

## Quadrant CMS: Suppliers Guide Agreement

### Part 1: General Guide Lines

#### A. Language/Taal:

**EN:** Because Quadrant CMS is a part of an international Swiss group, Quadrant AG, and since our international customers in the automotive correspond with us in English, we have chosen to use the international business language for all our commercial correspondence. All our standard documents and circular letters are drawn up in English. We expect from our suppliers to be able to communicate with us in English. We suppose that our suppliers will contact us in case the meaning or contents of our texts would not be clear.

**NL:** Omdat enerzijds Quadrant CMS tot een internationale Zwitserse groep, Quadrant AG, behoort, en anderzijds onze internationale klanten in de automobieliindustrie met ons in het Engels corresponderen, hebben we ervoor gekozen om alle commerciële briefwisseling in het Engels te voeren. Al onze standaarddocumenten en omzend brieven zijn dan ook in het Engels vertaald. Wij verwachten van onze leveranciers dat zij in het Engels met ons kunnen communiceren. Wij gaan ervan uit dat onze leveranciers contact met ons opnemen indien er onduidelijkheden zijn.

#### B. About us:

Quadrant CMS nv is a leading injection moulding company for the automotive, medical, electric, electronic and general machine industry.

The origin of our company goes back to 1933, when Robert Tavernier started manufacturing buttons for the clothing industry. Later on ERTA has developed their own semi finished products like ERTALON, ERTALYTE in extrusion and moulded machine parts for Picanol and other general industries.

In late 70ties ERTA has started the red buttons for the safety belts of cars.

In 1976 ERTA has been bought by DSM, a Dutch Holding, and developed systems and technical parts for the automotive industry.

In 2001 Quadrant AG has acquired the former global DSM Engineering Plastics division.

Quadrant AG has manufacturing plants all over the world. Quadrant AG employs about 1600 people in 12 operating locations around the world, with sales currently over 33.972 Euro.

Quadrant CMS has a turnover of 35 million Euros in the location Tielt. The Quadrant CMS kft has been started up in 2003 for the customers in the East-European countries.

Being a second and third tier supplier to the automotive, we are indirectly supplying our modules and products to almost all car manufacturers worldwide. There are 4 product lines which are the main activities for the automotive industry (safety belts, all kind of airbag containers (with horn functions), air ventilation modules and air spring systems) Quadrant CMS develops together with the customers system modules and integrates the departments Tool & Mould building and downstream, with injection moulding servicing the whole injection production.

From early days, the main materials processed are plastics, master batches and inserts. All kind of downstream activities can be outsourced. The purchasing departments of the different plants of Quadrant (Belgium, Switzerland, France, The Netherlands, The United Kingdom, The United States of America and KO) are operating independently, but the global purchasing policy is joining the forces whenever it is needed to obtain the best purchasing conditions.

### C. Products purchased:

Following are the main categories of materials and services purchased for our production of the different automotive, medial, electric, electronic and general industry modules.

#### Materials:

*Raw material of plastics*

*Master batches*

*Inserts like* Spring steel plate clips,  
Spring steel wire forms,  
Screws, nuts, bolts and other fixing articles,  
Small plastic tubes,  
Small plastic filters,  
Contact Lead plates with silver Nickel,  
Inserts for injection moulding,  
Non woven, PUR, textile converted parts, map rings, metal Zinc rings,  
...

#### Activities: (for downstream)

*Assembling* (with the automation developed by Quadrant CMS)

*Printing*

*Lacquer and vanishing*

*Functional testing*

*In-moulding inserts*

*Sterilization* (of medical products)

*Surface treatments*

...

#### D. Purchasing Strategic Objectives:

Since Quadrant CMS is a supplier of safety parts towards the automotive and medical industry, the collaboration with our direct and our final customers is essential for the development of our business.

Hence our purchasing strategic objectives result from our high degree of customer orientation. As a consequence in the end our objectives are determined by the severe requirements and high supplier expectations of the car manufacturers.

