QUALITAS 2016
ANNUAL STRATEGY MEETING & SUPPLIER AWARDS CEREMONY
WELCOME
Scott Thiele
Chief Purchasing Officer, FCA – Global
Head of Purchasing & Supplier Quality, FCA – North America
QUALITY MAKERS:
Aligning for Excellence
<table>
<thead>
<tr>
<th>Agenda</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate and Global Update</td>
<td>Scott Thiele</td>
</tr>
<tr>
<td>Supplier of the Year Awards</td>
<td></td>
</tr>
<tr>
<td>3rd Party Perspective from JD Power</td>
<td>Jacob George</td>
</tr>
<tr>
<td>Corporate Quality Update</td>
<td>Scott Garberding</td>
</tr>
<tr>
<td>Intermission</td>
<td></td>
</tr>
<tr>
<td>North America Update</td>
<td>Scott Thiele</td>
</tr>
<tr>
<td>Industrialization Plan</td>
<td>Steve Beahm</td>
</tr>
<tr>
<td>Supplier of the Year Awards</td>
<td></td>
</tr>
<tr>
<td>Product Design</td>
<td>Ralph Gilles</td>
</tr>
<tr>
<td>Supplier of the Year Award</td>
<td></td>
</tr>
</tbody>
</table>
My Background

- Whirlpool
- FCA

- Buyer
  - Global Commodity Analyst
  - Manager - Supply Base Management
  - Director - Commodity Management

- Director - Global Technology
  - General Manager - Global Raw Materials
  - Director - Purchasing (2 Positions)
  - Director - Product Cost & Standardization

- Director - Finance (2 Positions)
  - Vice President - Global Product Finance
  - Vice President - Global P&SQ
WE VALUE YOUR PARTNERSHIP

“Being a supplier to this Group is not a walk in the park, and never will be, because our commitment to the customer is not negotiable.”

SERGIO MARCHIONNE
Chief Executive Officer - FCA
### 2015 Key Figures

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial Brands</strong></td>
<td>15</td>
</tr>
<tr>
<td><strong>Markets</strong></td>
<td>150</td>
</tr>
<tr>
<td><strong>Veichles Shipped</strong></td>
<td>4.6M</td>
</tr>
<tr>
<td><strong>Net Revenue</strong></td>
<td>€110.6B</td>
</tr>
<tr>
<td><strong>Adjusted EBIT</strong></td>
<td>€5.3B</td>
</tr>
<tr>
<td><strong>Plants</strong></td>
<td>164</td>
</tr>
<tr>
<td><strong>Countries of Operation</strong></td>
<td>40</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>238,162</td>
</tr>
<tr>
<td><strong>R&amp;D Centers</strong></td>
<td>84</td>
</tr>
<tr>
<td><strong>Investment in R&amp;D</strong></td>
<td>€4.1B*</td>
</tr>
</tbody>
</table>

*Includes Ferrari, Capitalized R&D and R&D Charged Directly to the Income Statement.*
**Key Actions for Success:**

**Meeting Business Plan Targets**

<table>
<thead>
<tr>
<th>LATAM</th>
<th>APAC</th>
<th>NAFTA</th>
<th>EMEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Localize and invest in production facilities: Pernambuco and Cordoba</td>
<td>• Develop the GAC FCA joint venture to support local Jeep production in China</td>
<td>• Shift from cars to trucks and UVs in the market</td>
<td>• Continue product mix from Jeep and Fiat 500 family</td>
</tr>
<tr>
<td>• Increase exports out of Brazil</td>
<td>• Re-cadence product launch plans for Alfa Romeo</td>
<td>• Utilize existing infrastructure to accommodate long range plan</td>
<td>• Invest in premium brands: Alfa Romeo &amp; Maserati</td>
</tr>
</tbody>
</table>

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**Jeep Volume Targets Increased to ~2M Units Worldwide**
Key Actions for Success:
Unique Brands and Products

- Jeep Renegade
- Alfa Romeo Giulia
- Fiat 500
- Ram 1500 Rebel
- Maserati Quattroporte GTS
- Fiat Toro
- Lancia Ypsilon
- Chrysler Pacifica
Key Actions for Success:
New Product Launches

- **Chrysler Pacifica**
  - Production in Windsor, Canada

- **Chrysler Pacifica PHEV**
  - Production in Betim, Brazil

- **Fiat Mobi**
  - Production in Cassino, Italy

- **Alfa Romeo Giulia**
  - Production in Torino, Italy

- **Maserati Levante**
  - Production in Guangzhou, China

- **Jeep Renegade**
Key Actions for Success:
Regulatory Compliance

- Regulatory compliance planned through new product technologies and architecture efficiency actions
- Prioritizing vehicle efficiency improvements and powertrain technologies across all regions
- Leveraging global systems to incur the least amount of cost needed to comply

GLOBALLY OPTIMIZED CO2 COMPLIANCE PLAN

Battery / Electric Technologies:
- Hybrid Electric Vehicles (HEV/2008)
- Plug-in Hybrid Electric Vehicles (PHEV/2016)
- Battery Electric Vehicles (BEV/2013)
FCA IS WORKING TOWARDS BECOMING ONE UNIFIED TEAM
GLOBAL UPDATE
Quality Makers: Aligning for Excellence

What does *Aligning for Excellence* mean for Group Purchasing?

