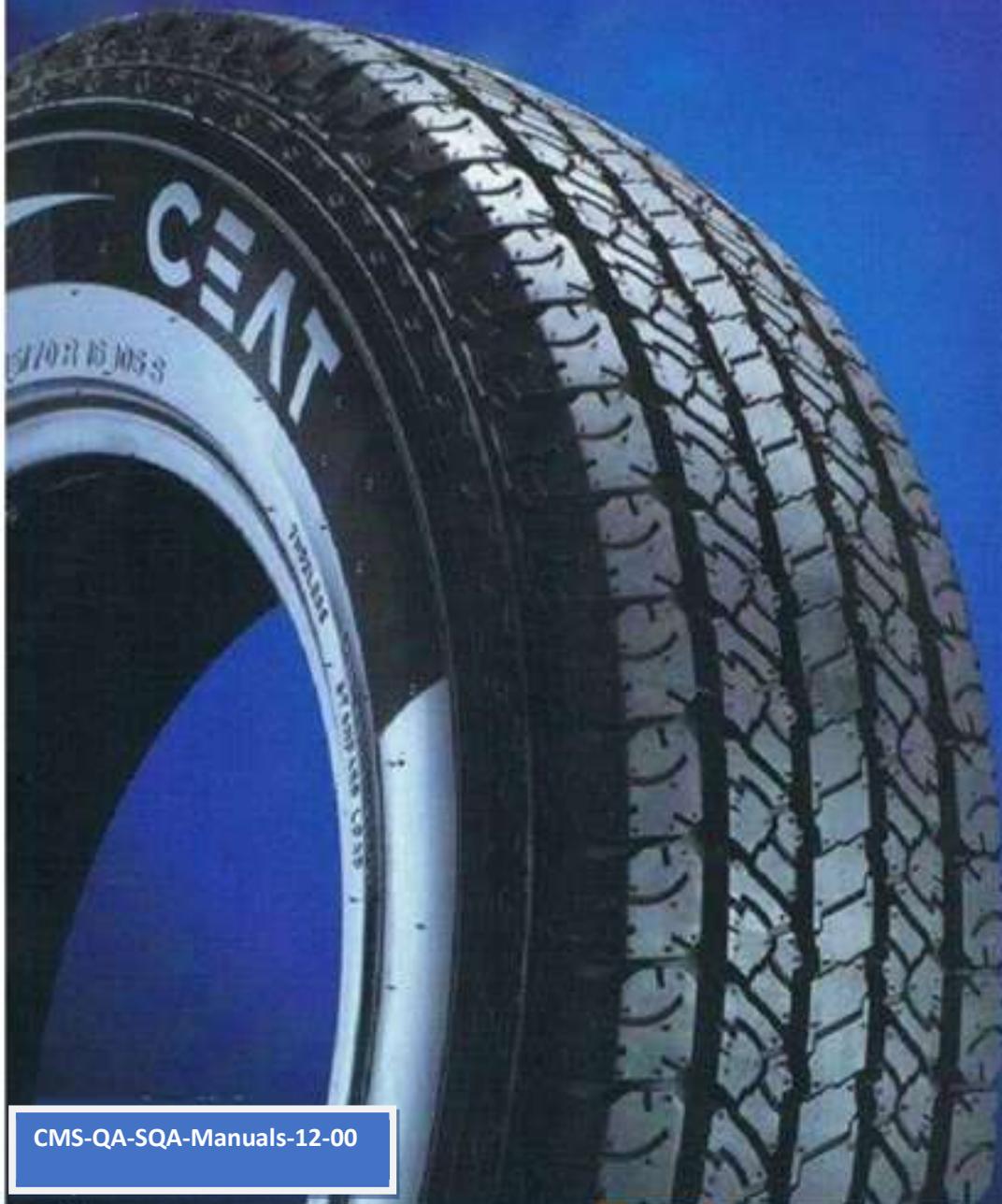




Supplier Manual



CMS-QA-SQA-Manuals-12-00

INDEX

S. No.	TOPIC	PAGE No.
1.	Preface	4-5
1.1	From MD's Desk	4
1.2	From CFO's Desk	5
2.	Introduction	6
2.1	About CEAT	6
2.2	Values & Quality Policy	7
2.3	EHS Policy	7
3.	Scope, Objective and Application of supplier Manual	8
3.1	Scope	8
3.2	Objective	8
3.3	Application	8
4.	Sustainable Procurement Guideline	8-13
4.1	Quality and Delivery of Product and Services	9
4.2	Environmental Protection	10
4.3	Human Rights	10
4.3.1	Non discrimination	11
4.3.2	Harassment	11
4.3.3	Child Labor	12
4.3.4	Forced labor	12
4.3.5	Wages and Benefit	12
4.3.6	Working Hours	12
4.3.7	Safe and Healthy working Environment	12
4.3.8	Compliance beyond borders	13
5.	Code of Conduct	13-17
5.1	Legal compliance	13
5.2	Confidentiality and Protection of intellectual Property	14
5.3	Indemnity	14
5.4	Anti Bribery	14
5.5	Anti competitive Behavior	15
5.6	Compliance with Sustainable Procurement guidelines	15
5.7	Vigil Mechanism-Whistle blower and Grievance redressal	15
5.8	Quality Requirements	16
5.9	Regulatory compliance	16
5.10	Product Safety	16
5.11	Other Points	17
6	Supplier Approval	17-20
6.1	Initial Screening	17
6.2	Quality Agreement and R&D Evaluation	18
6.3	Onsite Assessment /Self-Assessment	18
6.4	Plant Trials	18
6.5	PPAP Submission and Approval	19
6.6	Final Approval and inclusion in Supplier list	20
7	Supplier Quality Requirements	20-22
7.1	Material Specifications	21
7.2	Certificate of Analysis	21
7.3	Acceptance Sampling Plan	21
7.4	Packing and Delivery Requirements	22
7.5	Process Performance Requirements	22
7.6	Lab Co-relation	22
8	Supplier Quality Management System Requirements	22-25
8.1	Quality System Certification	23

8.2	Supplier Quality and Management System Audit	23
8.3	Supplier Self-Assessment	24
8.4	Supplier's Quality System Development	24
8.5	Continuous Improvement Program	25
8.6	Contingency Plan	25
9	Supplier 4M change approval	25
10	Substance of Concern (SOC) Management	26
10.1	CAS	27
10.2	REACH	27
10.3	SVHC	27
10.4	RoHS	27
10.5	PAH	27
10.6	3TG	27
10.7	PROP 65	27
10.8	Control and Compliance Activities	27
11.	Supplier EHS Compliance Requirement	28
12.	Supplier Rating	29
12.1	Quality Rating	29
12.2	Delivery Rating	29
13.	Guidelines for Handling Material Rejection	29
13.1	Timelines to Address the Complaint	29
13.2	Quality Problem Resolution Sheet	30
13.3	Cost Implications of Material Rejection	30
14.	Commercial Guidelines	30
14.1	Document Requirement with Each Shipment	30
14.2	Timelines for Overseas Suppliers	31
14.3	GST Reconciliation	32
15.	Abbreviations	33
16.	Revision History	34
17.	Supplier Acknowledgement	35

1. PREFACE

1.1) From MD's Desk:

Dear Business Partner,

I take this opportunity to sincerely thank you for partnering with CEAT in our journey towards excellence.

