Summary:

This document explains the minimum requirements for AGC Automotive suppliers.

Distribution list (fill in „x "for responsible department):

x	General Management	x	Finance & IT
x	Commercial (marketing, sales)	x	Technology coordination (engineering, new technology)
x	Manufacturing, Technology & Safety		BPM
	Human Resources	x	Program Management
x	Quality		
x	Transversal Operations	x	Plants

Modification review list:

Revision:	Date:	Reason description:
R00	29.04.2011	First issue - new form and code (old code was 01 BST SQA 003 R01)
R01	02.07.2019	Change of Name (was Supplier Quality Requirements) & Revision of the requirements including IATF 16949:2016, REACH, CSR, AGC Customer Specific Requirements
R02	03.07.2024	Revision of requirement including ISO 45001, ISO 50001 requirements [1.6, 1.7]. AGC Supplier Portal P-HUB system for claim management; Cost of claims. Technical Revision [3.12, 3.13. 3.14]. Marking of PPAP samples [3.2, 3.7] Requirement about Supplier Management System Certificates inside AGC Supplier Portal P-HUB [1.6, 1.7, 1.8; 1.16] Escalation process, Supplier Audit process [3.15] Added sorting criteria [3.13] Product liability – PSCR responsible – P-HUB [1.17]
R03	30.04.2025	Review and update of the document plus added Annex 1: Cost Recovery table
R04	25.02.2026	Review and update due to Customer audits & CSR updates from OEM's,Stellantis GSQN-011: *Zero Defect Strategy in supply chain, *Added requirement as VDA 6.3 P5-P6-P7 Self audit based on customer requirements as part of requalification – OEM-BMW *Special Technology Processes – AIAG CQI Standards *Detailed APQP, PPAP requirements * Audits *Escalation Process

Abbreviation (not mandatory):

Type:	Description:
SEQCDDM	Safety Environment Quality Cost Delivery Development Management

SPC	Statistical Process Control

Reference to external norms:

Number:	Name:
IATF 16949	More information about IATF 16949 can be found on: www.iaob.org (International Automotive Oversight Bureau) section: IATF Publications.
MAQMSR	Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers, can be found on: www.iaob.org
IMDS	More information about the International Material Data System can be found on: www.mdsystem.com
ISO 9001	Quality management systems
ISO 14001	Environmental Management System
ISO 45001	Health & Safety Management System
VDA 2	Production process and product approval (PPA)
ISO 50001	Energy Efficient Management System
AIAG CQI Standards	Special Technology Prodecess requirements: AIAG CQI Standards: https://www.cqi-support.de/en/cqi_standards
CLP	Regulation (EC) No 1272/2008 on the **C**lassification, **L**abeling and **P**ackaging of substances and mixtures.
REACH	Regulation N°1907/2006 of European Parliament & of the council of 18 Dec 2006 concerning **R**egistration, **E**valuation, **A**uthorization & Restriction of **Ch**emicals
AGC CSR	AGC's Corporate Social Responsibilities can be found on: http://www.agc.com/en/csr/index.html
ASIS	AGC AE Supplier Part Inspection Standard

1. General Requirements and Objectives:

1.1. The supplier of AGC Automotive Europe (hereafter the "Supplier"), shall conform to all product, environmental and safety regulations including **REACH & CLP**.

1.2. The Supplier acknowledges there is a regulatory focus on the use of minerals and derivative metals from areas identified as conflict regions. The Supplier concerned by conflict minerals must complete each year a conflict mineral report (CMRT) including a list of all smelters and refiners of Tin, Tungsten, Tantalum and Gold used in the product supplied to AGC.

1.3. The Supplier is expected to comply with AGC Group Corporate Social Responsibilities and related policies.

1.4. The Supplier shall develop its quality management system with the goal to comply with **IATF 16949**: latest version and with the intention to be certified by an officially accredited third-party certification body.

1.5. Unless otherwise specified by AGC, Suppliers to AGC shall be at least **ISO 9001**: latest version certified by an officially accredited third party certification body.

1.6. The Supplier shall commit to implementing their Environmental Management System in line with the requirements of the latest version of **ISO 14001**.

Certification is mandatory if Customer Specific Requirement is existing, anyway the Certificate weights higher in the evaluation of the Supplier during yearly review. The Supplier shall commit to implementing their Health and Safety Management System in line with the requirements of the latest version of **ISO 45001**.

Certification is not mandatory but weights higher in the evaluation of the Supplier during yearly review.

1.7. The Supplier shall commit to implementing their Energy Efficient Management system in line with the requirements of the latest version of **ISO 50001**.

