



Approved by:
Order of NizhComAuto
President
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STO № 9-П03.01

**Procedure for assessment of supplier processes for compliance with the requirements
of NizhComAuto Group**

Revision 1.0

Nizhny Novgorod
2023

JSC "NizhComAuto"	Process Owner	Director of SQA Department	
Procedure for assessment of processes for compliance with the requirements of NizhComAuto Group		STO #	9-Π03.01
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1. Purpose and Scope

1.1 Main purpose of this Procedure

1.1.1. This Procedure has been developed to provide guidance for the assessment of external suppliers' processes for compliance with the requirements of NizhComAuto Group.

1.1.2. The content of this standard is based on the requirements of ISO 9001:2015, IATF 16949:2016, VDA 2, VDA 6.1, VDA 6.3, STO 9-PL03.01 and is aimed at achieving SQA targets of NizhComAuto Group.

1.1.3. The objectives of supplier process assessment are:

- Understanding of the level of competence of suppliers and possible supply risks;
- Identifying improvement areas and gradual improvement of the requirements to suppliers.

1.2 Scope of this Procedure

1.2.1 Process inputs and outputs:

Process inputs
<ul style="list-style-type: none"> • Supplier process assessment schedule; • Supplier process assessment request; • Resources (human, financial, etc.); • Requirements for NizhComAuto Group suppliers (see STO 9-PL03.01).
Process output
<ul style="list-style-type: none"> • Supplier process assessment results; • Information on improvement areas.

1.2.2 Scope:

This procedure covers the following:
<ul style="list-style-type: none"> • This Procedure is in force and effect for all business entities of NizhComAuto Group. The procedure applies exclusively to external suppliers of piece goods, blanks, semi-finished items and components (hereinafter referred to as Products) to be used for the production of NizhComAuto Group's new main products.
This procedure doesn't cover the following:
<ul style="list-style-type: none"> • This Procedure does not apply to products supplied by existing suppliers under the ongoing projects (exception - the need to evaluate supplier's processes upon request from Purchasing, Quality, Asset protection/Economic security) as well as to products supplied under the NizhComAuto intragroup cooperation.

1.3 Risks and process performance indicators

1.3.1 The main risks of the process are:

- biased assessment;
- failure to perform the assessment due to insufficient resources available.

1.3.2 The key indicators are:

- fulfillment of the supplier process assessment schedule;
- availability of information on the supplier competence when selecting suppliers and allocating supply volumes.

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1.3.3 Monitoring of key indicators fulfillment:

- through its inclusion in the SQA managers KPIs;
- at nomination/tender committees.

2. Regulatory acts, terms and definitions

2.1 Regulatory references:

- GOST R ISO 9001-2015 Quality Management Systems. Requirements"
- IATF 16949: 2016 R 58139 Quality management system requirements for automotive production and relevant service parts organizations.
- GOST R 58139-2018 Quality management systems. Requirements to automotive industry organizations.
- VDA 2 Quality Assurance for Supplies
- VDA 6.1 Quality Management in the Automotive Industry. Quality system audit (serial product)
- VDA 6.3 Quality Management in the Automotive Industry Process audit.
- STO No 9-PL03.01 Regulations on NizhComAuto Group's Supplier Quality
- STO No 9-P01.02 Procedure for conducting tender procedures by the Purchasing Directorate of NizhComAuto JSC
- STO No 9-P01.05 Procedure for tendering and selection of component suppliers for product projects.
- STO No 9-P01.06 Procedure for organizing and conducting pre-production for new purchased component parts

