

[Organization logo]

[Organization name]

Commented [16A1]: All fields in this document marked by square brackets [] must be filled in.

PROCEDURE FOR PURCHASING AND EVALUATION OF SUPPLIERS

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Signature:	

Commented [16A2]: Adapt to the existing practice in organization.

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Commented [16A3]: This is only necessary if document is in paper form; otherwise, this table should be deleted.

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Date	Version	Created by	Description of change
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1. Purpose, scope and users

The purpose of this procedure is to describe the process of evaluation and selection of suppliers (external providers of processes, products, and services) and the purchasing process in order to conform to specified purchase requirements.

This procedure is applied to all processes and/or areas (parts of organization) within the QMS.

This purchasing process includes, but is not limited to: contractors used for sub-assembly or other activities related to production, sequencing, rework (if applicable), calibration services, consumables such as office supplies, hardware needed for product, research equipment, and information and communication technology. The purchasing process includes all products and services that affect customer requirements.

This procedure excludes:

- Utilities (electricity, gas, water, etc.)
- Insurance, legal and audit fees
- Investment services
- Personnel services (benefits, wage and salary administration including employment contracts)
- Other purchases, as approved by the [CFO]; and
- Purchases less than [\$]

Users of this document are [heads of departments and Purchasing Manager] of [organization name], as well as internal auditors.

2. Reference documents

- IATF 16949:2016, clause 8.4
- Quality Manual
- Procedure for Design and Development
- Procedure for Production and Service Provision

Commented [16A4]: Adapt to needs of organization.

Commented [16A5]: Write in other exclusions that organization finds appropriate.

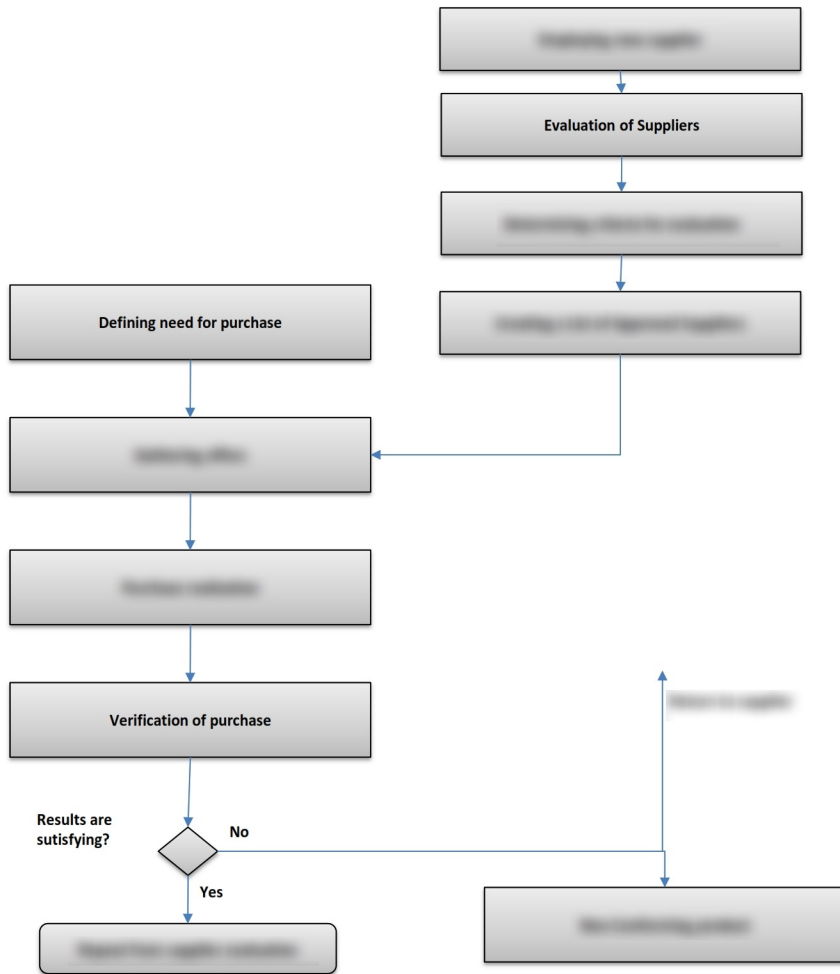
Commented [16A6]: Adapt to organization's practice.