What are we doing to work better together globally?

What are we doing to better align with you?
Global Purchasing Organizational Changes

OLD STRUCTURE

METALLIC
CHEMICAL
ELECTRICAL
POWERTRAIN

GLOBALLY ALIGNED TO ENGINEERING & SQ

BODY
INTERIOR
CHASSIS
ELECTRICAL
ENGINE SYSTEM
POWERTRAIN

MERGED TO 4 DEPARTMENTS

BODY & RAW MATERIALS
INTERIOR & ELECTRICAL
CHASSIS & ENGINE SYSTEMS
POWERTRAIN
# Global Group Purchasing Leadership

## NORTH AMERICA

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scott Thiele</td>
<td>Chief Purchasing Officer</td>
</tr>
<tr>
<td></td>
<td>Head of North America Purchasing &amp; Supplier Quality</td>
</tr>
</tbody>
</table>

- **INTERIOR**: Marlo Vitous
- **CHASSIS & ENG SYS**: Doug Doran
- **POWERTRAIN ELECTRIFICATION**: Paolo Sasso
- **POWERTRAIN**: Fred Solomon
- **SERVICES**: Jay Wilton
- **SUPPLIER RELATIONS & RISK**: Sig Huber
- **SUPPLIER QUALITY**: Tony Brenders
- **HUMAN RESOURCES**: Daniela Antovski
- **FINANCE**: John Patel

## EMEA

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monica Genovese</td>
<td>Head of EMEA Group Purchasing</td>
</tr>
</tbody>
</table>

- **BODY & RAW MATERIALS**: Marco Dalla Vedova
- **ELECTRICAL**: Marcello Bariani
- **CAPEX**: Sara Lovera
- **MOPAR**: Marco Manavello
- **STANDARDIZATION**: Leonardo de Toma

## LATAM

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antonio Filosa</td>
<td>Head of LATAM Group Purchasing</td>
</tr>
</tbody>
</table>

## APAC

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Larry Walker</td>
<td>Head of APAC Group Purchasing</td>
</tr>
</tbody>
</table>
DESTINATION STATEMENTS:

1. Perfect **quality** products and services that enable FCA to exceed all corporate objectives.

2. Aligned **commodity strategies** across FCA and the supply base.

3. Fastest and most effective OEM **sourcing process**.

4. All **supplier relationships** consistent with Foundational Principles.

5. Maximized value by basing decisions on a fundamental understanding of **total life cycle cost**.

GROUP PURCHASING VISION

The efficient selection, management and development of the world’s highest quality, best performing automotive supply base.
## Destination 2020 Pillars and Objectives

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sourcing &amp; Program Management</strong></td>
<td>Pulling ahead sourcing activities to enable earlier vehicle development</td>
</tr>
<tr>
<td><strong>Commodity Strategy</strong></td>
<td>Creating common global strategies to source the best quality suppliers</td>
</tr>
<tr>
<td><strong>Supplier Relationship</strong></td>
<td>Developing robust processes and tools that will allow more consistent and efficient business practices</td>
</tr>
<tr>
<td><strong>Total Life Cycle Cost</strong></td>
<td>Reducing costs for FCA and suppliers by analyzing historical metrics</td>
</tr>
<tr>
<td><strong>Quality</strong></td>
<td>Minimizing risks by having more cross-functional engagement in the sourcing process and additional time to complete testing and validation</td>
</tr>
<tr>
<td><strong>External Balanced Scorecard</strong></td>
<td>Measuring supplier performance consistently across all regions</td>
</tr>
</tbody>
</table>
### Commodity Strategies Pillar

#### Developments

<table>
<thead>
<tr>
<th>Complete</th>
<th>In-Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Implemented commodity methodology changes</td>
<td>- Establishing one common global material group</td>
</tr>
<tr>
<td>- Trained production buyers globally and provided continuous mentorship</td>
<td>- Launching a new commodity strategy system</td>
</tr>
<tr>
<td>- Aligned material groups globally and reduced the number of codes by 73%</td>
<td>- Providing enhancements to the training and extending it to engineering</td>
</tr>
</tbody>
</table>
## Sourcing & Program Management Pillar