2.2 Terms and Definitions:

- **IATF** - International Automotive Task Force
- **KPI** - Key Performance Indicators
- **SQAD** - Supplier Quality Assurance Department
- **APQP** - Advanced Product Quality Planning
- **PPAP** - Production Part Approval Process
- **FMEA** - Failure Modes and Effect Analysis
- **dFMEA** - Failure Modes and Effect Analysis
- **pFMEA** - Process Failure Modes and Effect Analysis
- **MSA** - Measurement system analysis
- **S** (significance score) - evaluation of the severity of the consequences of a failure on a scale from 1 to 10
- **O** (occurrence score) - evaluation of the frequency of failure occurrence on a scale from 1 to 10
- **CS** - Controlled Shipping
- **SPC** - Statistical Process Control
- **Cp, Cpk** - process reproducibility indexes
- **Cm, Cmk** - equipment capability indexes
- **TPM** - Total Productive Maintenance
- **Poka-Yoke** – a technical mechanism in a process that helps to avoid errors
- **EAQF** - French quality standard for the automotive industry
- **AVSQ** – Italian quality standard for the automotive industry
- **DVP** - Design Verification Plan
- **SOP** - Start of production
- **5S** - workspace organization system
- **8D** (Eight discipline) – 8-step problem-solving format
- **PD** - Purchasing Directorate;
- **SQA** - Supplier Quality Assurance dept.
- **PS** - Production System
- **QMS** - Quality Management System
- **SPR** - Scheduled Preventive Repair
- **PP** - Pre-production

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- **CAP** - Corrective Actions Plan
- **M** - Maintenance
- **C&MI** - Control and measurement instruments
- **PPE** - personal protection equipment

3. Basic principles

3.1 Basic principles of supplier process assessment

- openness - public establishment of assessment criteria and results;
- equality - the same conditions, criteria and methods of assessment for all;
- cost-effectiveness - assessment is performed by specialists of any of the NizhComAuto Group business entities and its results are recognized by all other Group's business entities.

3.2 Necessity to assess supplier processes

3.2.1 Any external supplier that does not have a certificate of conformity with IATF 16949:2016 or GOST R 58139-2018 requirements in relation to the production of the respective product shall be subject to assessment. The decision on the necessity to assess the processes of a supplier holding such a certificate of conformity shall be made by the SQA manager based on the available information.

3.2.2 Prior to the SQA assessment, the supplier shall be pre-approved in accordance with the requirements of STO No. 9-P01.05.

The SQA receives a request from Purchasing stating the purpose of the assessment, name and location of the supplier, designation of the product(s), contact person details, with a "On-site supplier assessment by the purchaser" Form attached.

3.2.3 A process that has been assigned a "red" level shall be re-assessed by SQA only after formal notification on elimination of identified non-compliances upon a specific request from Purchasing.

3.3 Minimum qualification requirements for specialists assessing suppliers' processes for compliance with the requirements of NizhComAuto Group.

- higher technical education;
- at least 3 years of experience in the automotive industry;
- knowledge of APQP methodology and tools and NizhComAuto Group requirements to external suppliers;
- knowledge of the basics of IATF 16949 standards and guidelines of RRAR, FMEA, MSA, SPC, VDA 6.3, ISO 9001:2015;
- participation in at least 3 supplier process assessment procedures as an intern.

3.4 Planning of supplier process assessment work

Supplier processes are assessed according to

- quarterly supplier process assessment schedule (Annex 1);
- upon urgent requests from Purchasing;
- on a direct instruction of the Purchasing Director / upon decisions of the Purchasing Committee.

3.4.2 The supplier process assessment schedule shall be developed on the basis of:

- requests from Purchasing Services, other departments;
- suppliers' notifications about elimination of comments from the previous assessment and readiness for re-assessment;
- current supplies quality data.

3.4.3 The supplier process assessment schedule shall be developed for a quarter separately for each company of NizhComAuto Group. The schedule may be adjusted during the current period. The corresponding decision to do so shall be made by the SQA Head, without the approval of the Purchasing Director.

3.4.4 The report on schedule fulfillment specifies the number of processes assessed (one

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supplier may have several assessed processes/product groups).

3.5 Supplier's process assessment principle

3.5.1 The assessment is conducted by means of collecting and analyzing objective evidences of the level compliance of the supplier's technical capabilities and quality management system with the criteria set forth in the Supplier Process Assessment Card (Annex 2). For each criterion, an appropriate score, from **0 to 3**, is given. At that:

- "0" points - high risk of supply failure/ low-quality supply;
- "1" point - high to moderate risk;
- "2" points - moderate to low risk;
- "3" points - low risk to no risk.