Certification is mandatory based on the domestic legislation, formulated on the basis of the **EU 2012/27/EU Energy Efficiency Directive**is existing, anyway the Management system Certificate weights higher in the AGC supplier evaluation.

1.8. The Supplier shall comply with **End Life Vehicle** rules and regulations in accordance with EC Guidelines 2005/64/EC and 2000-53-EC latest edition. Completion of the International Material Data System IMDS by the supplier with Material Data Sheets is mandatory.

1.9. The Supplier acknowledges that achievement of **zero defects is a fundamental objective** for quality and delivery performances.

Zero Defect Strategy is a proactive quality management approach that aims to eliminate all defects in products and processes throughout the automotive industry value chain.
The strategy establishes a culture of prevention, accountability and continuous improvement, ensuring that every component delivered to AGC meets the highest standards of safety, reliability, and performance.

Zero Defect Strategy Key Principles:

1. Prevention Over Detection : The focus is on designing robust processes that prevent defects from occurring, rather than relying solely on inspection to detect than afterward. This involves error-proofing [Poka-Yoke], process control, and early issue identification through risk analysis [FMEA].
2. Buit-in Quality : Quality is integrated into every step of production – from product design and supplier selection to manufacturing and assembly. Each process step must be capable and stable, ensuring the output consistently meets specifications without rework.
3. Data-Driven Performance Monitoring : Using advanced data analysis techniques, SPC (Statistical Process Control), and real-time monitoring systems, process variations are identified and corrected before they result in defects.
4. Supplier Quality Integration : Suppliers are treated as key partners in achieving zero defects. Through APQP, PPAP and continuous capability assessments, suppliers align with AGC, OEM quality goals and adopt the same preventive mindset.
5. Root Elimination : Every nonconformance triggers a structured problem-solving process [8D or A3 methodology] focused on finding and eliminating the root cause – not just the symptom – to prevent the recurrence.
6. Quality Culture and Empowerment : Employees at all levels are empowered and trained to identify issues, stop the line when necessary, and suggest process improvements. Leadership commitment and transparent communication reinforce a shared responsibility for quality.

Expected Outcomes :

- Significant reduction in internal and external defect rates [toward 0 PPM targets]
- Improved customer satisfaction and audit result
- Reduced cost of poor quality [COPQ] and warranty claims
- Strengthened supplier relationship and overall supply chain robustness

1.10. Regardless the **Certification status** of the Supplier for IATF 16949: latest version, the IATF 16949 paragraphs and specific AGC requirements, stated in paragraph 2 and paragraph 3 of this document shall be complied with by the Supplier.

1.11. The Supplier shall ensure the confidentiality of the information related to the products supplied to AGC and to the projects under development for account of AGC (whether obtained in writing, orally or otherwise) in accordance with the confidentiality agreement previously signed by the parties.

1.12. The Supplier shall **flow down** the applicable requirements to its own suppliers and subcontractors (requirements described in 1.1 to 1.9).

1.13. Ensuring control over **outsourced** processes by the Supplier shall not exempt the Supplier of its obligation of conformity to all the regulatory and AGC requirements.

1.14. The official communication language with AGC is English.

1.15. Supplier's duty is to **keep up to date their Management System Certificates** (like ISO 9001, IATF 16949, ISO 14001, ISO 45001, ISO 50001 inside AGC Supplier Portal P-HUB.
If Certificates are not maintained or missing inside AGC Supplier Portal P-HUB system or/and Certificates are overdue, supplier can be penalized during "Request for Quotation" phase – not

requesting Quotations for new models, until P-HUB system is not updated with actual information about Certificates.

1.16. **Product liability**:

Supplier is responsible to nominate and obtain trainings inside their organization about product liability & safety.

Based on the nomination, supplier needs to communicate the **Product Safety Responsible** [PSCR] towards AGC.

Way of communication is through AGC Supplier Portal using the Product Safety Responsible Function inside AGC Supplier Portal P-HUB.

Supplier's duty is obtaining trainings of Product Safety & Liability and maintaining of Certificates / Functions inside AGC Supplier Portal P-HUB.

2. Specific Mandatory Quality Management System Requirements Based on IATF 16949:

2.1. Compliance of the Supplier with all the ISO 9001 requirements in IATF 16949 is mandatory.

2.2. Compliance of the Supplier with the IATF 16949 requirements (as defined at Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers) listed below is mandatory. Applicable IATF 16949 sections are referenced hereunder:

2.2.1. Control Plans

8.5.1.1. Control plan.
8.5.1.2. Standardized Work – operator instructions and visual standards
8.5.1.3. Verification of job set-ups
8.5.1.5. Total productive maintenance
8.5.2. Identification and traceability – supplemental
8.5.6.1.1. Temporary change of process controls

2.2.2. Process approach.

The organization shall define its product realization system. Each process and sub-process shall be defined. Each defined process shall be implemented and controlled including the interactions and linkages between processes. The processes shall be monitored for effectiveness.

