing the frequencies and/or sampling, or by adding characteristic(s) to be controlled during its term. This system, when applicable, will be informed by Sabó.

Its duration may be defined in function of an amount produced of the referred item or for a predetermined term. It should be borne in mind that in any of the described above cases, the CAP will not be applied if no discrepancies are detected during the agreed period.

- ***Controlled Shipping***

Controlled Shipping is a request made by Sabó for the Supplier to implement an additional inspection process for segregating nonconforming materials while the root cause(s) for the issue(s) are not eliminated.

Level-1 or Level-2 Controlled Shipping is used when the Supplier shows to be unable to correct the quality issues of a particular item only with the RNC (Nonconformity Report) system. Its implementation will depend on the analysis of the following factors:

- *Recurrence of RNCs;*
- *Duration and seriousness of the issue;*
- *Incapable process;*
- *Issues in Sabó's production line;*
- *Issues at the customer or in the field.*

For any of the cases, Sabó will formalize the Entry of the Supplier in Level-1 or Level-2 Controlled Shipping by means of a Letter of Entry in Controlled Shipping.

- ***Level-1 Controlled Shipping (EC1)***

  Requirements:

  a) Full Inspection (in addition to the Control Plan) of the characteristics agreed to by and between Sabó and the Supplier;
  b) The location where the inspection will be conducted must be independent from the process for producing the item in point;
  c) No rework can be performed in this work station;
  d) The operator to conduct the inspection must be dedicated to this task;
  e) Approval/rejection criteria must be available in the work station;
  f) All identified discrepancies must be recorded;
  g) There must be an Action Plan for every verified discrepancy;
  h) If possible, all parts must receive an identification indicating the full inspection. Otherwise, this identification must be made on the packaging. The form of identification will be at the discretion of Sabó, and Sabó must notify the Supplier.

Guidelines for implementing LEVEL-1 CONTROLLED SHIPPING (CS1)

a) The CS1 area must be independent from the production process.

b) The containment area must be conspicuously identified as:

CONTROLLED SHIPPING
STATION 1

c) The table for the inspection/testing of the parts must be well lighted;

d) There must be a single and well-defined flow for the parts in this station, including on the inspection table, with clear identification of the areas of entry (parts to be inspected) and exit (inspected and approved parts) of the materials;

e) Whenever necessary, use the correct resources for visual inspection. E.g.: Magnifier, microscope.

f) Inspectors should only check complained characteristic(s);

g) No rework should be performed in this work station;

h) The following documents must be available for inspectors in this station:

1. *Inspection criteria for checking failure(s);*
2. *Form for "Full Inspection Records and Logbook" updated on a daily basis (number of discrepant parts by type of failure);*
3. *RNC regarding the issue including the corrective action plan (when applicable);*
4. *Specific work instruction for the full inspection in this work station;*
5. *Quality Alert (when applicable);*
6. *Matrix by activity - Person(s) trained to conduct this inspection;*
7. *Matrix including the names and telephone numbers of all contact persons;*
8. *Flow of activities (Please refer to Attachment1);*

i) All batches inspected in this station must include additional identification (previously agreed to with Sabó) identifying the application of the system;

