

BUSINESS CONDUCT, ETHICS EXPECTATIONS, AND KEY REQUIREMENTS FOR SUPPLIERS & CONTRACTORS

1. BUSINESS CODE OF CONDUCT & ETHICS EXPECTATIONS

1.1 Purpose

Southco is committed to unyielding integrity and the highest standards of business conduct in accordance with the Southco Global Business Code of Conduct. Our commitment is fundamental to the core values and beliefs held by Southco's employees and investors and integral to the global communities where we do business.

In selecting suppliers and contractors, Southco works hard to choose reputable business partners who are committed to the ethical standards, values, and demonstrated business practices compatible with those of Southco.

All of our suppliers and contractors are expected to commit the resources required to understand and comply with these requirements, and in turn, require their suppliers and subcontractors to conform as well. A continuing business relationship which is mutually rewarding depends upon it. Southco reserves the right to verify that a supplier or contractor's business operations meet these expectations. Failure to act in a manner consistent with these expectations may impede our ability to do business together in the future.

Southco expects its suppliers and contractors to maintain and enforce policies requiring adherence to business conduct and practices in accordance with applicable law and which comply with our requirements. These expectations may be updated or amended from time to time. The most current version is available at www.southco.com.

1.2 Health, Safety, and Environmental (HSE)

The health and safety of our employees and all personnel associated with our work is our highest priority. Our suppliers and contractors are expected to:

- i. Provide a safe and healthy work environment that supports accident prevention, minimizes exposure to health risks, is in compliance with applicable workers health and safety laws, and minimizes harmful impacts to the surrounding community.
- ii. Apply safe work practices (including regulatory and contract-specific requirements) to all their activities and install safety in every aspect of their work processes and in the attitude and behavior of all their workers.
- iii. Conduct their operations in an environmentally responsible manner and in accordance with applicable environmental laws.

1.3 Human Rights and Employment Practices

Our suppliers and contractors are expected to:

- i. Support and respect human rights and the dignity of all people. Avoid complicity in human rights abuses, including engaging in human trafficking, slavery, or sexual exploitation.
- ii. Treat all their workers with dignity, respect, and fairness.
- iii. Conduct all their operations in a socially responsible, non-discriminatory manner whether or not mandated by applicable laws. Respect applicable law associated with equal opportunity, child labor, forced or compulsory labor, working hours, wages and benefits, freedom of association, data privacy, and harassment-free work environment.
- iv. Suppliers will ensure women workers receive equal treatment in all respects of employment. Pregnancy tests will not be a condition of employment and pregnancy testing will be voluntary and the option of the worker.

1.4 Financial Controls

Our suppliers and contractors are expected to:

- i. Keep accurate, complete, fair, timely, transparent, and understandable financial and operational books, records, and accounts, and a system of effective internal records.
- ii. Create, retain, and dispose of business records in accordance with applicable legal and contractual requirements.

1.5 Conflicts of Interest, Gifts, Entertainment, and Business Courtesies

Our suppliers and contractors, their employees, and their family members must not receive improper or unlawful benefits through their relationship with Southco or allow other activities to conflict with acting in the best interests of Southco. Our suppliers and contractors are expected to:

- i. Limit promotional items or entertainment involving our employees to common business courtesies within accepted business practices and never with the intent to improperly influence a business decision or create a potential conflict of interest or the appearance of impropriety and disclose any potential conflict prior to entering into any business transaction.
- ii. Southco maintains zero tolerance for bribery and expects our suppliers and contractors to do the same. Bribery is directly or indirectly giving or promising to give anything of value to improperly influence actions of a third party. Bribes may include money, gifts, travel expenses, hospitality, vacations, expenses, below-market loans or products, reciprocal favors, political or charitable contributions, or any direct or indirect benefit or consideration.
- iii. Any supplier that violates this policy risks immediate loss of all existing and future Southco business.
- iv. Suppliers and contractors are required to comply with the US Foreign Corrupt Practices Act or other similar laws and regulations in effect in other countries.

1.6 Trade Controls

Our suppliers and contractors are expected to:

- i. Know and comply with applicable import-export controls, economic sanctions, and anti-boycott laws applicable to their work and with Southco.
- ii. Never participate in boycotts or other restrictive trade practices prohibited or penalized under United States or applicable local laws.

