

Global Supplier Requirements and Expectations Manual

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1. Scope and Purpose

This Supplier Requirements and Expectations Manual (“SREM” or “Manual”) sets forth requirements and expectations applicable to any Regal Supplier providing products and/or services (to Regal), including but not limited to production parts and assemblies, service parts and assemblies, heat treating, painting, and other manufacturing operations, whether as a direct or non-product provider of such products or services (hereafter “Supplier”). References in this Manual to ‘Regal’ mean Regal Beloit Corporation (RBC) or its wholly owned subsidiaries, other affiliates majority-owned or controlled by RBC and/or any of its subsidiaries, and their business segments and units, anywhere in the world, as reflected in the applicable purchase agreement or purchase order (the “Contract”).

Supplier Type:

Direct:

A Direct Material Supplier is one that supplies material and secondary process(es) (outsourced) that will be used as part of the product Regal is manufacturing.

Examples: Shafts, Commutators, Gears, End Frames, Nuts, Screws, Labels, etc.

Non-Product:

A Non-Product Supplier is one that supplies material that will NOT be used as part of the product Regal is manufacturing.

Examples: Tooling, Office Supplies, Toilet Paper, etc.

Service:

A Service Supplier is one that supplies a service. (Note: Not related to Direct Material)

Examples: Copy machine service, air conditioning service, transportation service, consulting, etc.

2. Quality Alignment

The Supplier Requirements and Expectations in this Manual are fully aligned with manufacturing and customer quality assurance activities at Regal. Regal expects the same quality from Suppliers that it expects from its own manufacturing operations. Therefore, this SREM represents an extension of Regal’s Global Quality and Performance Excellence Strategy.

3. Quality Management System Expectation

Suppliers also shall establish, document, and implement an effective quality management system (“QMS”) consistent with the most recent version of International Standards Organization (ISO) 9001. Supplier’s QMS shall also be certified by an accredited third-party certification body. Supplier must maintain its certification to remain a Regal Supplier. Regal accepts equivalent global QMS certification such as IATF 16949 in lieu of ISO 9001.



Regal reserves the right to perform assessments and audits at or on Supplier's sites and locations to verify Supplier's compliance with this Manual. Regal expects Supplier to acknowledge, within the specified time noted in communications, its compliance with the Requirements and Expectations described in this Manual.

4. eBusiness, Communication and Language

Supplier shall have email, internet access, and internet browser capabilities at a minimum. Supplier shall ensure that Regal Leadership, Sourcing, Purchasing, Engineering and Quality organization contacts always have up-to-date Supplier contact information at all times. Supplier shall inform Regal promptly of any significant changes in its ownership, business health, management or organizational structure as well as significant changes in its facilities, including but not limited to changes in manufacturing locations. Additional information delivery requirements are specified in Contracts and/or Purchase Orders. Information shall be communicated through email to the email supplierchangerequest@regalbeloit.com or as otherwise specified by Regal.

Every Purchase Order is expected to be acknowledged via email or EDI within two business days after being communicated by Regal.

As Regal and its affiliates comprise a global company with facilities across many continents, the use of a single business language is essential. Communications between Regal and Supplier shall be in English, except where Regal and Supplier specifically agree otherwise in writing. Supplier's quality-related documents shall be in English, except that Supplier may maintain quality-related records in forms displaying both English and the native language. Where a record is written in both English and the native language and a conflict exists between the English and native versions, the English version shall take precedence.

5. Environmental, Health, Safety and Sustainability (EHSS)

a. Safety and Health

Supplier shall develop and enforce appropriate safety and health systems with the goal of OSHAS 18000 compliance. Supplier shall meet or exceed all applicable local, state (or provincial or the equivalent) and national safety and health laws and regulations.

b. Material Compliance Documentation (Direct Material Only)

Requests for materials compliance documentation shall originate directly from Regal or from Regal's third-party agent, Assent Compliance. As the agent of Regal, Assent Compliance is authorized to conduct Supplier outreach by deploying custom surveys and questionnaires relating to Regal's material compliance initiatives described below. Should Regal change its designated third-party agent for material compliance documentation, you will be notified in writing. Suppliers are required to respond to all requests for material compliance documentation within the allotted time frame. Failure to respond shall lead to the Supplier entering into the escalation process within the Regal Supply Chain organization with the ultimate outcome of non-response being desourcing.



c. Restriction of Hazardous Substances

Supplier shall meet or exceed all applicable local, state (or provincial or the equivalent) and national laws and regulations relative to hazardous substances including but not limited to RoHS (European Union Directive 2011/65/EU including the 4 new substances added via Commission Delegated Directive (EU) 2015/863) and REACH (European Union Directive 1907/2006 including the latest list of Substances of Very High Concern (SVHC)). Suppliers shall know and understand the contents of its products, including the products of its Suppliers.

