Revision	Release Date	Description of Changes
9.0	01-October-2022	• Quality Expectations General updated (4.1.1) • Supplier Change Request note updated (4.2) • Supplier Part Submission Process - reference to LiveSource Tooling Library added (4.5.3) • Annual inspection (Requalification) requirements updated (4.5.4) • Gage Certification and Calibration updated (4.6.2) • Statistical Process Control Expectations updated (4.7.1) • Quality deliverables updated (4.10) • Supplier Material Rejection Report (SMRR) and Supplier Charge Back (SCB) updated (4.11) • Containment section updated (4.14) • Supplier Performance rating availability updated (4.16)
10.0	01-April-2023	• Process Leader, Subject Matter Expert, and Process Champion updated • Supplier Change Request note updated (4.2) • Supplier Part Submission Process updated (4.5.3) • Annual Layout inspection (Requalification) Requirement updated (4.5.4) • Statistical Process Control (4.7) and Special Process Control Expectations (4.7.1) updated • Quality Deliverables updated (4.10.2) • Supplier Material Rejection Report Communication updated (4.11.2)

Prepared		Approved	Released
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1.0 Purpose

This standard communicates Adient minimum set of requirements to the suppliers. It is the expectation of Adient that all suppliers - Direct Material and Indirect Material/ Services, Supply Chain and Tooling, Machinery & Equipment - comply with all the requirements and expectations documented in the Global Supplier Standards Manual (GSSM).

2.0 Scope

This standard applies to all Adient 3rd party suppliers.

3.0 Responsibility

All external suppliers – Direct Material and Indirect Material/ Services, Supply Chain and Tooling, Machinery & Equipment Suppliers – are expected to comply with all requirements and expectations documented in the Adient Global Supplier Standards Manual (GSSM).

Suppliers are responsible for reviewing new and revised Adient Requirements including Customer Specific Requirements (CSR) and determining the impact on their Quality Systems and promoting awareness of the GSSM at their locations.

Note: Indirect Material/ Services Suppliers include suppliers for Automotive services at minimum companies who perform sub assembly, sequencing, sorting, re-work, containment activities, calibration services, and transport.

4.0 Process

The following supplier requirements and resources are outlined in this document:

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4.1 Quality Expectations General: A solid systems approach to quality management is essential to achieve the level of quality integrity required by today's demanding customers.

All suppliers delivering to Adient are expected to implement all necessary measures to meet the zero-defect quality approach.

Adient requires all Direct Material suppliers become certified from an IATF-recognized certification body to the current version of IATF 16949 and be encouraged having the ISO 14001 and ISO 45001 on top, issued by an accredited certification body.

Suppliers that have not achieved certification to IATF 16949 must have as a minimum acceptable level of development a QMS certified to ISO 9001 issued by a certification body bearing the accreditation mark of a recognized IAF MLA (International Accreditation Forum Multilateral Recognition Arrangement) member and where the accreditation body's main scope includes management system certification to ISO/IEC 17021. Adient also expects its production suppliers to cascade that requirement throughout the supply chain.

Registration to ISO 9001 may be acceptable as an interim step to achieve IATF 16949 certification, following sequence shall be applied:

a) certification to ISO 9001 through third-party audits; unless otherwise specified by the customer, suppliers to the organization shall demonstrate conformity to ISO 9001 by maintaining a third-party certification issued by a certification body bearing the accreditation mark of a recognized IAF MLA

(International Accreditation Forum Multilateral Recognition Arrangement) member and where the accreditation body's main scope includes management system certification to ISO/IEC 17021.

b) certification to IATF 16949 through third-party audits (valid third-party certification of the supplier to IATF 16949 by an IATF-recognized certification body).

All Indirect Material/ Services suppliers, who affect customer requirements, such as (but not limited to) sorting, re-work, sub-assembling, containment activities, transport are required to be ISO 9001 certified at the minimum.

Suppliers are required to maintain updated copies of all certifications (ISO 9001, IATF 16949, ISO14001, ISO 45001, ISO 50001, ISO 17025 as applicable) for each shipping location and in case of any changes submit within 10 working days through the Taulia Web Service, found on the Adient Supplier Portal, or to submit to the e-mail box of Supplier Development: ae_eu_supplier_development@adient.com.

	QMS Registration	EMS Registration
Direct Material Suppliers	IATF16949	ISO 14001
Indirect Material/ Services Suppliers	ISO 9001	ISO 14001

Any deviation to this must be approved in writing by Adient Purchasing and Supplier Development.

Failure to submit certificates or a valid timeline for achieving certification will have a negative impact on the supplier's scorecard, may lead to additional administrative charges, and may potentially include Level 2 containment to secure quality of ongoing deliveries, which may also jeopardize future business.

Supplier certification suspension may lead to MQR 3 and New Business Hold.

Adient reserves the right to verify the supplier's manufacturing location for site compliance to Adient expectations, customer specific requirements and these standards by performing an audit by a qualified Adient representative at any time.

Significant nonconformance(s) relative to Adient expectations shall result in a supplier not being considered for Adient Business.

4.1.1 If a specific manufacturing or supporting process is applied (e.g., heat treatment, welding, plating, coating, injection molding, etc.), the supplier has to meet the requirements of the corresponding AIAG CQI Standard with the latest published revision. The respective CQI assessment is to be provided to Adient upon request.

