INTERNATIONAL AUTOMOTIVE OVERSIGHT BUREAU

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Subject: Transfer of Red Suppliers from IATF KPI Hub to the IATF Complaint Management System (IATF CMS) within the IATF Database and associated certification decisions.

Dear IAOB Certification Bodies,

IAOB issued a letter (*re:* Transfer of Red Suppliers from IATF KPI Hub to the IATF Complaint Management System (IATF CMS) within the IATF Database dated May 2022) to the IAOB Certification Bodies explaining the launch of the IATF Complaint Management System (IATF CMS). This letter replaces the May 2022 letter.

The International Automotive Task Force (IATF) advised all stakeholders on 31 March 2022 it launched the IATF Performance Complaint Management System (IATF CMS) within the IATF Database (refer to Stakeholder Communique 2022-004). With the launch of the IATF CMS, any performance complaint against an IATF 16949 certified organization will be managed using the IATF CMS workflow tool. Complaints can be initiated by either an IATF OEM or the relevant Oversight office.

During the past three years, IAOB published monthly customer satisfaction information provided by the following IATF OEMs, Ford, GM, and Stellantis (ex FCA and ex PSA), in the IATF KPI Hub. The customer satisfaction data uses a color-coding system (i.e., **red** or **green**). A **green** color is used to identify suppliers meeting the IATF OEM's expectations and a **red** color is used to identify suppliers not meeting the IATF OEM's expectations. When a supplier is not meeting performance expectations (i.e., **red** supplier), the Certification Bodies were instructed to consider this as a performance complaint and initiate the decertification process.

How will the red supplier process be implemented with the launch of IATF CMS?
IAOB will continue to publish monthly the customer satisfaction information in the IATF KPI Hub and notify Certification Bodies when the information is released.

Certification Bodies will continue to have access to the dashboard and history report.

When the customer satisfaction data is published at the beginning of each month, the IAOB (on behalf of the relevant IATF OEM) will initiate a new performance complaint within the IATF CMS for each supplier that is not meeting the IATF OEM's performance expectations (i.e., any supplier that changed from a **green** color in the previous month to a **red** color in the current month, i.e., "changed to **red**").

Note: The only exception is if the Certification Body already has an open suspension for the same IATF OEM and the same customer performance issue.

Once the performance complaint is initiated, the Certification Body is expected to follow the steps and timing defined in the IATF CMS user manual, which is aligned to the certificate decertification process described in the Rules, section 8.0.

The Certification Body is required to undertake an immediate analysis of the situation to determine the severity and risk to the customer(s), taking into account, where applicable, IATF OEM customer-specific requirements, per Rules 8.2.

As part of the analysis, IAOB expects the Certification Body to contact the supplier to obtain copies of the relevant OEM scorecard report(s) (refer to the IATF OEM Quick Reference Guide), and relevant supporting details, to understand if any special circumstances exist related to the performance issue (e.g., rescinded, disputed, etc.), and what corrective actions the supplier is taking (or has taken) to resolve the issue(s). The Certification Body must obtain a "plan to green" (e.g., step down chart) to understand when their performance is expected to achieve **green** status.

Based on this analysis, the Certification Body shall determine if certificate suspension is required or not, per Rules 8.3. Certificate suspension is not automatic and the proper analysis should be conducted.

If the suspension decision is positive, a major nonconformance shall ***not*** be issued. The IATF CMS tracks the issue and is considered to be like a major nonconformance.

A decision to not suspend the certificate could be based on one of the following reasons:

1. there is verified evidence (e.g., written agreement from the OEM, supplier code issue) that one of the sites of the client is not responsible for the poor performance identified by the customer, then that site's certificate should not be suspended;
2. there is verified evidence the performance issue was rescinded by the OEM and the next month's status will refresh to "**green**";
3. there is verified evidence the performance issue is currently being disputed and the validity of the dispute is confirmed by the OEM; or
4. the Certification Body already has an open suspension for the same OEM and the same customer performance issue.

Note: A decision not to suspend the certificate solely based on the OEM-approved corrective action plan is not acceptable.

If the certificate is suspended, the Certification Body shall conduct the verification through a special audit, per Rules 8.4. IAOB recommends a minimum of one day for the special audit.

If the **red** supplier status is due to any issue associated with manufacturing quality, at least 1/3 of the special audit time shall be in manufacturing.