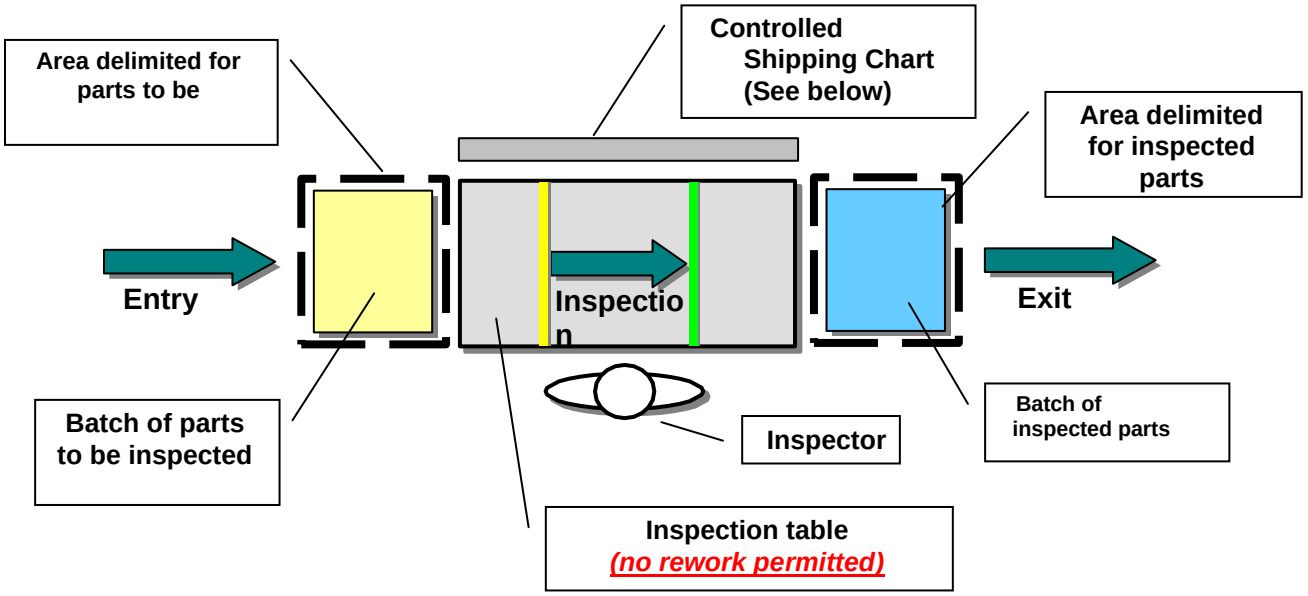
j) All rejected parts must be treated as a nonconforming product, placed in the red SCRAP recipient and locked. When changing each item in the inspection station, the recipient containing the nonconforming product (scrap) must be fully emptied;

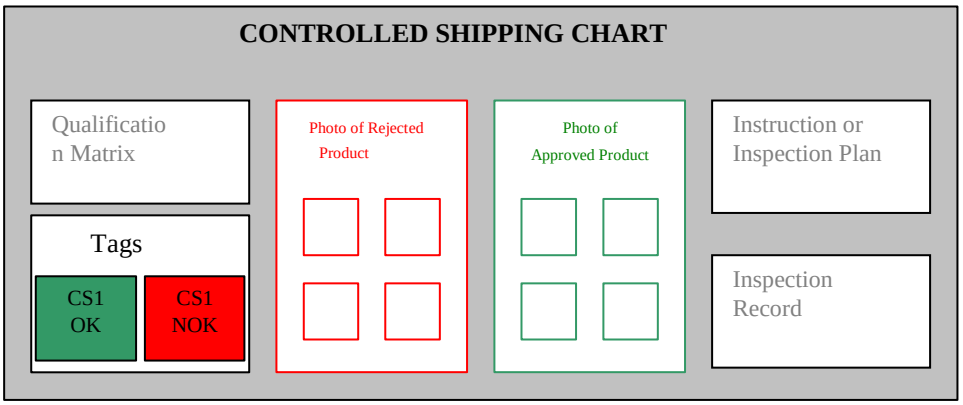
Note: *Follow the guidelines in case specific identification is requested.*

IMPORTANT: *This is not a selection station, i.e. 1 nonconforming part should be sufficient for rejecting the entire material contained in this station (approved/awaiting inspection).*

Layout & Attachments - LEVEL-1 CONTROLLED SHIPPING (CS1) – Supplier

Flow of parts in CS1





- ***Level-2 Controlled Shipping (EC2)***

To perform this work, the company must contract one of the companies indicated by Sabó (See the end of this agreement).

Requirements:

a) EC1 is maintained;
b) Full inspection in addition to the EC1 to be conducted by a Sabó employee or a third party hired for this purpose;
c) All costs incurred in EC2 will be borne by the Supplier;
d) The location where the inspection will be conducted must be independent from the process for producing the item in point;
e) No rework can be performed in this work station;
f) The operator to conduct the inspection must be dedicated to this task;
g) Approval/rejection criteria must be available in the work station;
h) All identified discrepancies must be recorded;
i) There must be an Action Plan for every verified discrepancy;
j) If possible, all parts must receive an identification indicating the full inspection. Otherwise, this identification must be made on the packaging.

