

## Asahi Kasei Plastics North America, Inc. (APNA)

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<b>Description of Changes</b>	<b>Rev #</b>	<b>Date</b>
Revised Scorecard Ratings and Calculation Method	3	4/24/2024
Clarified section 3.4 COA and 8.0 FIFO requirements	2	7/24/2018
Incorporated IATF 16949:2016 requirements	1	11/1/2017
Initial Release	0	8/17/2016

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## Terms and Definitions

Term	Definition
<b>Buyer</b>	Asahi Kasei Plastics North America, Inc. or an affiliate thereof identified as the Buyer in the applicable contracting document (e.g., purchase order or supply agreement). The term is used interchangeably with the term “Asahi Kasei Plastics North America, Inc.” in the Supplier Quality Assurance Manual.
<b>Confidential Information</b>	1) Information, knowledge or data disclosed by Buyer to supplier or that Supplier receives in the course of performance for Buyer, regardless of whether disclosed in written, tangible, oral, visual or other form, including, without limitation, sample products, equipment, software, or other objects or material provided by Buyer to supplier and 2) information, knowledge or data obtained from visits to Buyer facilities by supplier.
<b>Non-Conforming</b>	Product that fails to conform to any requirement, including, but not limited to, safety considerations and regulatory requirements.
<b>IAF MLA</b>	International Accreditation Forum Multilateral Recognition Arrangement.
<b>Incoterms</b>	International Commercial Terms, as published by the International Chamber of Commerce (ICC).
<b>Major Disruption</b>	Event resulting from Non-Conforming Products or services that do not meet the agreed quality and delivery specifications. Results in non-standard operations including: Quality Spills (product out-of-spec, stop shipments, production interruption, etc.) and Stock Outs (product not available).
<b>Major Supplier</b>	Determined by Buyer based on established criterion which includes volume, spend, and critical to quality metrics.
<b>Product</b>	Any kind of product or service. This includes the physical “manufactured” product, a provided service, engineering work such as drawings and specifications or any other internal product provided in a series of processes. The term “deliverable” is used interchangeably with the term product in the Supplier Quality Assurance Manual.
<b>RMS</b>	<b>Raw Material Specification:</b> Signed document defining agreed upon material specifications/tolerances, certificate of analysis requirements, s as well as other product specific requirements.
<b>SCAR (8D)</b>	<b>Supplier Corrective Action Request:</b> A formal request to take action to eliminate the cause(s) of an existing Non-Conforming Product or other undesirable situation in order to prevent recurrence.
<b>Supplier</b>	The entity identified as the supplier in the applicable contracting document (e.g., purchase order or supply agreement).
<b>SSA</b>	Supplier Self-Assessment

### 1.0 About Asahi Kasei Plastics North America Inc.

Asahi Kasei Plastics North America Inc. is a leading compounder of high-performance engineered thermoplastics and specialty polypropylene compounds.

Buyer has expertise across many industries (automotive & industrial markets primarily), that demand high quality, variation-free manufacturing (locally/globally) conducted in a professional, high standards environment with personalized technical support.

Buyer seeks to achieve the highest quality products it provides for its customers, while complying with applicable environmental and legal requirements and other requirements to which Buyer subscribes. These standards are achieved by Buyer through the use of robust systems that are third party registered to IATF16949, ISO 9001, ISO 14001, and ISO 17025. Buyer supports these systems with four key components: an ongoing commitment to employee safety and development, continuous improvement, pollution prevention, and customer satisfaction.

Buyer believes that the quality of its products is a result of its emphasis on internal process controls and focus on supply chain excellence. Buyer's objective is to strive towards zero defects, measuring its supplier performance via such key indicators as Quality, Service, and Delivery.

This Manual defines the role of Buyer's suppliers to help us meet these objectives.

## 1.1 Organizational (Quality and EHS) Policy

# AsahiKASEI

## Organizational Policy

**A**chieve best in class status in safety, quality, and environmental

**S**atisfy interested parties through quality product, testing, and environmental commitment and pollution prevention

**A**dhere to our defined compliance obligations

**H**ands on involvement and responsibility of all employees for safety, quality, and environmental requirements

**I**mprove all aspects of APNA's processes continually

## 2.0 Purpose

This Supplier Quality Manual defines the expectations for all suppliers to Buyer. Supplier shall conform to specified requirements defined in this manual.

