



General quality conditions



Version control

Version	Date	Change	Person
1.0	30-03-2017	Introduction	WL
2.0	10-05-2017	Changed from 'VDL VDS Supplier Terms and Conditions' to 'General Quality Agreement'.	WL
3.0	31-10-2018	Completely revised	WL
3.1	21-10-2019	Added language	SB
4.0	20-12-2023	Completely revised	RvB

Introduction

At VDL VDS Technische Industrie (hereinafter referred to as VDL VDS), we work every day to improve our organisation, our processes and the competencies of our employees. We are driven in our quality performance and want to be a leading company in our industry.

We expect the same from our suppliers, and encourage them to follow the same principles. To achieve this, we see our suppliers as partners.

The mission of our quality and purchasing department is to build a competitive network of suppliers with which we can distinguish ourselves in terms of quality, delivery and prices to our competitors.

To support our objectives, we have drawn up these quality conditions. This is to make our expectations known to our suppliers, and to indicate how high VDL VDS attaches importance to quality. Close and structured cooperation is central to this.

We expect a ZERO DEFECT APPROACH.

This can be achieved by:

- Deliver products, materials and services within specification;
- Arrange on-time deliveries;
- Proactive attitude to risk management.

Our products are often labeled by our customers as high-quality products. Maintaining this reputation is an absolute must for us. We therefore expect our suppliers to contribute to this in the products/services they provide to us and that they maintain the same philosophy and test it against their suppliers.

With the cooperation of our suppliers (as partners), we will succeed in our mission to bring our customer satisfaction to the highest possible level, while at the same time building a long-term and fruitful relationship for both.

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1. Quality and environmental systems

The introduction and further development of a quality system according to ISO is expected from the supplier. The minimum requirement is ISO 9001 (most recent version), but preferably the supplier should be certified according to IATF 16949 (most recent version), unless otherwise agreed.

The implementation and further development of an environmental system in accordance with ISO 14001 (most recent version) is expected, and the supplier undertakes to work in accordance with the applicable environmental laws and guidelines.

In daily work, the adverse effects on people and the environment must be excluded as much as possible.

2. Release of processes and products

The release of processes and products takes place via PPAP procedure, see document quality planning for purchasing parts (VDS 028).

VDL VDS expects its suppliers to be PPAP level 3 (or otherwise agreed).

If an IMDS request takes place, it must be sent to Company code 8303. If there is no release of PPAP, the delivered products must be accompanied by a measurement report and packaging must be marked as deviant.

3. Process changes

The supplier is required to notify us in a timely manner of any process changes that occur. If process changes have taken place, re-sampling must be carried out (after consultation) by means of the PPAP procedure.

Process changes include:

- Modification of an existing product.
- Change(s) of the drawing.
- Change(s) of production process.
- Change(s) of material type.
- Change(s) of supplier.
- Change(s) of machine.
- Corrections to previous discrepancies.

4. Delivery performance and PPM results

VDL VDS requires an overall performance of at least an A-Rating.

- A-rating: ≥ 0 and < 30 Penalty points
- B-rating: ≥ 30 and < 60 Penalty points
- C-rating: ≥ 60 Penalty points

Suppliers are evaluated monthly on the overall performance achieved in the previous 3 rolling months. If relevant, the supplier will be informed.

The overall performance is determined on the basis of the following aspects:

- Number of parts supplied
- Number of rejected parts
- Number of rejection reports
- PPM value
- Delivery performance
- Value of the rejected product

VDL VDS measures the performance of its suppliers on the basis of delivery time and delivery quantity. For both parts 100% can be scored if the delivery is within the specifications, in all other cases a score of 0% is given.

The average of this score counts as delivery performance, with delivery time performance also measured separately.

With a B score, VDL VDS expects an action plan regarding corrective actions that will be carried out to improve performance, and VDL VDS reserves the right to carry out an audit at any time when a supplier has achieved a C performance or has a long-term B performance. This action plan is monitored on a monthly basis.

5. Procedure in case of rejection

VDL VDS draws up a rejection report, to which a written response in 8D format is expected within 24 hours. A minimum requirement is points D0-D3, to the quality department. This reaction and follow-up steps must be followed up at all times using the VDL VDS 8D template, see form VDS002 8D Template.

Points D4 to D5 must be responded to within 10 working days. A fully completed and completed 8D Report is expected within 20 business days.