Guidelines for implementing LEVEL-2 CONTROLLED SHIPPING (CS2)

a) The CS2 area must be independent from the production process and the CS1.

b) The containment area must be conspicuously identified as:

CONTROLLED SHIPPING
STATION 2

c) The table for the inspection/testing of the parts must be well lighted;

d) There must be a single and well-defined flow for the parts in this station, including on the inspection table, with clear identification of the areas of entry (parts to be inspected) and exit (inspected and approved parts) of the materials;

e) Whenever necessary, use the correct resources for visual inspection. E.g.: Magnifier, microscope.

f) Inspectors should only check complained characteristic(s);

g) No rework should be performed in this work station;

h) The following documents must be available for inspectors in this station:

i) Inspection criteria for checking failure(s);

j) Form for "Full Inspection Records and Logbook" updated on a daily basis (number of discrepant parts by type of failure);

k) RNC regarding the issue including the corrective action plan (when applicable);

l) Specific work instruction for the full inspection in this work station;

m) Quality Alert (when applicable);

n) Matrix by activity - Person(s) trained to conduct this inspection;

o) Matrix including the names and telephone numbers of all contact persons;

p) *Flow of activities (Please refer to Attachment1);*

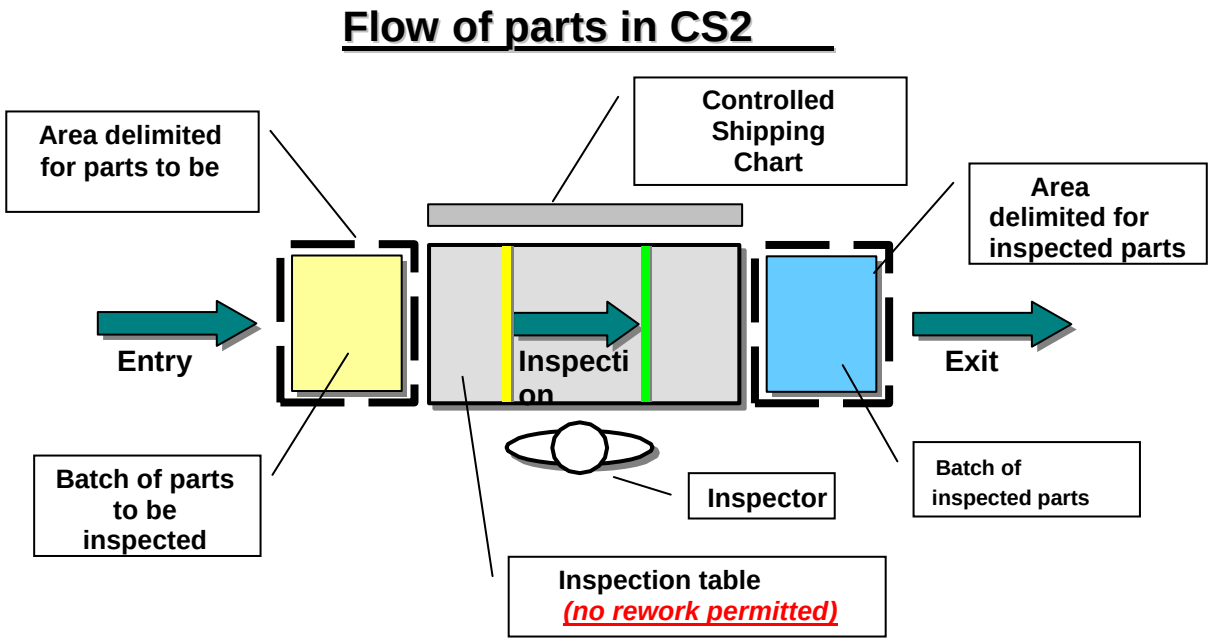
q) *All batches inspected in this station must include additional identification (previously agreed to with Sabó) identifying the application of the system;*