“Making Mobility Safer and Smarter Everyday” is our Purpose and to achieve the same, we place highest emphasis on the quality, sustainability and reliability of our products and processes. We have been following the TQM philosophy over the last few years and believe that through TQM, we will achieve excellence. You as our business partner play an essential role in helping us achieve this objective.

We seek your continued involvement and support in this exciting journey.

Arnab Banerjee

Managing Director & CEO

“Coming together is a beginning, keeping together is progress, working together is success”.

-Henry Ford

1.2) From CFO's Desk:

Dear Business Partner,

It is my great honor to seek your help in our goals of improving quality, consistency and reliability of our products and services.

We acknowledge the significant contribution that you as our supply partners have played in our journey towards excellence. We are now in the seventh edition of this manual. In each revision we have used many valuable inputs from our suppliers and the experience over last few years to update the manual to meet the ever-changing business scenario. We have made an attempt to cover most of the Supplier Quality Requirements and common processes that include all phases of supplier approval process, specification requirements, performance monitoring, and various other quality requirements, besides covering basic governance aspects expected from our supplier partners. We are sure that you will find this manual a good reference document in your business association with us.

We are committed to create a favorable business environment for our supply partner that enables us to pursue customer satisfaction through continual improvements in Quality, Cost, Efficiencies, delivery and Safety. In ensuring that we make our end customers happy, we are confident that together all of us will be able to achieve our individual organizations' Goals and Vision.

We look forward to your active support in this journey of continuous improvement.

Subbiah Kumar
Chief Financial Officer

2. INTRODUCTION

2.1) About CEAT:

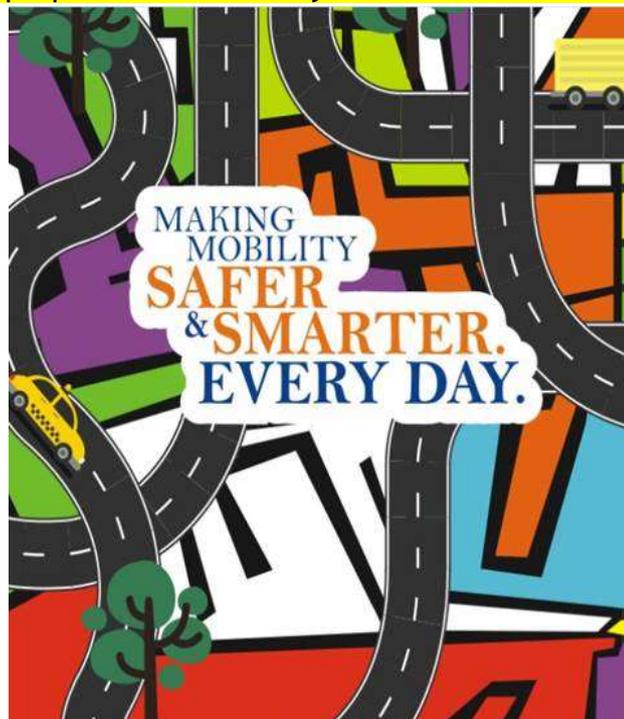
On the road since 1958 in India, CEAT has run up to be one of the best tyre manufacturers in the business. Apart from tyres we also market tubes and flaps.

We are possessed with a maturity that only comes with years of market presence. We have an impressive list of clients and OEMs, various awards and certificates make us even more confident that we will deliver superior products every time.

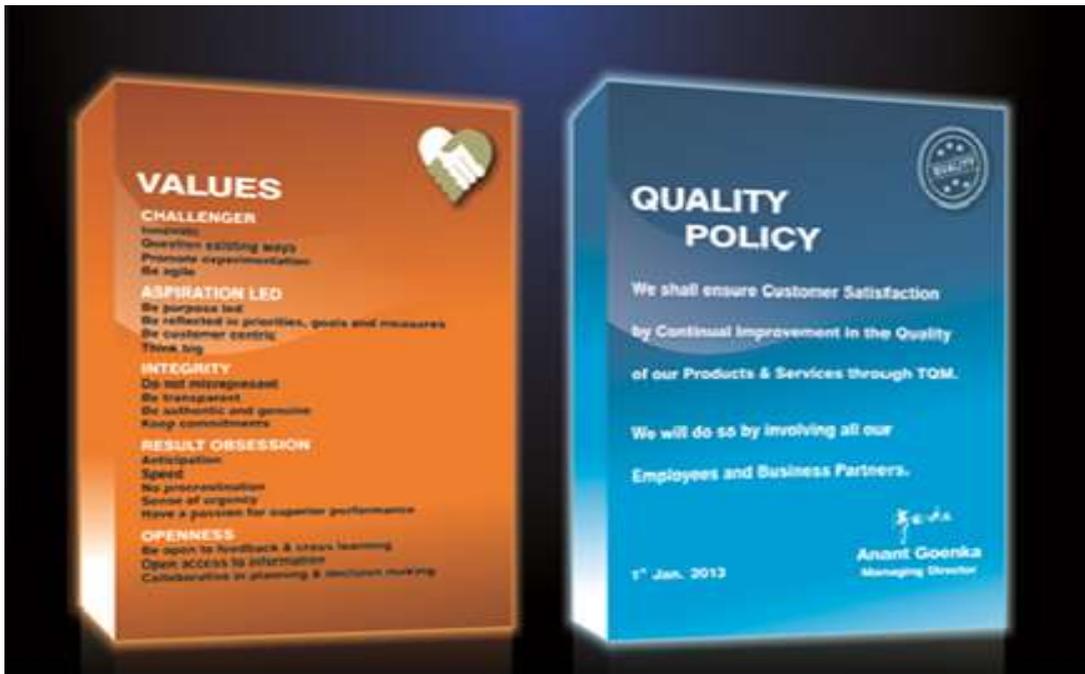
We have six manufacturing facilities In India, four in Sri Lanka and twelve outsourcing units to cater to the requirements of our customers. A wide network of sales force, 37 regional offices, more than 4574 dealers (including 473 exclusive dealers) and 38000+ sub dealers enables us to reach our customers with the right product at the right time. We also serve to 46 OEMs and export to 100+ countries around the world.

We believe that Tyres are not just accessories; they are the force that moves your aspirations. With us you get to choose from a wide range of tyres that suit your needs. Reliability is one of the most important attributes of our products. Our commitment to quality ensures our customers have a safe ride, always.

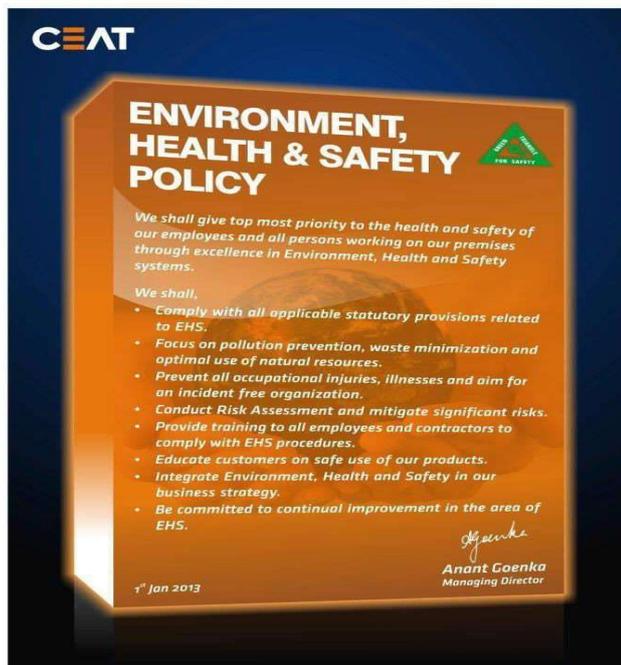
CEAT's purpose: Make Mobility Safer and Smarter. Everyday.