1.7 Company Resources

Southco resources include property, assets, intellectual property, and confidential information.

Our suppliers and contractors are expected to:

- i. Safeguard Southco's resources utilized in the course of performing work, to use such resources solely for legitimate business purposes to advance the interest of Southco.
- ii. Honor the intellectual property rights of Southco and the third parties at all times.
- iii. Maintain, handle, and if applicable, process any confidential information internally and on a need-to-know basis only, with the utmost care and in accordance with applicable law.

1.8 Competing Fairly

Southco believes in the free market system where merit, quality, price, and other objective factors determine who succeeds and who fails. Our suppliers and contractors are expected to:

- i. Compete honestly and fairly.
- ii. Comply with applicable antitrust and competition laws.
- iii. Never participate in anti-competitive practices such as price fixing or bid rigging.

1.9 Government Work

Our suppliers and contractors who work on projects where government entities or agencies are involved are expected to follow any special rules that apply.

1.10 Monitoring and Compliance

Southco will take affirmative measures, such as announced and unannounced inspections of Southco's suppliers and contractors facilities, to ensure compliance is within this policy. Southco's suppliers must maintain at each production facility all documents necessary to demonstrate compliance with this policy. Southco suppliers and contractors must allow representatives from Southco and if requested, Southco's customers, full access to production facilities, workers records, and workers for confidential interviews in compliance with local laws.

1.11 Due diligence processes for slavery and human trafficking

Southco is committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Our Business Conduct and Ethics Policy reflects our commitment to acting ethically and with integrity in all our business relationships. Our suppliers and contractors are expected to support and respect human rights and avoid complicity in human rights abuses, including engaging in human trafficking, slavery, or sexual exploitation. All of our suppliers and contractors are expected to commit the resources required to understand and comply with these requirements, and in turn, require their suppliers and subcontractors to conform as well.

California Transparency in Supply Chains Act of 2010 & Modern Slavery Act 2015

Regarding disclosures involving human trafficking and slavery, Southco expects suppliers and contractors to comply with the policies described above. We select suppliers and contractors who support our values and commitment to the highest standards of integrity and ethical business conduct, however, we do not currently verify product supply chains or audit suppliers specifically to evaluate risks of human trafficking and slavery or require our direct suppliers certify that materials incorporated into products comply with laws regarding human trafficking or slavery in countries in which they do business.

1.12 Event of Violation

If the supplier or contractor is in breach of this policy, Southco may require the supplier or contractor to implement a corrective action plan to cure the non-compliance within a specified time period. If the supplier or contractor fails to meet the corrective action plan commitment Southco may terminate the current and future business relationship. Southco reserves the right to hold the supplier or contractor responsible for reasonable costs of investigating into the non-compliance.

1.13 Reporting Concerns

Our suppliers, contractors, and their employees should promptly report any business conduct and ethics concerns involving or affecting Southco, whether or not the concern involves the supplier or contractor, by contacting one of the following:

- i. Their Southco representative.
- ii. Southco's Head of Supply Chain at: 1-610-459-4000
- iii. Southco's Legal Counsel at: 1-610-459-4000

Corporate Headquarters:
Southco, Inc.
210 N. Brinton Lake Road
Concordville, PA 19331
USA

2. SUPPLIER QUALITY STATEMENT OF REQUIREMENTS

2.1 Purpose

The Supplier Quality Statement of Requirements constitutes an extension to the contract between the Supplier and Southco, Inc. or one of its affiliates, covering the items (Goods) as described in the Purchase Order.

Supplier's acceptance of the Purchase Order shall constitute Supplier's agreement to the requirements stated therein and herein, without modification, addition or alteration. In the event of any inconsistencies between the Purchase Order and the requirements set forth below, the terms and conditions of the Purchase Order shall take precedence.

Suppliers are responsible to periodically review Southco's website for changes / additions:

<https://supplier.southco.com/>

2.2 Quality Goal

All suppliers are expected to supply products and services to Southco with zero defects. Suppliers are encouraged to use error prevention processes and techniques (such as poke-yoke) and process improvement tools such as Lean, Six Sigma, in their manufacturing processes to meet this quality goal.