2.2.3. Performance

9.1.2.1 Customer satisfaction – supplemental
8.6.4 Verification and acceptance of conformity of externally provided products and services.
8.4.2.4 Supplier monitoring
10.2.3 Problem solving.
10.2.4 Error-proofing
10.2.5 Warranty management systems
10.2.6 Customer complaints and field failure test

2.2.4. Internal auditing

9.2.2.2 Quality management system audit – except: organization shall audit to verify compliance with MAQMSR, 2nd Ed.
9.2.2.3 Manufacturing process audit
9.2.2.4 Product audit
9.2.2.1 Internal audit program
7.2.3 Internal auditor competency, except:

- requirement for documented process may be waived if audits are conducted under the guidance of a qualified customer second-party auditor.
- scope of auditor competency limited to ISO 9001:2015 and MAQMSR

2.2.5. Control of non-conforming product

8.7.1.2 Control of nonconforming product – customer specified process
8.7.1.3 Control of suspect product
8.7.1.4 Control of reworked product
8.7.1.5 Control of repaired product
8.7.1.6 Customer notification

8.7.1.1 Customer authorization for concession

2.2.6. Part Approval

8.3.4.4 Product approval process
7.5.3.2.2 Engineering specifications
8.4.2.2 Statutory and regulatory requirements
8.4.2.3.1 Automotive product-related software or automotive products with embedded software
9.1.1.1 Monitoring and measurement of manufacturing processes
7.1.5.1.1 Measurement system analysis
7.1.5.2.1 Calibration/verification records
8.5.6.1 Control of changes – supplemental

2.2.7. Management responsibility

5.1.1.2 Process effectiveness and efficiency
6.2.1 and 6.2.2 (ISO 9001:2015) Quality Objectives
6.2.2.1 Quality objectives and planning to achieve them – supplemental.
5.3.2 Responsibility and authority for product requirements and corrective actions
5.3.1 Organizational roles, responsibilities, and authorities – supplemental
9.3.1.1 Management review – supplemental
9.3.2.1 Management review inputs – supplemental
9.3.3.1 Management review outputs – supplemental
5.1.1.1 Corporate responsibility

2.2.8. Risk management.

6.1.2.1 Risk analysis
6.1.2.2 Preventative action
6.1.2.3 Contingency plans

2.2.9. Safety

4.4.1.2 Product safety

3. AGC Customer Specific Requirements:

3.1. **APQP:** The Supplier shall use a methodology of **Advanced Product Quality Planning**.

APQP is a structured approach used primarily in the automotive industry to ensure product and process quality throughout the development cycle. Its goal is to **prevent defects** and guarantee that customer requirements are met.

Key Objectives :

- Plan and define quality requirements early in the product development process.
- Ensure cross-functional collaboration between engineering, quality, and suppliers.
- Validate product and process capability before mass production.

Five Phases of APQP :

1. Plan and Define Program
    - Understand customer requirements and specifications.
    - Develop timing plans and assign responsibilities.
2. Product Design and Development
    - Create and review design records.
    - Perform Design FMEA (DFMEA).
    - Build and test prototypes.
3. Process Design and Development
    - Develop Process Flow Diagram, PFMEA, and Control Plan.
    - Validate manufacturing tools and measurement systems.
4. Product and Process Validation
    - Submit PPAP for approval.
    - Conduct Run@Rate trials.
    - Perform capability studies and SPC analysis.
5. Feedback, Assessment, and Corrective Action
    - Monitor production performance.
    - Implement continuous improvement based on audits and customer feedback.

Core Deliverables

- DFMEA & PFMEA
- Control Plan
- PPAP documentation
- SPC data
- Run@Rate report

3.2. **PPAP submission**:

3.2.1 Agreement on PPAP submission & ASIS [AGC Ispection Standard]:

During development in the PPA agreement, the supplier and AGC agree upon the scope, content and schedule of the PPA documentation to be submitted.

The Supplier shall deliver initial samples based on timing in Project specific Nomination Letter according **PPAP level 3** (including capacity audit, self-assessment, part history) or, for VAG projects, **VDA 2** - PPA level 3.