### Developments

<table>
<thead>
<tr>
<th>Complete</th>
<th>In-Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Implemented pre-sourcing processes that can reduce source selection time by up to 11 weeks</td>
<td></td>
</tr>
<tr>
<td>- Prioritized quality and warranty within sourcing decisions globally</td>
<td></td>
</tr>
<tr>
<td>- Creating Cost Model Element Agreements</td>
<td></td>
</tr>
<tr>
<td>- Developing a common global source package process and automated system</td>
<td></td>
</tr>
</tbody>
</table>

**Allows earlier supplier involvement in the product development process, provides consistency globally, and increases transparency.**
## External Balanced Scorecard Pillar

### Developments

<table>
<thead>
<tr>
<th>Complete</th>
<th>In-Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Global agreement on consistent operational measurement categories and weights</td>
<td></td>
</tr>
<tr>
<td>• Approved funding for implementation</td>
<td></td>
</tr>
<tr>
<td>• Development, testing and validation of the new global scorecard</td>
<td></td>
</tr>
<tr>
<td>• Launch strategy and communication plans</td>
<td></td>
</tr>
<tr>
<td>Anticipated Launch Q1 2017</td>
<td></td>
</tr>
</tbody>
</table>

More consistent performance measurement of global suppliers
Supplier Relationship Pillar

### Developments

<table>
<thead>
<tr>
<th>Complete</th>
<th>In-Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Launched a Supplier Help Desk in North America and EMEA</td>
<td></td>
</tr>
<tr>
<td>- Standardized the Supplier Advisory Council practices</td>
<td></td>
</tr>
<tr>
<td>- Rolled out the Foundational Principles globally</td>
<td></td>
</tr>
<tr>
<td>- Developing strategies for production schedule stability in all regions</td>
<td></td>
</tr>
<tr>
<td>- Supporting packaging best practice efforts</td>
<td></td>
</tr>
<tr>
<td>- Training employees and suppliers on the Foundational Principles</td>
<td></td>
</tr>
</tbody>
</table>

Advocates open two-way communication and drives efficiency
Supplier Relationships

We still have work to do...
Our Commitment

To Act in Accordance with the Foundational Principles

- Integrity
- Mutual Transparency
- Proactive Collaboration
- Personal Accountability
- Empathy & Advocacy
- Sense of Urgency
- Continuous Improvement
- Long-Term Mindset
Quality Makers: Aligning for Excellence

Following one path together for long-term success
OVERVIEW OF SUPPLIER AWARDS
2016 Award Categories

1. Body Quality
2. Capital Equipment Quality
3. Chassis Quality
4. Electrical Quality
5. Engine Systems Quality
6. Interior Quality
7. Mopar Quality
8. Powertrain Quality
9. Raw Materials Quality
10. Services Quality
11. Diversity Supplier Development – Production
12. Diversity Supplier Development – Non-production
13. Foundational Principles – Logistics
14. Foundational Principles – Production
15. Foundational Principles – Non-production
16. Innovation – Production
17. Innovation – Logistics
18. Logistics
19. Supply Chain Management
20. Sustainability
21. Technical Cost Reduction
22. Tooling Analysis Group
23. Supplier of the Year
Award Selection Criteria

BASED ON 2015CY PERFORMANCE

- **Quality Awards**: Top Quality/Warranty performance in each major commodity area – plus good External Balanced Scorecard (EBSC) in all other categories

- **Other Awards**: Criteria specific to each award – plus good EBSC in all other categories

- **Self-Nomination Categories**: Sustainability, Innovation & Diversity Supplier Development

- **Supplier of the Year**: Top Quality/Warranty and strong commitment to Foundational Principles – plus excellent overall EBSC

![Pie chart showing 20% for Quality, Warranty, Partnership, Delivery, and Cost]
## Congratulations 2016 Supplier of the Year Award Recipients!