Minimum Requirement for Form VDS002 8D Template:

- **D0-D3: within 24 hours;**
Start containment activities that include sorting internally, in transport and at VDL VDS (third party permitted).
Problem analysis started. Identify other potential risks for VDL VDS.
All open fields in the 8D template. And the seriousness must be determined on the basis of work instruction (WI 008).
- **D4-D5: within 10 working days;**
Root cause analysis complete for both occurrence and non-detection, using Ishikawa diagram and 5x Why.
- **D6-D8: within 20 working days;**
The effectiveness of permanent corrective action has been checked to prevent recurrence. Burden of proof should be provided via the 8D template.
Some additional documents that need to be reviewed/adjusted are;
 - Control plan
 - FMEA
 - Procedures
 - Work instructions

These should be included with the 8D documentation.

In the event of a timely and correct follow-up of the 8D report, with all accompanying documentation, a leniency arrangement can be made in consultation with the supplier assessment (read PPM reduction).

If deadlines are not met, this will have a negative impact on the supplier assessment. In timely consultation with VDL VDS, a postponement can be requested if a deadline cannot be met.

For the processing of the rejection reports, a standard administration fee of €45.00/h is charged.

If a rejection is detected, the supplier can collect the rejection batch (or have it collected) themselves, so that it can be sorted and/or repaired. In the case of repair work, the supplier must determine the method in consultation with VDL VDS in order to exclude other risks.

If the sorting/repairing is done by VDL VDS in consultation, the costs will be charged to the supplier. Personnel costs are set at €38.00 p/h.

Additional support activities are also charged, including:

- Logistical support
- Additional transport costs
- Machine cost
- Supervision of the work
- Etc.

In the event of an emergency, for example due to delivery pressure, VDL VDS is at all times free to immediately initiate a sorting action in order to be able to achieve the delivery.

Sorting actions are not based on the supplier's performance rating.

After VDL VDS has carried out a risk analysis, it will be determined on the basis of this analysis whether sorting is necessary.

Redelivery will have to take place in consultation with the purchasing/planning/quality department and the rejection material will have to be retrieved by the supplier as soon as possible, but no later than within 2 weeks.

If the material is not collected on time, it will be scrapped at the supplier's expense.

When VDL VDS is confronted with a customer complaint that can be attributed to the supplier, all associated costs will be charged. Costs arising from this include:

- Additional transportation costs.
- Returns NOK products.
- Standard customer rejection costs.
- Redeliveries and/or subsequent deliveries.
- Work at the customer's premises.
- Recalls
- Etc.

Important: if a rejection is detected on a safety product, it will have to be treated in a special way. (see chapter 7. product safety & Conformity Representative)

6. Reach, RoHS and radioactivity

There must be a method in place to ensure that purchased parts and manufactured parts for VDL VDS comply with the legislation for REACH and RoHS.

The supplier has the duty to inform VDL VDS if products/materials supplied do not comply with this legislation.

Material must be free of any radioactive substance and/or any radiation.

If requested by VDL VDS customers, a CMRT report can be requested. This can be accessed free of charge via the website:

<https://www.responsiblemineralsinitiative.org/reporting-templates/cmrt/>

7. Product Safety & Conformity Representative

The following text only applies to products with safety-critical aspects as described in IATF16949.

VDL VDS expects all suppliers to have appointed a Product Safety Representative (PSCR) within their organisation. This is a specific customer condition and VDL VDS is therefore obliged to implement it further in the supply chain. The designated person must have completed approved training for this position.

Prerequisite: Product Safety Representatives must be appointed at all locations where any production process takes place for VDL VDS. These persons must also have knowledge about the products they produce for VDL VDS.

They can also make risk analyses from a methodological perspective and they are aware of any relevant regulations regarding product safety and product reliability. Product Safety Representatives are part of the supplier's management team or they report directly to the management team or the head of the quality department.

VDL VDS is at all times free to carry out an audit with regard to product safety at the supplier.

8. Language

The suppliers have the option of communicating with VDL VDS in the Dutch or English language. Documentation should preferably be provided in English, if agreed this may also be in Dutch.

9. References

- Quality planning for purchasing parts: VDS 028
- 8D Form VDL VDS: VDS 002 8D-Template
- Severity points – 8D: WI 008