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# SUPPLIER QUALITY REQUIREMENTS

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## 1. PURPOSE

The purpose of this document is to define the terms, the conditions and the principles of quality management that La Triveneta Cavi Spa expects from its suppliers. Furthermore here are defined also environmental requirements and health&safety requirements.

This SQR states the. Unless otherwise specified all requirements described inside this document shall be applied.

## 2. INTRODUCTION

This document is La Triveneta Cavi Spa property and it cannot be used as technical specification for any product construction. This document can be recalled inside the purchasing order or in any case make available to all LTC suppliers by another way.

Any deviation at the requirements here indicated must be immediately communicated to La Triveneta Cavi Spa who, after internal evaluation, if acceptable, will give final written approval.

### 2.1. Terms and Definitions

CA Corrective Actions

COC Certificate of Conformity

LTC La Triveneta Cavi Spa

NC Non Conformance

PPM Part per Million

REACH Registration, Evaluation and Authorization of Chemicals

ROHS Restriction Of Hazardous Substances

IQ Supplier Quality Index

8D A Report divided into 8 main points used to manage the quality issues

SQR Supplier Quality Requirements (this document)

### 2.2. LTC Quality Policy

LTC is committed to provide products and services of the highest quality, reliability and value.

To achieve this, LTC will:

- Ensure that all products and services meet Customer expectations.
- Ensure that all LTC staff work promptly, proactively and courteously with Customers to help, solve and prevent quality problems.
- Meet all commitments to Customers on time.
- Ensure that all products meet all safety and compulsory requirements.
- Develop effective partner relationships with suppliers in order to ensure continuous measured improvement.

The same policy is requested also to all suppliers that work with LTC.

### 2.3. Context and objectives

LTC designs, manufactures and sells a range of cables in the world. These products are safety critical and must comply with the local and international directives, norms and with customer specifications. LTC and its customers work in an environment which requires high quality of service and quality level, so LTC Suppliers play a major role and are directly involved to ensure LTC Customers Satisfaction.

The requirements, directives and conditions stipulated in this document form an integral part of the contract/order (or agreement) between LTC and its supplier. The additional specific quality requirements referred in the purchasing order or in the contract take precedence in all cases, unless otherwise stated.

This document is valid for all LTC Suppliers who provides all kinds of products or services.

The supplier assumes full responsibility for the quality, delivery and reliability of all materials and services provided to LTC.

As prevention LTC applies the following fundamentals:

- Supplier selection and qualification activity;

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- Product and manufacturing process qualification;
- Supplier quality monitoring;
- Monitoring and improving supplier performance;
- Risk Assessment of suppliers.

LTC requires all suppliers the following:

- To develop and maintain a suitable Quality, Safety, Environment and Management System based on preventing defects rather than detecting or correcting them.
- To take all necessary measures in order to guarantee compliance of all the delivered products;
- In presence of a sub-contractor; the supplier must ensure the cascade and the monitoring to the LTC requirements;
- To monitor improvement plans pertaining to the product quality, manufacturing productivity, waste elimination, service level and ethical practices related to the health and safety of their work force and community.
- To guarantee the confidentiality of LTC data/specifications, the obligation to maintain the confidentiality of the data must be extended to all employees.

All questions/comments on this SQR must be addressed to the Purchasing (buyer contact) at LTC that is the first interlocutor with each supplier.

## **2.4. Child labour and discrimination**

Neither LTC nor its Customers exploit or approve child labour or discrimination in the supply chain work place. Child labour means the using of persons under 16 years old. Discrimination means direct or indirect employment prejudice or unjust treatment against persons on the ground of race, age, colour, gender, sexual orientation or identity, national or ethnical origin, physical or mental disability or religion. LTC reserves to cancel the orders and terminate the business relationship with the suppliers which don't comply with the above requirements.

## **3. SUPPLIER SELECTION AND PERFORMANCE EVALUATION**

The supplier choice is made based on:

- Supplier profile on the market;
- Technical evaluation;
- Financial strength;
- Competitiveness;
- Quality evaluation;
- Lead time and flexibility;
- Material Evaluations.

