	<p align="center">WORK INSTRUCTION WI36</p>	<p>Version : 9</p> <p>Pag.:1/15</p>
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WI 36 : General information & requirements for suppliers

The Dutch version is the original version.

0) Changes :

0→1 :refinement requirements communication, quotation, traceability, material certificate, supplier evaluation. New : OBC (Surface treatment contract).
1→2 : addition "legal conformity" + "risk management"
2→3 : change 5.8 "deliveries" : remove Fomeco labels deliveries subcontractors + extra info in 5.9 "rejections"
3→4 : point 5.4.adding organization manufacturing feasibility + point 5.9. all costs coming from CD (customer disruption) are presented to the supplier (charge back policy) + point 5.14.2 addition REACH (Registration Evaluation Authorisation of CHEMicals) + direct access to Volvo's black & grey list for chemicals (delete FOM145) + point 5.16. addition social responsibility
4→ 5: Added §5.9 Invoicing + § 5.7. Changed: New = Subcontractor Contract + § 5.8.2. changed text from image "label" + § 5.10. split into 5.10.1. Quality Rejections; 5.10.2. Logistics Related Rejections; 5.10.3 Rejection Procedure + §5.15 CHEMICALS & registration to REACH: reviewed + added §5.17 Appendix
5→6: §5.15 Risk Management addition requirements production capacity
6→7: Add §5.8 Material certificates
7→8: Remove FOM113
8→9:Adding extra info concerning recall/campaigns – field failures

1) Goal :

To inform the suppliers of the current systems and requirements in Fomeco and to optimise the cooperation between Fomeco and its suppliers.

2) Field of application + responsibilities :

Suppliers of Fomeco and contacts in Fomeco (purchase, project engineers, quality, logistics,...)

3) Definition :

None

4) Supplementary documents :

WI20 : "PPAP (sample) requirements for suppliers"

www.fomeco.be

5) Functioning :

0)	Changes :	1
1)	Goal :	1
2)	Field of application + responsibilities :	1
3)	Definition :	1
4)	Supplementary documents :	1
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5.1. GENERAL PURCHASING POLICY

Fomeco wants to have a long period relationship with suppliers who are reliable and competitive in the field of

- ☐ QUALITY
- ☐ ENVIRONMENT
- ☐ DELIVERY PRECISION
- ☐ COSTS
- ☐ FLEXIBILITY / SERVICE

Below you'll find some more information to realise this. Primordial for this all, is to have an **open and good communication** between both parties.

5.2. COMMUNICATION

All formal communications must be in Dutch or in English, unless otherwise agreed.

The supplier must communicate the data (e-mail, tel, fax) of all necessary contacts (quality, logistics, sales, management,..) to Fomeco as well as their backups.

It is very important that Fomeco is informed at all times and IN ADVANCE if :

- ☐ **the delivery period is not achievable**
- ☐ **products are not according to specifications**
- ☐ **there exists a known risk that a requirement cannot be fulfilled**

5.3. CERTIFICATES

In general, each supplier must attend to plan that his systems and working methods are formulated in this way so that the 5 key-items of above are secured as well as possible.

To guarantee this, certain suppliers must be able to present a certificate.

5.3.1. Quality system certificate

For this, the suppliers are subdivided in categories:

a) automotive articles

Suppliers who provide articles for our automotive customers shall be certified to ISO9001.

If not, present an action plan to obtain certification to ISO 9001.

Moreover, they must make efforts to satisfy to the requirements of ISO/TS 16949!

A first step e.g. is to follow our WI20 : "PPAP (sample) requirements for suppliers".

b) articles for non-automotive customers

For suppliers who provide articles for our non-automotive customers, it is strongly recommended that they are certified according to ISO9001.

In other words, when there is a choice possible, Fomeco will always give a preference to certified suppliers.