2.2) Values & Quality Policy:



2.3) EHS Policy:



3. SCOPE, OBJECTIVE and APPLICATION of SUPPLIER MANUAL

3.1) Scope:

The scope of this manual covers all the input materials going into our products.

3.2) Objective:

The purpose of this manual is to communicate,

- CEAT Quality Management System requirements
- Sustainable procurement guideline
- Various commercial terms & conditions and underlying guidelines related to procurement and supplier management that we follow at CEAT to the partners who supply input materials to CEAT.

3.3) Application:

The basis for this CEAT Supplier Manual is the Quality System Requirement IATF 16949. CEAT has adopted IATF16949 as the framework for the basic quality systems required for all suppliers of materials/products. The goal of IATF 16949:2016 is to develop quality processes that provide for structured problem solving, continuous improvement, emphasizing defect prevention, reduction of variation, reduction in waste entire value chain and develop appropriate contingency systems to ensure consistent customer service. This applies to all partners of CEAT.

We expect our partners to meet all the requirements of this document and IATF 16949:2016 and ISO 9000 clauses.

- To manage facilities, processes, quality systems and personnel to consistently and cost effectively produce products and furnish services that meet the needs of CEAT and its customers.
- To develop, implement, document and maintain an Advanced Product Quality Planning process to assure that product and service requirements are met.
- To provide objective evidence that initial sample requirements have been met and that acceptable process capabilities for all key characteristics have been established.
- To be committed to continuous process improvement by emphasizing reduction of part-to-part variation and waste through defect prevention.

Suppliers are also recommended to adhere to various EMS, OSHAS and SOC guidelines etc applicable to their business. This will also be an important factor for deciding supplier class and SOB.

4. SUSTAINABLE PROCUREMENT GUIDELINE

At CEAT, we remain committed to improving the quality of life through the

products and services we offer. Therefore, we hope to contribute to the realization of a sustainable society through the following philosophy and activities in addition to implementing thorough management systems.

CEAT Procurement is having a VISION - “Drive **sustainable competitive sourcing & exceptional customer centricity** through **smart processes** and enhanced **stakeholder engagement.**”

We and our suppliers/business partners need to work together as a single enterprise. We must maintain close communication, exchanging ideas frankly and coming to terms with each other on matters of importance. We would like to carry out the following philosophy together with our suppliers and business partners:

1. Organize a culture of trust between Supplier workers and management and develop a workclimate to promote human development.
2. Improve our business operations continuously, always driving innovation and evolution.
3. Maintain transparent and two-way communication with Business partners.
4. Establish an effective Compliance Management system within the business strategy.

4.1 Quality and Delivery of Products and Services

Excellence in quality is the core value of CEAT philosophy. We expect that our suppliers and business partners are committed at all levels to achieve high quality in whatever we do, particularly in our products and services which will meet and exceed customer's growing aspirations through:

1. Innovation in products, processes, and services.
2. Continuous improvement in our Quality Based Management (QBM) systems.
3. Teamwork and responsibility.

Also, suppliers and business partners are expected to provide the best possible products at the competitive cost. This must also consider providing in the timely manner on a stable and long-term basis. Suppliers and business partners need to undertake product development and deploy manufacturing processes that address the customers' needs and wants of today and tomorrow. These include:

- Provide a safe environment where workers can concentrate their efforts on manufacturing and make products of good quality.
- Work towards achieving high quality in development and production.
- Contribute to lean efficiency through flexible, error-free execution in production, and in delivery.
- Offer the most competitive cost in the world and develop new innovative production technologies to support continuing cost reduction.

4.2 Environmental Protection

We are committed to demonstrating excellence in our environmental performance on a continuous basis, as an intrinsic element of our corporate philosophy.

To achieve, this we commit ourselves to:

1. Integrate environmental attributes and cleaner production in all our business processes and practices with specific consideration to substitution of hazardous chemicals and strengthening the greening of supply chain.
2. Continue product innovations to improve environmental compatibility.
3. Comply with all applicable environmental legislation and control our environmental discharges through the principles of "alara" (as low as reasonably achievable).
4. Institutionalize resource conservation in the areas of oil, water, electrical energy, and chemicals.
5. Enhance environmental awareness of our employees and dealers / vendors, while promoting their involvement in ensuring sound environmental management.

At CEAT, environmental protection and preservation is one of the core business values. As a responsible corporate citizen, we believe that we can improve environmental management not only in our premises but also partner with vendors to ensure that they adopt similar environmental management strategies. In addition to ensuring mandatory legal compliance, we expect that our suppliers/business partners will take an active approach in environmental initiatives in their business activities. Such environmental initiatives would be, but not limited to:

1. Establish the environmental footprint of their operations.
2. Develop green management policies to promote conservation of natural resources.
3. Monitor the pollution load (emissions, effluents, wastes; hazardous/ non- hazardous/other types, etc.) released in the ambient environment.
4. Set targets to reduce water, energy utilization and waste generation from the processes.
5. Eliminate the use of single use plastics in the products, processes, component's packaging and comply with Central Pollution Control Board's Plastic waste management rules, as applicable. Wherever it is not possible to avoid plastic packaging, the thickness should be maintained as per applicable laws and recycle through authorized recyclers. Improve environmental performance by adopting pollution prevention strategies.
6. Establish a robust Environmental Management System for managing environmental responsibilities efficiently in a way that is integrated into the overall operations.
7. Cooperate to collect information on the chemical content of our products and manage our supply chain to comply with general rules for producing, importing, labelling, and using chemicals.

8. Ensure that all articles and materials that are classified as hazardous must be packaged, marked, labelled, and documented in accordance with all applicable regulations to ensure clear hazard communication. Comply with regulations like **REACH – Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals**, if applicable
9. Implement initiatives to reduce the environmental impact throughout the product life cycle of the delivered products.
10. Take an active approach to reduce GHG emissions of the delivered products through initiatives such as promoting low GHG emission raw materials during production, promoting use of recycling materials and promoting use of renewable materials.
11. Monitor the air emissions and maintain emissions into the ambient air within applicable permissible limits.
12. Regularly review the energy efficiency performance and adopt relevant improvement measures to reduce the associated resources and consumption in the long-term.
13. Reduce the impact on water at their operations as much as possible by implement activities within all their operations that reduce negative impact on water such as reduction of the amount of water used, use of rainwater, recycling water at plants, improving water quality of discharged water and conservation of intake source.
14. Consider biodiversity and implement initiatives to establish a society in harmony with nature.

4.3 Human Rights

We are continuously working to improve our human rights performance throughout our own operations and count on our suppliers/business partners to take a similar approach. To this end, in addition to ensuring mandatory legal compliance, we expect that our suppliers/business partners take an active approach in human rights issues in their business activities.

4.3.1 Non-discrimination

Do not discriminate on the basis of personal characteristics protected by local applicable laws and regulations, such as race, ethnic and national origin, religion, age, gender, etc.-with regards to all aspects of employment, including application process, hiring, promotion, compensation, access to training, job assignment, wages, benefits, discipline, termination and/or retirement.

