



Supplier Requirements Manual

www.adacautomotive.com

This manual outlines the expectations of suppliers to ADAC Automotive. For convenience, all of ADAC Automotive is referred to in this manual as “ADAC”.

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1-1-06 Rev B

- Eliminated Section 4.6 Bulk Packaging and Packaging
- Added Section 7.8 Line Down Costs
- Updated Section 2.3 Performance Reporting
- Updated Section 7.5 Quality Performance Reporting
- Eliminated form in 8.2 Engineering Change Notice and Sample Submission Request

9-12-06 Rev C

- Updated Adac Logo from Adac Plastics to Adac Automotive
- Cover Page – replaced Adac Plastics with Adac Automotive
- Updated Section 8.2 website address

4-15-07 Rev D

- Added ADAC website address to Cover Page and the footer of each page of the document.
- Updated Section 2.2 Onsite Visitation
- Updated Section 4.5 PPAP Requirements
- Updated Section 6.3 Production Product Release
- Updated Section 6.5 EDI Requirements
- Updated 8.1 ADAC Specific Requirements. Resource Management. Product Realization

03-07-08 Rev E

- Updated Section 4.3 Adac Specific Requirements
- Updated Section 8.1 Quality Management System, Product Realization
- Updated Section 8.2 Adac Forms

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- Updated Section 1.2
- Updated Section 2.3
- Updated Section 3.1
- Updated Section 4.1
- Updated Section 4.3
- Updated Section 4.5
- Updated Section 5.4
- Updated Section 6.2
- Updated Section 6.3
- Updated Section 7.1
- Updated Section 7.7
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01/09/2014 Rev. G

- Updated section 2.3
- Removed section 2.4
- Updated section 4.1
- Updated section 4.3
- Updated section 4.5
- Updated section 6.1
- Updated section 7.1
- Updated section 7.3
- Updated section 7.5
- Added Conflict Minerals Statement

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- Modified RFQ

10/13/2014 Rev. H

- Updated Section 7.2
- Updated Section 7.4

03/10/2015 Rev. I

- Updated Section 7.1 added HI's and CC's

04/13/2015 Rev. J

- Updated Section 4.3

12/22/2015 Rev. K

- Updated Section 5.1

03/02/2018 Rev. L

- Updated Section 1.5
- Updated Section 1.6
- Updated Section 3.1
- Updated Section 4.1
- Updated Section 4.4
- Updated Section 7.1
- Updated Section 7.2
- Added acceptance page

04/08/2019 Rev. M

- Updated Section 1.0
- Updated Section 4.3
- Updated Section 4.5
- Updated Section 7.2

04/08/2019 Rev. N

- Updated Section 7.1
- Updated Section 7.3

12/02/2020 Rev. O

- Updated Section 4.5

09/15/2021 Rev. P

- Updated Section 1.1

Scope

1.0 Introduction

At ADAC, our mission is to create continuous improvement in customer satisfaction, enabling our business to prosper, thereby providing jobs for our employees and a reasonable return for our shareholders. ADAC creates and maintains a corporate attitude of an unyielding and continually improving effort by everyone to create customer satisfaction. We recognize that our supplier relationships are critical and our success is interdependent. In this light, your dedication and adherence to ADAC supplier requirements will clearly document your value as an ADAC supplier. This document applies to suppliers of direct materials.

1.1 Sustainability

ADAC supports Corporate Sustainability Requirements and seeks to continually improve our products and processes to meet these guidelines. We maintain a business code of conduct that all of our employees comply with and expect our suppliers to do the same.

ADAC does not support or engage in unethical, illegal, or unfair labor or work practices of any kind including, but not limited to: Child labor (use of young workers), Forced Labor, Harassment & Non - Discrimination, Human Trafficking & Modern Slavery, Limiting Freedom of Association and Collective Bargaining, Unfair Compensation (wages and benefits) and Working Hours, and Health & Safety Conditions.

ADAC also does not support corruption, extortion, bribery, or conflicts of interest.

ADAC encourages fair competition and anti-trust laws. ADAC will protect whistleblowers against retaliation.

ADAC takes measures to ensure the privacy and protection of customer data.

ADAC's Environmental management system encourages continuous improvement of greenhouse gas reduction by reporting out on the use of electricity, natural gas, propane, diesel, etc. water utilization, air quality, waste reduction, and responsible chemical management.