The PPA procedure is initiated for

a) New parts

b) Changes

c) Re-use

d) Customer-specific agreements (e.g. requalification) as describe in VDA 2

3.2.2 Supplier Submission :

Supplier prepares PPAP package including:

- PSW,
- Design Records,
- Process Flow Diagram,
- PFMEA, Control Plan,
- Dimensional Results,
- Material/Performance Test Results,
- Initial Process Studies,
- Appearance Approval Report (if applicable),
- Sample Parts,
- Packaging Approval
- Capacity confirmation
- ASIS – AGC Inspection Standard – contains the agreed Requalification requirements also

Timeline: Based on project specific Nomination Letter

3.2.3 Review and Approval :

Responsible team reviews PPAP documentation for completeness and compliance.

- If acceptable: "Green PPAP" Approve PSW and communicate approval to supplier.
- If not acceptable: "Yellow PPAP" Interim PPAP must be provided with a defined time period or defined quantity before full approval asking improvement actions and resubmission.
- If rejected: " Red PPAP" issue rejection with feedback for resubmission

In case of derogation or rejection new initial samples shall be delivered with a corrective action plan agreed with AGC and implemented as preparation for new initial samples.

PPAP samples and parts after modification must be clearly identified [applying special marking on first delivery]

AGC reserves the right to enforce the costs outlined in the Annex1 :

- PPAP submission delay due to supplier issue

- PPAP submission mistakes [Re-PPAP-additional review]

3.2.4 The supplier always executes an internal PPA procedure. The submission is need to be carried out according to the „VDA 2 Trigger Matrix (Appendix 8)" or customer-specific agreements.

3.2.5 Escalation Process for Delays

If any PPAP step exceeds its timeline, the following escalation process applies based on Escalation as describe in 3.14:

1. Immediate notification to Project team, Purchasing, Supplier Development Manager & Supplier Quality Manager
2. 24-hour grace period for supplier response.
3. Escalation to Quality Director if unresolved within 3 days.
4. Possible stop shipment or sourcing review if unresolved within 7 days

3.3 **Test reports / Measuring reports :** During the term of the agreement, AGC has the right to ask for test reports to demonstrate that the Product is still conforming to the agreed specifications.

3.4 **Requalification agreement:** The Supplier must guarantee quality by carrying out a **regular requalification** of its scope of supply.
Any differences to the requalification content must be agreed between the Supplier and AGC inside the ASIS document during development. Based on Customer Specific Requirements [see details in AIAG portal], Supplier as part of the Requalification, need to conduct and provide **self-assessment to AGC based on the VDA 6.3 standard**, with a specific focus on the process elements **P5 (Supplier Management), P6 (Process Analysis / Production), and P7 (Customer Care, Customer Satisfaction, Service).**

3.5 **Control Plan Approval: Approval** by AGC after review or update of the control plan is mandatory.

3.6 **Archiving of Data:** The Supplier shall adequately store the control plans and all related process and product monitoring data for 15 years after end of serial production unless specified in another project-related document.

3.7 **Process capability:** The Supplier shall demonstrate during serial production, the process capabilities with Cpk value of at least 1.33 for long term capability and 1.67 for short term capability using SPC for all special characteristics (functional, safety, regulatory) unless otherwise specified by the end customer or in the drawing or ASIS document.

3.8 **Delivery schedule:** The Supplier is obliged to respect the **agreed delivery schedule**. In the event of any deviation and without prejudice to any other right of AGC, the Supplier must inform AGC immediately and take the necessary actions to match the delivery schedule in agreement with AGC.
AGC reserves the right to enforce the costs outlined in the **Annex1**:

- Incorrect/Faulty/Missing Delivery Notes/EDI Data

3.9 **Change Management:** The Supplier **shall inform AGC in case of any change** of tooling, machinery, origin and specifications of raw materials, supplier/subcontractor, logistics (e.g. flow, packaging, storing conditions …) or manufacturing method before implementation of such change to enable AGC to decide whether the submission of a new PPAP is necessary, even if allowed by the end-customer. Supplied Parts after the change or modification must be clearly identified [applying special marking on first delivery]

3.10 **Change Approval :** The Supplier **shall not change** production site, specifications, formulations and/or composition of parts/products to be delivered to AGC (hereafter "Parts" or "Products")

without prior written approval by AGC, even if allowed by the end customer. A new Initial samples / PPAP shall be required by AGC.

AGC reserves the right to enforce the costs outlined in the **Annex1:**

- Process changes not reported by the supplier [relocation of production, change in the process without sampling/agreement with AGC, …]

3.11 **Production interruption:** A production interruption of more than **12 months** is considered as a potential risk and shall be reported to AGC before new deliveries.