3.5.2 The supplier's processes are assessed in relation to a specific type of production technology and/or production of a specific product (type of products).

3.5.3 If the considered criterion is not relevant to the supplier's activities or is not applicable when assessing a specific production process, N/A (not applicable) is indicated.

For criteria that were not assessed for one or another reason (the reason shall be mandatory indicated in the Supplier Process Assessment Card), N/E (not evaluated) shall be indicated.

N/A and N/E items are not considered in the final score.

3.5.4 If a score of less than three (3) is given, appropriate comments shall be provided in the Supplier Process Assessment Card.

3.5.5 Based on the completed Supplier Process Assessment Card, the form "Supplier Process Assessment Report" (Annex 3) containing the calculation of the final score shall be filled in;

- **"green"** level (more than 80 final points) - the possibility of quality assurance is confirmed. Cooperation recommended. Risk from no risk to low one
- **"yellow"** level (from 60 to 80 final points) - the possibility of quality assurance is conditional. A CAP for elimination of the comments (Annex 4) shall be developed and implemented, subsequent assessment shall be performed; Risk from low to high.
- **"red"** level (less than 60 final points) the possibility of quality assurance is not confirmed. High risk In this context:

- for a newly mastered product, cooperation is not possible;

- for existing (already supplied) products, the purchasing team should implement any of the 3 options:

a) reallocate the purchased volume to an alternative supplier(s) with an appropriate assessment level;

b) de-monopolize the supplier; the work plan must be approved by the Purchasing Director / Nominating Committee Chair;

c) take action to develop the supplier's processes to an appropriate level; such a decision must be agreed with SQA, PS for feasibility and approved by the Purchasing Director.

5. The supplier process, regardless of the number of total points scored, is assigned a **"red"** level if there isn't all the necessary technological equipment to fulfill the order (refer to 5.1.4 "Supplier Process Assessment Card").

3.5.7 Supplier processes with red level of compliance with the requirements of NizhComAuto Group are admitted to nomination for supply of products by the Tender Commission Chair.

3.5.8 The supplier process, regardless of the number of total points scored, is assigned a level **no higher than "yellow"** if any of the items marked with an asterisk (*) scores **0 or 1**.

3.5.9 Cancellation of assessment/re-assessment of compliance with the requirements of NizhComAuto Group shall be made in the following cases:

- lack of effective measures to address supply quality issues;
- systematic supply disruptions due to technical reasons;
- unsatisfactory results of subsequent routine visits to the supplier to inspect production processes;
- receiving negative information about the supplier;
- absence of deliveries to NizhComAuto Group enterprises for **more than 1 year**.
- absence of production for NizhComAuto Group enterprises for **more than 6 months**.

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3.6 Assessment of suppliers without their own production site

3.6.1 Assessment of suppliers planning/performing supplies from production sites that are not part of their own assets: trading houses, dealers, intermediary firms, logistics operators, etc. (hereinafter "intermediaries") should be an exception.

Intermediaries shall be evaluated only by a resolution of the Purchasing Director/Chair of the Nominating Committee. In this context:

- A) In case there is no possibility to visit the manufacturer of products the assessment is carried out by specialists of purchasing departments with completion of the Supplier Assessment Checklist in accordance with the requirements of STO No. 9-Π01.05. In this case, the intermediary's ability to work in the Claim Management system (on rejects) should be taken into account.
- B) If it is possible to visit both the intermediary and the product manufacturer, the assessment is carried out by SQA specialists with the completion of a common Supplier Process Assessment Card.

3.7 Approval of assessment results

3.7.1 For the purpose of centralized management of the supplier process assessment procedure at the level of NizhComAuto Group, an administrator of the procedure is appointed in the SQAD of the Purchasing Directorate of NizhComAuto.