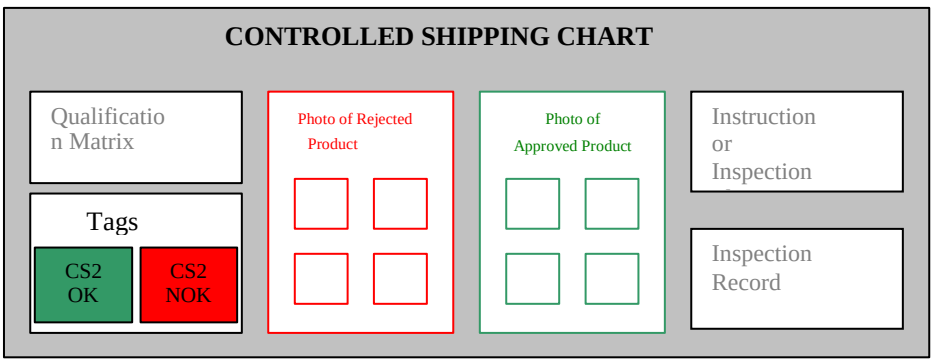
All rejected parts must be treated as a nonconforming product, placed in the red SCRAP recipient and locked. When changing each item in the inspection station, the recipient containing the nonconforming product (scrap) must be fully emptied;

Note: Follow the guidelines in case specific identification is requested.

IMPORTANT: *This is not a selection station, i.e. 1 nonconforming part should be sufficient for rejecting the entire material contained in this station (approved/awaiting inspection).*

Layout & Attachments - LEVEL-2 CONTROLLED SHIPPING (CS2) – Specialized Company





The Supplier will only be released from Controlled Shipping upon compliance with all exit criteria previously agreed to by and between Sabó and the Supplier through receipt of the Letter of Exit from Controlled Shipping (Level 1 or 2).

List of companies ratified for conducting Controlled Shipping:

COMPANY	CONTACT	EMAIL
MP – Assessoria & Des. da Qual. do Produto – São Paulo – Phone 11 **3682-9753**	***Juliana Potinatti*** ***Fabricio Bergamini***	juliana.potinatti@mpqualidade.com.br fabricio.bergamini@mpqualidade.com.br
LG Serviços Empresariais ***Phone 19 99704-6409***	***Luis Giandoso***	lgservicosempresariais@gmail.com

Review Control

Rev	Date	Description	Person in Charge
00	*2/27/2002*	*Issuance*	*Flávio A. Noro*
01	*9/16/2002*	*General review for adaptation to CGS procedures*	*Flávio A. Noro*
02	*9/27/2006*	*General review for adaptation to CGS procedures/TS*	*Ana Raquel/Suelen*
03	*3/15/2007*	*The Quality Agreement is now an Attachment (attachment 1) to the "General conditions for purchasing and supplying goods, products, parts, and services".*	*Ana Raquel*
04	*1/4/2010*	*General Review of the document and adaptation to the Specific Ford Requirement for Work Conditions.*	*Linduarte*
4.1	*1/21/2011*	*Review of topic 7, Work Conditions, in the Automotive Chain and inclusion of the inspection company Qualitempo.*	*Suelene*
5	*9/23/2014*	*General Review – Monitoring of Suppliers, Frequency requirements for submitting CQI audits, and companies providing MO – Inspection/Rework/CS1 and CS2.*	*Carlos M. Nozawa*
6	*10/30/2015*	*General review, adaptation of all Supplier monitoring requirements, and inclusion of the topic on validity/revalidation of inputs.*	*Carlos M. Nozawa*
7	*10/17/2016*	*General review, adaptation of all MMOG requirements.*	*Ivanaldo Maciel*
8	*5/22/2017*	*Inclusion of item 4.2 – containment action regarding the containment spreadsheet for rejecting inputs/components in the OEM market, review of item 5.1 – b) inclusion of the assessment of the return of action plans to the RNC issued to the Supplier in the monitoring of suppliers. Item 3 included in 5.1.a) – logistic assessment criteria for suppliers of inputs/components in the AM market.*	*Regina Jordão / Carlos M. Nozawa*
9	*9/21/2017*	*Review and inclusion of the criterion in b) for downgrading those suppliers who fail to return the RNC within the terms + non-return of the Process Audit action plan in applicable cases, and review of the chart of weights parameterized in SAP/R3.*	*Carlos Nozawa*
10	*3/9/2018*	*Inclusion in 4.3 of the description of Statutory and Regulatory Conformities with Suppliers*	*Ivanaldo e Carlos Nozawa*
11	*5/11/2018*	*Adaptation in citation ISO/TS16949 to TS/IATF16949*	*Carlos Nozawa*