Our mutual success depends on every supplier supporting us in achieving the following strategic objectives:

- *World Class Performance*

Every supplier must be the best in each of the 5 criteria. The excellent performance is a condition and trump for our mutual success.

- *Continuous improvement*

In order to achieve excellence and customer satisfaction worldwide, our focus must be on continuous improvement in the total quality of all products, processes and services. Quadrant CMS and its suppliers must strive to examine and improve all of the systems by which we get things done. By making our suppliers an integral part of our overall quality process, we can produce better products right from the start.

- *Customer Satisfaction*

Quadrant CMS and our Customers' success in achieving Total Quality depends on viewing suppliers as a valuable extension of our own business. Our goal in purchasing is to build long term relationships with a select group of suppliers who share our total quality vision by consistently delivering the highest quality products and services. Our suppliers must applicate effective procedures to monitor the customer satisfaction, so that they can be proactive towards us and our customers for improvement of the Total Quality.

#### E. Purchasing mission of Quadrant CMS nv (see also Manual ISO/TS16949)

Our customers are also your customers; therefore we need a complete engagement and cooperation of our suppliers.

## Part 2: Specific Guidelines for the Quadrant CMS suppliers

All our suppliers are classified into commodities

**Group 1:** Ingredients of our products such as

1.1 Raw Materials (11xxx)

1.2 Master batches & fillers (12xxx + 13xxx)

1.3 Packaging Materials (31xxx + 32xxx + 33xxx)

1.4 Inserts (14xxx)

**Group 2:** Downstream (24xxx)

**Group 3:** MRO products (maintenance, repair and operation) and machines & equipment suppliers

**Group 4:** Services and facilities companies

**Group 5:** Moulds and assembly lines for projects

**Group 6:** calibration (282xxx + 83xxx)

This purchasing turnover can divide in the 6 groups of suppliers as follows:

We focus us on group 1-2-6 for the Evaluation system according ISO TS 16949.

### A. Supplier Prequalification

Quadrant CMS wants to work with suppliers who are not only capable of, but also motivated to sharing Quadrant CMS standards for total quality and continuous improvement.

Companies under consideration are subjected to the following prequalification, selection and evaluation process:

Potential suppliers who seem to be supplying products or services matching our needs are required to complete the Company introductory Questionnaire and U-fax, which will aid us in determining if their company may be considered as a suitable business parties.

Quadrant CMS asks also to forward your company brochure, financial data, equipment lists and facilities brochure together with the completed questionnaire. It permits us a complete review and evaluation of your company's capabilities.

The obtained information and one or four initial quotations received, will allow us to evaluate your company in comparison to our current suppliers and to decide if we accept your company as a prequalified supplier.

This obtained documentation and evaluation will be treated confidentially and be retained in our suppliers' files for record purposes.

## B. Supplier Evaluation

Our main suppliers will be evaluated according to our Supplier Evaluation Procedure (see also manual ISO TS 16949).

This includes on the one hand their achieved performance over the passed 12 months and on the other hand the evaluation of the last 3 current months concerning the quality and delivery performance.

For this purpose our suppliers are also questioned on a regular base on the following subjects:

- Applied Quality Management System (standard)
- Supplier Assessment list (if the Quality Management System doesn't meet ISO TS 16949)
- Applied Environmental Management System (standard)
- Quality & Delivery action plan-logistic service
- Purchasing Conditions as Payment & Delivery Conditions which are :
  - o 90 days at the end of the month
  - o DPP, Tielt
  - o Euro invoicing

### B 1. The supplier evaluation system

#### Evaluation suppliers 3- monthly and annual

Quadrant CMS evaluates the suppliers on regular base. The aim is to improve in Quality- and Delivery performance in first instance. On quarter base we evaluate the three worst suppliers per commodity (category of suppliers e.g. raw materials) based on turnover and 80/20 rule.