3.12 **Claim management:** AGC customer **complaints** shall be handled with 8D methodology and report via AGC Supplier Management Portal P-HUB.

AGC reserves the right to enforce the costs outlined in the **Annex1** :

- Creation of supplier complaints, opening the claim
- Creation of Warnings, Repeat complaints – in case of supplier's measures not effective – discovered at AGC]

3.12.1 **Response time for the complaints:**

D0 – D3: Containment actions within 24h

D4: Root cause analysis within 5 working days

D5: Corrective & Preventive Actions within 15 working days

D8: Closing the claim within 20 working days

All remaining actions shall be closed in a timeframe agreed with AGC quality representative.

Insufficient claim management: In case of insufficient claim management of supplier (e.g no reaction, no response for the claim, no reaction, no response for reminders sent by AGC representative, or not using the P-HUB portal for the claim management, etc) AGC escalation process can put in place as described **in 3.14 Escalation Process**

AGC reserves the right to enforce the costs outlined in the **Annex1** :

- Escalation process – Level 1/2/3/4

3.13 Sorting activities: In case the Supplier delivers defective and/or non-conforming parts/product, AGC shall be entitled to implement a 100% inspection of the parts/products.
Criteria to start sorting activities:

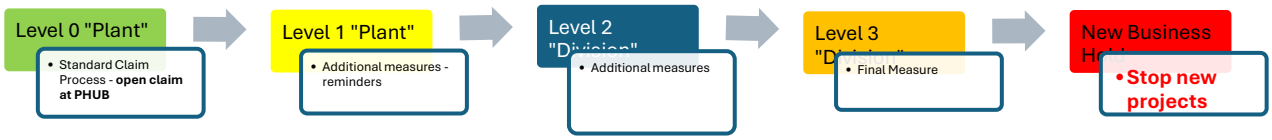
- Safety characteristic – 1 and more parts found.
- Function characteristic – 1 and more parts found.
- Visual characteristics – 0.01% [100PPM] and more affected

The costs shall be charged to the Supplier if no opposition is done by the Supplier 24 hours latest after notification of the sorting/inspection. Additional administrative costs shall be imputed to the Supplier according to the non-conformance. Cost of claims must be in line with AGC Supply Agreement.
AGC reserves the right to enforce the costs outlined in the **Annex1** :

- Creation of Contradictory analysis in AGC Plants
- Support of supplier's sorting at AGC Plants (forklift, place, galia)
- Compensation sorting at AGC Plants (cost of FTE AGC site)
- Compensation – production cost due to supplier concern
- Cost of not ok AGC product [failure related to supplies]
- Line stoppage in AGC production caused by supplier
- Derogation approval
- Recharging the cost from customer to supplier (including line stoppage in customer production caused by supplier)

3.14 Supplier Escalation Process / Escalation Levels :

AGC AE defines four levels of escalation and a special status: Business on Hold.
The suppliers are then classified in statuses EL-0 to EL-4, to refer to which level of escalation they are at.
AGC reserves the right to enforce the cost outlined in the Annex 1



3.14.1 Escalation level 0 (Plant level) – claim opening

The supplier is classified EL-0.

3.14.1.1 Quality issues:

In the standard process, the AGC AE plant's responsible person will reject supplier goods that are delivered to AGC with deviations from the specifications (quality and or logistic) as mutually agreed upon between AGC and the supplier.
In the event of a quality rejection at an AGC AE plant, the plant's responsible person will send official information about claim / non-conformity to the supplier via supplier portal P-HUB. The supplier will be required to accurately and completely identify the root cause(s), and implement permanent corrective actions.

The plant's responsible person (Plant Supplier Quality Engineer) ask the supplier to implement temporary containment measures such as 100% inspection. This request is valid for the rejected characteristic and the rejected product.
The supplier shall be responsible for any support required from AGC or third parties to comply with these requirements and any additional requirements needed in Escalation Level 1 and Escalation Level 2

3.14.1.2Logistic issues:

In the standard process, the AGC AE plant's responsible person will identify logistic issue (lack of components, delay in delivery, no confirmation on purchaser order…) which not correspond reasonable time , and send official information about claim / non-conformity to the supplier via supplier portal P-HUB.
The supplier shall be responsible for any support required from AGC or third parties to comply with these requirements and any additional requirements needed in Escalation Level 1 and Escalation Level 2

3.14.1.3 Development issues:

During development stage, the AGC AE plant's responsible person will identify quality problem with parts, documents, quantity (lack of component), send official information about claim / non-conformity to the supplier via supplier portal P-HUB.