Adhering to the guidelines established in this manual, Supplier should continually improve the processes used to design, manufacture, and deliver Products or Services to Buyer

Throughout this manual, the word “shall” or “must” indicates a requirement. The word “should” indicates a recommendation. The word “may” indicates a permission and “can” indicates a possibility or a capability.

The English version of this manual is the official version. The English version has precedence in the event of discrepancies with manuals translated into different languages.

## 3.0 General Supplier Requirements

Supplier shall:

- 3.1 Satisfy the requirements established.
- 3.2 Maintain a working knowledge of all policies and procedures governing the relationship between Supplier and Buyer.
- 3.3 Accept responsibility for the quality, on time delivery, regulatory compliance, service requirements, and technical performance of all deliverables.
- 3.4 Provide Certificate of Analysis (COA) with each shipment, if applicable. Distribution includes electronic via email and hardcopy with shipment.
- 3.5 Maintain all records relating to deliverables provided for the life of the Product plus one (1) calendar year and any applicable contractual requirements, including but not limited to those for warranty and service for the purpose of this manual, unless otherwise specified. The life of the Product begins with Product concept and extends until the end of active part production and service requirements. Supplier shall provide records to Buyer when requested.
- 3.6 Use Confidential Information solely for the purposes of supporting the current business relationship with Buyer. Supplier shall not disclose Confidential Information to any third party without Buyer’s express written consent, except that Supplier may disclose Confidential Information to its contractors, sub-suppliers, consultants or agents who have a need to know and have executed confidentiality agreements with Supplier, obligating them to treat such information in a manner consistent with these Terms and Buyer’s Non-Disclosure Contract, if any, with supplier. Supplier shall not i) sell Buyer parts or components incorporating or containing Confidential Information to any third party, or ii) sell any deliverables produced using Confidential Information to any third party. Supplier shall immediately notify Buyer of any breach of confidentiality.
- 3.7 Comply with all EH&S regulations and have an established environmental management system with the intent to prevent pollution.

- 3.8 Supplier shall comply with all Buyer requests for information and other reasonable requests related to Product Safety and International logistics such as: Conflict minerals, SVHC/REACH, HS Code / COO.
- 3.9 Supplier shall provide requested regulatory information, and Safety Data Sheet (SDS) information when requested. The SDS is required for but not limited to:
- Resins
  - Reinforcements
  - Fillers
  - Additives
  - Other chemicals
- 3.10 Buyer-owned assets shall be used exclusively for the development, production, and testing of Buyer Products. Such assets may include, but are not limited to: Packaging, Testing and measuring equipment; Dedicated processing equipment; Prototype or production components; or Licensed software and hardware.

Supplier shall immediately notify Buyer if any asset is found to be defective or unsuitable for production. Records of all repair or replacements actions must be submitted to Buyer. Supplier shall not transfer, or consign to another party, any Buyer-owned assets without prior written approval from Buyer.

The provisions and requirements in this Supplier Quality Manual are in addition to, and not in lieu of, any requirements in any Supply Agreement formed under Buyer's Terms and Conditions of Purchase. This Supplier Quality Manual will, where possible, be construed consistently with each such Supply Agreement. Where it is not possible to construe a provision of the Supply Agreement consistently with this Supplier Quality Manual, the provision of the Supply Agreement will control.

Supplier shall be responsible for ensuring all sub-tier suppliers adhere to these requirements.

At Buyer's discretion, a waiver of certain manual requirements may be granted and approved for a specific Product or duration. All such waivers shall be effective only upon express written approval by Buyer.

## 4.0 Supplier Qualification

Buyer manages its supply chain by qualifying new suppliers and maintaining existing suppliers who are capable of distribution or manufacturing and delivering quality product on time. Suppliers shall have an established and effective quality management system that meets buyer's supplier audit requirements. Buyer's supplier audit follows the basic elements of ISO 9001, with some elements of IATF 16949 and/or ISO 14001 as applicable. The supplier's quality system must adhere to these elements depending on the type of product or service being provided to Buyer. Buyer may request supplier to complete Supplier Self-Assessment (SSA), Risk Assessment survey, and/or conduct an on-site audit of Supplier's facility and operations. An on-site audit is generally conducted for potential new suppliers, an existing supplier's new facility, or performance concerns. Buyer requires its suppliers providing product being used in the automotive industry to



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 member, with the ultimate objective of becoming certified to IATF 16949.