Anyway, these suppliers must meet the important requirements within the ISO 9001 standardisation (document management, identification, process control, corrective & preventive actions, customer complaint management,)

c) articles for internal use

Suppliers who only deliver articles not intended for our customers, but only for internal Fomeco use is having an ISO 9001 a strong asset ! BUT for Fomeco, in this case, the ISO 9001 certificate will not be a selection criteria.

5.3.2. Other certificates

It is always interesting for Fomeco to be informed concerning possible other certificates of the supplier, for example: ISO14001, VCA,

Send a copy of these certificates.

5.3.3. up-to-date certificates

Since the quality certificate is a selection criteria for Fomeco, Fomeco always needs to have an up-to-date copy of this quality system certificate.

If the certificate of the supplier modifies (new, expired,...) the supplier shall inform Fomeco (new → send copy, expired → inform Fomeco,...)

5.4. QUOTATIONS

The supplier always needs to make a good evaluation of the quotation. Remarks on the drawings or specifications need to be communicated.

A good evaluation of the quotation and communication can prevent in lot of cases future misunderstandings and problems.

The quotation must be examined critically to :

- ☐ **feasibility of all the specifications.** All dimensions must be within the tolerances
- ☐ **measures :** All dimensions must be measurable (see also WI20) !!
- ☐ **organization manufacturing feasibility** / the supplier shall investigate the manufacturing feasibility and his capacity (short and long term).
- ☐ **delivery period :** on the quotation the normal feasible delivery period should be given. Fomeco notes this into his MRP/ERP system to calculate the delivery periods to its customers.

Other examples of an evaluation of the quotation are:

- ☐ if you use an alternative material in your quotation
- ☐ is there an extra welding necessary
- ☐ can the supplier present a cheaper, more simple alternative
- ☐ information about the process (e.g. if there are several methods possible)

To become a good evaluation of the quotation, we advise the supplier to deal with a price request on a **multidisciplinary way**.
e.g.: not only the price calculator should treat this request, but also the persons with the necessary knowledge of production, quality, tolerances, tools, logistics, planning....

5.5. ORDER (Bbon)

The order contains all necessary data or refers to it.

It is always very important to look at the part number + VERSION and/of drawing number + VERSION. **The drawing is only given at a first order.**

On the order, a **tolerance** is indicated concerning :

- ❑ **quantity** to deliver → e.g.: -0/+10%
This means that if 100 pieces are asked, we want to get a minimum of 100 pieces and will allow a maximum of 110 pieces.
- ❑ **Day of delivery** → e.g.: -5/+0 days
This means that we allow the supplier to deliver the goods 5 days before the delivery date, but no day too late.

You need to check these tolerances, because they influence strongly your supplier evaluation (see 5.12: supplier evaluation).

References:

- ❑ Extra information can also be communicated by means of a **supplier instruction (LI..)**. This supplier instruction is sent once (per version) to the supplier and contains extra specifications, observations, production informations, control methods,.....
- ❑ **WI20 : PPAP (sample) requirements for suppliers**. This is only mentioned on the order when it is required.

5.6. ORDER CONFIRMATION

Normally Fomeco always asks an order confirmation.

Sending an order confirmation in time (= 3 working days after receiving the order), is also a part of the supplier evaluation.

Here, it is crucial to communicate on your order confirmation any doubts or inaccuracies concerning specifications (standards, ...), prices, delivery periods, etc.

Please note: even if no order confirmation is asked, it still is necessary to do a “contract review”. This means that the specifications on the order or all other information always have to be checked by the supplier. In case of doubts or inaccuracies, the supplier must inform Fomeco. See idem 5.4 : quotations .

A crucial step to a good cooperation exists into perfectly knowing and understanding the customers specifications !

5.7. SURFACE TREATMENT

Subcontracting (Dutch: onderaanneming) is a term that is used for companies which perform one or more processes on semi-finished products, supplied by Fomeco. The suppliers who perform these processes do not receive an order note (unless “WI20:PPAP [sample] demands for suppliers” is applicable).