Certification Bodies should use the Recommended Trails to Follow in Red Supplier Special Audits table from Rules 5th FAQ 9 to help prioritize the verification activities during the special audit, the table is available through Appendix 1 of this letter.

IAOB continues to reserve the right to witness any special audit conducted as part of the decertification process and the IAOB will be witnessing as many of these special audits as possible.
Following the special audit, the Certification Body is required to reinstate or withdraw the certificate within 110 calendar days from the start of the decertification process, per Rules 8.5.

The decision shall be based on one of the following recommendations:

a) reinstatement of the certificate where the accepted corrective action plan is found to be fully and effectively implemented and there have been no additional confirmed performance issues in subsequent months since the complaint was issued.

b) reinstatement of the certificate in exceptional case(s) where:

- the implementation of corrective actions cannot be completed within the maximum of ninety (90) calendar days from the start of the decertification process due to "long lead" corrective action steps,
- the performance status of the site is either **red** or **green**, and
- there have been no additional confirmed performance issues in subsequent months since the complaint was issued.

An additional special audit is required to verify effective implementation of the "long lead" corrective action steps even though the site's certificate was reinstated.

c) withdrawal of the certificate where the accepted corrective action plan is found to be not effectively implemented (even if the plan includes "long lead" corrective action steps).

d) withdrawal of the certificate where the supplier has additional confirmed performance issues in subsequent months since the complaint was issued.

Note: It is not acceptable to reinstate the certificate solely based on the OEM-approved corrective action plan.

If a client is **red** for three (3) consecutive months, the IAOB will request a meeting with the Certification Body's management to review the situation. IAOB requires the Certification Body to prepare a formal presentation (please use the IAOB Supplier Performance Initiative Template).

If a client is **red** for six (6) consecutive months and has a valid certificate, the Certification Body shall conduct a special audit (onsite or remote) to review the relevant OEM scorecard report(s) and if there have been any additional confirmed performance issues in subsequent months since the complaint was issued, the certificate shall be withdrawn.

The IAOB also reserves the right to request a review of any **red** supplier at any time regardless of the number of months in **red** status.

If you have any questions, please contact Liz Spudic (lspudic@iaob.org).

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Appendix 1
Table of Recommended Trails to Follow in Red Supplier - Special Audits

Topic	**Potential trails to consider determining the root cause of where the QMS failed resulting in the unacceptable performance**
Investigation scope	Identify areas in the organization where similar failure modes could occur. Do not focus on just the specific problems identified in the customer score cards or complaint(s). Look for the systemic issue in the QMS which permitted the unacceptable performance, do not just focus on the initially identified problems.
Corrective Actions	Review the problem statements for accuracy in describing the problem. Look at other complaints and related examples, selected based on risk to the customer, not suggested by the client, at least 3 samples for corrective action investigation, look for systemic issues, and full details for the history of the problem solving and corrective action process. Look for which process(es) failed in the QMS. An OEM acceptance of a corrective action is not sufficient to address the root cause of the QMS issues.
Read Across	Ensure use of read across of the permanent corrective actions to other lines, to other products, other sites, including corrections into QMS foundation documents – APQP, program management, control plans, FMEA etc.
Validation of implementation	Ensure the supplier used data to validate the permanent corrective action that was implemented eliminated the root cause of the problem and that the data collected was for a time appropriate for the problem (type, severity, duration, detection methods, etc.)
Interfaces	Focus on interface between remote support processes and production site (e.g., headquarters, Product / Process Design, Management Review, Supplier Management, etc.) using documents or outputs from the remote support locations used by that specific manufacturing plant.
Sustained Improvement	Look for senior management leadership driving a culture which ensures that permanent corrective actions are maintained over time, ensuring the long-term effects of improvement activities. There is always a root cause which led to the problem which leads back to a process within the control of the organization.
Internal audits	Validate that the supplier is covering the same topics (interfaces, corrective actions, scope, read across, prevention of recurrence, etc.) in its internal audits to ensure effective problem solving and permanent corrective action implementation.
Prevention of recurrence	Verify permanent corrective actions are effectively implemented for sustained prevention of recurrence using internal and external performance data and relevant update of control plans, FMEAs, APQP reporting, etc.
Standard Process	Look for standardized problem-solving and corrective action processes as well as how the permanent corrective action is integrated into the QMS and daily work instructions / processes to ensure long-term prevention of recurrence.
Trails	Create audit trails from the information and data reviewed during the Risk-Based audit time which was added to the beginning of the audit and continue to follow the trails in the regular audit days.