Commented [16A7]: Adapt to organization's practice.

Commented [16A8]: Adapt to organization's practice.

3. Evaluation and Selection of Suppliers

3.1. Process flow



3.2. Employing New Suppliers

[organization name]

In the case of hiring a new supplier, [job title] gathers samples of products or supplier's references.

[job title] conducts an evaluation of the supplier using criteria described below. The supplier applies these criteria. The goal is to select and then the evaluation is conducted by [job title]. After satisfying the final evaluation, [job title] records the supplier in the List of Approved Suppliers.

Commented [16A9]: E.g. Purchasing Manager

Commented [16A10]: E.g. Purchasing Manager

Commented [16A11]: E.g. Purchasing Manager

This process is applied to all identified commercial processes used by organization.

3.3. Evaluating Suppliers

[Job title] conducts evaluations of suppliers by analyzing:

- previous purchasing of goods and services
- [redacted]
- [redacted]

Commented [16A12]: Adapt to organization's practice; other criteria can be, for example, skill of supplier's personnel, their certificates, etc.

If the supplier is a customer-directed source, this section of the procedure is not applicable.

Commented [16A13]: selected by customer and the organization is asked to use it for a specific project

3.4. Criteria for Selecting Suppliers

[redacted]

Commented [16A14]: Adapt the method to the needs of organization.

Symbol	Criteria	Range of Points
SQ	Supplier Quality	0-10
P	Price	0-10
SR	Supplier Reliability	0-10
TP	Turn of Payment	0-10
QMS	Quality Management System	0-10

Commented [16A15]: These are suggested criteria and range of points; adapt to needs of organization.

[Job title] chooses one point number for each criterion and sums them. Suppliers with more than 70 points are entered into the List of Approved Suppliers.

3.4.1. Criteria for selection of software development suppliers

In case of selection of software development suppliers, [job title] performs an assessment of

[redacted]

Commented [16A16]: It is about embedded software in products included in part's hardware.

Commented [16A17]: According organization, typically is the Project Manager.

[Job title] also requests evidence that a software provider:

- [redacted]

Commented [16A19]: Add criteria in more, if applicable to your organization.

Commented [16A18]: This is in general specific to customer, for example VW Group document the requirements in Formel-Q capability software.

[organization name]

- Retains documented information regarding software quality assurance process based on risk and customer-specific requirements.

[Job title] assesses the capability of the software provider based on the following criteria:

- Regulatory and resource management
- Software engineering process and its management
- Test and technology used

[Job title] rates the supplier on the scale from 1 to 100 in the Checklist for Evaluation of Suppliers.

3.4.2. Shipment Quality

Evaluation of shipment quality considers the following parameters: correctness of delivery

[Job title] monitors supplier performance regarding disruptions in the customer plant where their

[Job title] monitors annual supplier performance regarding customer disruptions, on-time delivery, and supplementary shipments. If applicable, dealer returns, warranty, field actions, and returns caused by supplier are also monitored.

Commented [16A20]: Modify the criteria to meet organization's needs.

Commented [16A21]: Adapt to your organization, it can be SQA Manager for example.

If organization needs to assess a special area from one of its customers, this will be recorded in the supplier annual reviews.

Points	Description
30	No complaints or shipment quality
25	The complaints don't affect shipment quality
15	Low of complaints with small effect on shipment quality
5	Complaints significantly affect shipment quality
0	Shipment is returned due to unacceptable shipment quality

Commented [16A22]: Adapt to needs of organization.

3.4.3. Price

Evaluation of price includes the supplier dependencies of all business from each business, financial

[organization name]

Points	Description
25	Price is under average market price, strong financial results
15	Average market price, good financial results
10	Price is slightly above market price or supplier dependencies of selected new business from other business exceeds 50%
0	Price is significantly above market price or supplier dependencies of selected new business from other business exceeds 75%

Commented [16A23]: Here you need to adapt them to your company and economic constraints.

Commented [16A24]: Adapt to needs of organization.

Commented [16A25]: Here you need to adapt them to your company and economic constraints.

3.4.4. Supplier's Reliability

An Evaluation of SR (supplier reliability) takes into consideration the capabilities of project management, design and development, expertise in the field, resources, financial, compliance, and infrastructure and manufacturing capabilities.