4.2 Supplier Change Request (SCR)

This standard defines the steps for supplier product or process changes after SOP to ensure that they meet Adient requirements and the OEM's Customer Specific Requirements (CSR). All suppliers are expected to follow the process as outlined.

Adient requires advance notification and written approval prior to all product or process changes and/or transfers. Failure to do so will result in the supplier being placed on New Business Hold Status (respectively MQR 2 level), a formal notification to the IATF16949 or ISO 9001 registrar, and/or potential financial consequences.

Examples of product and process changes, that require Adient approval, include (but are not limited to):

- Any change that could affect form, fit or function
- Any product change

- Supplier manufacturing process change (temporary or permanent)
- Change in manufacturing or shipping location
- Change in sub-supplier
- Modified equipment/ tooling (altering design intent of the equipment and/or tooling)
- New or refurbished equipment / tooling
- Any changes in the Control Plan (i.e., changes of test/ inspection method, frequency)
- Revisions to the line layout or workstation

Steps for obtaining approval for the requested process change:

1. Submit a completed Supplier Change Request (SCR) form to the Adient Buyer at least 180 days prior to planned changes and as soon as possible for emergency changes. SCR form is located on the Adient Supplier Portal website, under Supplier Expectations, specifically in the Quality section of Adient Web Guides.
2. Adient Representatives evaluate the SCR for completeness and acceptability; considerations for approval include customer notification / approval, customer specific requirements, safety characteristics, validation, capability studies, timing, risk, etc.
3. Supplier receives an official Adient response with further instructions.
4. Supplier part submission package (refer to section 4.5) to be submitted by the supplier to the Adient Quality Manager / Quality Engineer.
5. Supplier part submission is approved by Adient Quality Manager / Quality Engineer.
6. The SCR is approved by the Adient Supplier Quality Manager and Adient Buyer.
7. Supplier proceeds with the approved change.
8. The first shipment after approval must be tagged / identified to reference the SCR number (contact the Adient Quality contact for the exact appropriate identification method). The new supplied components with a SCR are subject to incoming inspection at the Adient Quality Manager's/ Quality Engineer's discretion.

Any costs related to supplier-initiated changes will be at the expense of the supplier.

Note: If the supplier has to deliver changed parts before the Supplier part submission is approved, there is an extraordinary approval (Deviation Authorization) required. The affected delivery requires appropriate identification, and it is a subject to additional Quality inspections.

For requesting a Deviation Authorization, suppliers are required to use the Supplier Deviation Authorization Request form located on the Adient Supplier Portal website, under Supplier Expectations, specifically in the Quality section of Adient Web Guides.

4.3 Advanced Product Quality Planning (APQP)

All parts require APQP tracking unless otherwise notified in writing by the assigned Adient Advanced Quality Engineer. Program kick-off meetings are held to communicate launch requirements. The Supplier Advanced Quality Engineer and/or Operations Program Buyer are the main APQP contacts throughout the launch.

Adient has developed a common global Product Launch System (PLUS) which provides a consistent APQP process. Suppliers may also be required to meet unique customer specific requirements (CSR) and/or provide related documents. Specific Requirements must be agreed in the statement of work.

All pre-production parts must be marked / labeled as pre-production or sample parts and with the Adient part number and revision level as indicated on the CAD model and / or drawing. Pre-production parts that are shipped without proper identification as stated above may be returned at the supplier's expense.

It is expected that suppliers are conducting the APQP process with their sub-tier supply base. Verification can be requested at any time.

Note: Adient expects that suppliers are applying the latest revision of FMEA handbook (harmonized version aligned by AIAG and VDA)

4.4 Supplier Process Sign-Off (SPSO)

4.4.1 The Supplier Process Sign-Off (SPSO) is an Adient specific Process Audit prior to launch to verify, if Advanced Quality has been executed and all facilities, tools, gauges, workforce are installed, available and ready to run under serial condition in order to meet quality and quantity expectations for product over lifetime.

4.4.2 Supplier Process Sign-Off Expectations: Detailed timing, including the SPSO requirements, for each program will be provided in the Supplier Statement of Work (SSOW) and/or by the Adient Supplier Advanced Quality Engineer.

An SPSO is required to be performed on all new or modified parts, parts or equipment that has been out of production > 12 months or parts with historically high warranty or quality problems. Any product or process change that occurs during the lifecycle of a part or system must be reviewed by Adient to determine whether a new SPSO is required.

All SPSOs must be completed prior to supplying parts for saleable vehicles. Customer specific formats can also be used to assess line speed / capacity verification (e.g., VDA 6.3, 2 Days Production, Run@Rate, etc.).

4.4.3 Sub-Supplier Process Sign-Off: Suppliers shall ensure that sub-suppliers have the ability to meet all quality and quantity/ delivery requirements at production rate. All sub-suppliers' control plans shall be audited to ensure compliance.

4.5 Supplier Part Submission

4.5.1 Adient requires all suppliers to provide Supplier Part Submission by the guidelines of AIAG Production Part and Approval Process (PPAP) according to the latest revision level, pending requirements of program, customer specific requirements and/or receiving plant.

4.5.2 Adient suppliers are required to prepare and provide part submission packages (PPAP) for new parts, corrections to previous submissions, engineering changes and/or other planned changes to design, material, process or facility. Submission and subsequent customer approval are required prior to first saleable production shipment.