<table>
<thead>
<tr>
<th>Category</th>
<th>Supplier</th>
<th>Innovation – Logistics</th>
<th>Diversity – Non-Production</th>
<th>Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier of the Year</td>
<td>Brose</td>
<td>Ann Arbor Railroad</td>
<td>Walbridge</td>
<td>Metalsa, S.A. de C.V.</td>
</tr>
<tr>
<td>Interior Quality</td>
<td>Summit Polymers Inc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical Quality</td>
<td>SiriusXM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Body Quality</td>
<td>Brose</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw Material Quality</td>
<td>PPG Industries, Inc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chassis Quality</td>
<td>Piston Automotive</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engine Systems Quality</td>
<td>Mann + Hummel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Powertrain Quality</td>
<td>Guangdong Hongtu Technology Co. Ltd.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mopar Quality</td>
<td>Trico Products Corporation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services Quality</td>
<td>Xerox Corporation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Equipment</td>
<td>FANUC America Corporation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Logistics</td>
<td>AMPORTS</td>
<td></td>
<td></td>
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<tr>
<td>Tooling</td>
<td>QCR Tech</td>
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<tr>
<td>Logistics</td>
<td>AMPORTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Flex-N-Gate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical Cost Reduction</td>
<td>Iroquois Industries Inc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation – Production</td>
<td>Prime Wheel Corporation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation – Logistics</td>
<td>Ann Arbor Railroad</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversity – Non-Production</td>
<td>Walbridge</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversity – Production</td>
<td>Henkel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foundational Principles</td>
<td>Non-Production</td>
<td>Snap-on Business Solutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foundational Principles</td>
<td>Production</td>
<td>Bridgestone</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foundational Principles</td>
<td>Logistics</td>
<td>Cassens Transport Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technological Cost Reduction</td>
<td>Iroquois Industries Inc.</td>
<td></td>
<td></td>
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</tbody>
</table>
Quality Vision

Our goal is to design and build safe, high-quality vehicles that owners will be proud to recommend to their friends and family.
FCA has Improved in Many Aspects Year Over Year

Earnings

Sales

Warranty
We must develop new ways to improve Quality and create products customers want to purchase

Align internally and partner with suppliers to:

- Solve existing customer problems faster
- Ensure that our vehicles meet customer needs & expectations
Consumer Quality: The Roles and Responsibilities of Suppliers

Jacob George

J.D. Power
The Importance of Quality
The #1 reason why consumers choose their vehicle is “Expected Reliability”

- In addition, after purchase:
  - People who have no problems are far more likely (81%) to **recommend** their vehicle to others, than those who have more than one problem (58%)
  - People who have no problems are far more likely (53%) to **repurchase** their make, than those who have more than one problem (29%)

- For FCA:
  - Many people do not consider FCA due to concerns about reliability (19%, as compared to industry: 14%)
  - Even after visiting an FCA store, a large number of consumers (10%) reject FCA due to these concerns

Source: 2016, JDPower IQS; JDPower VDS
Quality Performance

Congratulations! FCA is one of the most improved in the industry

- Chrysler and Jeep are the most improved brands in the industry (28pph)

- However, there is still significant opportunity for improvement to reach industry average

- Longer term, FCA’s goal is to be in top quartile

Source: 2016, JDPower IQS; JDPower VDS
Quality Performance
About 40% of the problems experienced at 3 months continue to 3 years

Top 10 IQS problems at FCA:
3 months of ownership

<table>
<thead>
<tr>
<th>Issue</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>VR Doesn't Recognize Commands</td>
<td>7.3</td>
</tr>
<tr>
<td>Bluetooth/Mobile Issues</td>
<td>5.5</td>
</tr>
<tr>
<td>Automatic Transmission – Hesitates</td>
<td>3.7</td>
</tr>
<tr>
<td>Brakes are Noisy</td>
<td>2.5</td>
</tr>
<tr>
<td>Materials Scuff/Soil Easily</td>
<td>2.3</td>
</tr>
<tr>
<td>Media Ports in Poor Location</td>
<td>2.1</td>
</tr>
<tr>
<td>Automatic Transmission - Shifts Roughly</td>
<td>2.1</td>
</tr>
<tr>
<td>Cup Holders – Difficult to Use</td>
<td>1.8</td>
</tr>
<tr>
<td>Radio Has Poor/No Reception</td>
<td>1.7</td>
</tr>
<tr>
<td>Seat Materials Scuffs/Soil Easily</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Top 10 VDS problems at FCA:
3 years of ownership

<table>
<thead>
<tr>
<th>Issue</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>VR Doesn't Recognize Commands</td>
<td>8.6</td>
</tr>
<tr>
<td>Bluetooth/Mobile Issues</td>
<td>7.6</td>
</tr>
<tr>
<td>Automatic Transmission – Hesitates</td>
<td>5.1</td>
</tr>
<tr>
<td>Automatic Transmission - Shifts Roughly</td>
<td>5.0</td>
</tr>
<tr>
<td>&quot;Check Engine&quot; Light Problem</td>
<td>4.9</td>
</tr>
<tr>
<td>Excessive Wind Noise</td>
<td>4.8</td>
</tr>
<tr>
<td>Exterior Light - Bulb Failed</td>
<td>4.5</td>
</tr>
<tr>
<td>Brakes are Noisy</td>
<td>4.1</td>
</tr>
<tr>
<td>Water Leaks into Vehicle</td>
<td>3.9</td>
</tr>
<tr>
<td>Exterior Molding/Trim – Falls off</td>
<td>3.4</td>
</tr>
</tbody>
</table>

"The transmission smoothness could be improved substantially."