Buyer's qualification process evaluates supplier capabilities/strengths within these key areas:

- 4.1 Risk assessment of supplier and sub-tier supplier financial, social, environmental, safety, supply chain, and quality) to ensure on-going financial viability and business continuity
- 4.2 Technical capabilities to meet design, production, quality, and project management requirements
- 4.3 Quality System maturity/functionality to drive overall operational excellence
- 4.4 Continual improvement & six sigma/lean manufacturing initiatives to drive cost down and improve quality

In addition, Warehouse service suppliers shall comply with Buyer Warehouse Operations Manual requirements.

## 5.0 Management Expectations

Buyers' management team expects suppliers to maintain the necessary resources and capabilities to continually provide Buyer with on-time product delivery and quality. To this end, Buyer requires that suppliers shall:

- 5.1 Abide by Asahi Purchasing Terms and Conditions
- 5.2 Provide Products at a competitive price
- 5.3 Maintain financial strength to support current business and promote growth
- 5.4 Comply with all applicable labor laws requirements including those of ILO (International Labor Organization)
- 5.5 Maintain and follow a business code of conduct.
- 5.6 Communicate essential business information to Buyer such information may pertain to contractual issues including, but not limited to:
  - Inquiries, orders, bids, amendments and invoices
  - Equipment changes
  - Product quality issues relating to design, specifications, changes and notifications
  - Delivery delays and/or shortages
  - Buyer feedback and information
- 5.7 Develop a contingency management plan which addresses how the supplier will minimize delivery interruptions to buyer when faced by unexpected emergencies. The plan should address items such as environmental disasters (i.e., hurricanes, floods, fire, and health pandemics), backup equipment, critical components, facility interruptions (caused by such issues as labor strikes, extended power outages, computer system failures, and key equipment failure), transportation barriers, and sub-tier supplier logistics/supply issues. This plan should also be tested on a frequency that is compliant with your risk assessment.

- 5.8 Notify Buyer in writing of any organizational changes such as a reduction in workforce or changes in key management positions involving, quality, manufacturing, or purchasing.
- 5.9 Notify Buyer of any major changes in facility or process equipment that effects buyer purchased products.
- 5.10 Allow Buyer to perform pre-announced audits at the suppliers' sites and provide Buyer personnel access to manufacturing areas and documentation related to the product and the quality system used to manufacture the product.
- 5.11 Issue Buyer a copy of all updated ISO/IATF certifications where applicable to demonstrate the ongoing certification of their quality system. A second party audit may be required to verify Supplier's QMS if Supplier has not achieved compliance or is not certified. Supplier shall notify Buyer of any significant changes in their QMS including loss of certification.

The effective transmission of such information requires that all suppliers identify and register key points of contact with their Buyer counterparts. Most of the communication shall be handled through electronic documents and systems. Supplier should adopt the necessary electronic systems to manage these processes and improve communications with Buyer. Supplier is responsible for the validity and accuracy of the documents submitted electronically and must comply with all applicable legal requirements regarding electronic signatures.

All communications, both electronic and otherwise, with Buyer shall be in English. A specific Buyer facility may allow exceptions for direct communications meant for that facility only.

## **6.0 Production Planning, Validation and Approval, If Applicable**

Buyer requires its suppliers to plan, implement, and control processes needed to meet agreed upon product/service requirements.

- 6.1 **Product:** Suppliers shall determine, establish criteria, and implement controls for their processes and acceptance of products and retain required documents to the extent necessary. Control Plans shall be developed for the processes used in the manufacturing of product for Buyer. Unless otherwise stated, Buyer expects a minimum Cpk of 1.33 for all key characteristics. Supplier shall provide process capability data to Buyer upon request.
- 6.2 **Service Providers:** Buyer does not generally require any validation or pre-approval submissions from suppliers that provide Buyer with a service. Such providers need only meet initial (and ongoing) requirements for being listed as a Buyer approved supplier.



## 7.0 Product Specifications, Monitoring, and Process Changes

Suppliers are expected to provide product that meets Buyer's specifications and requirements. Requirements are communicated to the supplier, and can include:

- 7.1 Raw Material Specification (RMS) agreement
- 7.2 Packaging Requirements
- 7.3 Purchase Order, including PO terms issued by Buyer

The supplier is ultimately responsible for compliance to all requirements on products manufactured and/or processed by them or at their sub-tier suppliers.