4.3.2 Harassment

Ensure safe & secure workplace for your workforce which is free from harassment of any form involving verbal, visual or physical conduct that negatively interferes with work performance, diminishes the dignity of any employee, or creates an intimidating, hostile or otherwise offensive work environment.

Promote equal opportunities to all your employees and qualified applicants for , without regard to their race, caste, religion, colour, ancestry, marital status, gender, age, nationality, and disability.

Implement procedures for prompt reporting and examination of any harassment complaints and enable employees to report any instances of harassment without fear of reprisal, intimidation, or harassment.

4.3.3 Child Labour

Do not use child labour.

Suppliers and business partners must comply with the laws and regulations related to minimum working age, as applicable from time to time. No employee of any age, including apprentices or vocational students, may be employed in breach and/or contravention of any applicable law & regulations governing the minimum age for work.

4.3.4 Forced Labour

Do not use forced labour. Ensure that all work is voluntary and employees are free to leave work or terminate their employment and comply with local applicable laws and regulations.

4.3.5 Wages and Benefits

Pay wages in compliance with local applicable laws and regulations, including those relating to minimum wages, overtime hours, deduction from wage, piece rates and other elements of compensation. Provide legally mandated benefits. Ensure wages, other compensation, benefits, and deductions are detailed and explained, in compliance with local applicable laws and regulations, clearly and regularly to employees.

4.3.6 Working Hours

Comply with local applicable laws and regulations governing employees' working hours, including overtime work.

4.3.7 Safe and Healthy Working Environment

We believe that safe work practices lead to better business performance, a motivated workforce and higher productivity. Place the highest priority on safety and health programs and policies at work, so that each employee is able to work without undue concerns and strive to prevent accidents and injuries from happening at work. Support efforts to improve the health of employees through health promotion activities at work, guidance for preventing illness, and other means.

Create a safety culture in the organization by:

- Integrating safety and health matters in all activities.
- Promoting safety and health awareness amongst employees, suppliers, and contractors.
- Continuous improvements in safety performance through precautions besides participation and training of employees.
- Ensuring compliance with all applicable legislative requirements.
- Empowering employees to ensure safety in their respective workplaces

4.3.8 Compliance beyond borders

The Supplier must ensure that there should not be any flow of funds to or from any unknown sources and proper due diligence should be performed to ensure that the source/flow of funds are to/from known sources and through identified channels in compliance with money laundry and other laws applicable for the time being in force. It must be ensured that there is no funding for any illegal purposes.

The Supplier shall comply with the requirements regarding the restrictions related to conflict minerals and shall ensure that any product supplied to the Company does not contain any conflict mineral.

5. CODE of CONDUCT

“Supplier” here means any Business, Company, Co-operative, Person, LLP, Partnership, Joint Venture or other entity that provides, sells, or seeks or intends to sell, any kind of goods or services to CEAT, including the Supplier's employees, agents and other representatives.

CEAT has implemented the Code of Conduct for its employees which is available on our website. We expect all value chain partners to develop and implement a similar Code in their organizations.

5.1 Legal compliance

CEAT's suppliers and value chain partners must:

1. Comply with applicable laws and regulations of each country and region as well as the spirit thereof.
2. Establish and implement policies, structure and mechanisms for ensuring and verifying legal compliance including a code of conduct, confidential compliance hotline and training.

5.2 Confidentiality and Protection of Intellectual Property

CEAT's suppliers and value chain partners are expected to:

1. Manage and protect the company's confidential information and use such information as per confidential obligations agreed with CEAT. Obtain confidential information concerning other companies only from authorized personnel by legitimate means.
2. Ensure disclosure of company's Confidential Information to its subsidiaries, associates, directors, employees and third-party vendors, sub-contractors (collectively, "Affiliates") strictly on a need to know basis and only for the purpose of discharging its agreed obligation with the company. Further, also ensure that its Affiliates with whom it shares the Confidential Information are bound by the similar confidentiality obligations and shall be absolutely liable for any breach of confidentiality obligations committed by its Affiliates.
3. Strive to disclose to stakeholders such information as is pertinent to them, including management, financial condition, environmental preservation, community, and social contribution, in a timely and fair manner and to build and maintain positive relationships with stakeholders through open and fair communication.
4. Continually monitor and protect all intellectual property of the company against any infringement by others.
5. Do not infringe the intellectual property (such as patents, utilities, designs and trademarks) of others, illegally use such intellectual property or make illegal copies of software or publications.

5.3 Indemnity

Supplier agrees to indemnify, defend, save and hold harmless Ceat against any and all suits, proceedings, actions, demands and claims from third parties for any loss, damage, cost and expense of whatever kind and nature, whether arising out of any breach by the Supplier of any of its obligations or representations under or any the business transaction related agreement or on account of any defect or deficiency in the Material supplied by the Supplier or from any negligence of the Supplier under contract or on any other ground whatsoever.

5.4 Anti-Bribery

We believe in promoting a fair, transparent, ethical, and professional work environment. We request our suppliers and business partners to comply with following guidelines:

1. Comply with all applicable anti-bribery / anti-corruption laws and regulations, including, without limitation, any relevant foreign laws and regulations which would be applicable, as well as with all other similar applicable laws and regulations.
2. Comply with applicable laws and regulations concerning political donations or contributions and strive to build transparent and fair relationships with political parties or administrative bodies.
3. Do not engage in giving or receiving presents, entertainment or money with customers, suppliers, and other business partners in order to acquire or maintain unjust interest or wrongful preferential treatment.
4. Ensure to inform CEAT's management against any such practice (as defined under above-mentioned sub clauses 1-3) adopted by any of the company's employees.

5.5 Anti-Competitive Behavior

Respect fair competition and conduct every business activity in compliance with the applicable antitrust legislation and provisions. Do not engage in illegal acts against the competition laws and regulations of each country and region including private monopolies, unreasonable restraint of trade (cartel, collusive bidding, etc.) or unfair trade practices.

5.6 Compliance with Sustainable Procurement Guidelines

In order to ensure and demonstrate compliance with the CEAT's Sustainable Procurement Guidelines, supplier shall keep record of all relevant documentation, and provide to us supporting documentation upon request. To verify compliance, CEAT reserves the right to audit and inspect supplier's operations and facilities, at our own cost and upon reasonable notice, with or without support of a third party. If the results of such an audit or inspection cause us to be of the opinion that supplier do not comply with CEAT's Sustainable Procurement Guidelines, Supplier shall take necessary corrective actions in a timely manner, as directed by CEAT. If supplier fails to comply with CEAT's Sustainable Procurement Guidelines, then CEAT may take action against supplier, including suspending or terminating Supplier's on going activities/contracts .

5.7 Vigil Mechanism/Whistle-blower and Grievance Redressal

While the CEAT's Code of Conduct defines the expectations in terms of their integrity and professional conduct, the vigil mechanism defines the mechanism for reporting deviations from the standards defined in the code. The vigil mechanism is implemented as a safeguard to unethical practices. This mechanism is intended to provide mechanism for reporting genuine concerns or grievances and ensure that

deviations from the Company's Business Conduct Manual and Values are dealt with in a fair and unbiased manner as provided in Section 177 (9) and (10) of the Companies Act, 2013 and the Companies Rules, 2014.

In the context of our business relationship, if you or your employees believe that the terms of this CEAT's Sustainable Procurement Guidelines are not adhered to, or that CEAT is not acting in accordance with its own CEAT's Sustainable Procurement Guidelines, then we encourage you to raise your concerns via below mentioned reporting channels.