"RUSTED cross bar to which seatbelts attach and rusted frames on front seats."

"Brakes make a loud squeaking noise. It started at 3000 miles. Very annoying. Would like this to be fixed."

Many of these issues require supplier participation to resolve

Source: 2016, JDPower IQS; 2016; JDPower VDS
The Evolution of Quality
The Changing Definition of Quality

Traditional Quality (things broken) is being enveloped by Holistic Quality (vehicles not aligned to consumer expectations)

Extended Quality

Traditional Quality

Warranty Cases

Malfunctions
(not brought to warranty)

“Soft” Inadequacies
(e.g. “There’s too much wind noise in the car”)

Vehicle not aligned to Customer Expectations
(e.g. “I can’t access my phone contacts easily”)

Source: 2016, JDPower IQS; 2016; JDPower VDS
The Requirements of Quality
Holistic Approach Needed

- Supplier’s have direct impact on consumer satisfaction, despite indirect relationship
- In addition this relationship has become stronger over the last 15 years with suppliers taking more responsibility for systems
  - 2015 has seen more recalls linked to supplier quality than ever before
- Manufacturers need to meet VoC (Voice of Consumer)
  - Suppliers need to meet VoCC (Voice of the Consumer and Client)

Source: 2016, JDPower IQS; 2016; JDPower VDS
The Requirements of Quality
Suppliers must investigate VoCC to differentiate themselves

Listen

Learn from VoC feedback

Gather Survey Data

Gain insights into your performance and BIC: Best Executions

Analyze Survey Data

Ask

Focus Groups

VoC insights into activities and vehicle interactions

In-depth Interviews

Understand concerns and vehicle issues

Look

Dealership-Customer Interaction

Observe consumer stated needs

Customer-Vehicle Interaction

Understand consumer behavior and latent customer needs

Source: 2016, JDPower IQS; 2016; JDPower VDS
The Requirements of Quality
Suppliers must support the comprehensive quality improvement approach

- Focus across Product Development, Manufacturing and Retail
- FCA has started a comprehensive approach, which will pay off in time if consistent efforts are maintained
QUALITY UPDATE
Scott Garberding
Head of Quality
FCA – Global & North America
"If I had an hour to solve a problem I'd spend 55 minutes thinking about the problem and 5 minutes thinking about solutions."

– Albert Einstein
Our goal is to design and build safe, high-quality vehicles that owners will be proud to recommend to their friends and family.
Worldwide Quality

Multiple product development locations, manufacturing locations and selling markets.

- Designed
- Engineered
- Manufactured
- Sold

NAFTA
EMEA
LATAM
APAC
Quality Objective

Goal: Top Quartile by 2018

Top Quartile

2nd Quartile

3rd Quartile

4th Quartile

TOP QUARTILE

- Warranty 3MIS
- J.D. Power Initial Quality Study (IQS)
Voice of the Customer

Data Source

Warranty
- Warranty Claims
  - 75000 claims / daily
- Quality Engineering, Supplier Quality, Suppliers, Manufacturing reviews claims and develops action plans

Parts Return Analysis System
- Parts
  - Parts reviewed daily
  - Quality, Engineering, Supplier Quality and Suppliers review parts for issues to diagnose and investigate NTF

Continuous Quality Insight
- Surveys
  - 600 surveys/daily
  - CQI is a licensed 3rd party product which provide customer survey data on FCA vehicle at of a combination of elements at 45 days, 9MIS and 21MIS of ownership
  - Quality, Engineering and Manufacturing reviews survey data daily. Issues are escalated through dedicated forums

Consumer Reports
- Scores from Road Test, Safety and Reliability
  - Frequency varies
  - Data used by Quality and Engineering to identify areas of customer dissatisfaction

J.D. Power
- Initial Quality Study, Vehicle Dependability Study, APEAL
  - Annual
  - Data utilized and analyzed across the company

Service Quality Data Feed
- Uconnect
  - Continuous
  - Allows service to access additional data about the vehicle

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Quality Objective

CUSTOMER SATISFACTION

VOICE OF THE CUSTOMER

Sales and Service

Manufacturing

Suppliers

Product Development
Aligning for Excellence for Our Customers

Product Development
- Upgraded development testing & validation methods
- Realigned Customer Satisfaction Teams from Quality to Engineering
- Implemented over 470 product actions across all programs in direct response to 2015 IQS results