ADAC expects our suppliers to also implement programs to support Corporate Sustainability Requirements and the Environmental ISO 14001 Requirements. Additional environmental requirements are located within the ADAC Automotive Business Operating Procedure which is located at www.ADACAUTOMOTIVE.com.

1.2 Purpose of Supplier Requirements

The purpose of this manual is to promote a clear understanding of ADAC expectations and requirements for its suppliers.

1.3 Concept

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ADAC suppliers are viewed as being fully responsible for their products and must, therefore, ensure that materials are produced in conformance to the required standards with an expectation that ADAC will receive defect free product, on time, at the agreed upon terms.

1.4 Supplier Involvement

ADAC suppliers have an obligation to establish a cross functional team to manage the product planning process. Suppliers must expect the same performance from their sub-suppliers.

1.5 Verification

ADAC reserves the right to audit contracted suppliers for products and applicable processes and systems associated with those products at the supplier's and/or sub-supplier's premises. We also reserve the right to include our customers in this review.

1.6 Additional Resources

For further explanation of these requirements, contact ADAC Supplier Development. Also, please refer to Automotive Industry Action Group (AIAG) manuals for additional details.

1.7 Updates and Notification

ADAC reserves the right to review and revise this manual at any time, as needed, and without prior notice. The most current revision of this manual is available in electronic media at the ADAC internet site (www.adacautomotive.com). It is the supplier's responsibility to assure latest revision reference.

2.0 General

2.1 Confidentiality Agreement

ADAC reserves the right to require a supplier and all members of their organization to comply with the terms and conditions as defined in an ADAC Confidentiality Agreement. Confidentiality agreements are kept on file at ADAC.

2.2 Onsite Visitation

Before entering, any of ADAC's facilities each supplier representative is required to sign the registry in the lobby area and a visitor badge will be issued by the facility being visited.

2.3 Performance Reporting

ADAC will monitor supplier performance in the following areas:

- Quality System Certifications
- Quality-PPM
- Delivery
- Cost Reduction Objectives
- Corrective Actions

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➤ PPAP Performance

Supplier performance results are recorded, and communicated to the supplier's organization via e-mail. A supplier exhibiting performance below the expected performance targets may be required to supply evidence of permanent corrective action to ADAC's supplier development group. Continued low performance could result in any or all of the following:

- Notification to the ADAC Automotive Commodity Buyer to take the appropriate actions related to new and current business.
- 3rd party containment and notification to registrar.
- Requirement to present a corrective action plan along with a timeline to the ADAC Automotive Purchasing & Supplier Development Team.

3.0 Quote

3.1 Quote Submission Requirements

ADAC Suppliers will provide ALL quote responses to the designated ADAC representative in the Baggira quoting system or on the Request for Quote form; Including the Piece Price Breakdown Worksheet. Exceptions to these requirements must be approved by an ADAC Purchasing representative. Forms that are not filled out in their entirety, or on time, may not be considered for award.

4.0 Advanced Product Quality Planning (APOP)

4.1 Status Reports

ADAC suppliers will provide ADAC Program Management with program status reports (when requested) on each, individual component during the Product Realization (Development) Process. The status report is preferred in electronic form and is to be submitted prior to the first of each month. Status changes that affect timing require immediate notification. In the event the program manager does not receive requested status reports, they will notify supplier development for assistance.

4.2 Launch Meetings

When requested, ADAC suppliers are required to participate in Program Launch meetings. ADAC Purchasing will notify supplier representatives of these requirements and contacts.

4.3 ADAC Specific Requirements

ADAC has identified minimum requirements for the Product Realization process in section seven of this manual. Suppliers are required to use materials on customer-approved material lists when applicable. If required, ADAC will assist suppliers in the OEM approval process. ADAC requires suppliers to prepare a PPAP for annual validation and keep on file at their location. (Except suppliers of components on Volkswagen programs which need to be submitted to ADAC yearly).

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Documents for the PPAP must include; a full layout that represents all machine cavities, testing, material certification, and sub-supplier revalidation.

4.4 End Customer Requirements

OEM customers require that their specific requirements extend to ADAC suppliers. OEM customer requirements are expected to be cascaded down through the supply chain. End customer requirements and any additional requirements will be communicated at program release or as identified.