Sr.No	Reporting channel	Contact Information
1	Phone	+91-22-24292156
2	Mobile No	+91-7506337790
3	Email ID	Ethics@RPG.IN

For raising any grievances, click <https://www.ceat.com/corporate/sustainability.html> or write to sustainability@ceat.com.

5.8 Quality Requirements

Suppliers will meet generally recognized or contractually agreed quality requirements in order to provide goods and services that consistently meet CEAT's needs, perform as warranted and are safe for their intended use.

5.9 Regulatory Compliance

The Supplier shall comply with all applicable laws and regulations, contractual obligations, both in letter and in spirit, in all the territories in which it operates. It will be the Supplier's responsibility to ensure that he is always up to date on any changes with regard to Regulatory compliances and ensure his organization / employees meet the same. The products and services offered shall comply with applicable laws, including product packaging, labelling and after-sales service obligations. The Supplier shall market its products and services on their own merits and not make unfair or misleading statements about the products and services of competitors.

5.10 Product Safety

Material safety data sheets containing all necessary safety-relevant information will be made available by suppliers for all hazardous substances and will be provided to Ceat and other parties in case of a legitimate need.

5.11 Other Points

- All Terms of Service orders / Purchase Orders / Works Contract / Agreement as awarded to a Supplier need to be adhered to in letter and Spirit.
- CEAT reserves the sole right to refuse/cancel/edit any specifications/orders/contracts to suppliers without giving any information/notice.
- Ceat also reserves the right to carry out any background check on its Suppliers directly or through any third party of it's choice before or even after awarding any work to them.
- CEAT reserves the right to debit/penalize the supplier in case of any violation of any terms/conditions mentioned in this manual.

6 SUPPLIER APPROVAL

The CEAT Policy describes that the raw material purchase will be from approved suppliers only. Supplier approval is awarded for Material-Plant combinations. The material from the different plant of same supplier requires separate approval for supply to CEAT. New supplier (or existing supplier with new RM) should undergo an approval process in various stages before final approval. Procurement department, R&D / Technology and Quality Department determine the need to develop new sources of raw material based on existing supplier base and/or product development requirements.

The approval phase is summarized as below:

- Initial screening
- Quality agreement & R&D evaluation
- On site assessment /Self-assessment
- Plant trials
- PPAP completion and Final Approval and inclusion in approved suppliers list. Details are provided in later sections.

The above processes are to be initiated through vendor portal: <http://weconnect.ceat.com>

6.1 Initial Screening

New supplier is to be registered on the vendor portal and login id and password will be sent to the registered email id. Details of contact person, address, manufacturing facility and other relevant information are to be provided in the portal. The concerned department will do the initial screening as per the criteria defined in the system. During registration supplier need to upload Company Brochure, Product catalogue, QMS certificates, CAS number declaration, REACH certificate / SVHC & PAH & ROHS test reports, TDS and MSDS in portal.

Detailed review of information provided through Vendor Portal on supplier's organization set-up, production facilities, supplier product specification (general), certification documents and other related items to assess supplier capability to meet CEAT requirements.

6.2 Quality agreement and R&D evaluation

- Supplier Quality Agreement: If the supplier agrees with CEAT Specification, the Specification sheet is to be duly signed along with company seal and upload in vendor portal.
- Sample submission along with COA (Certificate of Analysis) to R&D through CEAT Procurement department.
- Detailed sample evaluation by R&D/Technology for all material characteristics

6.3 Onsite Assessment / Self-Assessment

CEAT team will conduct a comprehensive plant audit based on IATF-16949 and VDA 6.3 methodology and will release a score. There would a minimum score criteria for approving the suppliers. If due to some limitations, site audit is not possible then supplier would be asked to take a self-assessment in the standard audit template issued by CEAT.

6.4 Plant Trials

CEAT Procurement team will organize to procure a limited quantity of the material for pilot production evaluation. The material supplied for pilot production evaluation shall have the additional identification **“TRIAL MATERIAL”** in bold letters on the outer cover of the packages. The trial material will be used and evaluated in one or more CEAT manufacturing plants. The purpose of pilot production phase is to validate the material in CEAT’s manufacturing line and to assure that material meets CEAT requirements with respect to process and product.

In this phase, the material is inspected and tested to assure conformance to specification and all RM quality requirements, packing / marking requirement, unit weights etc. by plant QA prior to release for production.

Technology will conduct the pilot trial under controlled conditions and closely monitors the material behavior as it passes through various production steps. This evaluation includes conformance to in-process product requirement, finished product requirements (indoor reliability test, field evaluation) etc., as required.

Multiple trials may be initiated if CEAT feels it is necessary as per standards.

The supplier will be qualified for PERMANENT approval on satisfactory completion of the following requirement:

- Quality agreement by the supplier
- Certification of ISO 9001 Or IATF 16949

- QMS audit minimum 75%
- REACH compliance declaration/report
- Satisfactory commercial viability
- PPAP submission and approval
- Satisfactory field performance
- Consistent quality performance during this period- Lab test results/ No process issues

6.5 PPAP Submission and Approval

Production Part Approval Process (PPAP) is a standard method for approval for new product, new plant or changed materials produced, including production parts and bulk materials.

It is mandatory to submit a PPAP under following circumstances:

- New Product
- New plant / New location

Suppliers need to initiate PPAP process before the plant trial 1 as per the bulk material check list provided by CEAT. This bulk material check list shall be available in vendor portal or will be available with Supplier Quality Assurance Department. Auto generated mail will be triggered from vendor portal to supplier for initiating PPAP process.

Documents has to be submitted through vendor portal before second plant trial. The following documents are to be uploaded and retained along with each PPAP.

- Part Submission Warrant (PSW)
- Test Results
- Special process characteristics
- Process Failure Mode and Effect Analysis
- Initial Process study
- Packaging standard requirements
- QMS Certification
- Process Control Plan
- Process Capability Study Report (CPK/PPK for critical/major characteristics)
- Qualified Laboratory documentation/Testing equipment's list.
- Material Test Report /Dimensions showing compliance to specification
- Test Equipment details
- Plant and machinery details



- Measurement System Analysis - As and when required
- Design FMEA (if applicable)

Unless otherwise specified, suppliers are required to retain at appropriate location, a complete record of all PPAP documents and submissions. Suppliers shall have a system to control the update, distribution and storage of all PPAP documents.

Suppliers shall periodically revalidate their products and processes (including complete dimensional, material and performance evaluation) and revise PPAP as and when significant process/product changes are made.

6.6 Final Approval and inclusion in supplier list

The concerned Department will verify the PPAP documents and give disposition as below

- **Accept:** Indicates that the part or material and documents meets all CEAT requirements. Accept status is granted if no process/product related problems are encountered during pilot production trial run.
- **Reject:** Indicates that the part/material or document does not meet CEAT requirements.
- **Interim Approval:** This allows acceptance of the PPAP/Bulk Material Checklist on an interim basis on a limited time or limited quantity basis, with a defined action plan approved by CEAT.

Based on the PPAP acceptance, process change management initiated, signed and approved by all cross functional stake holders.

Approved Supplier list shall be updated with new supplier/new material and regularize the supply.

7 SUPPLIER QUALITY REQUIREMENTS

7.1 Material Specifications

The Specifications / Technical requirements are defined for each material in the respective raw material specification sheet. The raw material specification sheet contains material code, composition, appearance, packaging, and marking details, physical/chemical/rheological properties and the test parameters to be reported in COA.