Manufacturing
- Mapped all J.D. Power & Customer Quality Insight questions to work stations
- Improve alignment of Customer Product Audit in the plants
- Incremental manpower to execute Warranty & JD Power initiatives

Customer Experience
- Fixed First Visit (FFV)
- Total Cost of Ownership
- Industry leading dealership tools & Equipment

Customer Satisfaction

Supplier
- Committed to ownership of customer claim reduction with direct access to FCA data like warranty (EWT) and Parts Return Analysis System (PRAS)
  - Focus on No Trouble Found (NTF)

We must all align to achieve Customer Satisfaction
### Aligning for Excellence – Next Steps

#### Proactive
- Facilitate lessons learned sharing to eliminate recurrence
- JD Power supported action plan to address competitive gaps
- Increase product reliability
- Identify and implement upfront design improvements to improve quality

**EXAMPLE**

191 Master PFMEAs with thousands of lessons implemented across all commodities

#### Preventive
- Mastering the understanding and execution of PFMEA’s
- Apply safe launch plans for additional process and product control
- Address high DFMEA criticality items with design changes
- Use warranty data and analytics to understand emerging issues

**EXAMPLE**

Partnering with suppliers to develop a utilization model for Service Quality Data Feed (SQDF) raw data

#### Reactive
- Use Early Warranty Tracking tool daily to continuously monitor the customer voice
- Focus on No Trouble Found issues
- Containment
- Solve issues systemically and work faster to resolution

**EXAMPLE**

Traditional test methods may not have enough detail

**CONFIDENTIAL INFORMATION**

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Aligning for Excellence:

- Top Leadership must **own** Quality -

- Use **preventive** tools to avoid launch problems -

- Respond to problems with **high urgency** and stop the flow of customer problems immediately -

- Use structured and **rigorous methods** to solve problems and ensure that root causes are eliminated -
NORTH AMERICA UPDATE

Scott Thiele

Chief Purchasing Officer, FCA – Global
Head of Purchasing and Supplier Quality, FCA – North America
QUALITY MAKERS: Aligning for Excellence
Supplier Performance is Critical to Our Mutual Success

Approximately 75% of our vehicle content comes from suppliers.

Great vehicles require parts with best-in-class quality, innovation and performance.
North America Focus Areas

- Communication
- Supplier Development
- Processes
- Warranty Reduction
- Recall Execution
## Communication Improvements

<table>
<thead>
<tr>
<th>FCA US Actions</th>
<th>Supplier Impact</th>
<th>Complete</th>
<th>In-Progress</th>
<th>Next</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rolled out newly branded Foundational Principles to employees and suppliers</td>
<td>Represents a commitment to long-term, mutually beneficial relationships</td>
<td>Complete</td>
<td>In-Progress</td>
<td>Next</td>
</tr>
<tr>
<td>Developed Foundational Principles training for employees and suppliers</td>
<td>Promotes consistent <em>behaviors</em> across the entire enterprise</td>
<td></td>
<td>In-Progress</td>
<td>Next</td>
</tr>
<tr>
<td>Re-launch One Voice initiatives (e.g. cross-functional open issues meetings)</td>
<td>Promotes consistent <em>messages</em> across the entire enterprise</td>
<td></td>
<td>In-Progress</td>
<td>Next</td>
</tr>
</tbody>
</table>

- Removed individual production buyer cost savings targets – teams are managing cost goals
- Created the Supplier Advocate Team in conjunction with the Supplier Help Desk
- Aligned the Purchasing & Supplier Quality organization with Engineering globally

1,251 cases resolved Apr. – Dec. 2015
North America Focus Areas

- Communication
- Supplier Development
- Warranty Reduction
- Processes
- Recall Execution
<table>
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<th>In-Progress</th>
<th>Next</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tooling Payment Process:</strong></td>
<td>(Changes implemented on July 14, 2016)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Minimized requirements for tool line up approval and tool markings</td>
<td>Enables faster payments by easing the tooling payment process for all Tooling Purchase Order (TPO) line items not yet complete</td>
<td>Complete</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Simplified asset existence verification</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Production Schedule Stability:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Locking volumes two weeks out</td>
<td>• Inventory reduction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Stabilizing shipping and delivery (pilot)</td>
<td>• Fewer release adjustments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Launched global KPI metric</td>
<td>• Improved schedule management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Consistent reporting across all plants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pre-Sourcing Process:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Engaged Supplier Quality and the suppliers earlier in the sourcing process</td>
<td>• Launch on time</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Gave 10 weeks back to Engineering</td>
<td>• Contain issues faster</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Introduce new technologies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Increase transparency &amp; communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Reigniting the innovation submission process</strong></td>
<td>Allows for earlier commitment and better adaptability to future market changes</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Pacifica Launch

