



## Quality Assurance Agreement for MCG Suppliers (Edition of 2022)

### Quality Objectives

Quality objective for supplies of materials and productive components: 0 (Zero) PPM's.

It is considered for the measurement of Quality performance, 50 PPMs for components and 5,000 PPMs for raw material in coils / formats. However, improvement actions should be developed in the supplier's quality management system with the main objective of achieving 0 PPMs in all products supplied.

For all products supplied identified as Security and / or Regulation, the goal of 0 PPMs will be considered.

At the request of the supplier and by mutual agreement, other objectives may be considered for the performance measurement of Supplier quality.

### **Specific requirements and applicable standards**

It is MCG's responsibility at the time of the quotation request to inform the supplier of the subsequent destinations of the product to the final customer.

It is the supplier's responsibility to know and fully comply with all customer-specific requirements in the supply chain to the end-customer OEM.

Example: Component supplied to MCG in final product with Faurecia direct customer, and final destination to VW, in this case, besides the MCG requirements, the specific requirements of Faurecia and VW must also be met.

All applicable standards, purchase of originals, control of versions and its file, will be considered the responsibility of the supplier.

Respect new agreement of:

"Conflict minerals" refers to gold, as well as tin, tantalum, and tungsten, the derivatives of cassiterite, columbite-tantalite, and wolframite, regardless of where they are sourced, processed or sold. The intent of these requirements is to further the humanitarian goal of ending violent conflict in the Democratic Republic of the Congo (DRC) and in surrounding countries, which has been partially financed by the exploitation and trade of conflict minerals. This rule is further explained at: <http://conflictminerals.aiag.org/>

All customer-specific requirements will need to be communicated and their compliance verified throughout the supply chain.

All suppliers of operations with special processes (e.g., surface treatments), must submit an annual plan of internal audits, all CQI audits associated with the special processes should be considered. ISO-14001 environmental certification or equivalent certification shall be submitted. In case of non-certification, a planning for certification within a maximum of 1 year should be available and with evidences.

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## **Approval of first Supplies (initial samples)**

Any supplier intending to start regular supplies of materials, components or products to be incorporated into parts or assemblies that MCG supply to customers, is required to submit an initial approval called PPAP (Production Part Approval Process).

The PPAP process regarding materials (steel, aluminum...) shall include the following documentation and samples:

- Warrant sheet (Cover Sheet) submission on level 3
- Material Certificate
- Dimensional Report (Dimensions width and length (If applicable) and thickness of the material to be considered)
- Material Test Results (results of chemical and mechanical testing and measurement of coating where applicable)
- Process Flow Chart
- Control Plan/Instruction Inspection
- Samples (1 sample for internal testing; minimum dimensions 300x300 mm) (2)
- IMDS (submission to "MCG ID-24439" and delivery of IMDS report acceptance in PDF format)
- At the time of PPAP submission, the name of the legal representative of the product (PSB), as well as the respective "PSB" certificate issued by an external entity, must be provided. In the absence of a "PSB" with external certification, there must be a planning of its certification within a maximum of one year, clearly evidenced.

(1) For Volkswagen sub-components or raw materials, must be used a VDA 2 model for PPAP documentation. On this case, MCG will inform the supplier about this condition. Supplier must indicate to the client who is the person "Product Safety Representative".

(2) Whenever the measured bandwidth is less than 250 mm and the specimens for testing should be taken in the transverse direction in relation to the direction of rolling material, when requested by the MCG, the supplier shall provide the MCG with one sample (minimum size of 300mmx300mm) to be tested by the MCG or by one external entity. For these samples the rolling direction of the material should be clearly indicated.

(3) For the first shipments (PPAP Process or after Notification of Quality Incident) these samples for testing must be provided for the first 5 batches to be supplied, in all cases (materials or components).

## **The PPAP process regarding components shall include the following documentation and samples:**

- Warrant sheet (Cover Sheet) (1)
- Dimensional Report (5 pieces measured according to the dimensions stated in the drawing)
- Material Certificate
- Product/Component Drawing
- Control Plan/Instruction Inspection



- Test Results (required assays/tests regarding drawing or product specification)
- IMDS (submission to "MCG ID-24439" and delivery of IMDS report acceptance in PDF format).
- Samples for internal evaluation (5 fully measured pieces and 50 pieces for try-out)
- Team Feasibility Commitment (TFC) using supplier's format or MCG format.

(1) (1) For Volkswagen sub-components or raw materials, must be used a VDA 2 model for PPAP documentation. On this case, MCG will inform the supplier about this condition. Supplier must indicate to the client who is the person "Product Safety Representative".

## **Derogation**

Where raw materials/components do not comply 100% with the specification, suppliers may request MCG to allow its use by way of a derogation request (MCG format - please request current version from MCG – Derogation Requesting).

In order to consider such request, it needs to be submitted with a minimum advance notice of one (1) week prior to having to be used or to be delivered. MCG reserve the right to accept/reject any derogation request. Where derogation requests impact on the number of coils (raw material) to be delivered, MCG shall charge a previously stipulated rate (according to annual price table in force) for each additional roll. Any material / components supplied under a derogation, must be send to MCG, properly identified (each component packaging / coil or each blank packaging) with a copy of the respective derogation and with a separate Delivery Note, where must be mentioned "**Derogated Material**".

