

# Supplier Quality Agreement

Between

Fujikura Automotive Europe SAU and Subsidiaries  
&  
its Suppliers

Edition: August 2019

Customer: Fujikura Automotive Europe SAU

Supplier:

Date:

Date:

Name:

Name:

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**Introduction**

Supplier Quality Agreement (SQA) is intended to communicate Fujikura Automotive Europe S.A.U. and its subsidiaries (hereinafter jointly called FAE) specific quality requirements together with the applicable OEM group and system documents, that should be respected by existing and potential suppliers and implemented in their entire supply chain. The SQA itself is a OEM and IATF requirement. Those subcontractors designated by FAE will be authorized to act on its behalf for the purpose of enforcing the of the provisions of this SQA to FAE's suppliers.

Supplier is fully responsible for the for the products it delivers. In order to achieve this goal, the supplier should develop, maintain and continuously improve their Quality Management System. A comprehensive culture of continuous improvement must be established throughout the supplier organization, striving to achieve the zero-defect goal.

**1. Objective**

- This SQA is intended to communicate uniform quality requirements which FAE is expecting from all suppliers and facilitate the standardization for the parties. It provides general instructions and outlines procedures which must be followed in order to become and remain an approved supplier, pursuant to the internal purchasing procedures of FAE which include supplier evaluations based on quality criteria as one of the main determining factors to select suppliers.

## 2. Scope

- This SQA applies to all prototype and production related materials (raw materials, sub-assemblies and assemblies) procured by FAE. This SQA is a Quality Standard and requires the formation and maintenance of a documented, active and effective quality assurance system by all suppliers of FAE.

This SQA describes the process by which a supplier of raw materials, sub-assemblies and assemblies can get qualified to become a supplier for FAE. It is designed to outline and communicate the FAE supplier minimum quality requirements and to ensure a thorough understanding of what is required in order to become and remain an approved supplier.

The process includes the initial qualification of the supplier, which will allow FAE to determine if a new supplier meets the minimum requirements established by FAE and can be added to the FAE Approved Supplier List.

This Quality Standard establishes specific minimum requirements. It shall be the supplier's responsibility to implement and maintain any additional controls deemed as necessary to continually ensure reliability and product conformance. Suppliers are expected to meet the requirements stated herein. These requirements do not supersede any of the purchase order, engineering drawings, specification requirements or any others contained in particular agreements between the supplier and FAE, nor relieve the supplier of exercising independent expertise and skill in providing products to FAE.

- Therefore, this SQA is binding for all suppliers of the companies of FAE.

## 3. Applicable regulations

- All the products and processes should be covered and respect the below documents (on its last edition), when applicable:
  - VDA volumes and guidelines
  - Formel Q Konkret and Capability
  - IATF16949 or at least ISO9001
  - ISO 14001
  - OEM drawings, FAE drawings
  - AIAG, FMEA, APQP
  - Fujikura Code of Conduct
  - RoHS, REACH

#### 4. Supplier's responsibilities

- Respecting applicable regulations (see point 3), the below documents and information shall be provided to Supplier Quality Assurance Department (SQA Department), from each affected location, without being requested, before the first delivery of the materials or whenever a change interferes:
  - Latest system certifications
  - Latest OEM process audit performed according to VDA 6.3 requirements
  - Latest internal process audit according VDA6.3
  - Latest D/TLD Self Audit (when applicable)
  - PSCR (Product Safety & Conformity Representative) - contact person and contact details, PSCR certificate.
  - Homologation documents for the materials: BMG (if material is BMG mandatory according to OEM drawing) and EMPB/PPAP (according to requested PPAP submission level, including the corresponding PPAP samples, if applicable) in English language.
  - If, for some reason (part is in development phase, changes for the product/process/supply chain, etc.), the component is not covered by BMG, although requested by drawing, then supplier must provide AWE (with closed status) released by customer, to allow deliveries of material without the required BMG.
  - IMDS submission at Fujikura ID 7482.
  - Mandatory, announcement of process / production location changes from early project phase and submission of appropriate documents before the first delivery of modified product/product resulted from modified tool/production place, depending of the case. All the mentioned changes, prior to implementation, should be approved by FAE in advance.
  - Handling manual/technical recommendations, if applicable.
  - Requalification documents for each supplied part, will be provide in accordance with OEM rules and free of charge.

In case the abovementioned documentation is not submitted by the supplier, it shall be forwarded within 24 hours upon FAE's request.

- It is supplier's responsibility to impose the same quality requirements to its subcontractors, if any.

#### 5. Packaging, labelling and storage

- Packaging should guarantee the raw material preservation, against damages, or loosing properties, during transport and storage. The supplier must adopt all measures required for their appropriate security in accordance with their characteristics, the means of transport and the conditions of the route and the delivery location.

- Labelling should be according to VDA requirements and should contain also FAE code and material revision level date (if OEM drawing date is available for the material).
- Recommended storage conditions of the delivered products should be provided and respected by supplier as well (temperature, humidity, recommended storage time, pallets/boxes stacking height, any other special recommendations regarding the raw material storage conditions).