In this case we use the system of open orders:

- ❑ At the start up, a Subcontractor Contract along with a part list will be made, mentioning all the conditions (part number, prices, delivery periods, terms of payment,...). This document must be signed and returned to Fomeco.
- ❑ The specifications of each part number are communicated by means of a **GSI** (General Subcontracting Instruction), **STI** (Surface Treatment Instruction) or **ISI** (Insulation Subcontracting Instruction). This document is sent once (per version). When the document contains information unclear to the supplier or when the supplier believes that the document contains incorrect information, he has the obligation to notify Fomeco.
- ❑ Our administration communicates with the supplier concerning planning and deliveries.

5.8. MATERIAAL CERTIFICATES

It could be that FOMECO is requesting material certificates, they can be requested for special materials, tubes and PPAP-parts

Principal it is clearly mentioned on the purchase order when and which material certificates are expected. The following types of certificates are possible:

- 2.2 : test-report from manufacturer with 'unspecified' results
- 3.1 (in the past 3.1B) inspections report with 'specified' results through independent lab appointed by the manufacturer
- 3.2 (in the past 3.1A and 3.1C) inspection report with 'specified' results through independent lab appointed by the manufacturer and either the purchasers' authorized inspection representative or an inspector designated by official regulations.

If the material certificate specify different values, it's needs to be presented to FOMECO before delivery of the parts in order to obtain a release.

The certificate is sent preferably digitally in pdf-format to the purchase department.

5.9. DELIVERIES

5.9.1. Delivery note

Every delivery must be accompanied by a delivery note.

On the delivery note, the order number, the article number (+ description) and the number of delivered pieces must be mentioned.

5.9.2. Identification

Moreover, all products must be identified per pallet, box,

As identification of the products, the suppliers can use the example here below. **Fomeco** requires that the identification by the supplier contains minimum following fields :

<u>SUBCONTRACTING</u>	
Leverancier supplier	1
Stuknummer :	2
Referentie :	3
Productiedatum :	/ /2008
Operator :	
Aantal	4
ST.	

- 1.name of the supplier
- 2.Fomeco part number or article number
- 3.production reference Fomeco(traceability)
- 4.real quantity delivered

Important : when packing is used with removable edges, the label **MUST** be fixed below!!

5.9.3. packaging

The most important general rule is that the appropriate packing and packing manner are used so that :

- ❑ The security of persons is guaranteed
- ❑ The goods cannot be damaged during transport:
 - In case of pallets : always use a cover + tie up with straps !!
 - **In case of painted products : use SCRATCH FREE protection material !!**
- ❑ The environment is taken into account. Fomeco, as an environmentally awarded and ISO 14001 certified company, has a goal to restrict the packaging waste to a minimum. Because this packaging material mainly comes from our suppliers, the supplier plays an important role :
 - Use as much as possible re-usable packing
 - If this is not possible, then use mono-packing (packing which is composed from only 1 material). That simplifies the recycling process.
 - If this is not possible, take care that composed packing can be separated as much as possible.

Fomeco emphasizes to make clear agreements on packing with our project department.

5.10. INVOICING

If possible, we ask you to send us the invoices per email in a pdf-format to invoice@fomeco.be, instead of sending them by post.

By using email, we obtain following advantages:

- We can be certain to have all invoices in our possession
- Timely payment of the invoices
- No loss and a quick processing of all incoming invoices

Each invoice should contain the following information:

- The Fomeco order number – one invoice for each order number
- The Fomeco stock number
- For intra-community suppliers: the net weight & classification number

When the invoice does not contain the above information, the invoice will be blocked automatically and thus we can't guarantee a timely payment.

In case this information is systematically missing and no actions are being taken to resolve this within a reasonable time-span, Fomeco will deduct 15 euro from the invoice to cover administrative costs.

5.11. REJECTIONS

A supplier has to avoid delivering non-conform products at all times. The supplier is responsible for his production process and confirms, through the PPAP procedure, that he is and will be able to deliver correct products. In case a supplier does deliver non-conform products, a supplier rejection report will be made.