On annual base we evaluate all suppliers per category of suppliers.

This evaluation is divided up in two: quality performance and delivery performance.

#### B 1.1. Quality Performance

The supplier must guarantee the total quality of the goods supplied. We require of our suppliers to commit to strive for a quality rejects level of 0 ppm.

Every product must meet our customer and Quadrants specifications. Every delivery with a quality problem on the product, package, and shipment will give rise to demerits and thus will affect supplier's evaluation.

At the start of a new project the first 3 deliveries will have an entrance control. If no major non conformities have occurred, the product will have the level of QA (Quality Assured) product. In case of a major problem the quality status becomes NOT QA product. Quadrant CMS will send a complaint.

The supplier needs to send back an 8D report according ISO TS 16949. (Quadrant CMS can provide a template of an 8D report).

All suppliers are evaluated in their own commodity group. The quality performance will be send out by the quality purchasing report F655/1. The table here under gives the levels of evaluation:

	QA%	
Mention	≥95%	sufficient
Write	≥85% - 95%	insufficient
Action plan	≥75% - 85%	Unacceptable
Audit	<75% after consultation	
Deleted	After consultation management review	

For suppliers which are below the level of the unacceptability of 75% they will be invited to discuss their action plan and also an audit at the supplier's premises. If no real improvement occurs after all these actions the customer will be informed for a change over after supplier.

### B 1.2. Delivery performance

Deliveries must be on time, must have the correct quantity, the correct packaging, and correct identification.

Non-conform deliveries give rise to demerits and thus will affect supplier's evaluation. Every supplier is evaluated each year and 3 months on their global delivery performance in their commodity group. A supplier will be evaluated according the following table.

	LB %	
Mention	≥90%	sufficient
Write	≥80% - 90%	insufficient
Action plan	≥70% - 80%	Unacceptable
Audit	<70% after consultation	
Deleted	After consultation management review	

The supplier will be informed for the Delivery performance by the logistical purchasing by the Delivery performance supplier report F655/1. If a supplier has more then two quarters no improvement on the LB% he will be invited to present his action plan. If the supplier cannot fulfill this, then Quadrant will also postpone the payments of the deliveries which are too late. This action will be executed until there is improvement on the delivery performance.

### B 1.3. Quality Management System

Quadrant CMS is QS9000/ISO9001 certified since 2000 and is since 2004 certified for ISO TS 16949 for the production of parts and assembled parts for the automotive, medical, machine building customers.

Our suppliers are expected to have a quality management system and will be selected upon this criterion. Preference will be given to suppliers who have obtained ISO TS 16949/2009 – ISO9001:2008. Through this Supplier's guide, our Supplier Prequalification, Selection and our Supplier Evaluation Procedure, we encourage our suppliers to develop their quality system with the goal of subcontractor compliance to ISO TS 16949.

The Supplier Survey list is our tool to evaluate our suppliers on a regular base on their Quality Management System.

#### B 1.4. Verification of the Subcontracted Product

In compliance with ISO TS 16949 our customers may specify in their contracts that they or their representatives shall be afforded the right at the subcontractor's premises that subcontracted product conforms the specified requirements.

Accordingly by accepting our conditions of the U-fax and a purchase order, the supplier allows Quadrant CMS and his customer to verify at suppliers premises that the purchased product meets the specified requirements.

### C. Yearly contracts and projects agreements

For suppliers who have a yearly contract of a project agreement our automotive should fulfill the requirements which are imposed on us by our automotive customers.

#### 100% on time delivery

Reserve at all time 20% extra capacity with regard to the average monthly purchased product volume, in order to absorb consumption peals.

Security stock: Our suppliers are expected to keep a reduced security stock in order to guarantee at all times deliveries according to our order schedules. However Quadrant CMS shall not be obliged to take extra stock quantities for any products, leveling more than 4 weeks of our average consumption beyond our order program. We will, as far as possible, keep our suppliers timely informed of changes in consumption as well as of the timing series will run out, so that our suppliers can adapt their security stock levels accordingly.

