

IV-07 NONCONFORMING PARTS & COST OF QUALITY RESPONSIBILITY

Purpose

Effective handling of quality problems and on time, detailed quality problem reporting is essential in maintaining quality performance. ADVICS facilities will issue a Supplier Corrective Action Request (SCAR) for issues identified with products provided to ADVICS.

Supplier Responsibilities

General Requirements

Defective Occurrence

1. For defective parts found at an ADVICS facility or at an ADVICS customer location, the ADVICS Quality Engineering department will inform the Supplier by e-mail using a SCAR form or online supplier management portal/tool. (Contact ADVICS Quality to confirm the tool/method used by the specific ADVICS location).
2. All SCARS require supplier responses that comply with ADVICS requirements. In some cases of nonconformance the ADVICS Quality Department may choose to issue an alternative form of notification which requires response but will not affect the supplier’s PPM or Supplier Scorecard assessment. The supplier should review the information provided and determine appropriate countermeasures.

Initial Response (Containment Actions)

1. Within 24 hours of receipt, the Supplier shall take immediate containment action for the following:
 - Parts in process at all affected ADVICS facilities or customers (in coordination with ADVICS)
 - Parts in transit to ADVICS facilities or customers (in coordination with ADVICS)
 - Parts in the Supplier’s process, including material staged for delivery
 - When issued a SCAR, the supplier must communicate their containment plan, with clearly identified methods for control of suspect material at all stages of delivery, to ADVICS within 24 hours by e-mail or online supplier management portal/tool. This must be followed by a phone call to the ADVICS Quality contact.
 - If the supplier uses a third party to perform sort or inspection activities, a representative of the supplier company must be present to provide supervision, training and guidance for all sort and inspection activities unless otherwise agreed upon by the ADVICS Quality Department.
2. The SCAR form and Supplier Countermeasure Reply form should also communicate the containment actions as well as part identification sometimes referred to as certification, preferably using the Supplier Countermeasure Reply Form found through the ADVICS Supplier Portal, or in the absence of a supplier portal, using the Supplier Countermeasure Reply Form **IV-07-F01**. Suppliers may use their own form with prior approval from the ADVICS Quality Engineering department. Refer to the Supplier Portal or **IV-07-F01** for

REVISION: Original	SUPPLIER REQUIREMENTS MANUAL Uncontrolled if Printed	IV-07
REV DATE 01.JUN.2015		Page 1 of 6

requirements, including short-term (temporary) and long-term (permanent) countermeasures and activities. Submit the Countermeasure Reply form in 15 days or by the time specified by the ADVICS Quality Engineering Department.

- Tag all shipments with a Certified Material tag until released by ADVICS Quality department.

The Certified Material Tag must include the following:

- i. Condition certified
- ii. Inspector information as applicable
- iii. ADSMI suppliers must indicate SCAR #

An example of Certified Material Tag can be found in the quality toolkit.

3. If the supplier ships the part number(s) reflected on the SCAR to multiple ADVICS plant locations, the supplier must receive release from each location. Part certification will be required until permanent countermeasures have been implemented and release has been given by the applicable ADVICS plant location(s). The supplier must provide customer support to ADVICS if the suspect material has made it to a customer location.

Final Response (Permanent Countermeasures and Closure)

1. Submit long-term (permanent) countermeasures in the timeframe specified by the ADVICS Quality Engineering Department.
2. A SCAR is not “Closed” until approved, in writing or electronically, by the ADVICS Quality Engineering department. The supplier is responsible to ensure that their SCAR responses are on time and approved by ADVICS Quality Engineering Department. Permanent countermeasures are required for both why made (process) and why ship (system) root causes. Confirmation results of implemented countermeasures are required, e.g. audits, validation testing, A-B-A test, etc... in the report.
3. Process or product changes made in conjunction with corrective or preventive activities may require either a submission of a PPAP package and/or PCR to ADVICS Quality Engineering. Review all changes in accordance to the requirements in those sections. If you have questions on the requirements please contact your ADVICS Quality Department.

Effects of Poor Performance (Special Focus Escalation)

1. If ADVICS locations receive repeat defects or inadequate responses, the ADVICS Quality department may enforce “Special Focus” actions. Special Focus actions are the first steps in escalating problems or issues with the supplier and serve as a warning that serious consequences up to and including de-sourcing can occur if the situation is not *expeditiously* corrected.
2. The purpose for Special Focus actions is to isolate ADVICS facilities from known defective material. It is an intensified inspection process applied to components where the manufacturing process is out of control and/or incapable of consistently meeting production standards.

REVISION:	Original	SUPPLIER REQUIREMENTS MANUAL Uncontrolled if Printed	IV-07
REV DATE	01.JUN.2015		Page 2 of 6

3. ADVICS Purchasing will issue a letter to notify the supplier of Special Focus actions. ADVICS will call the supplier management contact to ensure the receipt of this letter and the requirements going forward.