3.14.2 Escalation level 1 (Plant level)

The supplier status evolves to EL-1 if the escalation at level 0 was ineffective.

3.14.2.1 Potential Reasons for Escalation Level 1

- No communication from the supplier, no answer within the timeframe defined in the Supplier Requirements 01 BP SQA 101 (ref to 3.12.1)
- Lack of information inside 8D - Supplier isn't providing complete root cause analysis and complete corrective action plan responses (for example - missing analysis as 5Why, Ishikawa, missing corrective actions, Etc.)
- Corrective actions not followed

3.14.2.2 Supplier Escalation Level 1 - activities

- Plant´s responsible will communicate / request reactions on demand (by phone, e-mail, meeting, ...) to Supplier for missing information / action(s). If no reaction after "multiple" (unsuccessful request for reaction / improvement)
- Plant's responsible person will escalate internally at plant level management (quality, logistic, development) if one or more points mentioned in chapter 3.15.2.1 occurred.

3.14.3 Escalation level 2 (Division level)

The supplier status evolves to EL-2 if the escalation at level 1 was ineffective or AGC / customer production jeopardize. The issue is escalated to AGC Division.

3.14.3.1 Potential Reasons for Escalation Level 2

- Repeating problems - Supplier failed to implement and verify effective corrective actions for past claim(s).
- Major supplier quality risks / deviations that have a high potential to shut down AGC's production - (refer to red flag procedure)
- Unauthorized supplier product or process changes, without preapproval from AGC
- Disruption at AGC's customer due to supplier quality / logistic issues
- Claim compensation cost is more than 5k EUR or claim is open more than 90 days
- Stopping AGC production within 3 weeks due to this claim

3.14.3.2 Supplier Escalation Level 2 - activities

- Plant's responsible person will escalate if one or more points mentioned in section 0 occurred.
- Assess with top management of the plant if the issue is considered high potential risk
- Inform Supplier Quality Manager at the latest during the following monthly call between Supplier Quality Engineer and Supplier Quality Manager.
- Provide evidence of EL-1 activities to Supplier Quality Manager to support EL-2 activities (email, photos, videos, etc.) in the SAP folder for the claim **+** supplier portal P-HUB
- Logistic issues – plant´s responsible share Stock consumption overview
- AGC Supplier Quality Manager with Supplier Development Manager or Purchasing Commodity Manager is taking the lead for the next steps, for a quality or logistic issue respectively:

a) Organize meeting with supplier's commercial or/and quality representative (face to face, or virtual meeting)
b) Communicate in Supplier Quality Manager monthly report the suppliers in EL-2 (or above)
c) Follow-up activities resulting from this escalation
d) Check corrective actions (evidence sent by e-mail or supplier visit)
e) If all activities are satisfactory, meet with plant responsible person to decide on closing issue in escalation and remove EL-2 status for a supplier

3.14.4 Escalation level 3

The supplier may be classified as EL-3 if the EL-2 process proves to be ineffective.

3.14.4.1 Potential Reasons for Escalation Level 3

- Supplier fails to meet the EL-2 exit criteria within the agreed-upon due date
- Supplier has an EL-2 status for more than six months
- Supplier has additional quality problems while in EL-2
- Supplier has a critical quality issue affecting AGC's customer production schedule
- AGC customer applies warranty or recalls products because of a supplier quality issue
- Repeated logistic issues
- Claim cost compensation cost is more than 10k EUR, and open more than 6 months
- Stopping AGC production within 2 weeks due to this claim
- Logistics issue outer EU stopping production within 3weeks and there is no any solutions foreseen
- Logistics issue from outer EU stopping AGC production within 2weeks

3.14.4.2 Supplier Escalation Level 3 Procedure

AGC Purchasing Commodity Manager will take the lead on the following actions:

a) Initiate the escalation by calling the commercial contact / quality manager of the supplier to inform them that they are being classified as EL-2.
b) Contact the commercial responsible of the supplier to formally kick-off the escalation and define the de-escalation criteria.
c) Schedule and lead routine meetings with the supplier to review the status of the supplier improvement activities until the escalation is closed.
d) Report out the supplier escalation status during the Purchasing team meeting.
e) Remove the EL-3 status for a supplier when evidence for all the de-escalation criteria has been provided and is proven effective. Supplier Quality Manager or Purchasing Category Manager communicates the de-escalation to the supplier

3.14.4.3 Supplier Requirements for Escalation Level 3

- Assign lead contact person at the supplier for managing the escalation
- Routine contact and / or visits to supplier from Supplier Quality Manager to review escalation activities
- Supplier Quality Manager perform VDA 6.3 Process Audit

3.14.5 Escalation Level 4 - New business hold

The supplier may be under a status "New business on hold" if EL-3 process proves to be ineffective. The supplier will be permanently excluded from new business awards and the supplier's current business will be resourced from a different supplier as soon as possible, if feasible

3.15 Audits:

During supplier nomination, selection, development and during mass production supplier can be audited by AGC.