Safety stocks should be removed between 6 to 8 weeks before the end of the series. Goods must be delivered first in first out (FIFO). The supplier must be able at all times to present us an acceptable contingency plan for applied machinery and tools.

Guarantee of delivery of goods for the lifetime of a project accordingly the ISO TS 16949.

Delivery service of spare parts should be assured till 10 years after the end of a project according the same ingredients, process and location. Quadrant CMS will not accept a higher price for the last run out.

Secrecy agreements: Quadrant CMS can ask the supplier for new developed parts to sign and agree with the secrecy agreement.

The purchase orders for ingredients are sent out by fax, mail and next by post if the supplier hasn't signed the U-fax. The Quadrant CMS purchase conditions are then the only agreed conditions for our suppliers. Disagreeing order confirmations should reach us within 2 days by fax or mail.

We expect our suppliers to inform us about their inability to supply ordered materials and quantities at the delivery times mentioned on our purchase orders within one week after receiving the order.

When a supplier is unable to meet the agreed delivery time, he must ask for concession, which will allow us to discuss the attainable delivery time with our customer and if accepted will avoid the costs of late deliveries.

Samples & prototypes: ISO TS 16949 recommends to use the definitive supplier for a project in the earlier stage of a project and to order the first prototypes from this chosen supplier.

The product development process in the automotive remains a relatively long process, during which frequent orders or frequently changed versions of samples and prototypes must be received within the shortest timings.

Therefore, when product development is involved, we tend to select suppliers who offer a prototype service and can guarantee for sample orders short delivery times and respect production of promised delivery times.

The supplier must use appropriate statistical data to ensure the quality of products and processes. Evidence is shown by a CPC index 1.33.

## D. Quotations and Price Competitiveness

### D 1. Ingredients

For raw materials, master batches, fillers, inserts and packaging are the prices generally established on an annual basis. Yearly we negotiate for standard ingredients with the help of our provisions for annual contracts. For custom made products, such as inserts we need to keep our project price due to be in line with our customer project price.

Quadrant CMS wish to receive the best prices on first quotations.

### D 2. Components and assemblies according our customer requirements

Our supplier may be consulted very often/regularly for the many ongoing projects and consecutive requests for quotations from our customers. Responding to all these requests makes great demands on our efforts as well as those of our suppliers and in many cases without an order.

Quotations to the automotive have the following characteristics:

- Short response time required

- Unfortunately monthly informatively and without action

- No allowance to change development costs and normal precontract services.

Our customers in the automotive industry require from us and our suppliers of recurring purchases

- That they absorb any normal material and labor cost inflation

- That they grant annual reductions for obtained improvements in productivity (on product and process).

### D 3. Tools, moulds and machines

Once our customer has placed an order for tooling, prices are not renegotiable again in case uncalculated or unexpected costs arise during the tool development and production in process.

Quotations for tooling must always be complete and include:

- All costs for conversion of our CAD files (mostly Unigraphics, DXF, IGES) and drawing measurements to whatever software format.

- All costs for modifications on parts and drawing that arise after acceptance of the order that pertain to the knowledge of the supplier.

Each remark or objection on our drawing information that affects/might improve manufacturability, feasibility, functionality, or might reduce costs should be made on the quotation.

The costs of all should be in advance foreseeable also changes to tooling during its guaranteed life-times such as possibly renewable date stamps and maintenance.

Costs for marking of parts with the material code according to ISO 11469.

The manufacturing location (country) of the quoted tool has to be mentioned on the quotation.

Whenever asked a break-down of the tooling costs.

#### D 4. MRO Products

The yearly contract establish the prices for these articles together with the lead times and minimum delivery Quantities A call-off order is placed for contracted articles, what leads to fax call-off of the technical services of Quadrant CMS.