Suppliers shall be prepared to provide Regal or Regal's designated third party agent, Full Material Disclosure Statements (FMDS) on all products supplied to Regal. FMDS documents must analyze products at the homogenous level, providing a full material breakdown and chemical composition (XML, IPC 1752 or equivalent format preferred) of each component part in a finished product.

d. Conflict Materials (Direct Material Only)

Supplier shall meet or exceed all applicable local, state (or provincial or the equivalent) and national laws and regulations relative to conflict materials including but not limited to Section 1502, Dodd-Frank Wall Street Reform and Consumer Protection Act, 17 CFR Parts 240 and 249b. Supplier shall provide to Regal or its designated third party agent, the written results of its Reasonable Country of Origin Inquiry (RCOI) and due diligence processes as prescribed by the various laws and regulations for conflict materials used in those products supplied to Regal. For those laws and regulations with which Regal must comply, Suppliers must provide the necessary documentation even if that Supplier is not bound by those same laws and regulations.

For conflict minerals, specifically, and consistent with the "Regal Conflict Minerals Policy" (<https://investors.regalbeloit.com/investors/corporate-governance/integrity-and-compliance/default.aspx>), Regal Suppliers are required to procure the materials and products they supply to Regal from conflict-free sources. This means that all of the materials contained in all products must be obtained from smelters that have been validated as compliant in accordance with the Conflict Free Smelter ("CFS") program and are so listed on the Compliant Smelter List (<http://www.conflictreesourcing.org/conflict-free-smelter-refiner-lists/>). The Supplier will be required upon request to provide to Regal or its designated third-party agent the written results of their RCOI and due diligence processes via the Conflict Minerals Reporting Template offered by the Conflict Free Smelter Initiative (<http://www.conflictreesourcing.org/>).

e. Safety Data Sheet

Suppliers shall provide Regal or Regal's designated third party agents a Safety Data Sheet for chemicals, articles or other materials when required by the United Nations Globally Harmonized System of Classification or the United States 29 Code of Federal Regulations 1910.1200es Hazard Communication Standard. The chemical manufacturer or importer preparing the safety data sheet shall ensure that it is in English and the local language for locations outside of the



United States. The supplier shall ensure that Regal or Regal's their designated third party agents are provided an appropriate safety data sheet before the initial shipment to each site, and with the first shipment after a safety data sheet is updated.

f. Government Regulatory Compliance

Supplier's manufacturing processes and products, including purchased products, shall conform to all applicable local, state (or provincial or the equivalent) and national laws and regulations. Applicable laws and regulations include those relating to health, safety, labor, employment, security, environment, toxic and hazardous materials. For purposes of this Manual, "applicable local, state (or provincial or the equivalent) laws and regulations" also include laws and regulations in the country(ies) where (a) the product is manufactured or a manufacturing process or other service is performed (b) where a product will be delivered and (c) where the product will be used.

g. Environmental Sustainability Policy

Regal has established an Environmental Sustainability Policy. This Policy is to be interpreted in conjunction with Regal Code of Business Conduct and Ethics, its culture Expectations and this Code. Suppliers to Regal are expected to respect and adhere to these policies when doing business with Regal.

Regal's Environmental Sustainability Policy is available at: <https://www.regalbeloit.com/-/media/Files/Literature/RevEnvironSustain0420.pdf>

Supplier shall develop and enforce appropriate environmental systems with the goal of meeting the ISO 14001 compliance requirements. Supplier shall meet or exceed all applicable local, state (or provincial or the equivalent) and national environmental laws and regulations.

h. Social Accountability Policy

Regal has established a Social Accountability Policy, this Policy is to be interpreted in conjunction with the Regal Code of Business Conduct and Ethics, its culture Expectations and this Code. . Suppliers to Regal are expected to respect and adhere to these policies when doing business with Regal.

Regal's Social Accountability Policy is available at: <https://www.regalbeloit.com/-/media/Files/Literature/RevSocialAccount0420.pdf>

i. Insurance

INSURANCE: Regal Supplier, Service Provider and Contractor Contractual Requirements for Insurance

INDEMNIFICATION: Supplier, Service Provider and Contractor shall indemnify and save harmless Regal Beloit Corporation, Regal Beloit Corporation's Affiliates, Subsidiaries,



Customers, insurers, and their employees, agents, officers and directors for and from all suits, claims, judgments, awards, losses, damages, costs or expenses (including attorneys' fees) relating to, arising out of, or caused by the performance of Supplier, Service Provider and Contractor hereunder, any act or omission of Supplier, Service Provider and Contractor, or any Goods or Services. Supplier, Service Provider and Contractor's indemnification obligation hereunder covers, without limitation, injuries, sickness, diseases (including occupational disease whenever occurring), or death of a Supplier, Service Provider and Contractor.

When supplying goods or services to Regal, Suppliers, Service Providers and Contractors shall procure and maintain for the duration of supplying goods or services to Regal insurance against claims for injuries to persons or damages to property which may arise from or are in connection with products, services and materials supplied to any Regal Entity. The cost of such insurance shall be borne by the Supplier, Service Provider or Contractor.

Without limiting Supplier, Service Provider and Contractor's duty to hold harmless and indemnify hereunder, Supplier, Service Provider and Contractor shall maintain, as a minimum, the following types and amounts of insurance coverage with respect to all Products and Services to be provided under the contract, work order or purchase order. All such insurance shall be written on an "occurrence" basis. "Claims made" for Professional Liability Policies is acceptable.

