

Relationship Between Tier II Sourcing Program and the APP Process

TEMA has made a proactive effort to incorporate supplier diversity objectives into our annual planning process. It is our expectation that our suppliers will, in turn, follow this example.

TEMA uses the Annual Purchasing Policy (APP) process to communicate our expectations to suppliers each year. Each year, TEMA Purchasing develops both supplier (priority and general) and individual expectations for our suppliers to achieve in the coming year. The purpose of supplier expectations is to highlight key priority activities and emphasize broader, more philosophical issues universal to all suppliers. Individual expectations, on the other hand, are developed uniquely for each supplier and include specific targets in the key areas of quality, delivery, value improvement and minority sourcing. These individual targets are designed to clearly communicate specific expectations and to measure and evaluate supplier performance.

In the past, one of TEMA's general expectations has been for our suppliers to emphasize their commitment to minority supplier development. By establishing a formal Tier II Sourcing Program and an individual minority sourcing expectation, TEMA is raising this general expectation to a higher, more focused level. We are reconfirming our commitment to supplier diversity by developing specific procurement targets for our suppliers. To meet this target, it is critical that each supplier incorporates procurement practices, which support the inclusion of minority businesses into their corporate strategies and operating plans.

TEMA will expect all suppliers to track and report their minority expenditures on a semi-annual basis through the Tier II Sourcing Program. TEMA expects all suppliers to:

1. Complete the Tier II report provided on-line
2. Calculate achievement to target
3. Ensure top management is aware of performance

As supplier performance progresses, TEMA will continue to refine its evaluation of supplier performance by re-evaluating targets based on the current condition of our supply base and that of the overall automotive industry.

Supplier performance will be monitored closely. Strong performers will be the companies that demonstrate the depth of their own commitment by developing innovative, effective and successful minority sourcing programs within their organizations. Programs such as these, which treat TEMA's 5% MBE purchase target as a floor not a ceiling, will add significant value to our business and will be considered a competitive advantage at TEMA.

Tier II Sourcing Program

A. Reporting Requirements

1. Documents

A key element in the Tier II Sourcing Program is a complete and accurate reporting of your company's minority expenditures. The report form contains the documents, which must be submitted to meet TEMA's Tier II Sourcing Program reporting requirements.

It is critical that all minority supplier expenditure information be reported using current TEMA report forms. To ensure information consistency, other reporting formats will not be accepted. Please contact TEMA's Supplier Diversity Section if you have questions regarding current format.

2. *Timing*

Reporting is conducted on a semi-annual basis. However, the 2008 reporting period has an exception. The Reporting periods & due dates are;

<u>Reporting Period</u>	<u>Report Due Date</u>
Oct 08 to March 09	April 15 th , 2009
Jan 08 to Sept 08	October 15 th , 2008

3. *Certification*

All MBE's included in your report must be **certified by one of National Minority Supplier Development Council's (NMSDC) regional affiliated councils** and meet NMSDC's definition of a minority-owned business.

NMSDC's definition of a minority-owned business is as follows:

- ❖ A minority-owned business is a company that is at least fifty-one percent owned, managed and controlled by one or more minority persons.

For the purposes of this definition, a minority person is:

- African American
- Hispanic American
- Native American
- Asian American

If you require any additional information regarding the NMSDC's certification process or other services they provide, please contact NMSDC directly at:

National Minority Supplier Development Council
1040 Avenue of the Americas, Second Floor
New York, NY 10018
Phone (212)-944-2430 Fax (212)-719-9611
www.nmsdcus.org

B. General Instructions

To insure accuracy and increase responsiveness to our Tier II reporting expectation, TEMA has developed a specialized on-line Tier II reporting form, targeted for each supplier. **Every reporting period you will receive an email request containing a link that is unique to your MBE Minority /Diversity contacts you have assigned through ToyotaSupplier.com.** Use the link in the email to access and complete the report. All suppliers are required to register MBE Minority / Diversity Contact Information, and they are eligible to access and update to the supplier contact information through ToyotaSupplier.com.