Additional details regarding other planned changes and related submission requirements can be found in Supplier Change Request (4.2).

The submission may be required using the E-PPAP data base, as per decision of Adient program team. This applies in general for the annual layout inspection (requalification), if required by the responsible receiving Adient plant.

4.5.3 Supplier Part Submission Process: The supplier has to submit the part submission package according to the rules of AIAG PPAP to the designated Adient Supplier Advanced Quality Engineer prior to SOP and to the Quality Engineer in the receiving Adient plant for submissions after SOP.

Failure to submit PPAP on time per PPAP timing that was agreed with Adient program team within the scope of program requirements can result in incurring charges to supplier.

Unless otherwise directed by Adient the AIAG Production Part Approval Process (PPAP) Level 3 submission is required for all parts. All parts used for the PSO build or for the production of saleable vehicles must be submitted for customer approval. The Adient representative may choose to validate the submission package content at the supplier's facility. At Adient discretion, a submittal review may also be conducted at a supplier's sub-sources. Any content of the PPAP has to meet the applicable customer specific requirements of the affected OEM. Additional to the mentioned content, tool data sheets and pictures of the tools are required. These can be uploaded into the Live Source Tooling Library (as applicable).

For parts with flammability test requirements: Part numbers defined on the drawings (or other official product engineering document) to be tested as a composite for flammability are not to be tested as a single component. The specimens for flammability tests shall be taken according to Customer Specific Requirements and/or as defined by Adient Engineering.

4.5.4 Annual Layout Inspection (Requalification) Requirement: Adient suppliers shall complete annual validation in order to demonstrate continued adherence to proper engineering levels and performance to design intent. Revalidation may or may not coincide with model year changes. Only data less than one year old are acceptable for annual validation purposes. As a part of Annual Layout Inspection Requirements, all suppliers are required proactively to submit a PPAP Level 4 with the following elements (unless otherwise requested) at no cost to Adient to prevent escalation and potential impact to the supplier scorecard.

2 – Engineering Change Documents, if any
7 – Control Plan
9 – Dimensional Results (minimum 5 samples of each part number and cavity)
10 – Material, Performance Test Results
11 – Process studies P_{pk} and C_{pk}
17 – Records of Compliance with Customer-specific Requirements (incl. SSOW)
18 – Part submission Warrant (PSW completely filled including IMDS information where applicable)

For parts with Flammability test requirements: The supplier must include all requirements defined by the Adient Product Engineer and Customer Specific Requirements for annual requalification. Tests and reporting must be done exactly as conducted during the initial approval phase.

A valid QMS certificate (IATF 16949 and/or ISO 9001 at the minimum) and if applicable ISO 14001 from a certification body accredited by an IAF MLA member, as well ISO 45001 and ISO 50001 is to be attached to the required annual validation documents.

In addition to the level 4 annual validation package, the supplier has to provide all PPAP documents based on pre-submitted level 3 within 10 working days upon request from ADIENT.

Failing to comply with annual validation submission can result in incurring charges to the supplier.

Note: If initial submission to Adient has followed VDA 2 requirements, then the annual validation can be submitted in the VDA 2 format.

4.5.5 Quality Document Retention: Adient suppliers shall maintain quality records such that they remain retrievable and legible upon request by Adient and subsidiaries. Adient requires record retention duration for current year plus 30 years if not otherwise specified by the customer. Records related to non-conforming product for trend analysis and problem identification shall also be maintained. This requirement also applies to any supplier's sub-supplier. Additional

record retention requirements can be referenced per AIAG or ISO 9001 and/or IATF 16949 (latest editions).

4.5.6 Configuration Control & Traceability: The supplier shall be responsible for controlling / tracking the actual configuration of material or parts to the approved engineering documents in addition to any changes to ensure that the end product meets specified functional and physical requirements as contracted. Additionally, the supplier shall have a robust system in place to provide (upon request) lot or part traceability back to the raw material stock for all material shipped to Adient. This requirement shall also apply to any supplier's sub-supplier.

4.5.7 OEM & AIAG Supplemental Requirements: In addition to Adient and/or AIAG/VDA requirements, suppliers must also meet all applicable OEM Customer Specific Requirements (CSR) and must be able to show records of compliance. Further details can be found on the Adient Supplier Portal or the applicable OEM website(s).

The Adient Supplier Portal is updated regularly, and it is the supplier responsibility to ensure having the latest document revision.

4.6 Measurement System Analysis (MSA)

4.6.1 Measurement System Analysis Expectations: It is expected that all Adient suppliers adhere to the methodology described within the AIAG MSA manual and applicable Customer Specific Requirements. Data and gage performance evaluation are to be gathered and analyzed in accordance with the guidelines noted. Documentation as evidence of these evaluations shall be readily available for review and submitted to Adient with the PPAP package and upon request.

4.6.2 Gage Certification and Calibration: All specific gages or checking fixtures used for Adient product quality shall be dimensionally certified as part of initial PPAP, and evidence of compliance to drawing included within the PPAP package. Gages / checking fixtures shall have MSA / gage R&R completed.

All gages or measuring instruments used for controlling Adient product should be calibrated annually unless frequency differs based on manufacturer's recommendations or customer requirements.