Supplier, Service Provider and Contractor shall supply Regal with an Original Certificate of insurance on ACORD Form 25 or equivalent per the following list of minimum requirements for the current policy term:

Type of Insurance	Description and Coverage Amount; (see second table below for definitions)
Workers' Compensation and Employers Liability	Covers the following as a minimum as listed in Certificate of Insurance issued by a Rated Insurer: Workers compensation meets statutory minimums under the laws of the U.S., foreign country, state, or other governmental subdivision in which the work or any portion of the work is performed; Employers liability of \$500,000 each accident, \$500,000 policy limit by disease, and \$500,000 each employee disease; and a waiver of subrogation applies for Workers compensation in favor of Regal Beloit Corporation and Certificates of Insurance from temporary agencies include an alternate employer endorsement instead of a waiver of subrogation; and Buyer may require higher insurance limits based on nature of the contract.
General Liability Excess Liability	Covers the following as a minimum as listed in Certificate of Insurance issued by a Rated Insurer: \$1,000,000 Per Occurrence; \$1,000,000 personal and advertising injury Per Occurrence; \$2,000,000 Aggregate; Buyer is listed as an additional insured;



	Excess limits of \$5,000,000 (\$10,000,000 for construction and equipment suppliers) over GL and Auto policies
Automobile Liability	Covers the following as a minimum as listed in Certificate of Insurance issued by a Rated Insurer: \$1,000,000 each accident; Liability coverage for “Any Auto”; and, For heavy vehicles, such as cement mixers, cranes, garbage haulers, hazardous material transportation vehicles higher limits may be requested.
Professional Liability Insurance	Covers the following as a minimum as listed in Certificate of Insurance issued by a Rated Insurer: Applies where Contractor is a consultant, performs professional Services for and/or on behalf of Regal Beloit Corporation, and/or provides other offsite Services. Professional liability and/or errors and omissions insurance with a minimum limit of \$2,000,000.

Under the “Description of Operations” section, please list the following requirement:

"Regal shall be named as an additional insured on a primary non-contributory basis with Regal insurance applying as excess of any valid and collectible insurance provided by vendor or its subcontractors. A waiver of subrogation shall apply to worker’s compensation where not in conflict with law."

The certificate shall require 30 days’ written notice prior to material changes or cancellation. The words “endeavor to” and “but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives” or similar wording are unacceptable and shall be deleted fully permitted by law. Contractor, vendor or their broker/agent may provide such notice.

It is expected that each Supplier send the Original Certificate of insurance on ACORD Form 25 or equivalent to Regal via email to supplierchangerequest@regalbeloit.com . Failure to comply will impact supplier rating and will be escalated to Regal VP of Supply Chain and could lead to desourcing.

6. Trade Compliance Requirements

a. Country of Origin Documentation

Suppliers shall provide the certification for components and raw materials sold to Regal that have been determined by the supplier to be eligible, as per the Supplier Instructions in the [Regal Trade Compliance Page](#), For any parts not considered to be eligible, a standard certificate of origin declaring the country of origin shall be included. Electronic requests for



certification are sent to suppliers on an annual basis via our Trade Automation (TA) GMTS system. Any suppliers that have not received a request during the calendar year or have not yet provided such documentation shall contact or send a response to our Regal Compliance team at FTA@regalbeloit.com.

b. Supply Chain Security

Regal Beloit is a Tier 3 Certified Partner of CTPAT (Customs Trade Partnership Against Terrorism). Supplier is encouraged to obtain CTPAT or other security program certification. If Supplier maintains and provides proof of current CTPAT certification or other security program certification which has a MRA (Mutual Recognition Agreement) with U.S. Customs, the Supplier will only be required to complete a section of the annual survey with the corresponding information. Additional proof to be sent to the email SupplierSCS@regalbeloit.com.

If the above is not met, Supplier shall complete the entire survey about their Supply Chain Security (“SCS”) due diligence at Supplier’s premises. Supplier must take the following steps in order to complete the survey and submit to Regal Beloit:

1. Open the link to the survey at www.Regalbeloit.com/Suppliers/ under the Trade Compliance Section. If you are not the correct person (Regal's Primary Supplier Contact/Representative) to manage the required data collection of information and sign off on behalf of your company, please forward the survey to the correct person.
2. Complete each one of the questions.
3. Submit the Supply Chain Security survey
<https://www.surveymonkey.com/r/RBCCTPAT>
4. Send any additional information you want to share to support your responses to SupplierSCS@regalbeloit.com.

If you are not able to access the survey through the link provided, please contact our Trade Compliance Department. SupplierSCS@regalbeloit.com.

It is expected of each Supplier to complete this “Supply Chain Security (“SCS”) survey” within 30 days of request. Failure to comply/respond will impact supplier rating and will be escalated to Regal VP of Supply Chain and could lead to desourcing activity.

c. Shipping Documentation

Supplier shall provide the data elements listed in the Supplier Instructions for Overseas Suppliers on documentation that accompanies any shipment to any Regal location. Shipments from overseas must include customs broker contact information as stated in the Supplier Instructions for Overseas Suppliers. (available at: https://www.regalbeloit.com/Suppliers/Trade-Compliance_Supplier_Instructions_for_Overseas_Shipments).

Any questions regarding the correct HS (Harmonized Tariff System Classification, 6-digit or 10-digit code that identifies the commodity) classification or other information can be directed to global.trade@Regalbeloit.com.