#### **6. Process audit VDA 6.3 (Formel Q), Technical Review, Potential Analysis**

- FAE or a third party appointed by it may perform a process audit VDA 6.3 (Formel Q), Technical Review, Potential Analysis at the supplier site according OEM rules and the supplier has to react according to the documents mentioned at point 3. The supplier shall confirm the audit date within a period of one week since the request was received or suggest another one. The entire scheduling process should end in three weeks. If supplier cancels the initially confirmed audit date, the “Audit cancelation and agenda change” fee according Annex 1 will be invoiced.
- In case of quality issues with significant impact in FAE production or OEM lines and reoccurrence of nonconformity, FAE shall be entitled to visit Supplier site for problem analysis or process/ product audit with a prior agreement of 24hours. All visit related costs will be invoiced to the supplier.
  
- Once performed the abovementioned audits:
  - If supplier fails to achieve A rating (1<sup>st</sup> and 2<sup>nd</sup> time), FAE will invoice the supplier with the traveling and accommodation related costs, of the FAE auditors.
  - In case the supplier achieves B rating, an improvement plan shall be submitted (problem, root causes and actions to be taken) to prevent reoccurrence of the deviations detected during the audit.
  - If the overall result is C, the supplier will no longer be nominated for any new business and shall be required to prepare and submit to FAE SQA Department an action plan containing the proposed corrective actions in order to achieve A rating and the specified time frame for implementation of these corrective actions.
  - In order to change the rating from C, after having submitted the completed action plan within the specified time frame and additionally a self-audit with satisfactory result, the supplier will be audited by FAE SQA Department, which will check the implementation of the corrective actions and the improvements. If the result of such audit is not satisfactory, the supplier will continue without being nominated for new business until rating C is removed.

In case the supplier disagrees with the audit result and refuses to sign it, all costs involved in the audit will be invoiced to it. A new audit will take place, also at supplier expense, and the abovementioned points shall apply depending on the rating obtained in this second audit.

## 7. Reaction to quality complaints

The following rules shall apply for complaints management and supplier shall meet the below indicated deadlines and actions. Otherwise, it will have a negative impact on the supplier rate, notwithstanding the assumption of the corresponding expenses and liability.

- 3D (containment actions) < 24 h
  - If sorting is required by Fujikura, supplier must organize and start the sorting with an external company within 24 hours; if the mentioned time frame is not met, FAE will organize the sorting at the supplier's expense, with FAE workers by applying the sorting fees mentioned in Annex 1 or with an external sorting company applying the fees of such external company.
  - Sorting should be performed for all affected product, including FAE stock of raw material, sub-assemblies or finished goods (harnesses) from FAE stock or customer site. If necessary, rework will also be performed for the affected sub-assemblies/harnesses in FAE/customer stock.
  - Internal sorting/rework of harnesses in FAE will be organized with FAE staff or external company, according to FAE risk assessment. Sorting/rework of harnesses at customer site will be organized with FAE staff or external company agreed by customer. All resulted charges will be taken over by supplier once the responsibility for the complaint will be established by supplier side.
  - If danger of lines stoppage or customer shipment delays appears, FAE will start the sorting immediately, at supplier's expense, with FAE workers, who will sort just the necessary quantity to assure the production needs and the conformity of customer's ordered quantities, until an external company arrives.
  - If other products might be affected by the same failure as the complained one, the supplier has the responsibility to provide all the necessary information, including full traceability analysis.
  - If other FAE locations could be affected, supplier has also the responsibility to inform each affected FAE location, by keeping the original sender in distribution list.
  - Supplier has the obligation of providing the risk assessment evaluation (including risk at OEM and field).
  - The pick-up of the NOK samples, necessary for investigation, will be done and arranged by supplier on its own costs.
  - The first three shipments after complaint should be sorted 100% and individually labeled (each box) with minimum traceability data: Fujikura claim number, defect description, clear statement regarding product 100% conformity. First 100% OK delivery note should be announced, together with the content of the identification label.
  
- 5D (root cause, corrective action, decision for NOK parts) < 5 working days

- If the return of the NOK/suspect parts is required, then the supplier should organize the pickup, on its costs, of the NOK/suspect parts from all FAE affected facilities.
  - If corrective actions require technical changes, new tool, system, soft acquisition which require longer implementation time (that circumstances are duly proved), there must be presented actions, (via 5D report) to assure the zero defects until the implementation.
- 8D report with set corrective and preventive actions < 10 working days.
- If decision regarding the NOK/suspect parts (scrap/ return) resulted from sorting action is not received within 10 working days from notification to supplier, then FAE will scrap the parts at supplier's expense.
- Closed 8D report with proofs of corrective and preventive actions and proven efficiency shall be submitted within 20 working days.
- Delay in sending a proper (FAE approved) 3D, 5D or 8D without having a justified objective reason, approved by FAE, will be invoiced with a fee according Annex 1.