Positive Press Reactions

2.5 Billion Media Impressions In-Market

Eyes On Design
Award of Design Excellence

WardsAuto
10 Best Interiors List for 2016
North America Focus Areas

- Communication
- Supplier Development
- Warranty Reduction
- Processes
- Recall Execution
Supplier Development

Supplier Capacity and Throughput Initiative

- Established a new group dedicated to development activities only
- Supported by cross-functional experts

Purpose

- Identify and resolve capacity constraints (Including those caused by FCA)
- Create a collaborative environment to improve throughput and prepare for volume changes
- Monitor metrics to ensure long-term operational excellence and sustainable performance

Continuous Improvement Goal:

Improve Overall Equipment Effectiveness (OEE) by 10%
Supplier Development Strategy

- Inefficiencies
  - Phase I
  - Phase II
  - Collaborative problem solving
  - Production stability and continuous improvement

Time
Supplier Development Success Story

Supplier State
• Capacity restraints
• High warranty return
• Chronic absenteeism
• Plant running 7 days a week

Supplier Capacity and Throughput Team Results
• OEE improved from 56.5% to 77.5% in 7 weeks
• Achieved a 77% downtime improvement
• 44% reduction in changeovers
• Weekend overtime eliminated
• Gage R&R improved from 31.1% to 8.5%
• Warranty issue eliminated and poke yoked
• Plant-wide read across implementation

OVERALL IMPROVED TEAMWORK THROUGHOUT THE SUPPLY CHAIN
North America Focus Areas

- Communication
- Supplier Development
- Processes
- Warranty Reduction
- Recall Execution
The “New Normal” – Increased Recall Activity

NHTSA is now overseeing a “record setting nearly 900 recall campaigns.”

Industry Look at Total Recalls

The number of U.S. vehicle recalls through the first seven months of 2014 and 2015 was higher than the same period of any other year.

- 49 million including GM ignition switches and Takata air bags at many car makers
- 34.5 million including rupture-prone air bags and fire hazards linked to ventilation systems.

FCA US Recall Campaigns

Source: National Highway Traffic Safety Administration

THE WALL STREET JOURNAL.
“A proactive safety culture means embracing the idea that customers will demand, should expect, and deserve zero safety defects.”

MARK R. ROSEKIND, PH. D.
Administrator
National Highway Traffic Safety Administration
Customer-Focused Initiatives

When potential safety concerns do occur…

- We expect a rapid response
- **Notify** FCA US about actual or potential safety issues
- Prompt development of effective remedies
- Proactive engagement with FCA US and NHTSA
- Adopt a “Fast Track” parts accumulation process

Improving Customer Experience

- Improving Completion Rates
- Overall Recall Remedy Effectiveness
- Timing/Availability of Parts/Service Efficiency
- Customer/Dealer Communications
Customer-Focused Deliverables

Goals and metrics focused on **Speed to Execution**

- Early supplier engagement
- Expedited supplier kick-off
- Reduced lead time/increased capacity for campaign parts
- Execution of committed supply plans

**CONCURRENT**

- **Product Development**
- **Development & Validation**
- **Manufacture & Accumulate Stock**
- **Customer Experience**

**COMPRESS**

- **COMPRES**son (Proof of Concept & Prototypes)
- **COMPRES**son (Part Banking)
- **COMPRES**son (Targeted Launch)
North America Focus Areas

- Communication
- Supplier Development
- Processes
- Warranty Reduction
- Recall Execution
Transforming Our Customer Commitment

One Spill Can Tarnish Consumer Confidence

Work Together to Prevent Customer and Plant Disruptions
Warranty Claim Reduction

A Collaborative Effort Between FCA US and Suppliers Will Allow Us to Minimize Customer Disruptions and Costs

Reduce Claims  =  Reduce C/1000

2015 Total Warranty Score

CLAIM BASED

Reduce by 30%*

*Additional measures may be applied depending on current or planned business conditions.
## Warranty Claim Reduction Improvements

<table>
<thead>
<tr>
<th>FCA US Actions</th>
<th>Supplier Impact</th>
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<th>Next</th>
</tr>
</thead>
<tbody>
<tr>
<td>Created a warranty playbook for SQEs and suppliers that supplements the CQI-14 manual</td>
<td>Demonstrates how to utilize the fundamental warranty systems and data to attack and prevent warranty issues.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offering more education and training to the Supplier Quality Engineers (SQEs):</td>
<td>Equips the SQEs with the resources to better identify and resolve warranty issues.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Sharing lessons learned</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>• Best practice forums</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>• In-depth warranty training</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Assigned an executive sponsor to each of the highest warranty claim contributors</td>
<td>Leadership provides support at the supplier location, attends monthly performance reviews, and assists with removing roadblocks.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Customer-Focused Solution

Situation
A part was being replaced incorrectly by technicians at the dealership causing disruptions to customers.