5.11.1. Quality Rejections

Non-conform products can be detected:

- ☐ During possible entrance controle
- ☐ During our production
- ☐ By the customer : customer complaint (CD = CUSTOMER DISRUPTION)
- ☐ In the field, field-failures & warranty claims

5.11.2. Logistics Related Rejections

In case of a logistics related rejection without costs, Fomeco can decide to only send a remark. When we notice the supplier didn't take any actions to ensure correct deliveries in the future, we can still create an official rejection report with a cost note containing all related administrative costs. Examples of logistic rejections are: packaging nok, amount nok, deliveries too late, communication nok,...

But also for late deliveries (= deliveries exceeding the agreed delivery time) which have a big impact on Fomeco production planning or the end customer, we can make a rejection report and charge administrative costs.

E.g. A rejection report will be made when Fomeco has to arrange an express transport to the end customer or when a linestop was caused because of a late delivery by one of our suppliers

5.11.3. Rejection Procedure

In both case a rejection report is made.
This is then mailed to the supplier by our purchaser.

Costs related to the rejection, will be documented in the "Supplier Rejection Cost Note" (See appendix: 5.17.1). All costs, mentioned in this document, are at the expense of the supplier. Fomeco reserves the right to revise the listed tariffs. We recommend the supplier to be insured against consequential damages and loss and also for possible re-call campaigns.

The supplier should analyse this rejection very profound with the following 8-D philosophy : Making mistakes is human, however the human factor can never be an excuse for accepting a less than perfect result (= zero defect). Every mistake must be analysed to guarantee that this error can not re-occur.

Following complaint analysis system should be used :

1. composition of a team (multidisciplinary approach)
2. problem description : describe the problem in a good way is a big help in founding the cause.
3. short term actions – solutions (containment actions)
 - put stock on HOLD in your production or with your suppliers
 - control 100%?
 - Re-work ?
 - inform the necessary persons within your organisation
 - ...

→ the short term actions should be communicated immediately to Fomeco !!

4. analysis of the causes : in most cases there is more than 1 cause for a rejection.
The 5 – why methodology (ask different times why to found the root cause) can be used for instance to found the root cause of the problem.
5. long term permanent solutions (corrective actions)
6. implementation of the actions
7. Verification of the actions
8. close the rejection report

Fomeco must always be informed in writing about the results of this analysis. Certainly point 4 up to point 6 are very important !!

The suppliers can use their own format/document or use the format/document of Fomeco : FOM040 (see www.fomeco.be)

These answers count also for the supplier evaluation (5.12. Supplier evaluation).

5.12. TRACEABILITY

When there is a rejection report, Fomeco requires from its supplier that he can trace all necessary data : material specifications, production data, supplier data,...

This for a period of at least 30 months after delivery to Fomeco.

When there is a rejection report, Fomeco will give his order reference. Our system guarantees that at all time we can retrieve to which order the disapproved parts belong. Only and only when the disapproved parts are already at the customer, we cannot guarantee the traceability unless our client gives us this information.

If several traceability-references are delivered in the same delivery or order (e.g. coil reference material), it is to the supplier to inform Fomeco which traceability code Fomeco needs to us in case of a rejection.

5.13. SUPPLIER EVALUATION

Once a year during the 1st trimester, you will receive the results of our supplier evaluation (if you have delivered goods that are considered in our supplier evaluation system).

Fomeco evaluates the performances of its suppliers by means of following criteria :

a) delivery precision (%).

This percentage is obtained as follows :

Number of deliveries out of tolerances on quantity OR delivery day
total number of deliveries

Objective : Each year the management team of Fomeco establishes a general objective. Of course, more “personal” objectives per supplier can be made.

b) quality

Number of rejection reports

This can also be subdivided into rejections reports A, D of NC

- ☐ A = Administrative rejection reports (e.g. : packing not OK, labelling not OK, wrong parts, ...)
- ☐ D = Dimension deviation. 1 or several dimensions are outside the tolerances.
- ☐ NC = Non Conform parts. Certain specifications are not conform (surface treatment, burrs, damage, corrosion,...)