Points	Description
20	Constantly demonstrates cooperation and professionalism, no complaints regarding cooperation, good organization and know-how for design and development
10	Good cooperation regarding cooperation, average organization and know-how
0	Poor cooperation regarding cooperation, poor organization and know-how regarding development

Commented [16A26]: Examples: no product-design capabilities, no in-house tooling.

Commented [16A27]: Adapt to needs of organization.

3.4.5. Terms of Payment

Points	Description
15	30% advance payment, 30 days
10	Payment after shipment
5	50% advance payment and 50% after shipment
0	100% advance payment

Commented [16A28]: Adapt to needs of organization.

3.4.6. Quality Management System

Points	Description
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[organization name]

10	Organization has certified QMS according IATF 16949 and/or ISO 9001 (based on product delivered and agreements)
5	Organization doesn't have certified QMS, but acts according to ISO 9001
0	Organization doesn't have certified QMS and doesn't act according to ISO 9001

Commented [16A29]: Examples for particular situation:
[Faded text]

3.5. Ranking of Suppliers

Suppliers are ranked according to the previously defined method. For suppliers of software, the result of the ranking for software development is calculated from values for other criteria and weighting.

Rank	Description	Points
A	Exceptional	>85
B	Acceptable	70-84
C	Acceptable with further testing	59-69
D	Unacceptable	Less than 59

[Job title] updates this supplier data suppliers in a Checklist for Evaluation of Suppliers annually. In the case of suppliers who have a contract in the market, they are ranked directly into the list of approved suppliers, but their performance is calculated the same way as other suppliers.

Commented [16A30]: Adapt to organization's practice.

4. Purchasing

[Job title] will ensure that externally provided processes, products, and services conform to the requirements, and determine the controls to be applied to an external provider when:

- Products and services from external provider are intended for incorporation into [organization name]'s products and services
- [Faded text]
- [Faded text]

Commented [16A31]: Adapt to organization's needs

[Job title] ensures that externally provided processes remain within the control of the QMS.

4.1. Defining need for purchase

[organization name]

... internal purchase request, [job title] creates a Request and Order for Purchasing, then chooses a supplier from the List of Approved Suppliers.

If the supplier can't deliver goods or service that meet the requirements of the organization, [job title] ...

When defining the need for a purchase, [job title] must consider the potential impact of the receipt, country of shipment and country of destination. Consideration must also be given to the ...

[Job title] communicates requirements for the approval of the external provider's interaction with the organization ...

If supplementary controls are requested by the customer regarding, but not limited to, statutory and Records of this process are kept by [job title].

4.2. Gathering Offers, Selection and Approval of Offers

[Job title] gathers offers from approved suppliers by sending them a Request and Order for ...

Prior to communication with the supplier, [job title] defines:

- Requirements for processes, products, and services to be provided
- Requirements for approval of products, services, methods, processes, and equipment
- Requirements for approval of the external provider's interaction with the organization
- Requirements for the control and monitoring of the external provider's performance in the organization
- Requirements for the control and monitoring of the external provider's performance in the organization
- Requirements for the control and monitoring of the external provider's performance in the organization

For long-term purchases or purchases of great value, [job title] signs a contract with the supplier.

... according to the contract or approved offer.

- Commented [16A32]: Write in the reasons for purchasing appropriate to organization's needs.
- Commented [16A33]: Adapt to organization's practice.
- Commented [16A34]: E.g. Supply Manager
- Commented [16A35]: E.g. Purchasing Manager
- Commented [16A36]: E.g. Supply Manager
- Commented [16A37]: Usually this is CEO.

Commented [16A38]: Adapt here by replacing the department responsible for sales and/or shipping parts.

Commented [16A39]: Typically is Quality Manager.

Commented [16A40]: E.g. Supply Manager

Commented [16A41]: If supplier is a big company and has a large market share, making this kind of request doesn't make sense and can have a negative impact on relations between organization and supplier.

Commented [16A42]: Usually this is CEO.

Commented [16A43]: E.g. Supply Manager

[organization name]

4.3. Realization of Purchase

[Job title] monitors the purchasing process and notifies [job title] if problems occur during the purchasing process (shipment delays, non-conforming product, etc.).

Commented [16A44]: E.g. Supply Manager

Commented [16A45]: Usually this is CEO.