ADAC supports the OEM efforts to comply with Conflict Minerals reporting requirements and expects the same from all of our suppliers.

ADAC requires all outside plastic injection molders to follow and comply with the Ford W-IMMS process.

4.5 PPAP Requirements

The ADAC supplier PPAP requirements & the ADAC PPAP checklist are available on the website www.adacautomotive.com. PPAP submissions are **to be** submitted to ADAC Purchasing. ADAC may require onsite PSO/PTR and Run at Rates prior to PPAP approval.

ADAC requires its Canadian Suppliers to provide documented proof of compliance to the Partners in Protection (PIP) requirements. For information on how to join PIP visit www.nexus.gc.ca/security-securite/pip-pep/menu-eng.html. ADAC strongly encourages all its domestic suppliers to be in compliance with the Customs Trade Partnership against Terrorism (C-TPAT) and to provide documented proof of compliance if available. All other Foreign Suppliers are subject to a Security Risk Assessment by either ADAC or its designated 3rd party. Said Assessment shall follow C-TPAT security criteria. See www.CBP.gov.

5.0 Packaging and Labeling

5.1 Packaging

It is the supplier's responsibility to provide components and/or materials without defects created by packaging design. Boxes shall not overhang the edges of a pallet. Damaged products that are the result of non-conforming packaging shall be documented as a non-conforming incident and taken into consideration when completing a supplier's quality report. The maximum container size without ADAC Launch Team approval is 24" x 22" x 11" with a maximum container weight of 35 pounds. Any container that exceeds the maximum size and weight requires ADAC Launch Team approval.

5.2 Label Requirements – Barcode

ADAC Label requirements can be found on our website at (www.adacautomotive.com) under the Suppliers.

5.3 Shelf-life Identification

ADAC requires 100% shelf-life guarantee from date of receipt at ADAC manufacturing facility. Product that is perishable must have an expiration date on the label.

5.4 Sample Products

Suppliers shall provide sample product as requested. All containers of sample product shall be marked as “samples” with the name of the person who ordered the product listed on the container, (i.e. ATT: _____) and must include the ADAC Part Number. ADAC Purchasing and ADAC Engineering will communicate sample product requirements for assembly testing and/or equipment development.

6.0 Product Release Requirements

6.1 Purchase Price Agreement (PPA)

The Purchase Price Agreement (PPA) will act as a “Blanket Order” between ADAC and suppliers. A PPA is an agreement setting the price ADAC will pay for parts manufactured by suppliers for shipment to ADAC. **A PPA IS NOT AN AUTHORIZATION TO MANUFACTURE OR SHIP PRODUCT TO ADAC.** Authorization to ship comes in the form of releases, which will specify quantities, ship to, delivery date and will be issued by an ADAC Material Planner.

6.2 Consigned Product

Consigned material is defined, as ADAC owned material placed at the suppliers’ premises awaiting a secondary process (paint, plating, assembly, etc.). Consigned material is owned by ADAC and will be inventoried at month end. Any consigned material that has gone beyond the agreed upon supplier quoted scrap percentage will be debited as lost product at full value at the suppliers expense.

6.3 Production Product Release

A Production Product Release is an authorization from ADAC Material Planners to the supplier to ship a specified quantity of material against the Purchase Price Agreement (PPA) with a specified delivery date and any additional shipping requirements. Release information may be provided by EDI (862) or other methods. ADAC’s exposure for purchased product from our supply base shall be as specified in the PPA. It is the expectation of ADAC that two weeks of finished goods be on hand at the suppliers location at all times.

6.4 Forecasts

A forecast is a prediction of the future ADAC customer requirements. It may be provided to suppliers upon request from the ADAC Material Planner. **ANY FORECAST INFORMATION PROVIDED BY AN ADAC MATERIAL PLANNER IS NOT A RELEASE OR AGREEMENT TO PURCHASE OR MANUFACTURE GOODS.** Forecast information may be provided by EDI (830) or other methods.