2.3 Quality System Requirements

Southco's quality system includes the requirement for all suppliers to maintain a Quality Management System certified through third-party audits (ISO 9001, IATF 16949, AS9100, etc.). The certificate must be issued by an accreditation body bearing the mark of a recognized IAF MLA member (International Accreditation Forum Multilateral Recognition Arrangement) and where the accreditation body's main scope includes management system certification to ISO/IEC 17021.

The current list of recognized IAF MLA members by country can be found at the following link:

http://www.iaf.nu//articles/IAF_MEMBERS_SIGNATORIES/4

2.4 PRELIMINARY REQUIREMENTS FOR APPROVAL

ALL SOUTHCO SUPPLIERS:

- Form 1178 – Mutual Supplier Confidentiality and Nondisclosure Agreement...*review & sign*
- Form 0022 – Business Conduct, Ethics Expectations, and Key Requirements for Suppliers & Contractors...*review & sign*
- Form 1315 – Preliminary Supplier Evaluation...*complete & sign*
- Form 1315 C-TPAT Survey...*complete & sign if importing to a U.S. Southco facility*
- Quality System Certification (ISO 9001, IATF 16949, AS9100, etc.)...*provide a copy of current certificate*

Southco will review these documents and either accept, reject, or conduct an on-site audit to determine if the supplier meets Southco requirements. Where the supplier does not fully meet all Southco requirements, implementation of corrective action plans to address any deficiencies may be required.

2.5 Southco Procedures

Suppliers are to use the tools and/or requirements contained in the following documents:

- Advanced Product Quality Planning & Control Plan Reference Manual (AIAG)
- Potential Failure Mode and Effects Analysis (FMEA) Reference Manual (AIAG)
- Measurement Systems Analysis (MSA) Reference Manual (AIAG)
- Statistical Process Control (SPC) Reference Manual (AIAG)
- Production Part Approval Process (PPAP) Manual (AIAG)
- Continual Improvement per IATF 16949, 10.3.1 (AIAG)
- Supplier Global Control Plans (applicable to certain plating and heat treating applications only)
- Routing Guide (Southco Form 1218)
- Terms and Conditions (Southco Form 1104 or 2006/3 as applicable)
- Any additional requirements noted in Southco purchase order text
- Request sub-assembly suppliers to use FIFO practices

2.6 Advanced Product Quality Planning

- Suppliers must use an advanced product quality planning process that follows the Automotive Industry Action Group (AIAG) APQP Project Plan that ensures production readiness with parts that meet 100% of the product specifications.
- Suppliers are expected to complete all elements of the AIAG APQP process (as applicable) to ensure all program benchmarks are met, and be able to provide the Southco Supplier development representative with a timing chart that adequately reflects the timing of the APQP Project Plan deliverables (Tooling, Fixtures, PFMEA, Control Plans, PPAP, etc.).
- Suppliers are expected to participate in a pre-production meeting with Southco Supplier Development/Purchasing as needed.
- Suppliers are expected to share key aspects of the product or process requirements including key characteristics with the sub-tier suppliers.

2.7 Process Failure Modes and Effects Analysis (PFMEA)

Suppliers must do the following:

- Consider any lessons learned from previous program and/or similar part or component designs.
- Drive simple and inexpensive devices into the process to help prevent and detect errors.
- Prepare the PFMEA with input from a multi-disciplinary team (Assembly, Manufacturing, Materials, Quality, Service, Tooling supplier, Tier 2, 3, etc.).
- Ensure that the current process controls listed in the PFMEA are listed on the Control Plan.
- If the process, material or manufacturing location has changed, revise the PFMEA and re-evaluate the effect on the severity, occurrence and detection.