## **Handling of Non-Conforming raw materials/components**

1. Steel: Where any material reveals problems, MCG shall initiate its internal measures to detect and identify the Non-Conformity, such as dimensional, mechanical, chemical and visual testing which shall be the basis for the Non-Conformity Report (NIQ).
2. Where suppliers wish to analyze the material being complained about, they shall be free to do so. For that purpose, it will suffice to simply contact the Quality/SQA Department at MCG in order to obtain permission to collect the sample. Collection of sample shall always be supplier's responsibility.
3. Troubleshooting methodology 8D (in response to NIQs):
  - Reply from supplier, in writing using form 8D (or supplier's 8D format) defining the immediate containment measures to be taken.



- Notwithstanding the measures taken, aimed at the clarification and investigation of the causes of the Non-Conformity, suppliers are obliged to provide MCG with a first reply within 24 hours and with the respective 8D report, duly completed in regard to the containment measures to be taken, latest within 48 hours.
  - Also, and within a period not exceeding 14 days, the supplier should send to MCG an updated 8D Report, duly completed to the first 5D.
  - Until the claim is closed, updates of 8D reports are to be sent to MCG whenever measures are taken that require such update.
  - 8D Reports shall be deemed closed when every defined measure in the document has been implemented and checked their effectiveness. The closing time limit of the 8D Reports shouldn't exceed 25 calendar days after the report was opened.
4. Immediate containment measures to be implemented by suppliers include:
- Urgent replacement of the product to restock MCG stocks with product tested OK, in order to prevent any disruption in supply chain.
  - Assurance of 100% inspection and/or reworking (where necessary) of the stock affected.
  - If the Quality Incident implies the possibility of production stop at MCG or the impossibility of product delivery to its customers, and suppliers do not immediately provide a solution to contain such incident, MCG is entitled to immediately remedy the product at the expense of the supplier.
  - Suppliers shall advise within 48 hours what is to be done with the rejected products.
5. Final corrective and preventive measures (8D) to be complied with and validated by suppliers:
- Identification of the first batch after the implementation of the final preventive measures.
  - Assurance of non-recurrence of the problem by checking the definitive implementation and respective validation of preventive measures described in the 8D report.
  - At MCG site, it will be initiated at the quality occurrence moment, a series (minimum) of 5 consecutive incoming checking to the next 5 shipments/batches, related to the material or product claimed.
6. For resolution of disputes and conclusions, three samples shall be removed for testing, two of which shall be delivered to supplier. One sample is to be sent to the steel manufacturer; the second sample

is to be examined by an internal or accredited independent external laboratory, depending on whether the sample volume is less or greater than one batch of steel (coil). The third sample will be kept at MCG. MCG reserves the right to request testing at an accredited independent laboratory, if deemed necessary. The minimum number of samples to be tested is two specimens of each type of material.

7. MCG suppliers shall be responsible for any material rejected based on the results of the accredited laboratory (see previous item). It is also their responsibility to forward or not to its steel suppliers or carriers the complaint made by MCG.
8. As from the date the Non-Conformity Report was sent, rejected materials shall never remain more than 30 calendar days at customer's premises (MCG), under penalty of being removed to another location and suppliers being charged the costs of transport and storage as from the moment MCG rejected any responsibility for such materials. In cases of dispute this period shall extend to 60 days.
9. Suppliers shall ensure a schedule of visits/regular meetings - at least every two weeks - to allow quality monitoring by MCG.
10. If the transformation of the raw material into parts has already happened and being proven to having defects does not allow MCG to deliver these parts, MCG reserves the right to charge the supplier of the defective material, with the respective process costs and produced parts.

## **EVALUATION/QUALIFICATION OF SUPPLIERS**

Based on the supplies carried out, the procedure of evaluation and qualification of MCG suppliers is as follows:

1. Suppliers are evaluated every six months, and the rating is based on the average rating of each batch supplied during the period.
2. Suppliers are rated at A, B or C levels, with A being the best rating.
3. C level suppliers are non-qualified suppliers who do not meet requirements or present serious deviations. In order to be re-qualified, they need to correct deviations and perform a self-assessment process audit, the result of which must at least match level B and is to be confirmed by an onsite process audit held in by MCG or BQS requirements, 1 to 13 for suppliers of products or materials to the GM customer). A supplier rated at C level can only be considered for new businesses with top management authorization.

4. In the case of a level quality performance below the defined objective (supplier evaluation, PPMs, audit, etc.), they will be considered as minimum the actions listed below:
  - Classification of "B": Audit on-site to the supplier and improvement action plan should be submitted.
  - Classification: in "C": Information for all departments of the MCG organization reporting the situation. Supplier is blocked for new business. For products in serial supplying will continue, however, it will start an immediate market research to replace the supplier.
  - PPM value above goal: Requesting for an action plan improvement.
  - Obtained classification in audit not satisfactory (with restrictions): Requesting for an action plan improvement.
  - Unsatisfactory classification obtained in the audit: Information for all departments of the MCG organization reporting the situation. Supplier is blocked for new business. For products in serial supplying will continue, however it will start an immediate market research to replace the supplier.
  - Send an information to the entire company in question, consider the supplier blocked for new business. For products in supplying supplies, run the search.
5. Supplier shall make self-assessment onsite process audits when requested by MCG.
6. Supplier shall authorize an onsite process audit when is requested by MCG.
7. To imposed suppliers by the client of the MCG, or strategic suppliers, the obtained quality level is considered as informational only, not bound to the actions defined in previous points 2, 3, 4, 5 and 6.

### **Acceptance of the conditions of this agreement**

I understand and accept the conditions described in this Quality Assurance Agreement for MCG

Supplier (Company name)	Date	Quality Responsible (name)	Signature
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