Supplier's control plan shall identify all Buyer requirements and the method of inspection. The control plan establishes the method and frequency of monitoring and measuring the Product and processes to ensure conformity to Buyer requirements.

In the event that the supplier is not able to comply with one or more of the above, they must promptly notify Buyer so that the issue can be addressed. Where justified, Buyer may grant a temporary concession (deviation) for specific requirements, but the supplier may not deviate from established requirements before receiving written authorization from a Buyer's representative.

Suppliers are not authorized to make changes to process parameters or substitute key process inputs such as equipment, material, manufacturing methods, packaging or location, etcetera, without Buyers' **PRIOR WRITTEN APPROVAL**. All products shall be manufactured and supplied using the processes which were used during initial validation, and which resulted in approval from Buyer.

Buyer shall be notified of planned changes prior to starting the project. The acceptance criteria and implementation date shall be agreed upon by Buyer and Supplier.

## 8.0 Product Identification, Traceability, and Packaging

Suppliers must use suitable means to clearly identify product including Buyer specific identification requirements.

Suppliers shall maintain product traceability from raw material through product delivery for all product shipped to Buyer. The fundamental components of traceability include, at a minimum, manufacturing date, quantity, lot/batch identification, process parameters with history of changes, manufacturing data, inspection data, machine information, and calibration /maintenance/repair history.

**Note:** To ensure FIFO there is a maximum of two lot numbers per material per shipment.

Suppliers must also assure that the required traceability exists at their sub-tier suppliers. Packaging labels and shipping paperwork must clearly identify:

- Buyer's:
  - Purchase order / Item number
  - Buyer Part number
- Supplier's:
  - Product description
  - Lot Number(s)
  - Quantity (Net Lbs.)
  - Tare: In pounds

Suppliers shall utilize packaging that preserves the product's integrity during transportation and during storage at Buyer. Material handling, packaging and storage shall be designed to:

- Prevent contamination
- Reduce environmental effects on Product
- Prevent degradation of Product
- Prevent loss or damage in transport
- Properly manage shelf life (FIFO)

## 9.0 Non-Conforming Product

Buyer will notify the supplier if discrepant product is received. Suppliers must have a documented and effectively implemented non-conformance handling system to assure containment of nonconforming product. Non-conforming product/materials must be prevented from shipment to Buyer or from unintended use in products being manufactured for Buyer. The supplier's system must include the following elements:

- 9.1 Immediate containment and segregation of suspect product to prevent mixing and use of non-conforming product
- 9.2 Process to identify and trace non-conforming product, including backward and forward traceability to enable accurate identification of affected product.
- 9.3 Identification of non-conforming product throughout the manufacturing, warehousing, inspection and shipping functions
- 9.4 Notification process for shipment of non-conforming product to notify Buyer if such product is accidentally released/shipped
- 9.5 Process to determine product disposition of use as is, rework, or scrap. The disposition process requires Buyer's written approval when it affects product quality requirements. All rework must be done in accordance with approved written rework instructions.
- 9.6 Return authorization mechanism to quickly provide Buyer with authorization for product that is to be returned to the supplier due to unmet buyer quality requirements/standards.

## 10.0 Supplier Corrective Action Request (SCAR)

Buyer may issue a SCAR when nonconforming product, inaccurate documentation, packaging, or labeling is found at Buyer's receiving inspection, warehouse, or production operations. In addition, if a field failure or a customer complaint is caused by the supplier's product or performance, Buyer may again require the supplier to perform a formal corrective action. A SCAR may also be issued for systemic problems or quality system issues e.g., unacceptable SSA or risk assessment results or audit findings.

Suppliers shall implement a documented corrective and preventive action process which states the problem, identifies root cause, determines interim & permanent corrective actions, confirms the effectiveness of such actions, and implements these actions across similar product/systems, as deemed appropriate.

Buyer requires formal response to SCAR within 30 days of issue.

- 10.1 Suppliers shall utilize error proofing and disciplined problem-solving methods as part of the corrective action process. Results of these methods shall be documented and retained at the suppliers' location and be made available upon request by Buyer.
- 10.2 Supplier shall evaluate the effectiveness of its problem-solving process through feedback of internal audits, process audits, performance data and review of repeat SCARs.
- 10.3 Suppliers response shall include corrective action with validation and evidence of effectiveness. Note: Buyer may reject response if evidence of corrective and preventative action is not submitted.

Buyer reserves the right to follow-up on-site to verify implementation.

