



April 19, 2018

Dear Johnson Controls Supplier,

Johnson Controls Building Efficiency is pleased to inform you of the continued use of IRIS (Issue Resolution Information System), a software to track resolution of quality and material issues. Processes that will be executed using this system include:

SMRR (Supplier Material Rejection Report)

- Used to document all nonconforming product received from suppliers by JCI Site
- Replaces existing Supplier non-conformance reporting documents such as SCAR, NCR etc.,

DMR (Discrepant Material Report)

- Used to document all Supplier Material Delivery issues experienced by JCI Sites
- Key focus on late and short shipments

SCB (Supplier Chargeback)

- Used to accumulate Johnson Controls extra-ordinary costs relating to either Quality or Delivery issues
- Capture SMRR and DMR administrative costs. SMRR and DMR admin costs are \$100 and \$250 respectively

4D and 8D processes

- The Corrective action process identified to document corrective and preventive actions
- 4D Disciplines: D-0 Problem awareness, D-1 Identify team, D-2 Describe the problem, D-3 Contain symptom
- Complete 8D: D-4 identify & Verify root cause, D-5 Select & Verify corrective actions, D-6 Implement and validate actions, D-7 Prevent Recurrence, D-8 Recognize Team

The goal of the system is to:

- Enable 8D compliance through visibility and automated notifications
- Reduce quality costs by decreasing the time between issue discovery and corrective action implementation
- Share lessons learned using a common corrective action system across JCI

Suppliers will receive an email from IRIS system as official communication of an issue at JCI site with the following details:

- A PDF document of the SMRR or DMR Issue Summary, including shipment details, problem description, problem location and person to contact at Johnson Controls
- 4D/8D Microsoft excel document to use in completing the 4D/8D process. This form must be used and returned via email to the JCI issue champion

Suppliers will continue to collaborate with JCI via Email on the 8D and any issues with SMRR/DMR details.

SMRR: (Non-conforming product)

1. The RMA (Return Material Authorization) number will be requested via email as well as disposition details on the SMRR. Examples are part disposition option (i.e. Return to supplier, scrap on site, etc.,) account numbers and address to ship product back
2. In order to recover in-bound freight incurred in the initial delivery of the rejected materials, Johnson Controls will issue a 4% chargeback, based on the value of material rejected. This percentage will stay constant at 4% and will not vary based on commodity, distance or material value. Outbound freight relative to replacement stock continues to be managed by the sites and is typically collected or debited back.

DMR: (Delivery Relative issues)

1. The calculation of DMR ppm score will be $[\text{total pieces discrepant}]/[\text{total pieces shipped}] * 1,000,000$. The total pieces discrepant could exceed the total pieces shipped on any given shipment if there are multiple issues per shipment and/or short shipments (where pieces shipped would be zero, and pieces discrepant would be the ordered quantity).

For questions or clarifications regarding any information contained in this letter, please send an email to Anil.M.Bhat@jci.com or antony.prabu.susai.michael-ext@jci.com.

Sincerely,

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