LTC recognises the value of the supplier with a certified quality management system, so LTC highly recommends the ISO9001 certification. A copy of the accredited certificate can be required for the LTC records. LTC recognises the value of the supplier with a certified environmental management system, so LTC highly recommends the ISO14001 certification. A copy of the accredited certificate can be required for the LTC records.

The suppliers with QMS certified in accordance with Standard ISO9001 and EMS certified in accordance with Standard ISO14001 have a fast lane compared to the other suppliers.

The supplier performance is monitored by LTC and at least once a year a complete IQ report (Quality Index) is generated. Below are the aspects that are evaluated:

- Supplier on time delivering (% of on time deliveries versus total deliveries)
- Supplier rejected quantity
- Supplier NC's number

Here below the evaluation thresholds of the IQ Index:

- 96-100 Good supplier
- 90,1-95,9 Acceptable level, LTC can request a plan to improve the performance

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- ≤90 LTC can stop the business with the supplier

### 3.1. Supplier Audit

LTC and its customers reserve the right to perform Supplier Process audits and/or Supplier Quality System audit, including audits of its suppliers and/or sub-contractors.

The Supplier shall provide access to LTC and/or LTC Customer personnel for this purpose, after prior notification by LTC of the visit.

The Supplier shall provide access to all facilities involved in the production of the parts supplied to LTC and to all applicable records.

LTC audits do not replace the Supplier's quality controls and do not diminish the Supplier's liabilities in any way in relation to LTC, nor do they affect the ability of LTC to reject product/parts where it is non-compliance.

## 4. PRODUCT QUALITY

LTC requirements for the product quality can be split in 3 different steps:

- Prototypes (parts made for design evaluation/validation);
- Initial Samples (first parts made to obtain the LTC approval, once approved the supplier process is considered as frozen);
- Volume Production (parts approved for serial delivering).

### 4.1. Initial Samples

The purpose of the initial sampling is to validate parts made under series production circumstances and covers the following:

- New items;
- New tools and patterns;
- New supplier;
- Periodical (follow-up);
- Process changes;
- Design changes;
- Relocation of manufacturing.

In this phase the supplier shall provide to LTC RoHS and REACH declarations.

### 4.2. Volume Production

The supplier shall perform and record inspections to ensure that all requirements are met on the parts that delivered to LTC as series production. LTC product requirements can be described inside the purchasing order, in the technical drawing/specification and also in the quality acceptance criteria (if present and provided by LTC).

The supplier must ensure that all verification and validation are performed by skilled and trained staff. For the control method the following rules must be followed:

- the control method shall derive from an applicable standard;
- the inspections to be performed shall be documented and described in the supplier control plan and instruction;
- the used equipment must be regularly calibrated and maintained as per manufacturer indication;
- in case of test performed by External Laboratory, the Laboratory must have recognized accreditation for the specific test;
- on LTC request, for each delivery the supplier shall provide COC (Certificate of Conformity) and Test Reports.

LTC reserves to perform an incoming inspection (by sampling method) on the received goods and to reject the whole batch if any major defect is found. The same if it is found during LTC assembling process or by the final customer.

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## **4.3. Supplier Process Change**

The supplier must communicate any changes to the products and/or process to LTC before changing are made so LTC can approve the changes and if applicable, communicate the changes to LTC customers for approval. Change request shall be promptly notified to LTC, in order to enable LTC to evaluate the proposed change and ensure supply chain continuity.

Hereafter changes that need LTC written approval:

- relocation of the production site (LTC reserve the right to perform a new quality audit);
- production process (LTC reserve the right to perform a new process audit);
- tooling, jigs, fixtures;
- materials, including source of material (LTC reserve the right to request samples for approval);
- sub-contractor (LTC reserve the right to perform an audit at the sub-contractor facility);
- design (if supplier is responsible for the design of the supplied product/part);
- packaging.