REVISION:	Original	SUPPLIER REQUIREMENTS MANUAL Uncontrolled if Printed	IV-07
REV DATE	01.JUN.2015		Page 3 of 6

Cost of Poor Quality

The supplier shall make every reasonable effort to deliver 100% compliant components with no defects. In the case of defects received by ADVICS facilities or their customers, the following cost responsibility conditions may apply:

Standard Items (Defects detected at ADVICS facility with minimal impact to production)

Item		COST RESPONSIBLE	
		Supplier	ADVICS
1	Labor costs ¹ to sort and/or rework product at ADVICS to screen identified defects. ADVICS Temporary Rate = full recovery of cost at agency rate ADVICS Manpower Rate = up to \$50.00/man-hour	⊙	None
2	Material scrap plus any added value costs associated with quarantined defective material	⊙	None
3	Administrative costs up to \$500 associated with processing a SCAR	⊙	None
4	Freight costs required to return defective products, deliver expedited replacement parts to the ADVICS and/or customer location	⊙	None
5	Request for deviation/concession related to defect 1 st occurrence is without an administrative charge. Repeat occurrence potential charge up to \$500/incident.	⊙	None
6	Accumulation scrap will be returned, counted monthly and debited to supplier at component plus added value cost.	⊙	None

¹ Standard labor rate for sorting, rework and administration to be determined by the ADVICS Purchasing Department.

⊙ = Assigned sole responsibility
None = No assigned responsibility

ABNORMAL ITEMS * (Defects detected at the ADVICS customer or that has major impact to ADVICS production)

Item		COST RESPONSIBLE	
		Supplier	ADVICS
7	Labor costs ¹ to sort and/or rework product at ADVICS customer locations ADVICS Manpower Rate = up to \$50.00/man-hour	○*	△*
8	Travel and labor costs for ADVICS personnel to support activities at the end customer location(s)	○*	△*
9	Freight costs to return defective product to the ADVICS facility from its customer	○*	△*
10	Freight costs required to deliver replacement parts to the ADVICS customer location	○*	△*
11	In the event the suppliers defective products causes damages to ADVICS equipment or tooling the supplier would be debited the cost of the damages, labor for the engineering/maintenance members (\$65/hr) and any downtime attributed.	⊙	None
11	Down time associated with defective supplied parts to the ADVICS production line * <i>(Note these cost can range from \$500/hr. to \$100s of thousands in the case of OE vehicle plant stoppage. The expectation is that the supplier exhausts all efforts to avoid a line down situation. Supplier should expect ADVICS full support to avoid a line down situation as well)</i>	⊙	None

* To be addressed on a case-by-case basis. As situations warrant, abnormal costs will apply as requested by the ADVICS facilities and as determined by the ADVICS Purchasing departments.

- * = Primarily responsible, however evaluated case by case for exceptions
- △* = Primarily not responsible, however evaluated case by case for exceptions
- ⊙ = Assigned sole responsibility
- None = No assigned responsibility

Standard and Abnormal Cost Clarification

1. ADVICS Quality Department has the final authority on component status. In the case of non-conforming material, ADVICS will follow the steps above depending on part availability.
2. ADVICS Quality will make a diligent effort to contact the supplier prior to the start of any sorting activity.
3. Only the ADVICS Quality Departments preform/authorize the sort/rework of work in process parts or finished assemblies. This will result in charges back to the supplier.
4. If the supplier fails to maintain containment of an identified defect, (i.e. ships defective product in a container labeled as certified materials), the supplier is at risk for an additional SCAR and/or administrative fee. A supplier’s behavior that indicates to the ADVICS management team that the supplier has “neglect of duty to provide good product” would guarantee the additional SCAR and/or administrative fee.
5. The supplier is responsible for the defects they create, and adhering to the conditions of the ADVICS T&C and the terms of the purchase agreements as a whole. It is the discretion of the ADVICS supplier team (Quality, Purchasing, and/or Production Control) on when to apply charges created by abnormal situations, such as those indicated above.

REVISION: Original	SUPPLIER REQUIREMENTS MANUAL Uncontrolled if Printed	IV-07
REV DATE 01.JUN.2015		Page 5 of 6

6. **Standard Item(s)** administration is by the ADVICS facility. Each facility will receive the authorization of its management prior to issuing the debits to the supplier.
7. **Abnormal Item(s)** expenses to the supplier are upon the request of the ADVICS facility executive management to the ADVICS North America Purchasing department. Upon ADVICS Purchasing approval for the “abnormal item” charges, the supplier will be notified by ADVICS Purchasing.

ADVICS North America Purchasing department will administer the policy concerning supplier debiting for both **Standard Items** and **Abnormal Items**.

REVISION:	Original	SUPPLIER REQUIREMENTS MANUAL Uncontrolled if Printed	IV-07
REV DATE	01.JUN.2015		Page 6 of 6