2.8 Production Quality

- All suppliers are expected to have the base manufacturing capability (Ppk's/Cpk's) to support zero PPM.
- All suppliers are expected to supply parts to Southco with zero defects. Funding is expected to be identified in the initial quote, and subsequent quotes, to reflect error occurrence prevention (poke yoke, error proofing devices, etc) and defect outflow detection and feedback (in-process and subsequent inspection).
- PPM reduction plans must be in place to meet this zero defect target. Effective plans must include root cause identification, irreversible corrective action, timing, data, etc.
- All suppliers are required to have effective manufacturing practices and procedures to ensure a continuous flow of high quality parts into Southco production facilities.
- Should a problem occur, suppliers are required to implement effective and immediate containment and comply fully with SCAR (form 1172) requirements and the containment efforts that may result.
- **Nonconforming Product** – in the event Supplier obtains goods, items or materials which are not in conformity with Buyer's specifications, drawings, other requirements of Buyer or Supplier's warranties hereunder, which Products are to be provided by Supplier pursuant to this Order, Supplier shall immediately notify Buyer, in writing, identifying the Products, together with the subject matter of the nonconformity. Buyer, in its sole and exclusive discretion, may determine, on a case-by-case basis, that Supplier may use or deliver to Buyer the nonconforming Product; provided however, that such determination by Buyer shall not constitute a waiver of any obligations, warranties or liabilities of Supplier as provided in this Order, except with respect to the specific portion of the Product which is the subject of Supplier's written disclosure to Buyer and Buyer's subsequent written consent to use or deliver such nonconforming Product.

2.9 Supplier Evaluation System

The supplier scorecard consists of a Quality and a Delivery component, each worth a possible 50 points, for a maximum possible score of 100 points each reporting period.

2.9.1 Quality

The Quality component of the supplier scorecard is determined as follows for a given time period:

Quality Rating – 50 Points (max.)

PPM	Score	PPM	Score
0 – 300	50	2701 – 3000	41
301 – 600	49	3001 – 3300	40
601 – 900	48	3301 – 3600	39
901 – 1200	47	3601 – 3900	38
1201 – 1500	46	3901 – 4200	37
1501 – 1800	45	4201 – 4500	36
1801 – 2100	44	4501 – 4800	35
2101 – 2400	43	4801 – 5100	34
2401 – 2700	42	5101 and Above	0

The supplier will be notified of rejections via Southco Material Discrepancy Report or Supplier Corrective Action, Form 1172.

2.9.2 Delivery

The Delivery component of the scorecard is derived by dividing the total number of on-time lines received by the total number of lines shipped in a given time period multiplied by 50. Maximum score possible is 50 points. Southco requires deliveries to be 100% on-time to our request date.

2.9.3 Supplier Status

Supplier status is determined using the scorecard evaluation system above. Changes in status are made automatically in the business system based on supplier performance.

Approved – the supplier is currently meeting quality and delivery requirements and is maintaining a total score of 85 points or above on the scorecard.

Probation – the supplier has failed to meet quality and/or delivery requirements and has allowed their performance score to fall below 85 points for three consecutive reporting periods. In order to return to Approved status the supplier must achieve a score of 85 points or above for three consecutive reporting periods. If a supplier is unable to achieve Approved status again Southco may seek a replacement.

2.10 Changes

In the event of a proposed change, suppliers must notify the Southco Supplier Development representative and submit for part approval prior to the implementation of the change to determine the type of quality re-certification required (PPAP documentation). Production part approval is always required prior to the first production shipment of product in the following situations (unless specifically waived by Southco Supplier Development representative):

- Product modified by an engineering change to design records, specifications, or materials.
- Use of another optional construction or material than originally approved.
- Production from new or modified tools (except perishable tools), dies, molds, patterns, etc., including additional or replacement tooling (partial or complete).
- Production following refurbishment or rearrangement of existing tooling or equipment.
- Production following any change in process or method of manufacture including changes that impact safety, form, fit, function, performance, durability, and/or appearance of the product.
- Production following a change in test/inspection method (no effect on acceptance criteria).
- Production from tooling and equipment transferred to a different plant location or from an additional plant location.
- Change of source for subcontracted parts, materials, or services (e.g. heat treating or plating).
- Product re-released after the tooling has been inactive from volume production for twelve months or more.
- Following a Southco request to suspend shipment due to a supplier quality concern.

2.11 Control of Sub-Tier Suppliers

The Supplier, as the recipient of the contract, is responsible for meeting all requirements, including work performed by the Supplier's sub-tier Suppliers (also known as Sub-Suppliers or subcontract Suppliers). When the Supplier uses sub-tier sources to perform work on products and/or services scheduled for delivery to Southco, the Supplier shall include (flow-down) on contracts to its sub-tier sources all of the applicable technical and quality requirements contained in the Southco contract, including quality system requirements, statutory and regulatory requirements, the use of Southco designated sources, and the requirement to document and control key characteristics and/or key processes and to furnish certifications and test reports as required.