3.7.2 Functional responsibilities of the procedure administrator:

- drafting a quarterly supplier process assessment schedule, its posting after approval on the NizhComAuto Group's website;
- organization and coordination of works on supplier process assessment, including preparation and sending of relevant requests to suppliers, informing them of the purpose and dates of visits, monitoring of the execution progress and timely adjustment of the schedule, control over the timely submission of completed Supplier Process Assessment Cards and information reports by the auditors, etc;
- generation of final Supplier Process Assessment Reports, submitting them for approval to the Head of SQA;
- informing suppliers of the assessment results;
- maintaining the Register of Supplier Processes Assessed (Annex 5) and its posting on the NizhComAuto Group's website;
- storage of all documents related to supplier process assessments, including copies of corrective action plans and supplier reports.

3.7.3 Approval of assessment results and information reports is performed by the Head of SQA at the enterprises (Divisions) of NizhComAuto Group.

3.7.4 NizhComAuto Group's enterprises (Divisions) shall send the supplier process assessment reports and information reports to NizhComAuto Group's procedure administrator for posting the assessment results on NizhComAuto Group's website for any of NizhComAuto Group's enterprises (Divisions) to be able to use them.

3.7.5 The results of supplier process assessment are used in purchasing procedures according to STO No. 9-Π01.02, STO No. 9-Π01.05, other authentic standards of NizhComAuto Group enterprises.

3.8 Confidentiality in the assessment

When implementing the procedure for supplier process assessment, all its participants shall comply with the terms of non-disclosure of information received (non-disclosure to third parties) in accordance with the regulations approved by NizhComAuto Group.

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4. Procedure implementation process

#	Process operation	Responsible	Timing	Incoming documents	Operation description	Outgoing documents
1	2	3	4	5	6	7
1	Appointment of procedure administrator in NizhComAuto Group	NizhComAuto Group Purchasing Director	As required	Draft order of appointment	The procedure administrator shall be appointed by order of the NizhComAuto Group Purchasing Director prior to reassignment of other persons.	Order of appointment
2	Determining the need for supplier process assessment	Purchasing and other departments (Development Directorate, Quality Directorate)	As required	Checklist based on results of the first visit to the supplier Purchasing committee minutes	When the need arises for a supplier process assessment, a request is made to the SQA Head. In the request, a target period / date in which it is to be carried out is always specified. The request for assessment should be sent at least 15 working days prior to the planned date of the nomination, tender.	Request letter for a supplier process assessment
3	Generating a list of supplier processes to be assessed	Procedure administrator	Within 5 working days prior to the next quarter	Assessment request letters Supplier's notification about implementation of corrective actions plan Current supply quality data	Based on the available data, a draft list of supplier processes to be assessed in the next quarter is generated and submitted for review and approval to the SQAD Director. If there are comments/recommendations, necessary adjustments to the draft list are made. In case the supplier process assessment must be carried out in the current period and the supplier is ready to meet the SQA representatives, such supplier is included in the approved schedule for the current quarter (see para. 6).	Agreed list of supplier processes to be assessed

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#	Process operation	Responsible	Timing	Incoming documents	Operation description	Outgoing documents
1	2	3	4	5	6	7
4	Generating and approving the supplier process assessment schedule	Procedure administrator	2 working days from the date of agreement of the list of supplier processes to be assessed	Agreed list of supplier processes to be assessed	All supplier processes on the assessment list are categorized into their assessment periods depending on the urgency required and/or the arrangements/capabilities of the suppliers. The draft schedule is agreed upon by the SQAD Director and submitted to the Purchasing Director of NizhComAuto Group. The schedule is approved by the order of Purchasing Directorate of NizhComAuto Group.	Order on approval of the schedule for supplier process assessment for the quarter
5	Agreeing with the supplier on the period of the assessment visit	Procedure administrator (supported by the assessment initiator from the Purchasing) Specialists of NizhComAuto Group companies	Not later than 1 week before the planned date of the visit	Approved supplier/process assessment schedule Supplier process assessment request letters	A written request shall be sent to the supplier indicating the planned dates of their visit. A form of the supplier process assessment card is sent together with the request. If the supplier process assessment is to be done by SQA units located outside the Nizhny Novgorod site, all agreements on the site visit shall be made with the supplier by specialists of these companies of NizhComAuto Group.	Request letter to the supplier
6	Adjustment of supplier process assessment schedule	Procedure administrator	Within 3 business days from receipt of the supplier's response	Assessment request letters Response letter from the supplier Supplier's notification about implementation of corrective actions plan	The assessment schedule is adjusted as needed based on compromise between SQA, Purchasing, and supplier management. Decision on modification of the current assessment schedule is made by the SQA Head without re-approval by the Purchasing Director.	Modified assessment schedule for the current quarter