## 8. Self-announcements

- In case supplier detects any defect in its process that might affect the materials delivered to FAE: supplier has the responsibility of informing immediately to Quality Suppliers Responsible in each (possibly) affected FAE location, via self-announcement. In that case, Supplier will:
- offer all necessary details regarding defect/suspect material detection,
  - organize and start within max 24 hours the sorting of the affected/suspect quantities from FAE/ FAE customer facility with external company workers/FAE workers, upon agreement with each Supplier Quality responsible from each affected FAE location.
  - organize the return shipment of the affected/suspect quantities
  - prepare 8D report for the failure containing root cause analysis, correcting actions and verification of their implementation.
  - take over all costs related to the self-announcement: line stoppage in FAE locations or FAE customers, sorting in FAE locations or FAE customers (with FAE worker/ or FAE contracted external sorting company), return of raw material, special delivery (of raw material to FAE locations or harnesses to FAE customers due to the delays caused by the defect), administrative costs from FAE customers.
  - supplier has the obligation of providing the risk assessment evaluation (including risks at OEM and field).

## 9. Technical factor and KV Quote

- The suppliers are obligated to contribute to the field damage costs. The decisive factor for this is the concept responsibility quota (KV-Quote), which was included in their Nomination letter, in general cost sharing at 90%.
- Fujikura is committed to reduce the total cost of the technical factor with the end customer. The remaining amount of the field costs charged to Fujikura will be passed aliquot to the concept responsibility ratio to the supplier by annual basis.
- If desired, the damaged parts (if parts are present) will be sent to the supplier for further analysis. The supplier is obliged to carry out the analysis of the damaged parts quickly and free of charge. The analysed parts must be returned after the analysis within 30 days.

## 10. PPM level

- The supplier is committed to a “zero defect strategy”
- The 25 PPM target / per year, monitored on the monthly evaluation and agreed for all FAE locations shall not relieve the supplier of his quality commitment to “zero defect strategy”.
- In case of “zero defect strategy” will not be achieved by the supplier, an improvement plan should be agreed and put in place, in order to meet the commitment.

## 11. Supplier evaluation

- The suppliers are evaluated on a monthly basis by the departments of Materials, Purchasing and Quality based on the below criteria. The approval is valid one month.
  - **Performance: cost, quality, delivery.** Failure to achieve performance criteria can lead in escalation into the Critical Supplier Program.
  - **Capability:** the result of the last process audit, according VDA 6.3, following below criteria
    1. Process audit in the supplier made by Fujikura
    2. Process audit in the supplier made by OEM / Customer
    3. Process self-audit made by Supplier
- Depending on the overall result (the worst rating give the final result) of this evaluation the supplier is classified, according VDA, as follows:
  - A  $\geq$  90                      Performance capability.
  - B  $<$  90 y  $\geq$  80              Limited performance capability.
  - C  $<$  80                        No performance capability.
- If the overall result is B, supplier must submit an action plan (problem, root causes and actions to be taken) to prevent recurrence of the deviation in the evaluation.



- If the overall result is C, the supplier will no longer be nominated for any new business and shall be required to prepare and submit to FAE SQA Department an action plan containing the proposed corrective actions in order to achieve A rating and also the specified time frame for implementation of these corrective actions.
- In order to change the rating from C, after having submitted the completed action plan within the specified time frame and additionally a self-audit with satisfactory result, the supplier will be audited by FAE SQA Department, which will check the implementation of the corrective actions and the improvements. If the result of such audit is not satisfactory, the supplier will continue without being nominated for new business until rating C is removed.

## 12. Applicable costs:

- Applicable fees are detailed in the Annex 1, which will be provided as aside document.
- All additional costs resulted from the complaint in FAE process, in each involved location (line stoppage; special transport; necessity of additional asset/equipment for sorting or rework, **travel costs for visiting supplier**, etc) will be invoiced to supplier.
- If defect is detected by client or if customer line is also affected by the detected failure, then all Fujikura and customer administrative costs (QTS, KPM, etc) / sorting / additional shipment/line stoppage/ replacement/rework/ travel costs for visiting supplier or any other involved costs will be invoiced to supplier once the supplier's responsibility has been established in relation with the complained defect.
- Acceptance of all above fees at the time of the complaint will not relief the supplier from any further legal/financial responsibility that might arise from an eventual customer recall/warranty/field detected failure.
- FAE reserves the right to adjust the prices from "Annex 1", based on the effective costs caused, and according to the market price, circumstances which shall be properly communicated to the supplier.

**13. Revision:**

<b>ID</b>	<b>REVIEW</b>	<b>DESCRIPTION</b>	<b>SIGNATURE</b>
3	October 2022	Clarifications added in chapter: 4, 7, 8, 12	Anca Zlati
2	March 2020	VW official letter requesting the PSB qualification as a PSCR	Anca Zlati
1	August 2019	Second edition of the SQA	Anca Zlati