## **4.4. Traceability**

All suppliers' batches must be traced against the relative LTC purchasing order and relative delivery note. Through the batch/lot number the supplier shall be able to trace back the following information:

- involved delivery notes
- batch quantity
- internal production order;
- LTC purchasing order
- production date
- production operators
- raw material used;
- test & inspection records.

This traceability information shall be immediately available on LTC request within 24 working hours. Each product delivered to LTC shall be identified by a lot number (directly on the product or, when not possible, on the box label) and at the same way the lot number shall be indicated in the delivery note.

## **4.5. Critical Quality Characteristics**

LTC identify the critical dimensions, aspects, characteristics directly inside its specifications (drawing, specification, acceptance criteria) when necessary. The supplier shall release and apply a control plan that includes all CTQ characteristics indicated by LTC.

## **5. MANAGEMENT OF NON CONFORMITIES**

LTC considers "Non Conformity" as any deviation from quality and supply chain requirements, hereafter the main possible deviations:

- Document issue
- Dimensional issue (part out of tolerance)
- Material issue
- Functional issue
- Wrong delivery date
- Wrong identification
- Packaging issue
- Quantity issue
- Aesthetical issue

The supplier is responsible for the quality of its products and in case LTC finds any deviation a complaint is opened and the supplier is notified, at the same time an 8D Report can be opened towards the supplier. Each LTC supplier shall have an efficient system to manage the customer claims and a first response shall be provided within 48 hours with interim corrective actions. The 8D Report must be closed within 30 days and it

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shall report the “root-cause” and the “corrective actions” that the supplier will introduce to avoid the repeat of the same issue in the future.

### **5.1. Immediate Actions**

As soon as a quality issue is raised the supplier shall provide to LTC the containment actions within 48 hours, that actions must cover the following:

- actions to secure the stock at supplier site;
- actions to secure the stock at LTC site;
- actions to manage the defective parts isolated in LTC site;
- actions to support the customer order lines;
- recommendations for possible temporary emergency solutions and quantitative risk evaluation.

LTC reserves the right to return the affected batches to the supplier. For recurrent incidents LTC will request the supplier to put a quality wall in place in order to guarantee the deliveries. Before removing the quality wall, the supplier has to receive LTC approval.

### **5.2. 8D Report/Corrective Actions**

In order to prevent further incidents the supplier shall manage:

- Within 10 working days, root-cause identification, reason of not detection and corrective action plan;
- Within 30 working days, a completed corrective/preventive action plan, with effectiveness verification and lesson learnt.

The supplier can use the Form/8D report provided by LTC or a supplier equivalent 8D report. The target is to close the action plan within 30 working days from the incident notification. The supplier has to update all pertinent process/quality documentation such as PFMEA, control plan, work instructions and forms. Once the corrective/preventive actions are in place the supplier has to communicate to LTC the first batch delivered after the improvements.

### **5.3. Concession Management**

For a temporary change and/or production deviation request on the product or processes, the supplier must inform LTC in writing. This request will be assessed by LTC and if applicable LTC customer and the Supplier cannot deliver any part before LTC approval.

LTC will assess the deviation request only:

- With a relevant and detailed description of the deviation such as defect, number of affected parts, risk evaluation, safety and customer risk;
- With an analysis and a linked action plan from the Supplier to eliminate the identified deviation.

### **5.4. Cost of Non Conformity**

It is the responsibility of the supplier to deliver a product in compliance with LTC specifications. A Cost of Poor Quality occurs when the supplier supplies faulty material/product which cannot be used by LTC with expected quality and performance level.

All costs incurred by LTC, whatever their origin, associated with the occurred failure of the supplied parts will be charged back to the supplier. Below is a non-exhaustive list of events that can be associated with a failure:

- Sorting
- Pick-up
- Line downtime
- Overtime
- Reinforced inspection check
- Extra Freight
- Field recall
- Pick-up costs at the customer's plant
- Travel expenses
- Labour
- Repair



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- Technical analysis
- External technical analysis
- Customer penalties
- Insurance costs
- Loss of sales
- Scrapped materials

When the failure is detected, LTC may debit to the supplier the sum which is the direct consequence of the failure. For any non-conformity caused by a supplier, the supplier can be charged a minimum tariff (as described below) to rework the parts. In addition for each non conformity LTC reserves to charge systematically a fixed administrative cost of 250 € (two hundred and fifty Euros). For recurrent issues, the cost will be increased to 300€ (three hundred Euros).