4.7 Statistical Process Control (SPC)

Special characteristics are design features or manufacturing process parameters which can affect safety or compliance with regulations, fit, function, performance or subsequent processing of product. Special characteristics drive increased attention to product or process attributes, which are then subject to controls to address the root cause of potential failure using the AIAG/ VDA FMEA.

Critical Characteristics (CC / ∇)

Critical Characteristics shall be clearly defined on the design record, associated with specification which has been determined according to FMEA for Severity 9 or 10 and could impact, contribute, or cause any of the following:

- Potential non-compliance to regulatory requirements;
- Potential non-compliance to customer requirements specified as regulatory or safety related;
- Potential non-compliance to due care product safety requirements; or
- Potential injury caused by product or design during or post assembly process.

Significant Characteristics (SC / ⎔)

Significant Characteristics shall be clearly defined on the design record, associated with a specification which it has been determined according to FMEA for Severity 8 and could significantly affect functions and requirements of a product such as its fit, function, mounting, or the ability to process or build the product.

Inspection Characteristics (IC / ☐)

Inspection Characteristics shall be clearly defined on the design record. These are optional characteristics determined for Severity ≤ 7 according to FMEA.

Supplier shall ensure compliance with customer-specified definitions and symbols of special characteristics as defined in a symbol conversion table. The symbol conversion table shall be submitted to Adient upon request.

4.7.1 Statistical Process Control Expectations: Adient suppliers are expected to establish the appropriate Statistical Process Controls for the Critical and Significant Characteristics noted on the design record and/or selected during the Suppliers' APQP process (refer to AIAG's Statistical Process Control manual).

SPC studies are performed on CCs and SCs for the following events, but not limited to:

- Before a part goes into production (process potential study – as part of the PPAP and SPSO)
- When an engineering change is made that affects a CC/SC
- When a major tool maintenance / repair occurs that potentially affects a CC/SC
- When a major supplier process change occurs that potentially affects a CC/SC

The supplier's Control Plan, that has been agreed with Adient, shall be used to define the method and means of control of SCs or CCs during production. Where possible, SCs/CCs should be poke yoked. All poke yokes shall be verified prior to start of production.

If process Poka Yoke or 100% automated error detection per agreed Control Plan requirements is implemented for a special characteristic, no initial (short-term) and no ongoing (long-term) process monitoring (capability studies) is required. Otherwise initial and ongoing process performance must meet following minimum acceptance criteria unless alternate customer requirements are applicable and accepted by Adient.

CC / SC Initial Process Control with Variable Data

Unless otherwise specified by the customer, acceptance criteria for the initial (short-term) process capability study of CC and SC characteristics is Ppk ≥ 1,67. Summarized production process performance data shall be maintained by the supplier and made available to Adient personnel upon request.

CC / SC Ongoing Process Control with Variable Data

CC and SC characteristics require continual SPC during the lifetime of the production. Unless otherwise specified by the customer, ongoing (long-term) capability must achieve Cpk ≥ 1,33. When the process has demonstrated acceptable capability with these targets, the frequency and quantity of sampling should be reflected on the Control Plan (with review and approval from the appropriate Adient quality representative).

CC / SC Initial and Ongoing Process Control with Go / No Go Attribute Data

Examples: GD&T feature controls (true position/ profile, etc.), foam template checks, filler gauges, max/min limits check etc.

Attribute data is acceptable for part submission. Customer approval, as required, should be obtained at Quote Phase.

Required Sample Sizes and Reliability/ Confidence (R/C) Levels (Attribute data):

- Attribute acceptance criteria for any option from R/C table is zero defects:

Confidence	Min. Reliability		
	99%	95%	90%
99%	460	NA	NA
95%	300	60	NA
90%	230	45	25

If no customer requirement the Adient minimum requirement for all CC and SC is:

Zero defects out of 300 samples (= 99% Reliability / 95% Confidence)

CC / SC Initial and Ongoing Process Control with Conform

Examples: flammability, testing performance criteria, governmental requirements (IMDS, VOC), material type, etc. Possibly for manufacturing process: wiring harness routing, snap attachments, etc.

Compliance confirmation to regulatory or customer requirements without R/C, PpK or CpK.

IC Initial and Ongoing Process Controls with Variable / Attribute Data

IC characteristics must have representative, regular measurement controls for attributive (Go / No Go) or variable data (e.g. adjustment efforts) that prove a manufactured product is within tolerance.
Attribute acceptance criteria shall be aligned with customer or SDT according to R/C table.

IC does not require initial performance studies, unless otherwise requested by the customer. If requested, Go/ No Go Attribute data capability, consistent with methods in CC / SC Initial Submission with Go/No Go Attribute Data section is recommended.

4.8 Product Safety

4.8.1 It is the responsibility of each supplier to implement a process to mitigate risk. The risk-mitigation process has to include identification and control of critical product and process characteristics (4.7.1)

4.8.2 Safety Critical Product / Process Requirements: As part of the Adient Best Business Practice philosophy, suppliers are expected to meet certain minimum criteria for manufacturing safety critical components. This is achieved by meeting all AIAG industry standard audit requirements and by working with Adient to achieve a target of 100% compliance to our Best Business Practice audits / templates.

The individual product / process audit templates are available upon request from your Supplier Quality / Development Manager.

