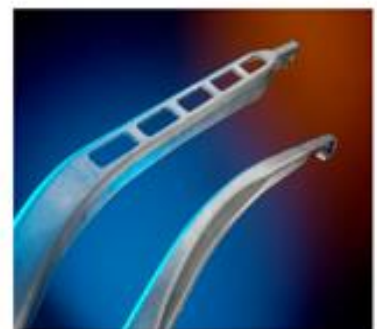


General Quality Conditions



Version management

Version	Date	Wijziging	Person
1.0	30-03-2017	Introduction	WL
2.0	10-05-2017	Modification of the Supplier Conditions VDL VDS 'to' General Quality Agreement.	WL
3.0	31-10-2018	Completely revised	WL

Introduction

At VDL VDS Technische Industrie (further mentioned as VDL VDS) we aim to improve our organisation, our processes and the competencies of our employees every day. We are driven in our quality performance and want to be a benchmark within our industry.

We also expect this of our suppliers, and encourage them to strive towards the same principles. In order to reach this goal, we see our suppliers as partners.

The mission of our quality and purchase department is to build a competitive network of suppliers with which we can differentiate in the areas of quality, delivery and pricing compared to our competitors.

As support of our goals, we have constructed these supply conditions. This is done in order to inform our suppliers that VDL VDS thinks highly of quality. At the centre of this is a close and structured cooperation.

We expect a ZERO DEFECT APPROACH.

This can be realised by:

- Delivering products, materials and services within specification;
- Deliver on time;
- Having a proactive approach towards risk management.

Our products are often labeled as qualitatively high-end products by our clients. Keeping this reputation is very important to us. Therefore, we expect that our suppliers contribute to this in products and services which they deliver to us, and that they hold the same philosophy and control towards their suppliers.

With the cooperation of our suppliers (as partners) we are going to succeed in our mission to bring customer satisfaction towards the highest possible level, while constructing a long-term and for both parties beneficial relationship at the same time.

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1. Quality and environmental systems

The introduction and further development of a quality system under ISO is expected of the supplier. The minimal requirement is ISO 9001:2015 but by preference, the suppliers has to be certified by IATF 16949.

The introduction and further development of an environmental system under ISO 14001 is expected, and the supplier is obligating itself to work according to applicable laws and regulations in the environmental area.

During the day-to-day business, negative effects for humans and the environment have to be limited as much as possible.

2. Release of processes and products

The release of processes and products takes place through PPAP procedure. VDL VDS expects of its suppliers PPAP level 3 (or agreed differently). In case an IMDS requests takes place, it has to be send to Company code 8303. In case there is no release of PPAP, the supplied products have to be accompanied with a measurement report.

3. Process changes

The supplier has to inform us of possible changes in their process. In case a process change has taken place, it has to be newly examined (after consultation) by the PPAP procedure.

4. Supplier performance and PPM results

VDL VDS demands 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

At the start of a quarter, all suppliers will be rated on the overall performance of the preceding quarter. In case it is relevant, the supplier will be informed by writing.

VDL VDS measures the performance of its suppliers on the base of delivery time and delivery quantity. At both elements a score of 100% can be reached in case the delivery is done within the specification. In other cases, the supplier will get a score of 0%.

The average of this score counts as supplier performance, where the delivery time performance will be measured separately.

Rating performance on the next aspects

Reject report		Parts rejected		Delivery perf. *		Volume value		PPM Value	
Pp	Score	Pp	Score	Pp	Score	Pp	Score	Pp	Score
0	< 1	0	< 10	0	$\geq 98\%$	5	$< 0,01$	0	< 10
10	≥ 2	10	≥ 10	10	$< 98\%$	10	$> 0,14$	10	≥ 10
20	≥ 3	20	≥ 50	20	$< 95\%$	15	$> 0,40$	20	≥ 50
30	≥ 4	30	≥ 100	30	$< 90\%$	20	$\geq 1,00$	30	≥ 100
40	≥ 5								

At a B score, VDL VDS expects an action plan with corrective actions which will be executed in order to improve the performance. VDL VDS reserves the right to perform an audit in case a supplier reaches a C performance.

5. Method at rejection

VDL VDS draws up a report of rejection, to which, within 24 hours a written response in 8D format has to be followed (minimal) on the points 1 to 3 of the quality department. This response and further actions have to be filled into the VDL VDS template.

On points 4 to 6, a response has to be given within 10 working days. A completely filled out and closed 8D report is expected within 60 days.

At observation of a rejection, the supplier can sort/rework the delivered party at VDL VDS itself, or (in case the situation allows this) recollect the delivered party and sort/rework it at a third-party or at their own facility.

In case the sorting or reworking is done by VDL VDS, the costs will be recovered from the supplier.

Sorting actions will not be based on the performance of the supplier. After execution of a risk analysis by VDL VDS, we will decide if sorting is necessary based on the analysis.

Resupply will take place as soon as possible and in consultation with the purchasing department, the rejected material will be recollect as soon as possible, but latest within 2 weeks, by the supplier. In case the material is not recollect in time, it will be demolished on costs of the supplier.

When a rejection is found by a client of VDL VDS, all costs corresponding to this complaint will be claimed at the supplier and in case the supplier defaults in applying to its obligations towards the client, we will claim €100,00 per event, without prejudice to the right to compensation for the consequential damage.

6. Reach, RoHS and radioactivity

A method has to be in place to guarantee the purchasing parts and make parts for VDL VDS adhering to the law for the support of REACH and RoHS. The supplier has to obligation to inform VDL VDS in case products or materials do not qualify under this law.

Materials have to be free of any radioactive substance and possible radiation.

7. Product-safety manager

VDL VDS expects from their suppliers that there is a Product safety manager appointed within their organization. This is an customer specific requirement from VW and we are obligated to downstream this inside our supply chain. The appointed person should also receive approved training for this specific topic.

Requirement: Product safety representatives have to be installed for all production sites manufacturing for VDL VDS. Product safety representatives must have knowledge about products manufactured for VDL VDS, risk assessments from methodological perspective and relevant product safety and product reliability regulation. Product safety representatives are part of supplier's management team or directly report to the management team or head of quality management.