CEAT Technology maintains the raw material specifications and drawings, which are provided to approved and potential suppliers by Procurement department. Specification revisions are informed to all active suppliers by Procurement department/Technology Dept. Supplier shall accept CEAT technical specification of the raw material and acknowledge the specification by signing with company seal. Suppliers shall ensure that the specifications available with them are current whenever supplies are made. Against these specifications, **CEAT requires its suppliers to adhere to zero rejection cases i.e. Zero PPM rejections.**

7.2 Certificate of Analysis (COA)

Supplier is required to provide the COA of Raw materials to CEAT along with or before shipment of every consignment, which will include the following information:

- Supplier Name
- Manufacturing location
- Material trade name
- Lot nos./ Batch numbers covered by COA
- Date of manufacturing
- Receiving plant name and address
- Quantity covered by COA
- Invoice number
- CEAT RM Code and name
- Test results against identified Parameters/Specification requirements in the RM specification sheet as per the reference test methods, results reported as single/mean value with specification limits for each test characteristic.
- The supplier should ensure the reference parameters mentioned in Specification are met

7.3 Acceptance Sampling Plan

The sampling plan shall be as specified in the respective CEAT specifications/control plan, wherever applicable, samples are to be sent in advance or along with the consignment by the supplier in case of fabric (square woven chafer fabric, square woven liner fabric) and in case of

bead wire and steel tyre cord while for all other raw materials, the samples are collected by CEAT directly from the lot on receipt as per CEAT control plan.

7.4 Packing and Delivery Requirements

The following requirements are to be met during delivery of each consignment of raw materials:

- Number of production lots per delivery to be preferably one and maximum of two.
- The age of the raw material at the time of shipping shall not be more than the number of days specified by CEAT.
- Lot-wise Certificate of Analysis to be provided.
- The packaging and package marking to be in accordance with CEAT RM specification requirements. Any deviation from standard is to be approved in writing by CEAT.
- Packing list detailing various information like no. of rolls, boxes, unit weight, length, identification, number of test samples and other relevant information to be sent along with the consignment.
- Other delivery documents.
- Condition of material on delivery to be free from any packing damage / open condition, wetness, contamination, etc.

7.5 Process Performance Requirements

In addition to the requirements specified in the raw material specifications/drawings, the supplied raw material shall perform during CEAT processing and or field usage equal to the material/ product /tooling originally approved based on initial evaluation by CEAT. In case of any loss incurred by CEAT by way of scrap/production loss/ productivity loss and/or poor product performance which can be traced to the inferior quality /performance of the material, the supplier should endeavor to make good the loss to CEAT.

7.6 Lab Co-relation

Supplier has to follow the CEAT agreed test method for the testing /inspection of the supplied product. CEAT will provide their inspection/test methods to the supplier, if needed on request. It is the responsibility of the Supplier to establish correlation of test /inspection results between CEAT's and Supplier's laboratories before making any supplies to CEAT.

A periodic lab correlation is to be conducted and data should be shared and analysis and corrective actions to be initiated.

8 SUPPLIER QUALITY MANAGEMENT SYSTEM REQUIREMENT

Supplier Quality System shall be formally documented, implemented and maintained to ensure that supplier's products conform to the identified purchase specifications, engineering or material specifications and/or contract requirements. The system should be defined and

documented in the Supplier's own Quality Manual. This manual should be made available to CEAT Representative for review upon request.

8.1 Quality System Certification

ISO 9001:2015 Certification: Suppliers are mandatorily required to be certified to the ISO 9001, Quality Management System by an accredited third-party registration body.

IATF 16949:2016 Certification: Suppliers are recommended to register to the IATF 16949 (automotive quality management system). It may be a major parameter while deciding SOB.

Compliance to VDA guidelines: Suppliers are recommended to have necessary guidelines from VDA 6.3 standard incorporated in their process. This is not a certification, but an audit standard released by German Association of the Automotive Industry applicable to automobile manufacturers and automobile component suppliers & sub-suppliers.

8.2 Supplier Quality and Management System Audit

To verify continued compliance with our quality system requirement and to promote suppliers' quality system development, CEAT will perform audits at supplier sites as per the category of audits as mentioned below

- a. Regular audits: Planned audits as per the frequency defined based on last supplier audit score.
- b. Occasional audits: Audits conducted in the following situations.
 - i. Occurrence of a serious quality problem which is attributable to supplier
 - ii. Any change effected in the basic manufacturing process by the supplier
 - iii. Resuming supplies after a gap of two years
 - iv. Others

Supplier Quality Assurance Department will advise the supplier of the upcoming audit and will forward the audit check list to the supplier in advance for their reference. If required, CEAT can request the supplier for sending quality manual and relevant procedures for review prior to the on-site audit. The on-site audit is carried out by a team of auditors comprising technical expert, quality system specialist and Materials representative, as required.

7.2.1) Scope of audit shall include all aspects of the quality system which including the following.

- i. Quality Management System
- ii. People Processes
- iii. Sub-Supplier Control
- iv. Raw Material Storage
- v. In Process Quality & Operations Control
- vi. FG Control
- vii. Lab Control
- viii. Statistical Control

- ix. Customer Service
- x. EHS and Legal
- xi. 5S and Housekeeping

Based on the observations by the audit team and evidence presented during the audit, Supplier's quality management system will be evaluated and rated. The audit team will have the discretion to treat certain questions as not applicable based on the complexity and criticality of manufacturing process involved. Subsequent to the audit, Supplier QA /Procurement will forward the audit report and score sheet to the supplier along with the observations and recommendations of the audit team.

Supplier shall respond to all observations and recommendations and send detailed action plan within 15 working days. Depending on the nature of non-compliance, if any, the evaluation of the submitted action plan may include a follow up and status update for the low rating case.

In the event of an UNACCEPTABLE rating, if Supplier does not upgrade the system through an acceptable corrective action plan within the agreed period, approval status may be withheld.

7.2.1) Audit rating and Frequency

- | | |
|--|--|
| Last Audit Score $\geq 90\%$ | - Once in three year |
| Last Audit Score $\geq 75\% \ \& \ < 90\%$ | - Once in two year |
| Last Audit Score $< 75\%$ | - Twice in a year or Frequency to set along with supplier such that audit score should achieve 75% |

7.2.2) Minimum 75% audit score required for new supplier for approval

8.3 Supplier Self-Assessment

Supplier self-assessment is carried out using CEAT's self-assessment check list, which is primarily meant for understanding suppliers quality management systems/ capabilities and developmental activities in a broader perspective. Whenever CEAT requests, self-assessment should be carried out and report submitted to CEAT.

8.4 Suppliers Quality System Development

CEAT will assist suppliers on a continuous basis in their quality system development efforts through feedback on quality of supply, audit recommendations, periodical quality assessment, inter-laboratory correlation program, etc.

CEAT will extend necessary help, if required to develop supplier quality system to meet ISO / IATF16949 standards by organizing audits for gap analysis with respect to the standard and providing improvement action plans / assistance.

CEAT will also support and work in coordination with the Supplier for development of new or modified material and for systematic problem solving in the event of a customer complaint.

8.5 Continuous Improvement Program

Continuous improvement philosophy should permeate all of the supplier's process, systems and products. The goal and purpose of this concept shall be development of a fundamental quality system that ensures customer satisfaction (both internal and external) - beginning with conformance to quality requirements and continuing with defects prevention and reduction of variation and waste in the entire value chain.