7. Ethics

Global Supplier Code of Conduct

You can expect from us: Integrity, Inclusion, Engagement, Responsibility, Transparency and Performance. As stated in our Code of Business Conduct and Ethics, we go beyond the minimum standards required by law and conduct ourselves with the highest levels of ethical behavior to avoid even the appearance of impropriety, illegal or unethical behavior. Regal Suppliers are critical to our success. For us to deliver real value to our customers in a responsible way, we require that you align with and meet our expectations.

We understand and expect that our Suppliers will have their own internal codes of conduct and policies. You are responsible for ensuring that your directors, officers, employees, representatives and business partners understand and comply with the expectations set forth in this SREM and Regal's Global Supplier Code of Conduct.

Contract Requirements: The expectations set forth in this Code are not intended to conflict with or modify the terms and conditions of your contracts with Regal. If a contract requirement is more restrictive than this supplier code or SREM, you must comply with the more restrictive contract requirement. By way of example only, for Suppliers supporting U.S. Government contracts, the requirements of FAR 52.203-13, Contractor Code of Business Ethics and Conduct, also shall apply.

“[Global Supplier Code of Conduct](http://www.Regalbeloit.com/Suppliers/)” available at www.Regalbeloit.com/Suppliers/

8. Advanced Product Quality Planning (APQP) (Direct Material Only)

Supplier shall adhere to the Advanced Product Quality Planning (“APQP”) approach to support new, changed or transferred products or outside process in accordance with the APQP and Control Plan Manual published by the Automotive Industry Action Group (“AIAG”) latest revision. Internally, Regal utilizes derivatives of this process, named New Product Development (“NPD”) for new product launches and product/process changes and transfers.

a. New Product Development (NPD)

In the case of NPD, Regal, through its sourcing function and at its discretion, may monitor and manage Supplier from initial product development through the start of production. NPD includes implementation of new product launch readiness measures to ensure Supplier can produce a product that conforms to the product specifications and requirements as defined in the applicable purchase order.

b. APQP Documentation

To develop an adequate Quality Management System, Regal requires Suppliers to establish and maintain Advanced Quality Documents such as; Process Flow Diagram, Process FMEA (Failure Mode and Effects Analysis) and Process Control Plan for all stages of the manufacturing process at the Supplier. Besides a solid gage calibration program, gages that measure CTQ's are required to be evaluated for Gage Repeatability and Reproducibility (“Gage



R&R”) regardless if the gage provides variable or attribute data. APQP documents such as PFMEA and Control Plan are considered ‘living’ documents. Continuous improvement activities driven by the PFMEA for Severity ranked at 9 or 10 and Occurrence 7-10 are required. A pareto approach to Occurrence reduction is acceptable. All APQP documentation shall be maintained and available for review and/or provided upon request from Regal.

c. Critical to Quality (CTQ) Characteristics

Regal may at its discretion, require the designation, on a per-print, specification, list of CTQ’s, and/or PO basis, of Critical-To-Quality (CTQ) characteristics and Supplier shall statistically monitor and manage CTQs to ensure capability and stability, unless otherwise agreed upon by Regal and the Supplier. As an essential part of the Production Part Approval Process (PPAP) as described in section 10 below and through the product life cycle, Supplier shall demonstrate process capability with a minimum Cpk of 1.33 (minimum 10 sub-groups of 3) based on a stable process. Although several algorithms exist relative to Cpk calculation, the AIAG method referenced in both the PPAP and Statistical Process Control (SPC) manual takes precedence. For low volume production products where a PPAP run or a normal production batch run is less than 30 pieces, supplier shall conduct 100% inspection on CTQs. Over a period of time , conducting Cpk analysis with an aggregate sample size greater than 30 and with same sub-group sizes is acceptable to demonstrate process capability.

Supplier shall document and reference CTQs in its process control plans and work instructions and shall implement monitoring and (SPC) process controls accordingly. Process capability data shall be maintained by supplier and made available to Regal upon request.

d. Capacity Verification

Unless otherwise specified in the governing Contract, Supplier shall be able to produce at a minimum one hundred and twenty-five percent (125%) of the quoted volume with production tools and equipment in the quoted work patterns. Capacity verification is a requirement at the time of PPAP by completing Run at Rate checklist and Capacity Planning workbook to demonstrate capacity capability and the corresponding Part Submission Warrant (“PSW”).

A capacity analysis excel template tool titled “[Regal Capacity Assessment](http://www.Regalbeloit.com/Suppliers/)” is available at <http://www.Regalbeloit.com/Suppliers/> under the Prospective Suppliers section.

e. Product Qualification/Reliability

All non-PPAP approved samples shipped to Regal, for testing and/or for other forms of validation, must include sample inspection data, and accompany sample parts. At discretion of Regal product engineer, he/she may require additional supporting data for the samples.

9. Packaging and Labeling (Direct Material Only)

Regal, based on its requirements and on consultation with Supplier as appropriate, shall specify packaging for products during the APQP/planning process. Supplier shall use packaging that conforms to the Regal’s packaging specifications and any change or substitution must be approved in writing by Regal in advance of the implementation of such change or use of such substitution. Supplier shall be responsible for loss and/or damage resulting from the use of packaging that does not conform to Regal specifications.