Analysis
- Supplier reviewed the dealer technical information.
- SQE reviewed the Part Return Analysis System (PRAS) data.
- The two systems showed different data.
- PRAS data showed that the replacement parts were not solving the issue.

Root Cause
The service manual listed the incorrect resistance range compared to the design specification resistance range.

Service Manual
5. **VVA SOLENOID**
1. Measure the resistance across the terminals of the VVA Solenoid (component side).
   *Is the resistance between 0.5 and 1.0 Ohms?*

Design Spec
<table>
<thead>
<tr>
<th>Resistance Type</th>
<th>Resistance Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>coils resistance</td>
<td>$R_{20} = 0.263 \pm 0.014 , \Omega$</td>
</tr>
<tr>
<td>Spulenwiderstand</td>
<td>$R_{20} = 0.263 \pm 0.014 , \Omega$</td>
</tr>
</tbody>
</table>
Aligning for Excellence

Key Actions for Mutual Success:

- **Communication** – Seamless **collaboration** with consistent behaviors and messages
- **Processes** – Increase **efficiencies** through systems, processes, and innovation
- **Supplier Development** – **Develop** a robust strategy that anticipates changes
- **Recall Execution** – Proactively **communicate** potential safety concerns and act with a **sense of urgency**
- **Warranty Reduction** – **Eliminate issues** that affect the customer
OUR COMMITMENT IS TO THE CUSTOMER
U.S. Industry SAAR Recovery

Units millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>17.4</td>
</tr>
<tr>
<td>2006</td>
<td>17.1</td>
</tr>
<tr>
<td>2007</td>
<td>16.5</td>
</tr>
<tr>
<td>2008</td>
<td>13.5</td>
</tr>
<tr>
<td>2009</td>
<td>10.6</td>
</tr>
<tr>
<td>2010</td>
<td>11.8</td>
</tr>
<tr>
<td>2011</td>
<td>13.0</td>
</tr>
<tr>
<td>2012</td>
<td>14.8</td>
</tr>
<tr>
<td>2013</td>
<td>15.9</td>
</tr>
<tr>
<td>2014</td>
<td>16.8</td>
</tr>
<tr>
<td>2015</td>
<td>17.8</td>
</tr>
<tr>
<td>2016</td>
<td>17.8</td>
</tr>
</tbody>
</table>

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Passenger Cars as a % of Total Industry

- Segment as Percent of Total Industry
  - 50% (2009 CY): 5,312,014 vehicles
  - 41% (2015 CY): 7,277,953 vehicles
  - Share Loss: -9 ppts

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UV and Truck

UVs & Trucks as a % of Total Industry

Segments Share Gain

+9 ppts

48% to 57%

2009 CY: 5,088,208 vehicles
2015 CY: 10,079,679 vehicles

+4,991,471 vehicles

70% of Total Industry Growth
Crude Oil Prices will Gradually Recover

Price of Dated Brent crude oil

Source: IHS

© 2016 IHS
Fuel Economy

Grand Cherokee Fuel Economy
(highway mpg)

2009 CY: 21 mpg

2015 CY: 30 mpg

+42%
Ram 1500 Fuel Economy
(highway mpg)

2009 CY
20 mpg

2015 CY
29 mpg

+45%
Honda Civic Fuel Economy (highway mpg)

- 34 mpg (2009 CY)
- 41 mpg (2015 CY)

+20% increase from 2009 to 2015.
Toyota Camry Fuel Economy
(highway mpg)

2009 CY: 31 mpg
2015 CY: 35 mpg

+12%
A Crowded House

Compact/Mid-Size Segments

- Entries: 55
- Segment Size: 5.3M
- Sales per Entry: 96K

Large Pickup LD Segment

- Entries: 6
- Segment Size: 1.5M
- Sales per Entry: 258K
Recap Trends

- Industry moving to Trucks/UV’s.
- Fuel prices projected to remain stable.
- Trucks/UV’s closed the gap on fuel economy.
- Crowded House in small/midsize Car vs. Truck and UV segments.

ADJUST OUR FOOTPRINT TO MATCH
Incremental Volume with Plant Loading Changes

Today
• Toledo North
• 2 Shifts

Future
• Belvidere
• 3 Crews

+40,000 units/year of Increased Capacity
Incremental Volume with Plant Loading Changes

Today
• Toledo Supplier Park
• 2 Shifts

Future
• Toledo North
• 3 Crews

+75,000 units/year of Increased Capacity