If the supplier fails to respond appropriately, the supplier score card will reflect undesirable performance and may require supplier development.

## 11.0 Logistics

Supplier shall comply with the requirements established by Buyer and any specific regional requirements.

### **Incoterms**

Supplier shall adhere to the applicable shipping requirements contained in the Buyer Terms & Conditions, unless otherwise specified. Exceptions shall be granted and approved by Buyer.

### **Damaged Freight**

Based on Incoterms, Supplier may be responsible for reimbursement to Buyer for any damages in transit.

### **Premium Freight**

Supplier shall notify Buyer of all expedited freight prior to each shipment.

### Shipment of Hazardous Materials and Dangerous Goods

Hazardous materials and/or dangerous goods shall not be shipped to Buyer, without prior approval.

## 12.0 Supplier Performance and Development

Buyer monitors supplier performance which includes the following indicators and criteria:

### 12.1. Supplier Self-Assessment results

Assessment Results	Status	Sourcing Eligibility	Development Plan
Overall score 85 - 100 Maximum 2 high risk elements	<b>Green</b>	Existing supplier > OK to source New supplier > OK to source	Develop supplier to eliminate high risk elements (PDCA tracker) Develop supplier to eliminate high risk elements (PDCA tracker)
Overall score 70 - 84 Maximum of 5 high risk elements	<b>Yellow</b>	Existing supplier > Source with caution New supplier > Source <b>only</b> if development plan in place	Address all high risk elements & develop to green status (PDCA tracker) Address all high risk elements & develop to green status (PDCA tracker)
Overall score less than 70 Number of high risk elements >5 (If high risk elements >5, supplier is red regardless of overall score)	<b>Red</b>	Existing supplier > Do not source - develop New supplier > Do not source until green	Address all high risk elements & develop to green status (PDCA tracker) Do not source - Consider alternate sources Address all high risk elements & develop to green status (PDCA tracker)

Risk Management assessment results which evaluate financial, social, environmental, safety, supply chain, and quality (including reporting of premium freight) risk factors and ranks according to risk.

### 12.2. Scorecard Performance

Performance Score Card which monitors quality; administrative issues including SCAR(s) issued for unacceptable SSA results and audit findings; delivery metrics for on-time, quantity reliability, and shipping paperwork (e.g., BOL, COA); Logistics including premium freight; and non-compliance to statutory and regulatory requirements. Corrective action is required within 30 calendar days of report if overall score is < 85% - refer to Section 10.0 SCAR.

Ratings will be published on a quarterly basis using the following categories. A combined rating score will be generated by Asahi Kasei Plastics - the cumulative performance across all plants.

## Scorecard Rating Criteria

Supplier Ranking (Overall Score %)					
Low Risk	≥ 85	Moderate Risk	70 - 84	High Risk	< 70

Criteria	Sub-Criteria	Criteria Score (%)
Delivery	Overall Delivery	
	On-Time	34%
	Quantity Reliability	33%
	Shipping Paperwork	33%
Quality	Overall Quality	
	GR Inspection	50%
	Rejection/Complaint	50%

## Sub-Criteria Rating System:

Rating	On-Time	Quantity Reliability	Shipping Paperwork	Goods Receipt Inspection	Rejection/Complaint
100%	Bulk Truck: +/- 0 day LTL/TL: < 2 days Rail: +/- 5 days Sea: +/- 7 days	+/- 10%	Received	Approved without concession	0 SCARs issued
75%	Bulk Truck: +/- 1 to 2 day LTL/TL: +/- 2 to 3 days Rail: +/- 6 to 7 days Sea: +/- 8 to 15 days			Approved with concession	=<2 SCARs
50%	Bulk Truck: +/- 3 to 4 days LTL/TL: +/- 4 to 5 days Rail: +/- 8 to 9 days Sea: +/- 16 to 30 days				=<4 SCARs
25%	Bulk Truck: +/- 5 to 6 days LTL/TL: +/- 6 to 7 days Rail: +/- 10 to 14 days Sea: +/- 31 to 45 days				=<5 SCARs
1%	Bulk Truck: =>7 days LTL/TL: > 8 days Rail: => 15 days Sea: => 45days	>+/- 10%	Not received	Rejected Material	=>6 SCARs

**NOTE:** If minimum Supplier ranking thresholds are not met, Buyer will initiate corrective action to vendor. Failure to meet performance criteria could result in loss of business or future opportunities for new business.