4.8.3 Product Safety and Conformity Representative (PSCR)

When required each supplier production location has to identify a Product Safety and Conformity Representative (PSCR). Suppliers providing products for Volkswagen Group or BMW Group related sites must have a PSCR identified.

The name and contact information for the PSCR is to be provided to the appropriate Adient buyer and/or Supplier Management contact.

If a PSCR is required, they must have training acc. to the VDA guidelines and that shall be provided for Adient verification upon request.

If a PSCR is required, it is the responsibility of the supplier to maintain the PSCR contacts for all their sub-suppliers.

4.9 Quality Performance Reporting

4.9.1 Key Performance Indicators (KPIs) are used by Adient to measure the effectiveness of processes. Adient requires all suppliers to define KPIs that are relative to their operation, set targets for these parameters, measure them relative to the established targets, report on the findings, and develop improvement plans based on the results. KPIs are to be regularly reviewed by the management and communicated to all team members. KPIs should include a management review of audits, customer feedback, process performance, product conformity, status of preventative and corrective actions, and others. Examples of KPIs that are relevant to a manufacturing facility may include (but are not limited to):

Quality Measurable
- Customer PPM
- Supplier PPM
- Internal PPM
- 8D Submission Timing
- 8D Scoring
- Nonconforming Part Incidents
- Product safety concerns

Manufacturing Efficiencies
- Scrap
- Downtime
- Production relative to Plan (i.e., First Time Capability, Output vs. Plan, etc.)

Shipping
- On-Time Delivery
- Premium Freight

Safety
- Lost-Time Accidents
- Recordable Accidents
- Days without a Lost-Time Accident

4.9.2 Quality Roadmap: Suppliers are expected to maintain a Quality Roadmap documenting current quality performance and action plans to continuously improve performance to Adient.

The Quality Roadmap and applicable training is available upon request from your Supplier Quality / Development Manager.

4.10 Quality Deliverables

4.10.1 One of the measurements of supplier quality performance is defective Parts Per Million (PPM).

The expectation for supplier performance is zero defects.

The following are PPM assignable:

- Production parts which do not meet drawing specifications or dimensional, functional, or appearance standards as called-out in the specifications or from an approved boundary sample (boundary sample must be approved by authorized Engineering and Quality representatives from both organizations and/or OEM-Customer).
- Out-of-spec parts that require rework / repair for use in production.
- Production parts damaged from inadequate packaging or transportation for which the supplier is responsible.
- Any defects outside of the boundaries defined by a Deviation Authorization (DA) (in cases where the supplier may be shipping prior to PPAP with an approved Customer DA).
- Out-of-spec parts shipped prior to PPAP approval without an approved customer DA.
- Shipments that are received with mixed parts or parts that are the wrong revision Level after the clean point has been established; PPM is assigned for the quantity of incorrect parts only.

The following are NOT PPM assignable:

- Parts that meet all drawing specifications and/or boundary sample requirements but are not useable.
- Parts that meet all specifications and/or standards but have been rejected by an Adient customer.
- Parts that are pre-SOP and have not been released and approved for production (e.g. launch parts, sample / trial parts, DOE parts, etc.).
- Parts initially rejected as part of a batch reject which after 100% control are deemed OK – PPM number is adjusted to reflect the true quantity of NOK parts after sorting (can be done at Adient location, supplier or third party approved company).
- Parts outside of the production system which are addressed through prototype quality measures.
- Production parts which do not meet specifications and/or standards but have approved deviations by Adient and/or final customer.
- The portion of line accumulations / collective scrap which is determined to be damaged outside supplier's control.

In any of the above situations where a PPM is assignable, any or all of the following may occur:

- Supplier cost recovery chargeback (SCB)
- Issuing an SMRR with sufficient corrective actions requested (i.e., 3D, 8D)
- MQR 1 or 2 scheduled
- Level 1 or 2 Containment initiated

4.10.2 Sorting Expectations: Parts may be sorted at the appropriate location (supplier(s) or Adient or customer site). Parts received at an Adient location or other Adient ship-to-point that are rejected by the sorting activity, stay on the supplier's PPM record. PPM shall be adjusted after the sort is complete, unless sampling has predicted a percent nonconforming within the isolated lot and the authorized Quality representative at the receiving Adient facility agrees to use this method for capturing PPM.

If suspect parts are removed from an Adient location and sorted off-site (at the supplier's or a third-party facility), the supplier must report actual reject totals daily (identified during the

sort) to the affected Adient facility. If reject data is not provided daily, the entire quantity of parts transferred off-site may be subject to PPM assignment.

If the supplier identifies, communicates, and takes appropriate action to contain and correct a potential problem before the problem is identified or before the parts are used at an Adient plant, then the parts shall not be counted against PPM. If the problem is identified or used at Adient prior to contact from the supplier, the PPM count shall be incurred.

Parts, which are out-of-specification, may be used "as-is" with an approved DA from Adient Engineering, if it required to maintain production and as long as it does not disrupt the end customer. In these cases, PPM may be assigned based on risk, non-conformance history and severity as determined by the receiving Adient facility.