4.4. Verification of Purchased Product, Service or Process

[Job title] ensures that verification is conducted according to the requirements of the customer. [Job title] records the verification results.

4.4.1. Verification of products

[Job title] confirms receiving agreed quantity of goods by signing the supplier's delivery documents that include attestations and other evidences of product or service quality. In cases when it's necessary to

Commented [16A46]: E.g. Warehouse Manager

return the goods to the supplier, [job title] must not sign documents without an appropriate justification. [Job title] must not sign documents without an appropriate justification. [Job title] must not sign documents without an appropriate justification. [Job title] must not sign documents without an appropriate justification.

other cases, [job title] decides whether to return the product to the supplier or to act according to the Procedure for Non-Conforming Product and enter a complaint in the Registry of Complaints

[Job title] records the results of the verification in the Incoming Inspection Control Plans and log forms by [job title].

Incoming inspection activity is recorded in Incoming Inspection Control Plans and log forms by [job title].

4.4.2. Verification of services

[Job title] conducts service verification by acquiring evidences from the supplier (references,

customer references, certificates, etc.) of the supplier to provide the service quality.

4.4.3. Escalation

In case of the lack of cooperation or reaction in resolving issues (quality, logistics), [job title] triggers

the escalation process to the top management's organization. [Job title] triggers the escalation process to the top management's organization. [Job title] triggers the escalation process to the top management's organization. [Job title] triggers the escalation process to the top management's organization.

is continued until top management's organization is reached and the issue is resolved.

Commented [16A47]: For example, if a quality claim is sent to a supplier and first steps from 8D process (4D) are not filled in time, quality engineer from organization will notify his supplier's contact. If there is no reaction, he will contact the supervisor of his contact.

If there is no resolution or reaction, quality engineer will notify his supervisor, who will contact his homologue in supplier's site.

4.5. Supplier QM system development

[Organization name] requires suppliers to continually improve their QM to be ISO 9001 certified as a beginning, with the ultimate goal being IATF 16949 certification.

[Job title] ensures the continual improvement of the supplier's QM system by using the following methods, according to the supplier's current status.

Commented [16A48]: Typically, is Quality Manager.

Situation in supplier's site	Method of evaluation
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[organization name]

No ISO 9001 certification	[redacted]
ISO 9001 certification exists	[job title] checks certificate validity and certification body accreditation
[redacted]	[redacted]
	Perform IATF 16949 audit.
IATF 16949 certification exists	[job title] checks certificate validity and certification body accreditation [redacted]

Commented [16A49]: Certification body has to be accredited by an IAF MLA member and member's main scope includes management system certification ISO/ IEC 17021.

Commented [16A50]: Certificate has to be valid according IATF – check on IATF site.

Commented [16A51]: Document in audit program supplier audits and criteria of selecting one of them (type, frequency, scope).

In the case of high-risk delivered products, [job title] organizes and performs products or process audits. The approach to all audits will be based on comprehensive quality planning, based on audit strategy.

Based on audit findings, issues, and risk analysis, [job title] will request an action plan from the supplier with clear responsibilities and due dates. In case of the lack of cooperation, the supplier should be notified within 10 days of the completion of the audit.

Commented [16A52]: Typically, is Quality Manager.

5. Managing records kept on the basis of this document

Record name	Code	Storage		Responsibility
		Retention time	Location	
Checklist for Evaluation of Suppliers	PR.10.1	2 years	[office of [job title]]	[job title]
List of Approved Suppliers	PR.10.2	2 years	[office of [job title]]	[job title]
Registry of Complaints about Suppliers	PR.10.3	2 years	[office of [job title]]	[job title]
Request and Order for Purchasing	PR.10.4	1 year	[office of [job title]]	[job title]

Commented [16A53]: If the record is in electronic form, write the name of the folder on [job title]'s computer.

[organization name]

Incoming Inspection Control Plan and Log	PR.10.5	1 year	[office of [job title]]	[job title]
Second party audits reports or meeting minutes, visits		1 year	[office of [job title]]	[job title]

6. Appendices

- Appendix 1 – Checklist for Evaluation of Suppliers
- Appendix 2 – List of Approved Suppliers
- Appendix 3 – Registry of Complaints about Suppliers
- Appendix 4 – Request and Order for Purchasing
- Appendix 5 – Incoming Inspection Control Plan and Log