6.5 EDI (Electronic Data Interchange) Requirements

- AIAG (Automotive Industry Action Group) Supply Chain Management
- MMOG (Materials Management Operations Guidelines)
- 830 Planning Schedule with Release Capability
- 862 Ship Schedule
- 856 Ship Notice/Manifest

7.0 Quality

7.1 ADAC Specific Requirements

Quality Management System

- Suppliers of production components shall be third party registered to ISO 9001 by an accredited third party certification body as a minimum, with a goal of eventual certification to IATF 16949. Suppliers of specific services shall be registered to applicable standards (ISO/IEC 17025).
- It is the responsibility of the supplier to provide current registration documents, including scope to ADAC Supplier Development.
- Supplier shall communicate changes in registration status within five (5) working days.
- Suppliers of Special Processes (CQI) such as heat treatment (CQI-9), plating (CQI-11), and painting (CQI-12) require special assessments to be performed annually. Each supplier shall submit the appropriate CQI certification documentation on an annual basis.

Management Responsibility

- Supplier shall provide key personnel information to ADAC with contact information (phone with extension, email and postal address, etc). Any changes affecting personnel, mergers, union contracts and affiliations shall be communicated within five (5) working days.

Resource Management

- Supplier shall maintain required communication systems.
- Changes in location of ADAC assets or product manufacturing location shall be communicated and approved prior to move.
- ADAC Purchasing may review supplier contingency plans. Specific plans are required for holiday shutdown/ startup scheduling as well as utility interruptions, labor shortages, key equipment failures and field returns.
- Containment Inspection is required on new products and major engineering changes. This inspection is documented and is required until the supplier demonstrates acceptable production stability and quality.

Product Realization

- AIAG Automotive Manuals (PPAP, SPC, FMEA, MSA, & APQP) shall be used as guidelines.
- Supplier shall provide sample submission documents as prescribed in these requirements or as prescribed by ADAC's customer.
- ALL changes must be managed and approved prior to implementation (per AIAG requirements). The Supplier's organization shall follow the ADAC Supplier Process Change Request (SPCR) procedure and communicate the change prior to making the change. The ADAC SPCR form can be found on our webpage at www.adacautomotive.com under the supplier portal.
- Manufacturing Feasibility Statement (considering safety and risk assessment) is required with the quote.
- ADAC identifies all special characteristics with the designation Controlled Characteristic on the part blueprint. Controlled Characteristics are listed in the title block area and/or identified on the part views where applicable.
- ADAC requires that suppliers monitor all dimensions identified as Controlled Characteristics. to ensure statistical process control. Records of statistical process control must be maintained at the supplier's facilities and provided to ADAC upon request. If the frequency is not called out on the drawing the supplier must reach an agreement with the ADAC Quality Engineer on the frequency and that must be called out on the Control Plan prior to PPAP.
- ADAC defined Special Characteristics shall be identified within the quality documents.
- Supplier may be required to participate in ADAC design and development reviews. ADAC personnel may participate in supplier design reviews.
- Supplier will be required to provide timelines and project status reports in an ADAC or customer prescribed format when requested by the program manager.
- Documentation is required with specific Run at Rate or customer prescribed confirmation for PPAP approval.
- Suppliers are responsible for normal maintenance and care of customer owned tooling and equipment as outlined in Tooling and Equipment guidelines. Suppliers are expected to maintain a preventative maintenance schedule for all customer owned tooling and equipment.
- Suppliers are required to immediately notify ADAC Purchasing of any damage to any customer owned tooling and equipment. No repair or modification of customer owned tooling or equipment is allowed without written authorization from ADAC Purchasing.
- All suppliers are responsible for identifying ADAC owned tools, manufacturing, test, inspection tooling and equipment with "Property of ADAC" and the part number. Reference the Bailment Agreement.
- Supplier shall maintain identification and traceability by
 - 1. Identifying the product by a suitable means throughout product realization (Proto, Preproduction, and Production).
 - 2. Identifying the product status with respect to monitoring and measurement requirements (ie. Revisions & Dates correlating to the Design Record).
 - 3. Controlling and recording the unique identification of the product (Tracking significant and special characteristics).
- Tooling, equipment, and gauging shall be manufactured to ADAC guidelines.
- Supplier may use an internal laboratory when specific analysis is within the IATF16949:2016/ ISO 9000/2015 lab scope. External laboratories shall be accredited to ISO/IEC 17025 or equivalent and a copy of the registration must be included in the sample submission documentation unless there is evidence that the external laboratory is acceptable to the customer. Such evidence must be demonstrated by ADAC Quality Engineer assessment.