Rejection coming from a customer complaint – CD = CUSTOMER DISRUPTION

If Fomeco receives a complaint from its customer and this has been caused directly by the supplier, this rejection will be extra important.

Such rejections are an important part of the supplier evaluation, because they must be avoided at all time.

PPM (parts per million)

Informatively, we also look at your total number of disapproved parts by means of ppm

Number of disapproved parts x 1.000.000
Total number of delivered parts

The objective here is clear, namely ZERO DEFECT !!

The supplier must do everything to avoid a rejection !!

c) extra possible criteria :

- ☐ express transport : did we regularly need to use express transports to have the delivery on time in Fomeco?
- ☐ Did we receive the order confirmation on time?
- ☐ Did the supplier follow the WI20 (PPAP (sample) requirements), correctly and on time?
- ☐ Were the material certificates delivered correctly and on time

5.14. VERIFICATION AT THE SUPPLIER

When Fomeco or its client wish to carry out a verification at the supplier, the supplier must authorise this. Of course, this request will be made on time at the supplier.

5.15. CHEMICALS & REGISTRATION TO REACH

5.15.1. chemicals

Fomeco seeks to prevent risks from using chemicals or to reduce them to an acceptable level. Furthermore Fomeco aims at upholding the same philosophy as its main customers on this subject.

Products (chemical substances, preparations & objects) must comply with the valid European, Belgian and Flemish environmental and safety legislation.

As a supplier for the automobile industry, Fomeco makes use of REACH and the GADSL (Global Automotive Declarable Substance List). The GADSL can be consulted at <http://gadsl.org>.

The products mentioned in this list as “reportable as prohibited”, are not allowed to be used at or enter Fomeco.

The products mentioned only as “declarable”, should no longer be used at Fomeco or enter Fomeco either. These products can only be used in exceptional circumstances, when there are no other alternatives available due to technical reasons. Before enter Fomeco, these products need to be screened and approved by our environmental coordinator.

As an environmentally-minded and ISO 14001-certified company Fomeco asks his suppliers to practice the same philosophy.

5.15.2. REACH obligation

The new chemical regulation in the European Union (EU), REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) (Regulation (EC) No 1907/2006) is applicable since 01 June 2007 and has a major impact on chemical and associated industries worldwide that manufacture and/or import chemicals, preparations and articles into the EU.

One of the requirements of REACH is the duty, for each legal entity, to register substances, manufactured or imported in quantities over 1 tonne per year, with the EU Chemicals Agency.

We expect that you understand your obligations under REACH and have secured your supply chains obligations in order to avoid supply chain disruption with us as your customer.

More information about this topic can also be found <http://ec.europa.eu/environment/chemicals/>

5.16. RISK MANAGEMENT

As supplier to the automotive industry, it is crucial that the products are always delivered on time. Therefore, our suppliers also play an important role.

That's why it is necessary that our suppliers dispose of a system to recognize all risks that could endanger the delivery guarantee, that they take precautionary measures to reduce these risks to a minimum and that they dispose of an emergency plan if the risk should happen anyway.

For example: fire. Did you take enough measures to prevent fire? Do you have an alarm system? What is your emergency plan if e.g. your activities cannot be continued due to this fire? Do you have partners who can take over some of your activities?

Are regular capacity analyses performed to provide extra capacity on time when necessary (personnel, machines, buildings,...)

When needed and necessary FOMECO can send on agreed moments delivery forecasts. Anyhow it is required that the supplier will inform FOMECO on time about possible capacity issues.

Furthermore, there should be always kept in mind that an increase of 20% in 1 month is possible.


5.17. SOCIAL RESPONSIBILITY & LEGAL CONFORMITY

Fomeco requires that his suppliers and sub-suppliers comply with the laws and the regulations of the country where they are located.