Supplier shall provide the information on its product and packaging labels, as applicable, in the [Shipping, Packaging and Account Payable Requirements](#) document available at <http://www.Regalbeloit.com/Suppliers/> under the Existing Suppliers Section.

Regal may require incorporation of additional or different information on product labels and Supplier shall comply with such additional or different requirements. In any event, Supplier's packaging must be sufficient and able to protect products from loss and/or damage from shipments by air, land and/or water. Packaging shall conform to all applicable regulations (i.e. ISPM-15).

Special Shipment Packaging Tagging is required for labeling of direct material that are shipped to Regal for non-PPAP approved parts. These may include PPAP samples, pilot run samples, and engineering samples. All samples need to be shipped via the "[SOP for Supplier Special Shipment](#)" and "[Label Tag Template](#)" which are available at <http://www.Regalbeloit.com/Suppliers/> under the Supplier Development Section.

10. Production Part Approval Process (PPAP) (Direct Material Only)

Unless otherwise agreed by Regal in writing, Supplier shall obtain PPAP approval from Regal prior to release of production products using Regal's Part Submission Warrant (PSW). Depending on the risk, Regal will communicate the submission level to the Supplier by RFQ, PO or email. If no communication has taken place, Supplier will default to a level 3 submission (See table 4.2 AIAG-PPAP manual in combination with Regal PPAP reference "[Change Management Matrix Requirements](#)" available at <http://www.Regalbeloit.com/Suppliers/> under the Supplier Development Section).

Per discretion of the Regal manufacturing plant receiving the Supplier's product, ongoing material lot certifications may be required.

Supplier shall perform annual compliance certification on all Regal parts, Supplier Annual Certification shall demonstrate product and process conformance to the previously approved PPAP. This Annual Certification data should be kept on file at Supplier's location and be available upon request. IMPORTANT: Any change (product or process) as defined in Section 12 requires that the Supplier shall obtain Deviation (per Section 13b of this manual) and/or PPAP approval before product is shipped to a Regal production facility. Failure to follow this policy will result in material rejection, corrective action and full cost recoveries per Section 13 of this manual.

11. Product Launch (Direct Material Only)

In the case of a Regal product launch, Regal may direct Supplier to provide on-site representation at the Regal manufacturing site. Supplier's support representative shall be knowledgeable of the product and Supplier's process and shall be empowered to make decisions on behalf of Supplier.

Safe Launch Planning (SLP)

Supplier shall create SLP only with review and consultation with Regal. Depending on criticality, SLP can consist of increased QC sampling to a Supplier initiated firewall (Containment Plan). The use of SLP provides protection against product defects and failures from start-up errors and operator lack of familiarity with the product. Supplier shall perform SLP with new production tooling and production processes. Safe Launch starts with the first production order and lasts for a period of 90 days or number of parts (if low on small volume) to be determined by Regal, unless otherwise provided in writing.

12. Product and Process Change Management (Direct Material Only)

Regal is committed to continuous improvement of its product and process characteristic capability in order to remain an industry leader. Regal requires all suppliers to have a documented Change Management Policy in place and procedures that define what constitutes a change and what should be done for an unplanned and planned change and what approvals are required before a change is implemented. This Policy and procedure should be available for review or provide upon request by Regal. Supplier shall work collaboratively with Regal to identify and implement product and process changes aimed at continuously improving the value of its products and its product-related processes. Upon determining that the need for a product and/or process change (reference AIAG-PPAP manual section 3) or advisable for purposes of continuous improvement, prior to implementing such change, Supplier shall contact and consult with the appropriate Regal Sourcing representative. A proposed change implementation timeline shall include a plan and schedule for necessary product safety stock and end-of-life of current material. Based on the risk of the proposed product or process change, Regal through its Sourcing and Supplier Development functions will advise the Supplier what level of PPAP will be required, and additional requirements as needed.

Regal will not accept and Supplier shall not ship to Regal products that do not conform to applicable specifications and quality requirements. On an exceptions basis, Supplier may ship products that do not conform to applicable specifications and quality requirements ONLY upon Supplier's prior written request to Regal and after issuance by Regal of a written temporary deviation approved by an authorized Regal representative (per Section 13b of this manual).

Any change in product and/or process (as defined by AIAG-PPAP manual section 3) that is not communicated to Regal prior to shipment by Supplier of the affected product to a Regal facility will result in material rejection, corrective action and full cost recoveries per Section 13 of this manual.

Changes requiring communication to Regal and approval include, but are not limited to, changes in the product or process that will or could affect fit, form or function (performance) of the product:

1. Production from new or modified tools (except perishable tools), dies, mold patterns, etc. excluding replacement 77. This requirement only applies to tools, which due to their unique form or functions can be expected to influence the integrity of the final

- product. It is not meant to describe standard tools (new or repaired), such as standard measuring devices, drivers (manual or power). Changes to physical dimensions or materials shall constitute a modified tool.
2. Production following upgrade or rearrangement of existing tooling or equipment. Upgrade means the reconstruction and/or modification of a tool or machine or to increase the capacity, performance, or change its existing function. This is not meant to be confused with normal maintenance, repair or replacement of parts, etc., for which no change in performance is to be expected and post repair verification methods have been established. Rearrangement is defined as activity that changes the sequence of product/process flow from that documented in the process flow diagram and/or control plan (including the addition of a new process).
 3. Production from tooling and equipment transferred to a different plant site, or from an additional plant site, or to a different location within the same plant site.
 4. Change of Supplier for parts raw materials and additional processes (such as plating, painting, heat treating, etc.)
 5. Change to inspect & test methods or frequency.
 6. Change in Supplier manufacturing location or sub-tier Supplier that meet the above criteria.