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- Suppliers with product-related software or embedded software shall implement and maintain a process for software quality assurance for their products. A software development assessment methodology shall be utilized to assess the supplier's software development process. Using prioritization based on risk and potential impact to the customer, the supplier shall retain documented information of a software capability assessment.

Measurement, Analysis, and Improvement

- Supplier shall comply with minimum performance requirements.
- Supplier shall provide access to inspection documentation when required.
- Supplier is required to perform validation of ADAC components and gauging as part of the annual PPAP.
- Supplier shall notify ADAC receiving plant when suspected non-conforming material has been shipped.
- Supplier shall maintain a formal corrective action system that provides documentation of defect, root cause, interim, permanent, and prevention actions.

7.2 Non-Conforming Material

Materials are expected to comply with all of ADAC's contractual requirements. When discrepancies are identified, ADAC reserves the right to withhold payment and return any portion of the shipment at the expense of the supplier. When discrepancies are identified, the plant Supplier Development Coordinator (SDC) reviews/audits the suspect product. When the product is identified as a supplier defect, the defective product is documented on a SIRN (Special Identification Requirement Notification). A CCN (Customer Concern Notice) is created and a 24 hour response is sent out to the supplier. ADAC requires an immediate response to these requests. As part of immediate corrective action, suppliers are expected to provide documented quarantine plans to the manufacturing facility to assure flow of acceptable product. When a response is not received, appropriate actions are taken at the supplier's expense. A RMA (Return Material Authorization) number is requested for any and all defective product and sort costs caused by the defective product (this many include OEM charges).

In the event nonconforming product is identified as being shipped to ADAC, it is the suppliers' responsibility to contact ADAC Supplier Development to properly quarantine product and work to establish corrective actions; if necessary.

7.3 Corrective Action

Suppliers are required to provide documented corrective action. Documented corrective action must be provided to the Supplier Development department. ADAC requires a response that follows the 8-D format. Immediate actions must be implemented and reported within 24 hours of receipt of a concern, interim follow-up within three days discussing containment and Root cause, permanent action, and verification activities must be completed (and reported) within 30 days of notification, unless extenuating circumstances exist.

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7.4 Delivery Performance

ADAC requires shipments to be received on the date specified on the release with the correct quantity unless revised and approved by the receiving facility. Supplier delivery performance is monitored, reported and evaluated.

In the event a failure to ship to current releases is identified, it is the Suppliers' responsibility to contact the ADAC Materials Department to properly alert them to such discrepancies and plan necessary actions to avoid any potential short shipments to the OEM.

7.5 Quality Performance Reporting

ADAC Purchasing monitors supplier performance of key indicators on a monthly basis. These indicators will include, but are not limited to:

- Quality System Certifications
- Quality - PPM
- Delivery
- Cost Reduction Objectives
- Corrective Actions
- PPAP Performance

7.6 Supplier Performance Review Meetings

When a supplier's performance falls below the expected performance targets, ADAC Supplier Development may require formal presentation of specific action plans for performance improvement.

7.7 Recovery Costs

ADAC debits costs associated with discrepant material back to the responsible supplier. These costs may include administration, sort and rework services, line down costs as well as any costs incurred with ADAC customers.

7.8 Line Down Costs

ADAC debits costs associated with line down situations within ADAC manufacturing plants back to the responsible supplier. These costs are a direct result of lack of materials due to a supplier not meeting the delivery requirements of the material releases provided by ADAC or a lack of materials due to a supplier quality problem exhausting inventories at ADAC. The supplier responsible for such events is debited an amount equal to the actual costs to ADAC. These charge backs are communicated to the supplier as the line down events take place.

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8.0 Appendix

8.1 ADAC Forms

Copies of many forms used by ADAC can be found on our web-site: www.adacautomotive.com, under the supplier portal. These forms include (but are not limited to) the following:

- Adac Supplier Advanced Product Quality Planning Status Report, Form 859
- Labeling Requirements, Form 501
- Supplier Process Change Request, Form 1085

Please complete this Supplier Quality Manual registration form and return it to:
cjimenez@adacautomotive.com

Upon receipt of the signed form, you will be added to the Supplier Quality Manual mailing list and future updates will be sent directly to you.

SUPPLIER MANUAL REGISTRATION FORM

To: Supplier Quality

Supplier Quality Manual

I acknowledge the receipt, review and acceptance of the new ADAC Automotive Supplier Quality Manual.

Representative Signature

Company Name

Date