The Supplier agrees that AGC may conduct system, process and product audits in its sites as well as in its Suppliers' and subcontractors' sites at times to be agreed upon with the Supplier.

3.15.1 Audit types:

New supplier	Supporting document
First assessment	Supplier Self-assessment
Potential Analysis	VDA 6.3 P1 Questionnaire & Audit report
New supplier & Current-production supplier	
Development audit	VDA 6.3 P2 – P4 Questionnaire & Audit report
Serial process audit	VDA 6.3 P5 – P7 Questionnaire & Audit report
D/TLD audit	VW B2B portal for D/TLD form
Problem analysis audit	Minutes of meeting
Capacity audit	Capacity audit report
Technical Revision	Technical revision report

After the yearly Supplier Evaluation & Supplier Risk Classification (*Risk Classification: based on product, process, project complexity, or characteristics, supplier industrial risk, having high production volumes, being in financial stress, located in regions with considerable economic or political instability, and based on Quality performance)* AGC plan and carry out onsite audits at Tier-2 suppliers classified HIGH and MEDIUM risk. Mandatory audit frequency: 1 per year for all HIGH risk suppliers and 1 per 2 years for MEDIUM risk suppliers.

Conducting the onside audits based on VDA 6.3 Tools

In case of applicable CSR which describe the usage of Special Technology Process [see details in AIAG portal], Supplier audit results MUST be documented by AGC annually in Customer portals [See CSR – Stellantis GSQN-011]if applicable.

3.15.1.1 Supplier Self-assessment

During the searching of new suppliers, a form is used to gather basic information to help making the best selection.

The Purchasing Commodity Manager is responsible to submit this form to the supplier and transfer it filled to the Supplier Quality Manager [SQM] if an initial audit needs to occur at potential new supplier site.

3.15.1.2 Potential Analysis [VDA 6.3 P1 audit]:
Based on performed risk and market analysis the selected potential new supplier can be audited initially in order to verify the supplier Quality Management system.
The results of this initial audit cannot include unacceptable situations or findings that could affect the concerned product/part/service related to environment, safety & health, CSR
An initial audit is not mandatory for suppliers having a monopolistic position or suppliers nominated by customer (referred to as "directed-buy") but is preferred.
Qualification audit is performed based on VDA 6.3 P1 audit requirements and documented in VDA QMC Analysis Tools Application.

3.15.1.3 Development audit [VDA 6.3 P2 – P4]:
Supplier chosen for a concrete project can be audited during the development phase based on the risk analysis performed during development
Sections P2 – P7 from VDA6.3 booklet can be audited, at the discretion of the lead auditor based on the needs of the project. Leading by Supplier Development Manager, supported by plant Supplier Quality Engineer and Industry Manager.

3.15.1.4 Serial process audit [VDA 6.3 P5-P7] :
During the serial life of projects, the pool of existing suppliers is also subjected to audits. At the discretion of the Supplier Quality Manager and Supplier Development Manager the supplier can be requested to submit the VDA 6.3 P5-P7 form filled by themselves or can be audited on site according to P5-P7. Audit can lead by Supplier Quality Manager, Supplier Development Manager, Plant Supplier Quality Engineer.
For the suppliers in the Central List, the frequency of audits according to the risk level of the commodity they provide can be adapted according to the situation or to the status of the supplier:
No crisis, little to no quality issues, mature quality system, good performance scoring: reduced frequency
Crisis, increased amount of quality issues, flaws in the quality system, bad scoring on the yearly performance review: increased frequency.

3.15.1.5 D/TLD audit
A D/TLD audit is customer-specific requirement (VW) to verify safety characteristic identified as TLD by the customer. The aim of the audit is to verify the supplier's documentation linked to product liability. The time between two audits can´t exceed 365 days.

3.15.1.6 Problem analysis audit / Corrective Action audit :
In case of quality/logistic problems with a supplier, an audit is oriented to affected part/process, defined corrective actions and verification actions. Audit can lead by Supplier Quality Manager, Supplier Development Manager, Plant Supplier Quality Engineer, Plant Quality Manager

3.15.1.7 Capacity audit :
Verification of the capacity of supplier to produce and deliver in time a defined project. Usually, this audit is executed during development audit/"two day production; Run at Rate ".