The supplier informs us at least once per year for cost down alternatives.

Price increases without any agreement by Quadrant CMS can never be accepted. The suppliers takes once a year the initiative to discuss the prices.

#### D 5. Services and facilities companies

A yearly contract establishes the contractor prices for the well defined services. A call-off order is placed for the yearly renewable services.

No changes of prices, lead times and specifications can be done without approval of the Purchasing Department.

Services are evaluated when necessary. The contractor needs to respect the Quadrant Safety and Environmental guidelines (F129). These are available at the Prevention Advisor, or can be sent with the order when relevant.

#### E. Packaging and Product identification

The packaging and make up shall be specific to the different goods and components and is to be agreed between both companies at the time of PPAP.

Faced with the increased costs due to statutory regulation to take back packaging materials and no use of restricted substances and reusable materials, we ask our suppliers whenever possible to deliver goods in returnable packaging.

Delivery notes and Odette labels shall mention supplier's production batch number in order to enable traceability of the raw material batch(es).

The supplier should change his production batch number at each change of material batch used and at each new machine set up.

A copy of the delivery note must be attached to one of the pallets. The following information must be on the packing lists or other delivery documents:

Purchase order of Quadrant CMS

Your contact

Article number of Quadrant CMS

Description of the article

Batch number

Quantity and number of packaging units per type.

The goods should be packed on Euro pallets (120 x 80cm or 120 x 100 cm) with a maximum height of 2,0 meter (pallet included). Supplier initiated packaging or cost improvements are encouraged, but must be approved by

Quadrant CMS to ensure operations are not actively affected.

The supplier has to keep track of the quantity of packaging materials supplied, so that on simple request you can inform us of this quantity.

## F. Environment, Health and Safety

Quadrant CMS is certified according ISO 14001:2004 we expect suppliers to understand and fully comply with all applicable Belgian, European and international laws and regulations, including, but not limited to, all Environmental, Health and Safety and related laws and regulations (EHS).

The supplier must ensure that during production wastes are minimized and that processes are adapted to the applicable environmental and safety regulations.

Suppliers must comply with the Substance Use Restrictions according to the End of Life Vehicle Directive 2000/53/EC Compliance with this directive is a requirement of drawings, standards, specifications or other documents which define all parts and materials you supply to us.

The International Material Data System (IMDS): To ensure compliance with the governmental regulations and directives of the car manufacturers, it is a requirement of all sub tier suppliers to report on all parts/materials/substances. The car manufacturers have generally elected to use the IMDS, the industry standards for materials management. ([www.mdssystem.com](http://www.mdssystem.com))

We require of our suppliers to prepare the necessary part/material/substance information and enter the information into IMDS so that we can report it to our customers.

## G. Specific provisions – Quality

### G1. PPAP

According to the provisions in the (ISO TS16949:2009) samplings with PPAP documents may be requested, if necessary. Depending on the submission level, the necessary documents must be delivered or supplied in a suitable form.

In general, all deliveries of prototypes and pre-series runs must be accompanied by representative reports detailing the dimensional accuracy of the components and by material certificates (unless expressly agreed otherwise with Quadrant CMS)

#### **PPAP for automotive products**

In general a PPAP requires submission level three. The submission level may be adjusted, if needed (particularly at the request of the customer).

#### **PPAP for non-automotive products**

The Parts which are intended for non-automotive products or customers (e.g. AFSP parts) must be sampled in accordance with a reduced PPAP. For this, the minimum submission level is 4, with the sampling being required to include the following:

- Measured sample parts

- Measurement report
- Material certificates (if necessary)

Due to deviating requests on the part of the customer, additional documents may be required; this will be noted in the order documents.

### G2. Incoming inspection

In general, we expect that delivered products are flawless and almost entirely dispensable with any incoming inspection. If these deliveries are free from defects, the product shall be assigned the QA status and additional incoming inspections shall be eliminated.