If determined to be a supplier issue, all costs incurred from sorting activities are the responsibility of the supplier. These costs could include, but are not limited to:

- Administrative costs
- Additional labor / Overtime
- Material handling
- Floor space utilization
- Additional packaging
- Tooling and equipment
- Scrapped / rejected material

4.10.3 Potential Product Safety Concern (PPSC): Another measure of supplier quality performance is the designation of an Issue as a Potential Product Safety Concern (PPSC). Any Issue which may affect the safety of the product or fail to meet it's expected performance regarding to Critical and Significant characteristics or further product and process characteristics which are not recorded as Critical or Significant but may impact the product's ability to meet safety or regulatory requirements defined by the OEM customer, government, or Adient can be classified as a PPSC.

One PPSC is too many. A PPSC is considered the highest-level issue within the Adient organization because of the safety and liability implications that could occur as a result of the nonconformance(s). PPSC issues shall remain open, and containment shall remain in place until the countermeasures meet the requirements of the Adient Safety Office.

Supplier containment and immediate involvement in the PPSC process is expected upon notification of the non-conformance issue with target completion timing of less than 30 days. If determined to be a supplier issue, all costs associated with containment and closure of the PPSC are the responsibility of the supplier. The designated Adient PPSC Champion will be the main source for all related communication / interaction and will provide specific documentation as required.

4.11 Supplier Material Rejection Report (SMRR) and Supplier Charge Back (SCB)

4.11.1 Supplier Material Rejection Report: Suppliers are notified of non-conforming material through a documented rejection notice, called a Supplier Material Rejection Report (SMRR). Non-conforming material is defined as suspect or rejected product that is deemed defective according to the drawing or established quality standards (i.e., customer specifications, inspection requirements, test results, etc.)

The SMRR may be automatically generated from an Adient electronic system (such as IRIS [Issue Resolution Information System] or SAP Complaint Cockpit Solution) or provided as an E-mail attachment or hard copy form wherever electronic systems are unavailable.

SMRRs are subject to issue handling costs which is a calculation of additional efforts by Adient or “not to exceed” 275 USD/ 275 EUR (for Europe) administrative costs. Administrative costs in APAC refer to an APAC regional directive.

4.11.2 Supplier Material Rejection Report Communication: Non-conforming material may be identified during incoming inspection, assembly, processing, final product audit, reliability testing, or through OEM notification. Once identified, the responsible Adient Quality contact shall communicate the nature of the issue to the supplier, request root cause investigation and corrective action(s) and monitor until all actions have fully addressed the concern and the issue can be closed.

A Return Material Authorization (RMA) shall be requested from the supplier prior to disposition of non-conforming material. Disposition of supplier’s non-conforming product may include scrap or return to vendor. The RMA provides authorization for Adient to proceed with actions as agreed between the supplier and the Adient facility.

The SMRR Notification and RMA closure also serves the following functions:

- Accounting Debit Memo for Supplier’s Material
- Packing Slip for Returning Material
- Quality Record for PPM Application and Scorecard
- Supplier Response Request (3D/8D)
- Containment needs
- Issue Communication to Adient Purchasing / Supplier Quality teams
- Materials Management Record for Adjustment of Supplier’s Cumulative Shipment History

4.11.3 Supplier Material Rejection Report Expectations: As requested by the Adient Quality contact, suppliers must respond with a written interim containment implementation plan within 24 hours of the SMRR origination. Unless otherwise directed by the Adient Quality contact, the supplier is expected to respond using Adient standard 8D Problem Analysis Report template. The required 8D form is automatically provided as part of IRIS or SAP electronic claim notification(s).

The supplier is expected to communicate written problem-solving results utilizing the 8D approach as following:

- 3D – within 24 hours after receiving the SMRR (identification of the team, problem definition, implementation of robust containment activities)
- 5D – within 5 days after receiving the SMRR (analysis of causes and the lack of capability to detect the defect, identification of root cause, determination of corrective actions)
- 8D – within 24 days after receiving the SMRR (implementation of planned actions and validation of their effectiveness incl. preventive measures to avoid a return of the problem).

If unable to resolve the quality issue within the required period, the supplier is expected to provide a weekly updated 8D to Adient until problem resolution is achieved.

4.11.4 Supplier Chargeback: Supplier Chargebacks are used to capture costs that are incurred as a result of non-conforming material and non-compliance to applicable standards. Applicable charges may include, but are not limited to, third party sorting, operator downtime, additional labor or overtime, customer support hours, premium freight, material handling labor, rework, warranty returns, assembly scrap. Suppliers can expect Supplier Chargebacks to include supporting documentation such as third-party invoices, downtime records, freight invoices, etc.

Suppliers are notified of the SMRR costs through a Supplier Chargeback (SCB). These costs appear as an “SMRR Debit” in the Chargeback Category Detail and reference the associated SMRR.

4.11.5 Supplier Chargeback Communication and Expectations: Similar to the SMRR notification, SCB notices may be automatically generated from Adient Electronic System(s) or provided as an E-mail attachment or hard copy form where electronic systems are unavailable.

Suppliers are expected to respond to a SCB within three working days. Failure to accept (or reject a SCB) within 30 calendar days will result in automatic debiting of all charges.

In cases where a supplier disagrees with the Supplier Chargeback, a written response to the originator of the SCB is still required by the specified due date. Disputed Chargebacks shall be escalated to the responsible Purchasing representative for assistance with final disposition. All Chargebacks should be targeted for closure within 30 calendar days.