Regal Owned Tooling

It is the Supplier responsibility and Regal's expectation that the Supplier maintains Regal owned tooling/equipment identified, preferably engraved with "Property of Regal Beloit" along with the month and year of mold being received, must have an asset tag and asset lot number, must be in dimensional specifications (at any supplier location, should at all time have its own print with actual listing of all Engineering changes) and operating order to maintain quality and delivery. Supplier shall perform annual dimensional layout on all Regal parts that may be affected by tool wear, this is in line with approval PPAP recertification requirement. This data should be kept on file and be made available upon request. In the event tooling becomes worn or damaged, Supplier must contact Regal of required replacement and potential risk (damaged caused by the supplier will not be paid by Regal), warranty information should be provided in the initial quote from supplier or upon request. Tooling should not be scrapped without written consent from Regal.

Tooling Declaration Forms ([Die Casting](#), [Laminations](#), [Plastics](#), [Sand Castings](#), [Stamping](#)) can be found at the Regal Supplier Site <http://www.Regalbeloit.com/Suppliers/> under the Supplier Development Section.

13. Nonconforming Material, Containment, and Supplier Corrective Actions

Should a Regal facility receive a defective product from a Supplier, Regal will advise the Supplier of the defective product and will request authorization for disposition of the defective material. If the Supplier does not respond within ten (10) days, disposition and the appropriate charge backs will be assessed.



Regal may give notice to Supplier with a request to provide corrective action and Containment. Containment must take place, unless otherwise stated in writing, within twenty-four (24) hours. For purposes of this section, “Containment” means the implementation of measures to prevent the shipment by Supplier of products containing the identified defect and measures to prevent the manufacture of additional products containing the defect. It is critical that all suspect material throughout the entire Supplier supply chain is purged and replacement of defective parts with conforming parts. This includes but not limited to parts in transit, in VMI warehouses, etc.

Supplier shall have a corrective action process in place in accordance with its Quality Management System. The corrective action process shall include the use of disciplined problem solving and containment methods. Where Regal determines that corrective action is required, Regal will require Supplier to log into Regal’s database and complete a Supplier Corrective Action Request (SCAR). Within ten (10) working days after release by Regal of the SCAR, Supplier shall provide a responsive corrective plan to Regal. Closure of the corrective action shall take place no longer than thirty (30) days after issuance of the SCAR unless agreed to in writing from Regal due the complexity of the issue.

Depending upon the nature of the defect, number of occurrences of the defect, and level of risk to Regal and its customer, Regal may request from Supplier certification that products it has provided or processed meet applicable requirements and Supplier shall provide such certification. Such certification may be requested and shall be provided with respect to products in Supplier’s facility, Regal’s inventory, and/or products released into the supply chain, including Regal’s customers’ facilities. Additionally, where Regal, in its sole discretion, determines that it is necessary to prevent the release of defective products to its facility(s) or customer(s), Supplier shall use third-party containment to inspect product for a specified length of time at the Supplier’s cost. Regal shall direct the use of third party containment in writing by the Director Global Supplier Development. “In writing” may include email. Criteria for termination of third party containment shall be subject to agreement of Regal and Supplier.

Product certified by Supplier at Supplier’s location shall bear a certified product label clearly reflecting the product’s certification. Each container of certified products being shipped to Regal shall bear a sign on two adjacent sides of the container clearly reflecting the products’ certification.

Supplier shall take prompt corrective actions to address its failures to meet delivery and/or quality performance requirements. If Supplier repeatedly fails to meet delivery and/or quality performance requirements, Regal may require preparation and implementation of improvement plans.

a. Cost Recovery

Supplier shall be responsible for costs, losses, expenses and other damages arising from Supplier’s failure to meet the requirements of this Manual. Regal will issue a debit memorandum when Regal and our Customers are negatively impacted. The following are examples of costs, losses, expenses or other damages that could be incurred:

- 1) An administrative flat fee of \$150.00 for the preparation and administration of an 8D;

- 2) material including Value-add Material cost and Spot Buy (any cost difference to obtain replacement parts);
- 3) labor cost associated with the sorting or reworking of nonconforming product;
- 4) in the case of use by Regal in its production operations of nonconforming Supplier products, the production time used to assemble customer products with nonconforming Supplier products, lost productivity, cost of replacement Supplier products, cost of scrap material and component costs, cost of moving products in location and off the production line and to a sort and/or hold area;
- 5) freight cost associated with the rejected material, excess freight costs, including premium freight costs required to transport replacement Supplier products from Supplier's facility to Regal's facility and including any premium freight costs passed to Regal by Regal's customer;
- 6) costs resulting from Regal's customer warranty claims related to a supplied component;
- 7) cost of engineering changes instituted to remedy a Supplier product nonconformance; and,
- 8) cost of obsolete material (finished product) in Regal's inventory.
- 9) Other costs: Include any supporting information for calculation entered.