Inspections and reworks will be charged back at the following rates:

LTC Locations	Operators labour cost	Technicians labour cost
LTC Italy	35€/h	50€/h

If the Non Conformity causes a production disruption at a LTC site or at a LTC's customer facility, the supplier is requested to support LTC to secure its production continuity by using one of the options given below. The supplier shall notify LTC within 2 (two) hours from when the non-conformity is reported to the supplier:

- a) The supplier will perform the sorting/rework activity in LTC site according to a formalised re-work instruction approved by LTC;
- b) The supplier will commit the sorting/rework activity in LTC site to a subcontractor according to a formalised re-work instruction approved by LTC. The supplier shall request approval to LTC to accept the external company and ensure that the hired company has skilled and qualified operators for the required activities;
- c) If the supplier does not reaction within 2 (two) hours ,sorting/rework activities will be carried out by LTC and all sustained costs will be charged to the supplier.

Non-conformities which do not cause a production stop or customer immediate action (minor issues) require Supplier reaction within 48 (forty eight) hours from when the non-conformities is reported by LTC.

Listed below are the options:

- a) The supplier will perform the sorting/rework activity in LTC site according to a formalised re-work instruction approved by LTC;
- b) The supplier will commit the sorting/rework activity in LTC site to a subcontractor; according to a formalised re-work instruction approved by LTC. The supplier shall request approval to LTC to accept the external company and ensure that the hired company has skilled and qualified operators for the required activities;
- c) The supplier will replace the parts with new ones not affected by the issue;
- d) If the supplier does not reaction within 48 (forty eight) hours , sorting/rework activities will be carried out by LTC and all sustained costs will be charged to the supplier.

If further inspections (lab analysis, retrofit costs, etc.) are necessary because of a supplier non conformity, all expenses will be entirely charged to the supplier.

Costs that are charged by LTC's customers to LTC , due a supplier issue in delivering conforming products on time or due to a supplier non-conformance, will be also charged back one-to-one to the supplier.

To charge all these costs LTC can send an invoice/debit note. Final agreement to close the refund will be taken between LTC Purchasing Department and Supplier.

## 6. PACKAGING

The packaging used by the supplier must assure no functional, aesthetical and mechanical damages during the good transit and storage. Packing drawing and/or specification must be submitted to LTC for approval. For the

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deliveries of bulk materials, the supplier must guarantee the use of adequate means (e.g. tanker truck) both in terms of cleaning and maintenance to prevent quality problems and to avoid environmental accidents.

### 7. ENVIRONMENTAL REQUIREMENTS

The supplier shall not supply materials that contain substances forbidden by national or European norms or directives or any others that may be specified or applicable. In particular, where applicable, it must be guaranteed the conformity to directive 2011/65/EU (RoHS recast) and subsequent amendments, and to the European Union regulation n. 1907/2006 named REACH (**R**egistration, **E**valuation, **A**uthorization and restriction of **C**hemicals).

The supplier shall provide LTC with ROHS and REACH declaration for the supplied parts/components.

The supplier undertakes to provide LTC, on request, with information relating to any environmental requests on the products supplied by him.

This document is immediately valid and applicable upon signature.

Such signature makes the above indicated requirements valid for all orders issued to the supplier.

Read, accepted and signed on

<i>Supplier:</i>	<i>Signature, Name &amp; Title:</i>	<i>Date:</i>

*La Triveneta Cavi Spa*

<i>Purchasing Manager</i>	<i>Quality Manager</i>
<i>Signature:</i>	<i>Signature:</i>
<i>Date:</i>	<i>Date:</i>

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