4.12 Problem Solving

4.12.1 Problem Solving Expectations: The 8D Problem Analysis Report is the Adient preferred problem-solving format for use by all Adient facilities and suppliers. The 8D Problem Analysis Report provides a means for the definition and resolution of issues through problem solving.

Each supplier is responsible for appropriate and timely application of the 8D and for ensuring their organization possesses the knowledge and skill level to solve problems.

The completed 8D report should be returned to the Adient Quality contact for evaluation in the same format as it is received (IRIS 8D or Adient SAP Compliant Cockpit Solution) in response to the associated SMRR. The appropriate 8D format is either available upon request from your Adient Quality representative or provided automatically via electronic notification.

Please note that there are some Adient facilities that must supplement the problem-solving documentation with Customer Specific problem-solving documents / procedures. Contact your Adient Quality representative to obtain the appropriate problem-solving documentation / format.

The evaluation of the submitted 8D will be done according to 8D scoring form, which is automatically provided as a part of IRIS or SAP electronic notification(s). It is recommended for suppliers to conduct a self-evaluation with the expectations listed in the scoring form for each individual step of the 8D before submission to be able to reach targeted scoring for closure.

8D scoring minimum acceptance level is defined with the scoring form and for further needs must be aligned with the direct Quality contact during the 8D reviews.

8D evaluated under the target needs to be improved by the supplier in accordance with the highlighted points out of the 8D evaluation. Weekly updates should be submitted until problem resolution is achieved.

4.13 Management Quality Review (MQR)

4.13.1 A Management Quality Review (MQR) is the Adient escalation process to resolve supplier issues. The MQR is issued at level 1 or 2, pending the severity of the issue (ref. table 4.13.2)

The designated levels are defined as follows:

MQR level	MQR level of responsibility	MQR representatives Supplier	MQR representatives Adient
MQR 1	Plant level	Quality Manager Supply Chain Manager	Plant Quality Manager Supply Chain Manager
MQR 2	Group level	Plant Manager Operations Director	Operations Director Supplier Quality/Development Director
MQR 3	Corporate level	Supplier CEO/ Managing Director	Supplier Quality/ Development Director and Purchasing Commodity Director

The MQR 3 level is linked with a decision to place a supplier on New Business Hold.

4.13.2 Supplier Management Quality Review & New Business Hold Criteria

	MQR1	MQR2	MQR3	New Business Hold
Chronic documented problems in the area of quality or supply chain, including prototype, pre-production, production or warranty issues.	X			
Production suspended at Adient plant due to a supplier's product quality or supply chain issue.	X			
Supplier has an unresolved SMRR, DMR, containment issue, or unacceptable response regarding an issue.	X			
Chronic documented unresolved MQR1 problems or unacceptable response from the supplier indicating that no progress has been made to resolve similar MQR1 issues at other locations.		X		
Discovery that a supplier has not notified Adient personnel and/or submitted a PPAP for a product / process change (i.e. tool move to different location / sub-supplier, material / part change, process controls changed from the last approved PPAP, etc.)		X		X
Supplier is issued a PPSC that is verified to be the responsibility of the supplier. MQR2 is called only when the PPSC has been confirmed to be their responsibility, the performance in PPSC closure is not sufficient, and with decision from PPSC owner.		X		
Adient RPPM or external customer disruption due to a supplier's product quality or supply chain issue; and with agreement from the PG/CG Quality Director.		X		
Chronic documented unresolved MQR2 problems or unacceptable response from the supplier indicating that no progress has been made to resolve similar MQR2 issues at other locations.			X	X
Continued customer dissatisfaction on a supplier's product quality or supply chain issue including a customer mandate to change suppliers to a known capable supplier after previous MQR acceleration.			X	X
Supplier inability or unwillingness to work with Adient to make fundamental quality or supply chain improvements after previous MQR acceleration.			X	X
Excessive / unresolved PPSCs at the supplier after previous MQR acceleration.			X	X
No notification about suspended QMS certification			X	X

MQR related costs will be charged to suppliers accordingly.

4.14 Containment

4.14.1 Pre-Production / Launch Containment Expectations: Pre-production containment applies to any parts produced for prototype, pilot or saleable vehicle builds at Adient prior to full production. Pre-production containment activities are a requirement of the supplier's AQP process and must be documented on a prototype and/or pre-launch Control Plan.

The pre-launch Control Plan includes increased frequencies and additional tests over and above the production Control Plan to ensure heightened product and process quality until the supplier's production process is validated. During pre-production, the sample size and/or frequency of product inspection is typically 100% and does not replace the final part audit.

The Adient Advanced Quality Engineer reviews and approves the pre-launch Control Plan, which is typically done during the Supplier Process Sign-off (SPSO), open issues from the SPSO shall drive deployment of additional controls and documentation in the pre-launch Control Plan.

The Adient Quality representative continues to monitor pre-launch containment results until the exit criteria is met. Issues that remain unresolved at SOP are subject to Level 1 containment. Additionally, a Level 1 failure will require instituting 3rd party inspection (Level 2 containment) to shield Adient from non-conformance(s) during this phase. Criteria for exiting pre-production containment are determined by Adient. To exit containment, the supplier must achieve a pre-determined quality level after a minimum of thirty days post Adient SOP. Any issues found during the launch may extend this requirement beyond the initial 30-day criteria.