Administrative and labor cost will be based on reasonable cost for the plant or region where the failure occurred. Should the need arise to return any purchased material, Regal requires that the Supplier furnish the required authorization (RMA) for such return within three (3) days of the request.

b. Deviations

Regal will not accept and Supplier shall not ship to Regal plants any products that do not conform to applicable specifications and quality requirements. On an exceptions basis, Supplier may ship products that do not conform to applicable specifications and quality requirements ONLY upon Supplier's written request to Regal and after issuance by Regal of a written temporary deviation approved by an authorized Regal representative. "[Regal Supplier Deviation/Change Request](#)" Form can be found at the Regal Supplier Site <http://www.Regalbeloit.com/Suppliers/> under the Existing Suppliers Section.

c. Escape of non-conforming product.

Supplier shall have a documented procedure in place to notify Regal immediately upon becoming aware of non-conforming product that has left their facility and is either in route or has been delivered to Regal Beloit. This procedure should align with their Quality Management System.

14. Supplier Evaluation, Assessment & Audits (Direct Material Only)

Regal reserves the right, with reasonable prior notice, to visit Supplier's premises to audit its processes, evaluate parts, tooling or documentation impacting or used to manufacture Regal products.

Regal may request potential and/or new Suppliers to complete a "[Supplier Evaluation - White Paper](#)" form to better understand the suppliers General Business, Quality, Commercial and



Financial status. As needed, Regal may request Supplier to perform a self-“[Supplier Assessment Survey](#)” of the Supplier’s overall Business Systems and/or Quality Systems and to provide a summary of the results. Regal may conduct an on-site -“[Supplier Assessment Survey](#)” to assess the Supplier’s readiness for doing business with Regal and the effectiveness of Supplier’s Business and Quality Management System. Regal may also conduct an on-site detailed quality audit if continued quality concerns or issues are deemed to be systemic in nature. Regal may establish and assign action items based on either a Regal on-site assessment and/or quality audit of the Supplier or Supplier’s self-assessment. Supplier shall complete assigned action items as agreed upon by Regal and Supplier. Forms can be found at the Regal Supplier Site <http://www.Regalbeloit.com/Suppliers/> under the Prospective Suppliers Section.

15. Contingency Plans

Supplier shall have and maintain a contingency plan for potential catastrophes that may disrupt the flow of products to Regal plants. This plan shall include, but not be limited to, provisions for prompt and effective notice to Regal of such catastrophes and their impact, provisions for restoration of disrupted manufacturing capabilities and resumption of the manufacture and shipment of products, and the making available to Regal of Regal’s tools and/or their replacements.

16. Supplier Performance Rating System (Direct Material Only)

Regal will monitor and may apply a rating system of its choosing to evaluate Supplier’s performance. Criteria may include, at Regal’s discretion, such items as product quality, on-time delivery, cost, integrity, quantity of incidents and rate of incidents, responsiveness, customer support, payment terms, lead-time and warranty. If Supplier does not receive Supplier performance scorecard from Regal, the Supplier may request a scorecard at any time via your primary Regal contact.

Supplier also shall implement procedures and processes to track and, where necessary, to improve product quality (not limited to product defects in parts per million (“PPM”), number and type of incidents, and frequency of incidents) and on-time delivery (“OTD”) to Regal. Regal expects annual improvements of business operations, product quality and OTD performance of minimum twenty-five percent (25%) year-over-year, unless otherwise specified by Supplier Development Department or in the Contract. Regal tracks Supplier performance by category (commodity group of similar Suppliers) and awards business based on performance within the applicable category. Unacceptable (below par) performance within a Supplier’s respective category may result in loss of business.

If a supplier is officially identified as an Under Performing supplier, the supplier will NOT be AWARDED any New Business until the Under Performing supplier has made the required improvements unless circumstances require Regal to do so. In these cases, the supplier may be required to take extra control and containment actions as defined by Regal Sourcing and/or Supplier Development in order to be awarded any new business. An Under Performing (“UP”)



Supplier will be notified of this status by Regal Sourcing and/or Supplier Development. An Under Performing supplier is determined by multiple criteria's within Regal Beloit Corporation.

Items that can qualify a supplier for Under Performing could include:

- YTD Incident count ≥ 4
 - Number of Incidents that have happened in the last year
- Incident Frequency ≥ 3
 - This is the number of months where at least one incident has occurred in the last 6 months
- Customer Claim incidents ≥ 2
 - This is the number of issues that escaped to Regal Beloit Customer
- Line Rate Impact incidents ≥ 2
 - This is the number of issues that caused a reduced production rate at Regal plant and impacted customer delivery / order requirements.
- PPM ≥ 1000
 - Number of defects in a parts per million calculation
- Cost of poor quality (from 8D's) \geq current threshold
 - Reported cost in 8D's for incidents that occurred.
- An overall Impact Incident Ratio (IIR) of less than 50%
 - This is a metric that is calculated from the above mentioned criteria

A supplier can be put on the UP list by having one or multiple of the aforementioned criteria. The Under Performing supplier is expected to achieve a minimum 50% year over year improvement until the Under Performing supplier reaches the specified criteria for the area that caused the supplier to be put on UP list. A supplier can appeal their Under Performing supplier status through your primary Regal Sourcing and/or Supplier Development contact. The Supplier can also be classified as a Watchlist ("WL") supplier by being close to the threshold of the aforementioned criteria for a UP Supplier or at the discretion of Regal Beloit Supplier Quality & Development team. When identified as a WL Supplier there is potential to not be awarded new business. WL suppliers are at greater risk to potential upgrade to UP supplier status. No formal communication if put on WL criteria but it will be noted on the supplier scorecard.