8.6 Contingency Plan

Suppliers should develop a comprehensive contingency plan to prevent interruption of supplies.

Contingency plan should identify all the possible reasons (alongwith probability and potential impact) that may cause interruptions and the countermeasures supplier has taken to:

- eliminate the occurrence of these reasons
- prevent or mitigate the impact, in case occurrence cannot be eliminated
- minimize the duration and impact, if reasons of occurrences and it impacts are not under direct control

CEAT team will review the contingency plan and recovery management system during site-audit. CEAT may also ask the suppliers to submit their contingency plan, if at all need arises, as it is statutory requirement under ISO and IATF guidelines for sub-supplier management.

Suppliers are also expected to validate the contingency plans of their sub-suppliers to develop an end-to-end security.

9 SUPPLIER 4M CHANGE APPROVAL.

To ensure that there is no impact on CEAT due to Quality, Process ability, Cost or Delivery for any 4M (Machine, Method, Material & Man) changes such as changes in Process, Product and Systems at raw material supplier's site.

Below are the various 4M changes which need to be validated and informed to CEAT based on below classification.

Category	Sr. No	Changes	Necessity of Change intimation
General	1	New production line addition in existing manufacturing location	Required
	2	Partial expansion/layout change of production line	Not required
	3	Change in legal entity / trade name	Required
Method	4	Fundamental change in process with change in Process flow diagram	Required
	5	Change in process without change in PFD.	Optional
	6	Process change from Manual process to Automation or Automated process to Manual operation	Optional
	7	Change in packing methods (Change in packing method, material, size of packing, Thickness of packing, lot no. & labelling method etc)	Required
Machine	8	New / renewal / remodeling of production machine	Optional
	9	Additional introduction of existing production machines	Optional
Material	10	Change in Raw material base	Required
	11	New raw material manufacturer	Optional
Man	12	Skilled Worker change	Not required

Such changes to be intimated to CEAT Procurement Department at least two months in advance with all relevant details of changes, effective date of change etc.

4M change management approval process to be initiated through CEAT vendor portal (We connect) and approval to be taken from CEAT team.

Internal validation (internal rejection, rework, productivity, capability etc) to be done for all 4M changes and understand the effect. If there is any negative effect or degradation of Quality, Cost and delivery parameters, the change intimation to CEAT is required irrespective of the change classification.

10 SUBSTANCE OF CONCERN (SOC) MANAGEMENT

This is to identify substances whose use in products and packaging, in the interest of personal safety and environmental protection, are either restricted, regulated or prohibited. These restrictions are based on existing legislation, customer specific requirements or self-imposed requirements.

10.1 CAS

A CAS registry number , also referred to as CASRN or CAS number, is a unique numerical

identifier assigned by the Chemical Abstracts Service to every chemicals Substances described in the open scientific literature, including organic and inorganic compounds, minerals, isotopes, alloys and nonstructural materials.

10.2 REACH

Registration, Evaluation, Authorization and Restriction of Chemicals is a European Union regulation dating from 18 December 2006. REACH addresses the production and use of chemical substances, and their potential impacts on both human health and environment.

(website: <https://www.echa.europa.eu/>)

10.3 SVHC

Substance of very High concern (SVHC) is a chemical substance (or part of a group of chemical substances) for which it has been proposed that the use within the European Union be subject to authorization under the REACH regulation. The first list of SVHCs was published on 28 October 2008 and the list update many times to include new candidates. The link for the most recent SVHC listing is available at: <http://echa.europa.eu/candidate-list-table>.

10.4 RoHS

The Restriction of Hazardous Substances Directive 2002/95/EC on the restriction of the use of certain hazardous substances in electrical and electronic equipment, was adopted in February 2003 by the European Union (<https://www.rohsguide.com/>)

10.5 PAH

Polycyclic aromatic Hydrocarbons (PAHs, also polyromantic Hydrocarbons or polynuclear aromatic hydrocarbons are hydrocarbons or organic compounds containing only carbon and hydrogen that are composed of multiple aromatic rings. (<http://www.epa.gov>)

10.6 3TG

“Conflict minerals”, as defined by the US legislation, currently include the metals tantalum, tin, tungsten and gold which are the derivatives of minerals cassiterite, columbite-tantalite and wolframite respectively.

10.7 PROP 65

Proposition 65 requires businesses to provide warnings to Californians about significant exposures to chemicals that causes cancer, birth defects or other reproductive harm. Proposition 65 became law in November 1986, when California voters approved it.

(<https://www.oehha.ca.gov/proposition-65/about-proposition-65>)

10.8 Controls and compliance activities

Suppliers may be required to submit the SOC declaration in every six months as per the declaration format provided by CEAT. Suppliers not updating this document within 3 months from the declaration start date will be treated as non-conforming

Suppliers required to submit the SOC test certificate issued by accredited third party at least once in three year.

Additionally, test certificates to be furnished under the following circumstances

- New regulation added on CAS number in the material supplied
- Any change in process, production line, catalysts, material composition or change of source

11 SUPPLIER EHS COMPLIANCE REQUIREMENT

Suppliers are expected to make sure that their activities do not cause harm to anyone and implements practical aspects of environmental protection and safety at work.

From a safety standpoint, it involves creating organized efforts and procedures for identifying workplace hazards and reducing accidents and exposure to harmful situations and substances. It also includes training of personnel in accident prevention, accident response, emergency preparedness, and use of protective clothing and equipment.

From a health standpoint, it involves developing safe processes, working practices and systemic activities that prevent or reduce the risk of harm to people.

From an environmental standpoint, it involves creating a systematic approach to complying with environmental regulations, such as managing waste or air emissions all the way to helping site's reduce the company's carbon footprint.

Some of the key areas where suppliers are recommended to put their focus upon are: Air emissions and ambient air quality, energy conservation, waste water and ambient water quality, water conservation, hazardous materials management, waste management, noise pollution, land contamination, physical hazards, chemical hazards, biological hazards, radiological hazards, personal protection equipment, emergency preparedness and response, community health and safety.

It is recommended that ISO 14001, ISO 45001 or relevant certification should be obtained.

12 SUPPLIER RATING

Suppliers' quality performance, which is the ability of our suppliers to consistently meet or surpass our requirements, is measured in terms of Supplier Rating for every month.

Supplier rating have two elements Quality and Delivery and rated as below

12.1 Quality Rating

Quality Rating is calculated based on the following components:

- Customer Complaints from field due to RM (10%)- Deducted if >0 complaint
- Incoming Material Rejection/Process Issue or line stoppage due to RM (60%)—Deducted if >0 complaint.
- COA/Document Issues. (10%)--Deducted if >0 issues
- Deviation / Rework / Segregation on incoming material (20%)—Deducted if >0 issues

12.2 Delivery Rating

Delivery rating is calculated as below.

- Adherence to schedule or compliance to inventory levels under Vendor managed inventory (VMI)- 30%
- Ensuring that there is no stockout situation. For 1 stock out in a month, will reduce rating by 50 %.

Suppliers are expected to score minimum marks in each of the criteria, failing which an action plan in prescribed format has to be submitted within 7 days of receiving the rating.