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#	Process operation	Responsible	Timing	Incoming documents	Operation description	Outgoing documents
1	2	3	4	5	6	7
7	Supplier process assessment	SQA employee(s)	Within 5 business days	Assessment schedule Checklist based on results of the first visit to the supplier Supply quality data	<p>Supplier process assessment in accordance with the assessment schedule, but not later than 3 working days prior to the pre-nomination/pre-tender date.</p> <p>Prior to assessment of the supplier's production site, a kick-off meeting shall be held with the supplier's management to explain the objectives, scope and criteria of the assessment, to agree on procedures and work schedule while visiting the supplier's premises, to agree on the possibility of photo/video shooting, and to explain options for possible solutions based on the assessment results.</p> <p>During the assessment, compliance with the criteria of the Supplier Process Assessment Card is verified and appropriate scores are assigned. Any score shall be substantiated by objective observation (or) documentary evidence.</p> <p>The Supplier Process Assessment Card shall obligatory specify the area of assessment: production technology and/or product type.</p> <p>When a score below 3 is given, an explanation shall be provided in the Card.</p> <p>Upon completion of the work, a concluding meeting with the supplier's management shall be held to summarize the preliminary results and findings, and to identify the need for CAP submission.</p>	Assessment Card Informational text report

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1	2	3	4	5	6	7
					<p>The finalized Supplier Process Assessment Cards shall be handed over to the procedure administrator within no more than 3 business days from the date of return from the supplier.</p> <p>Additionally, an information report with a brief description, conclusions and proposals on the supplier's production site (if possible with photos) shall be prepared for submission (upon request) to the tender commission. The preliminary report shall be approved by the SQA Head.</p>	
8	Approval of assessment results	SQA Head	Within 2 business days from formalization of the Assessment Report	Assessment Report Text report on results of the visit Assessment Card (if necessary)	<p>The procedure administrator shall submit the Assessment Report to the SQA Head for approval.</p> <p>All assessment materials shall be attached to the Report.</p>	Approved Assessment Report
9	Informing the supplier about the assessment results	Procedure administrator	Within 2 business days from approval of the Report	Approved Assessment Report	<p>Notifications to the supplier, Purchasing/ SQA about the results of the supplier/process assessment shall be sent by the procedure administrator.</p> <p>At that, a CAP shall be requested from the suppliers of the "yellow" and "red" levels.</p> <p>The results of the assessment shall be recorded in the relevant Register published on the website of NizhComAuto Group.</p>	<p>Notification about the assessment results.</p> <p>Supplier process assessment card</p>

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1	2	3	4	5	6	7
10	Corrective actions plan based on assessment results	Supplier (employee of SQA, Purchasing)	In line with the supplier's procedures	Supplier process assessment card	<p>Upon receipt of completed Assessment Card, the supplier shall submit the appropriate CAP within 10 days. A copy of this CAP shall be submitted to the procedure administrator.</p> <p>Upon expiration of the CAP implementation period, the supplier shall submit the appropriate notification/report.</p>	CAP Notification about implementation of the CAP

5. Change Management





Revision	Approved on	Enacted on	Details of the person having approve the document

Annexes:

- Annex 1: Quarterly supplier process assessment schedule**
- Annex 2: Supplier process assessment card**
- Annex 3: Supplier process assessment report**
- Annex 4: Corrective action plan**
- Annex 5: Register of suppliers' processes that have undergone assessment for compliance with the requirements of NizhComAuto Group**

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Annexes

Annex 1	Quarterly supplier process assessment schedule	 Quarterly supplier process assessment
Annex 2	Supplier process assessment card	 Supplier process assessment card_eng
Annex 3	Supplier process assessment report	 Supplier process assessment report_eng
Annex 4	Corrective action plan	 CORRECTIVE ACTIONS PLAN_eng