2.12 Obsolescence Management

Supplier shall inform Southco of all items that will become obsolete within the next 12 months. Supplier shall maintain regular communication with sub-tier Suppliers with regard to possible raw material or component obsolescence. Supplier shall notify buyers of obsolescence within a reasonable amount of time so as not to disrupt delivery schedules.

2.13 Inspections

Southco (along with its customers and governmental agencies) shall have the right to enter Seller's facilities (and those of its approved subcontractors) at reasonable times to inspect (and if applicable test) the facility, goods, materials, records (including without limitation the quality systems) and any property of Southco covered by this order. Southco's inspection of the goods, whether during manufacture, prior to delivery or within a reasonable time after delivery, shall not constitute acceptance of any work-in-process or finished goods.

2.14 Records Retention Requirements

Quality records that are created and/or retained by the supplier must be complete, legible, and identifiable to the corresponding product/process. Quality records shall be maintained for a minimum of 10 years or as specified on the purchase order. Records will be made available upon request by Southco or its customers at no charge.

If Southco requests a hard copy of any quality record, supplier must fax or send an electronic copy within four hours of the request.

2.15 Counterfeit Part Prevention

Supplier represents and warrants each of the following:

- Only authentic materials are used in goods delivered to Southco.
- Goods or services delivered or sold to Southco contain no Counterfeit Items.
- Supplier shall only purchase materials or goods for resale to Southco from Authorized Sources.
- These representations and warranties shall apply regardless of the source of such goods or materials and irrespective of whether Southco has approved such source in advance.
- If Supplier sells or otherwise furnishes Southco with any Counterfeit Item, Southco shall have the right to impound such items, and Supplier shall promptly replace such items with items acceptable to Southco. In such case, Supplier shall be liable to Southco for all costs relating to impoundment, removal, replacement and proof of physical destruction. Southco may withhold payment for any Counterfeit Items and may turn such items over to governmental authorities for investigation.
- Supplier shall be responsible for and communicate this requirement down to all sub-tier suppliers to prevent the inadvertent use of counterfeit parts and materials.

2.16 Conflict Metals

The Dodd-Frank Wall Street Reform and Consumer Protection Act was adopted August 22, 2012. It prohibits the use of metals derived from Conflict Minerals in goods (any material, part, sub-component, component, or product, which is to be incorporated into a product). Conflict Mineral is defined as an ore [columbite-tantalite (coltan), cassiterite, gold, wolframite or their derivatives]

originating from a Conflict Region that is processed to create the following metals: Tantalum, Tungsten, Tin, and Gold.

A conflict region is a geographical region involved in armed conflict where mining operations and proceeds may contribute to serious human rights violations. Currently, the Democratic Republic of Congo and adjoining countries are considered Conflict Regions.

To help Southco keep conflict minerals out of our supply chain suppliers are required to do the following:

- Supplier declares that any material, part, sub-component, semi-finished or finished product supplied to Southco either directly or via third parties do not, to the best of its knowledge, contain any metals (Tantalum, Tungsten, Tin, Gold) originating from the Democratic Republic of Congo and its adjoining countries as defined in Section 1502 of the “Dodd-Frank Wall Street Reform and Consumer Protection Act” and its affiliated laws or regulations.
- Supplier will proactively undertake due diligence and continuous monitoring of our supply chain to avoid direct or indirect procurement of Conflict Metals.
- If the supplier becomes aware of the use of metals that have been derived from Conflict Minerals in any goods supplied to Southco, it shall immediately notify Southco. Such notification shall include tracking information to specify which goods may contain these materials.

2.17 Systems and Procedures Access

All Southco specific procedures and documents referenced can be obtained by contacting your Southco Supply Chain contact or email to: scm@southco.com.

All AIAG documents can be obtained at: www.aiag.org.

SUPPLIER ACKNOWLEDGEMENT

Please sign & return this page to Southco

Dear Southco,

I have read Southco's Business Conduct, Ethics Expectations, and Key Requirements for Suppliers & Contractors and acknowledge all the terms and conditions that apply within and will ensure total compliance at all times, and understand any violation to the policy risks immediate loss of all existing and future business.

Supplier Name: _____

Supplier
Representative: _____

Title: _____

Signature: _____

Date: _____