In the event that problems or defects occur in production or during subsequent deliveries the QA responsible changes the “released” status into Not QA status for the next 3 deliveries.

The cost associated with additional controls attributable to one or more quality defects of the product shall be charged to supplier.

### G3. Material certificates and test reports

In general the PPAP documents must include the corresponding material certificates.

In addition, our suppliers should provide the appropriate relevant material certificates (3I acc.to EN 10204) for each product delivery that was produced with a new material batch.

### G 4. Traceability

We expect full traceability for all products components, and materials.

Delivery notes and packaging labels (Galia, Odette and VDA labels) must list the supplier’s production lot number to guarantee traceability of the raw material lot(s). Also the Quadrant CMS order number and article number is obligated to link the article with the right lot number. The supplier has the responsibility to instruct the forwarder & shipment company to respect the necessary documents.

### G5.Verification of sub-contracted products and processes (=Downstream)

To ensure product and process quality, it is common practice in the automotive industry that our customers, in particular our end customers (OEMs) reserve the right, in their contracts, to ascertain at any time either personally or through a representative, at the operation of a sub-contractor, that the manufacture of sub-contracted products processes meets the specific requirements.

To guarantee this process Quadrant CMS likewise demands from its suppliers that, following acceptance of an order, the supplier allows Quadrant CMS and customer to conduct an inspection at the supplier’s operation at any time to ensure that the specified requirements are indeed met in production. Such inspections may take on an informal or formal form (audit). You will be notified in a timely manner about the schedule, the possible effects and the results of such inspections. This inspection can also be the result of a bad Quality performance report.

## **H. Complaints**

### H1. Complaints

Product processes and services that do not meet our requirements shall be subject to complaints.

Our standard complaint report has an “8D” format. We expect that our suppliers are familiar with, understand, and are able to process this format. If not, please contact us for a template and explanation.

This report will provide the supplier with information about the classification of the failure, the description of the problem and a relevant contact person within Quadrant CMS.

Upon receipt of a complaint Quadrant CMS expects an initial reaction within 48 hours. Initial reactions must, at a minimum, include a confirmation of the complaint, immediate containment actions (containment, additional inspections), and relevant contact persons.

Within 5 business days, unless otherwise agreed between Quadrant CMS and the supplier, we expect a detailed root cause analysis and the definition of effective corrective and preventative actions. All measures must also be effectively verified.

Parts subject to complaints shall be available to the supplier one month after the complaint was sent. If we have not received a response for the supplier by that time, the products shall be scrapped at the supplier’s expense. If the supplier would like the products returned Quadrant CMS can organize the transport of these parts, at the supplier’s expense.

Complaints shall be considered as a criterion/negative in the assessment of the supplier’s performance. Unexcused, late responses to complaint reports increase the significance of these criteria/negatives.

## H 2 Complaint costs

The goal of this complaint process is the prompt identification and sustained elimination of all defects, so that neither Quadrant CMS nor the end customer incurs any financial or other damage.

However, should a complaint result in costs, these shall be charged to the supplier, In the event that costs due to supplier complaints are charged to us by customers, we shall pass on these costs.

Quadrant CMS waives the right to invoice complaint costs as flat amounts.

In return, we reserve the right to charge variable costs, depending on the expenses:

- |  |                |
|--|----------------|
| • Administration cost  | 150€/complaint |
| • Additional handling, rework, sorting, *)                     | 32€/ hour      |
| • Additional work by employees (technical dept., testing...)*) | 45€/ hour      |
| • Production line shut-down at Quadrant CMS *)                 | 100€ hour      |
| • Costs charged by our customers *)                            | effective cost |
| • Customer’s production line shut-down *)                      | effective cost |
| • Preferred freight due to schedule obligations *)             | effective cost |
| • Rejected material *)   | effective cost |
| • Disposal   | effective cost |

\*) caused by Quadrant CMS due to supplier product defects.