13 GUIDELINESS for HANDLING MATERIAL REJECTION

CEAT believes that all our approved suppliers have efficient systems in place to ensure quality product is delivered to CEAT as per the requirement and specifications. **CEAT requires its suppliers to adhere to zero rejection cases i.e. Zero PPM rejections.** However, in case of any rejection CEAT expects following cooperation from the supplier.

13.1 Timelines to Address the Complaint

Suppliers are expected to comply with following guidelines once a quality issue is reported to them by CEAT Team:

- Response to the quality issue - Within 3 working days
- Visit the CEAT plant - within 7 days (for domestic) and within 15 days (for overseas)
- QPRS Submission - Within 15 days

- Evidences of Actions Taken - Within 30 days or actual target days mentioned in QPRS (whichever is earlier)
- Taking Back / disposing of Rejected Material at Supplier's cost and replacing / compensating CEAT - Within 7 days (if no visit required) and within 7 days after supplier visit (if visit is required). 30 days in case of Imported material to manage EXIM compliances.

Visit to the plant is not mandatory and is required only if it is especially requested by CEAT team or if supplier feels a need of investigation. If supplier is not responding as per prescribed timelines then CEAT reserves the right to scrap the material and debit the cost to the supplier.

13.2 Quality Problem Resolution Sheet

The QPRS (Quality problem resolution Sheet) will enable the supplier to do the analysis of the problem in depth and take appropriate corrective and preventive actions and to eliminate the possibility by deployment and appropriate documentation of the implemented systems. CEAT has defined a standard 8D format for submitting the QPRS which can be directly submitted in the form available on Vendor Portal alternatively can be submitted offline.

13.3 Cost implication of Material Rejection

Supplier will be accountable for any cost associated with rejection of material.

Scenario 1: Material rejected before processing at CEAT:

Material will be rejected, and a debit note (as per PO price) will be issued to supplier. It is suppliers' responsibility to take back the material at his cost. If supplier expresses his inability to take back the material, then CEAT will scrap the material and will debit the material cost (as per PO) to supplier.

Scenario 2: Material rejected after processing at CEAT:

Cost of scrap generated at CEAT, if any, for using the poor-quality material will also be debited to the supplier along with the raw material cost as explained in scenario 1.

14 COMMERCIAL GUIDLENES

Supplier must make dispatches strictly against a valid PO, as per agreed ETA or take prior written consent from CEAT in case of deviations and following guidelines to be adhered with each dispatch.

14.1 Document Requirement with Each Shipment

Below is a brief description of all the documents that are essential to be provided with each shipment alongwith commercial documents like invoice, e-way bill, bill of exchange, bill of lading, packing list, country of origin etc. as applicable for domestic and overseas suppliers.

Identification of Batches:

- CEAT RM code
- Lot Number/Batch Numbers (must restrict to one or as few as possible in a consignment)
- Date of manufacturing
- CEAT PO number
- Quantity

Packing Standard:

- Supplier must follow standard unit package as specified in the CEAT RM specification

COA Compliance:

- As per details given in Point 6.2 of this document.

Lab sample (applicable only for fabric/bead wire/steel wire):

Supplier must provide samples for laboratory testing in every consignment with following requirements.

- Full width fabric sample for every creel lot.
- Bead wire / steel wire samples for every batch.
- Sample must be properly packed & identified with RM Code, Batch No, PO No. and Supplier Name.

14.2 Timelines for Overseas Suppliers

Supplier must shall furnish the following for every shipment:

- Vessel plan 3-4 working days before actual shipment.
- Shipment confirmation within 1-2 days of vessel sailing.
- Non-Negotiable Set of Documents (as below) by e-mail within 2-3 days of shipment.
 - Commercial Invoice with break-up of Cost, Insurance and Freight (if agreed INCO term is CIF).
 - Bill of Lading (CEAT prefers BL from Main Lines and does not prefer House BL from intermediate agents).
 - Packing List.
 - Certificate of Analysis or Test Report.
 - Marine Insurance Certificate (if agreed INCO term is CIF)
 - Certificate of Origin (if under any Free Trade Agreement)
- Courier Docket number for Original Set of Documents within 4 days of shipment.
- We advise the supplier to stipulate that Shipping Line shall not charge Container Deposit (CEAT can furnish a Corporate Indemnity Bond, if required, to the local office of Main Line).
- Supplier must allow minimum 14 days of detention free time for containers.



- In case vessel sailing time is less than 10 days, supplier must either surrender BL at origin or stipulate that Shipping Line shall release Delivery Order against Shipping Guarantee furnished by CEAT.
- Documents should be uploaded in vendor portal as per timelines provided.
- Supplier must compensate CEAT for any unnecessary cost such as demurrage and detention, if incurred due to delay/deficiency in documents from his side.

14.3 GST Reconciliation

All domestic suppliers must abide by GST regulations and to ensure that:

- GSTR-1 is filed on timely basis.
- Evidences of GST entries made on the portal against all the invoices billed to CEAT are to be shared in form of GSTN Portal screenshot, if ever any mismatch is observed by CEAT team and query is raised to the supplier.

In case of any mismatches for which supplier is not able to share sufficient evidences of GST filing, then CEAT reserves the right to debit supplier the amount equivalent to the GST.

15 ABBREVIATIONS

Sr. No	Abbreviations	Explanations
1	IATF	International Automotive Task Force.
2	EMS	Environmental Management System
3	OHSAS	Occupational Health and Safety Assessment
4	SOC	Substance of Concern
5	SOB	Share of Business
6	LLP	Limited Liability Partnership
7	RM	Raw Material
8	R&D	Research and Development
9	PPAP	Production Part Approval Process
10	QMS	Quality Management System
11	CAS Number	Chemical Abstracts Service registry number
12	REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
13	SVHC	Substance of Very High Concern
14	PAH	Polycyclic Aromatic Hydrocarbons
15	RoHS	Restriction of Hazardous Substances
16	3TG	Tin, Tantalum, Tungsten and Gold
17	PROP 65	Proposition 65
18	EHS	Environment Health and Safety
19	TDS	Technical Data Sheet
20	MSDS	Material Safety Data Sheet
21	COA	Certificate OF Analysis
22	VDA 6.3	German Association of the Automotive Industry -Process audit standard
23	PPM	Part per Million
24	QPRS	Quality Problem Resolution Sheet
25	ETA	Expected Time of Arrival
26	PO	Purchase Order
27	CIF	Cost, Insurance, and Freight.
28	GST	Goods Service Tax

16 REVISION HISTORY

Revision No	Date	Revision Detail
01	1 Mar 15	Format no. changed
02	8 Mar 15	Revised PPAP Bulk material checklist included Revised change Intimation Form Included
03	6 Jun 17	New vision included New PSW added
04	5 Dec 17	Amendments regarding Worse supplier Criteria and addition of rejection issue to 0 ppm
05	19 Feb 18	Vendor Rating criteria redefined
06	01 Apr 2020	Details of processes as per new vendor portal included. Annexures and Formats removed as access to same would be given to suppliers on vendor portal.
07	04.04.2023	Sustainability policy, Supplier audit, rating and 4M requirements updated. Abbreviations table added.

17 SUPPLIER ACKNOWLEDGEMENT

Suppliers are required to submit an acknowledgement and acceptance to this manual either by signing a physical document as below.

To: CEAT Ltd.

We here by acknowledge the Supplier quality manual which is received from you. We will ensure that the requirements described in the manual will be followed and fulfilled.

Signature

Date and Seal

Name

Alternatively, acceptance can be done by logging in through the vendor portal.