3.15.1.8 Technical Revision Audit :

If the Supplier cannot comply with the agreed quality level, AGC reserves the right to provide its assistance at the Suppliers' production site and/or AGC requests the Suppliers' presence at the AGC site.

AGC reserves the right to perform a Technical Revision on supplier production site to verify the process at supplier, AGC must inform supplier about Technical Revision 24 hours in front.

AGC reserves the right to enforce the costs outlined in the Annex1 :

- Audits (due to supplier's concern)

Technical Revision can lead by Supplier Quality Manager, Supplier Development Manager, Plant Quality Manager, Supplier Quality Engineer.

3.15Corrective actions for audit finding:

Supplier shall provide a corrective action plan to resolve the findings of the audits within 15 calendar days from the receipt of the request and provide the evidence and the effectiveness check of the implementation of these actions within 3 months (unless otherwise agreed by the parties).

All red audit results MUST have recovery Action plan provided by the supplier. For long-leadtime corrective actions, effective interim corrective actions MUST be defined and implemented by the supplier (like internal 100% Quality Wall, Firewall for the characteristics at risk).

3.16Supplier Evaluation:

The Suppliers are monitored and evaluated on a yearly basis by AGC according to SEQDDCM [Safety, Environment, Quality, Delivery Services, Development Services, Cost, Management (Certificates).

The evaluation is a complex evaluation based on the consolidation of AGC Plant level evaluation [Quality Performances, Claims, Response time, Reactivity, Problem solving, Logistics performances] and AGC Headquarters evaluation [Global Quality Performances, Claims, PPM, Escalation, AGC Audit results, Quality Management Systems in supplier (ISO 9001, IATF 16949, ISO 14001, ISO45001, ISO 5001], Global Safety, Environmental Performances, Sustainability, Global Logistics Performances, Cost and Development Services, flexibility, communication and partnership.

Supplier Evaluation result is communicated via Purchasing Commodity Managers describing the details of the evaluation.

Evaluation letters contains the supplier actual year performance results and the next year PPM targets

The results can be provided by AGC upon request of the Supplier.

3.16.1mprovement actions for the Supplier Evaluation: In case of an unsatisfactory Supplier evaluation results [Yellow or Red Evaluation], AGC shall inform the Supplier and, it is the Supplier´s duty to take immediate and long term adequate actions to improve the performance results. In case of red evaluation, AGC will not start any future business with the Supplier.

4.0 The requirements mentioned in section 1, 2 and 3 are an integral part of the contracts entered into by and/or the purchase orders issued by AGC and are legally binding.

5.0 The AGC Automotive Supplier Requirements is available on AGC portal and the actual version is valid for the suppliers.
https://www.agc-glass.eu/en/suppliers-partners

Annex 1 – Standardized Cost & Compensation table

Cost and Compensation Table :	
Cost & Compensations:	Amount, in Eur:
Creation of supplier complaints, opening the claim based on # 3.11:	250,-
Creation of warnings based on # 3.11:	100,-
Repeat complaints (supplier's measures not effective) discovered at AGC based on # 3.11:	500,-
Creation of Contradictory Analysis in AGC plants based on # 3.11:	500,-
Support of supplier's sorting at AGC Plants ˙(forklift, place, galia) based on # 3.12:	100,-/Claims/Shift
Compensation sorting at AGC Plants [cost for FTE AGC site]:	26,-/hour
Compensation – production cost due to supplier concern:	Based on actual controlling cost
Cost of not ok AGC product [failure related to supplies]	Based on actual controlling cost
Line stoppages in AGC production caused by the supplier	Based on actual controlling cost
Recharging the cost from customer to supplier [Including Line stoppages at customer production caused by the supplier	Based on actual controlling cost
Incorrect/Faulty/Missing Delivery Notes/EDI Data	200,-
PPAP submission delay due to supplier issue:	250,-
PPAP submission mistakes ˙[Re-PPAP – additional review]:	250,-
Process changes not reported by the supplier based on # 3.9 [e.g relocation of production, change in the process withour sampling / agreement with AGC]	5000,-
Derogation approval :	500,-
Audits ˙(due to suppliers' concern):	1500,-
Escalation process ˙[Level 1/2] : Opening the Escalation Process :	3000,-
Escalation process ˙[Level 1/2] : Monthly fee until closing of the Escalation:	1000,-
Escalation process ˙[Level 3/4] : Opening the Escalation Process :	10000,-
Escalation process ˙[Level 3/4] : Monthly fees until closing of the Escalation:	1000,-per month [1-3 months] 2000,- per month from 4-5 months 3000,- per month from 6 months until Escalation's Closing