4.14.2 Containment Level 1 and 2 Expectations:

	Action 1 Pipe cleaning (Supply chain containment)		**Action 2 Firewall**		
	Location	**Resources (internal/external)**	**Location**	**Resources (internal/external)**	**Report**
Containment Level 1 (CL 1)	all supply chain	internal/external	supplier	internal/external	to be shared with Adient by supplier (upon request)
Containment Level 2 (CL 2)	all supply chain	internal/external	supplier (optional Adient)	external/ 3rd party company approved by Adient	**Action1** reports to be shared daily with Adient by supplier **Action2** reports to be shared daily with Adient directly by 3rd party company

4.14.2.1 Containment Level 1 (CL 1) Expectations: Level 1 Containment is defined as additional controls implemented at the Supplier's location upon Adient request following the identification of a supplier quality issue. The goal of this containment is to cleanse the entire system of any non-conforming material and to shield Adient from receiving any additional defective product. The supplier is required to quarantine and sort all suspect product(s) within their facility, at their sub-contractors, in-transit, at Adient facilities, and at any customer location which may have parts or finished goods in inventory. The supplier is responsible for any costs associated with this activity incurred by Adient.

Upon identification of an issue, the Adient Quality contact initiates containment activities by sending a Level 1 Containment Notification to the supplier's Quality Manager. The letter details the specific non-conformance and requires supplier actions, including inspection and exit criteria.

The supplier is responsible for acknowledging the Level 1 Notification by returning a copy of the letter with an authorizing signature to the Adient Quality contact.

The supplier is responsible to reply with their implemented containment plan via an initial 8D within 24 hours of Level 1 notification. The containment plan must be reviewed and agreed upon by the Adient Quality contact. The supplier is responsible for keeping the customer location advised daily of ongoing containment results until released from Level 1.

Supplier containment guidelines include the following:

- Containment area must be highly visible and properly lit, equipped, etc.
- Containment area must have well-defined material flow including clearly identified areas for incoming and outgoing parts
- No rework or repair must be done in the containment area
- Product acceptance standards and measurement / testing process to be agreed upon by Adient Quality contact
- Number of non-conformances, corrective actions and results, ensuring complete traceability of activity and parts must be reported daily.
- Charts must be updated and reviewed on a daily basis
- Problem solving must be formal, data driven and documented
- Containment personnel must be properly trained and have work instructions, quality standards, boundary samples, etc.
- Data from the supplier's containment activities must be kept on file and available upon request

Criteria for exiting Level 1 Containment shall be determined by the Adient Quality contact. Exit Criteria shall be based on reaching a predetermined quality level and not a number of parts or days sorted. To exit containment, the supplier must achieve a predetermined quality level after a minimum of thirty days, or another timeframe as specified by Adient.

4.14.2.2 Containment Level 2 (CL 2) Expectations: Level 2 Containment is defined as the implementation of additional controls by an impartial third party selected by Adient at the expense of the supplier. Level 2 Containment is implemented when a supplier's Level 1 Containment activity fails to shield Adient or its customer(s) from receipt of non-conforming material.

The Adient Quality contact analyzes the non-conforming issue(s) and determines if Level 2 Containment is required. Adient Purchasing Buyer and/or Supplier Development Manager may be involved in the decision to implement Level 2 Containment. A Level 2 Containment Notification is sent to the supplier's Plant Manager and Quality Manager to notify them of the Level 2 Containment. The Level 2 letter details the specific non-conformance and required supplier actions including inspection and exit criteria.

The supplier is responsible for confirming receipt of the Level 2 Notification with an authorized signature by returning a copy of the letter to the Adient Quality contact.

The Adient Quality contact assigns a sorting company to perform the Level 2 Containment. The third-party containment provider must be on Adient approved supplier list for sort companies.

The third party must provide daily documentation to both the supplier and Adient Quality contact on the progress of containment activity.

The supplier is responsible for issuing the purchase order to the third-party source and is responsible for all costs for the sort company performing the containment activities. Initiation of Level 2 Containment does not relieve the supplier of any relevant Level 1 activities following the aforementioned containment guidelines and responsibilities.

Level 2 shall not be removed until the containment results meet the exit criteria previously established. Approval to remove Level 2 Containment comes from the Adient Quality contact.

4.15 Warranty

4.15.1 Warranty Expectations: Suppliers are required to implement a warranty management process supporting the analysis on all part returns from Adient customers as requested by the Adient Quality contact. All issues are to be addressed with the appropriate containment, root cause and corrective action(s) in the timeframe specified as per customer specific requirements (CSR). Any charges incurred from Adient customers due to supplier issues will be communicated and passed on to the supplier in the form of a supplier chargeback.

4.16 Supplier Performance

To meet the ISO 9001 and IATF 16949 requirements of measuring the supplier performance, Adient Global Supplier Scorecard (GSS) provides assessment on various aspects of the supplier Quality and Delivery as well Business performance. It provides records monthly and on a 6-months rolling basis, which convert data in a supplier status - Red/ Yellow/ Green.

The supplier performance rating provides

- Objective data for use in Supplier management and decision for supplier sourcing
- Opportunity for continuous improvement.

The supplier performance rating is available after 15th of the following month upon request to the Adient Buyer, or Supplier Quality/ Supply Chain Manager, or Plant Quality contact.

5.0 Records/Logs

Not applicable.

6.0 References

Adient Supplier Portal: https://www.adient.com/suppliers