Fomeco requires that his suppliers and sub-suppliers comply with the UN global compact (<http://www.unglobalcompact.org/AboutTheGC>) concerning Human Rights, labour, environment and anti-corruption.

5.18. APPENDIX

5.18.1. Supplier Rejection Cost Note

SUPPLIER REJECTION COST NOTE				
FOMECO NV Blokellestraat 121 8550 Zwevegem				
		<i>Rejection report Number:</i>		
Supplier : Contact : Email : Phone :				
Management / Administrative / Analyse costs				
		#	€ 0,00	
Standard cost (Problem Analysis, Report, ...)		Cost/event	€ 25,00	0
Non Quality Expenses due to				
Detection at Receiving inspection		Cost/event	€ 25,00	0
Detection in Production		Cost/event	€ 50,00	0
Customer complaint		Cost/event	€ 200,00	0
Non Standard cost for Problem Analysis & Management				
extra-ordinary management & analysing costs		cost/hour	€ 60,00	0
measureings costs with Romer measuring arm		cost/hour	€ 100,00	0
other measureings costs (conventional measuring equipment)		cost/hour	€ 60,00	0
external analyse costs		cost	€ 0,00	0
Travel expenses to supplier		Cost	€ 0,00	0
Sorting Cost				
Organising Sorting & Searching & Handling Potential Contaminated Products		cost/hour	€ 45,00	0,0 hours
Checking Tool for sorting		cost		0
Sorting Operation in Fomeco		cost/hour	€ 45,00	0,0 hours
Sorting Operation at Customer		cost/hour	€ 0,00	0,0 hours
Rework Cost				
Organising Reworking		cost/hour	€ 45,00	0,0 hours
Rework Tool or extra Control Tool		cost		0
Manual Reworking		cost/hour	€ 45,00	0,0 hours
Machined Reworking at Fomeco machine-rate (see detail rework list)		cost		0
Scrap & Return Costs				
Scrapped or Returned Rejected Purchased components/material		Cost/pics	€ 0,00	0
Scrapped Finished Parts at Fomeco or Customer (Sales Price)		Cost/pics	€ 0,00	0
Scrapped Parts in Production in Fomeco (see detail Production Costs)		Cost/pics	€ 0,00	0
Cost for returning components/material to Supplier		cost		0
Extra Costs				
Extra customer charges:		Cost	€ 0,00	0
Warranty / re-call campaign costs		Cost	€ 0,00	0
return cost finished goods from Customer to Fomeco		Cost	€ 0,00	0
Travel expenses to Customer		Cost	€ 0,00	0
Extra / Express / Rush transport Cost from Supplier to Fomeco for replacing		Cost	€ 0,00	0
Extra / Express / Rush transport Cost to Customer to avoid linestop / missing vehicle / delivery performance penalties		Cost	€ 0,00	0
		TOTAL AMOUNT TO BE CHARGED IN EURO: € 0,00		
WE EXPECT A CREDIT NOTE WITHIN 1 WEEK . ANY PAYMENT WILL BE BLOCKED UNTILL THE RECEPTION OF THE CREDIT NOTE				
ATTENTION SUPPLIER: IF YOU HAVE ANY QUESTIONS ABOUT THIS COSTNOTE PLEASE CONTACT THE FOMECO QUALITY MANAGER WITHIN 48H. IF FOMECO DOES NOT RECEIVE ANY				
COMMENTS:				

Detail Production Cost: Nr.

FOMECO NV
Blokellestraat 121
8550 Zwevegem



Supplier :

Contact :

Email :

Phone :

Date Rejection

Part / stock Number

Rejected Parts

Material cost

€ 0,00

Production cost

€ 0,00

Process

Cost/pc

pc

Total process cost

€ 0,00

€ 0,00

€ 0,00

€ 0,00

€ 0,00

€ 0,00

€ 0,00

€ 0,00

€ 0,00

€ 0,00

€ 0,00

Scrap value

€ 0,00

Total cost

€ 0,00