

## Supplier PPM Rules

Rev A

April 19, 2018

Products received into Tenneco Facilities that do not conform to the drawing, specification(s) and / or agreed upon standards shall be counted against the supplier's PPM record. Quantities shall be reported in the unit of measure in which they are purchased. Minimum amount is 1. This applies to production parts / saleable units.

*e.g. Bulk items*

Bought in liters / kilos / pounds: the reject is counted in liters / kilos / pounds e.g. 2000 kg rod steel delivered some rods are defective => we use the weight for PPM calculation minimum amount is 1.

The following complaints are PPM assignable:

- Production Parts which do not meet drawing specifications or dimensional, functional, or appearance standards as called-out in the specifications or from an approved boundary sample.
  - Quantity of defective parts only
- Out-of-spec parts that require rework / repair for use in production.
  - Quantity of reworked / repaired parts only
- Production Parts damaged from inadequate packaging or transportation for which the supplier is responsible.
  - Quantity of defective parts only
- Shipments that are received with mixed parts or parts that are the wrong revision level after the clean point has been established;
  - Quantity of incorrect parts only
- Label issue – containers identified incorrectly –
  - Qty of containers mislabeled – e.g. 2 boxes mislabeled = 2 defects for the PPM calculation.

It is the responsibility of the supplier to make sure that MRR's accurately reflect the non-conformance and amount of defectives reported. These numbers will influence the individual supplier performance.

Suppliers have the opportunity to mitigate and dispute the validity of the non-conformance.

All validated non-conformances will affect the supplier's overall performance rating.

- Submission on time to the customer requested system (email, eMRR) and content of customer requested corrective action report(s) (8D) influence the ppm adjustment rules.
  - Unless otherwise agreed upon, with concurrence by the Tenneco manufacturing facility quality representative.
  - PPM may be adjusted if supplier replaces / sorts the defective batch without disruptions to the TEN manufacturing process and within agreed timing.
    - 1% of defective parts will be counted
    - Minimum amount is 1.
  - PPM may be adjusted if supplier reports in customer required form (8D) within requested time.
- Containment action (D3) must be developed, implemented and reported to the Tenneco facility within 24 hours.

Different time zones must be considered.

- Quantity of defective parts only
- Minimum amount is 1.
- PPM may be adjusted if supplier reports root cause(s) analyze (D6) with timely planned corrective action(s) and responsibilities must be completed and submitted to Tenneco within 10 working days, unless otherwise agreed upon, with concurrence by the Tenneco facility representative.
  - 10% of defective parts only
  - Minimum amount is 1.
- PPM may be adjusted if supplier reports robust corrective actions. D7 - D8 should be targeted for verification/closure within an agreed / requested timing but latest after sixty (60) working days and affected process documentation (Process Flow, PFMEA, Process Control Plan, Operating Instructions) needs to be reviewed/updated.
  - 1% of defective parts only
  - Minimum amount is 1.

The following complaints are NOT PPM assignable:

- Parts that meet all drawing specifications and/or boundary sample requirements but are not useable.
- Parts that meet all specifications and/or standards but rejected by a Tenneco customer until the supplier responsibility for the non-conformity is confirmed.
- Parts that are pre-PPAP. and have not been released and approved for production (e.g. launch parts, sample / trial parts, DOE parts, pre- production parts, etc.)
- Parts initially rejected as part of a batch reject which after 100% control are deemed OK – PPM number is adjusted to reflect the true quantity of NOK parts after sorting (can be done at Tenneco location, supplier or third party approved company);
- Production parts which do not meet specifications and/or standards but have approved deviations (Tenneco or final customer) - PPM cannot be assigned for rejects associated with the deviated characteristic(s);
- Parts received with a logistic related Issue: part information errors (Label, Shipping Documents), delivery errors and quantity errors are handled as Logistic complaint.
- The portion of line accumulations / collective scrap, which is determined to be damaged outside supplier control (transport where Interiors is responsible, Interiors plant internal handling damage, etc.).
- All part(s) / part number(s) which are included in a valid quality assurance agreement.