17. Termination

The failure of Supplier to meet and maintain each of the requirements or obligations set forth herein will constitute a material breach of any Contract and/or Agreement between Supplier and Regal, and Regal shall have the right to terminate any such Contract and/or Agreement immediately and without prior notice to Supplier. This is an addendum to or part of any Contract and/or Agreement between Supplier and Regal.

18. Acknowledgment of SREM and Policies Requirements Letter

Regal is committed to continually building a relationship and partnership with our Suppliers.

To that end, we want to keep in close communication with our Suppliers as it relates to specific requirements and expectations. Our Supplier Compliance Communications Campaign ("SCCC")



contains expectations and requirements that the Supplier needs to be aware of, acknowledge that they have read them, comply with them, supply documentation, and in some cases, acknowledge their intent to comply with them.

Regal has determined that each Supplier must comply with most of the sections, according to the Supplier Type (Direct, Non-Product, and/or Service) every 2 years.

Each one of these sections has its own support documentation and it is required that the Supplier acknowledge each section.

Requests for SCCC shall originate from Regal's third-party tool: SurveyMonkey. Any suppliers that have not received a request from SurveyMonkey or have bounced out form that system, take the following steps:

1. Open the "[Acknowledgment SREM and Policies Requirements Letter](#)" at www.Regalbeloit.com/Suppliers/ under the Supplier Development Section. If you are not the correct person (Regal's Primary Supplier Contact/Representative) to manage the required data collection of information and sign off on behalf of your company, please forward the letter to the correct person.
2. Complete each one of the sections. Notice each section has an "exceptions" subsection.
3. Submit the "[Acknowledgment SREM and Policies Requirements Letter](#)" to the email Suppliercommunication@RegalBeloit.com accompanied with any additional information you want to share to support your responses.

It is expected of each Supplier to complete this acknowledgement letter within 30 days of request. Failure to comply/respond will impact supplier rating and will be escalated to Regal VP of Supply Chain and could lead to desourcing activity.

19. References

AIAG - Production Part Approval Process (PPAP)

AIAG - Advanced Product Quality Planning and Control Plan (APQP)

AIAG - Statistical Process Control (SPC)

AIAG - Measurement System Analysis (MSA)

RBC - 8D Corrective Action Report

RBC - Scorecard Metric

AIAG documents referenced may be obtained through www.aiag.org .

Regal documents referenced can be obtained through <http://www.Regalbeloit.com/Suppliers/>



Revision History:
May 2008: Initial publication
January 2009: Added RBC Quality Policy, eliminated R@R requirement and replaced with capacity certification, clarified PPAP submission levels, eliminated annual lay-out requirement.
January 2012: Added ISO 9001 registration requirement, clarified APQP and SDP processes. Eliminated link to RBC Quality policy and added alignment to current RBC Quality initiatives. Updated PPAP submission levels. Added REACH compliance. Updated rating criteria. Added trade compliance section 6.
January 2013: Added Ethics, Process changes definition, Conflict Materials & Annual PPAP Compliance
June 2013: Environmental Health and Safety update.
July 2013: Acknowledgment Letter added.
October 2013: Trade and Compliance Requirements & Ethics
January 2014: Revised and translated in to Spanish and Chinese
May 2015: Sections 5, 8, 9 & 17 updated,
January 2018: Upgrade from SQA to SREM, complete revision done.
March 2020: Updated emails and forms links, websites, correction of typographical errors throughout the manual updated.
March 2020: Section 3: Updated from TS 16949 to IATF 16949.
March 2020: Section 4: Added "Every Purchase Order is expected to be acknowledged via email or EDI within two business days after being communicated by Regal" and email updated.
March 2020: Section 6b: Updated complete section with description, steps to follow and contact emails.
March 2020: Section 10: Added "Failure to follow this policy will result in material rejection, corrective action and full cost recoveries per Section 13 of this manual".
March 2020: Section 12: Replaced paragraph 3 with the sub section "Regal Owned Tooling".at the end of the section.
March 2020: Section 16: Added what a category is: commodity group of similar Suppliers in the second paragraph..
March 2020: Section 16: Updated detailed description on how an Under Performer supplier is determined, defined contact to appeal their Under Performing supplier status, introduced the Watch List classification, in the last part of the section.
March 2020: Section 18: Updated from ACCC to SCCC; comply every 2 years; requests shall originate from Regal's third party: SurveyMonkey; direct link to the letter
August 2020: Section 6a: Country of Origin Documentation section, removed the specific about NAFTA. Added to visit our page.
August 2020: Section 13: Removed the specific for PRISM.
August 2020: Section 13c: Escape of non-conforming product section, added.