



# Supplier Selection and Evaluation Procedure

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Supplier Selection and Evaluation Procedure				
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02	04/09/2018	Diana Neves	-	Included disqualification scenario
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## 1. Objective and Scope

This Procedure defines the method for qualifying and evaluating suppliers, assuring the quality of the provided goods and/or services minimizing costs. The process does not apply to the need of opening suppliers to acquire materials for prototyping.

## 2. Definitions and Abbreviations

CM – Category Manager

SC – Supply Chain Department

SQA – Supplier Quality Assurance

TA – Technical Area, to be understood as: Develop teams, Process or Quality Engineers

## 3. Description

### 3.1 SUPPLIER'S QUALIFICATION AND ENLISTING

This stage of the supplier's management process consists of:

- Selection;
- Initial Evaluation;
- Approval and Enlisting.

**IMPORTANT NOTE:** the supplier's qualification process can only be initiated when the supplier's goods and/or services can be of Vision Box's interest and/or need. Vision Box is not obliged to initiate the qualification process just to respond to a supplier's request or application.

#### 3.1.1 SUPPLIER'S SELECTION

Procurement department is ensuring that suppliers of customized parts (with technical drawing) have certain characteristics in common and fall under Vision-Box's requisites in terms of quality, privacy and procedures. Suppliers of off the shelf items are typically chosen based on the technical requisites of the assembled product (BOMs) and best suitability for the equipment.

A need for a new supplier selection may arise 1) from the statement at a strategic level to increase capacity or have a different set of competencies or in result of poor performance of the current vendors; 2) in result of a new need of goods or services that our current suppliers can not satisfy.

To search for the best solution and better meet the expectations of the requester, it is a good practice that the Procurement member has enough and precise information about what they should prospect.

Provided with enough information, the Procurement element will perform an initial market prospect to identify the potential vendors who could match the referred specifications.

## Identifying and shortlist potential suppliers

Suppliers can be prospected through a range of channels, their name arising from recommendations to dedicated trade magazine or associations. Once having a clear idea of what to buy, having identified some potential suppliers and because the results can be vast, it is good to slim the list to 4 to 8 suppliers and build a shortlist of possible suppliers. If there is a big pool of suppliers, they will be shortlisted according with the best fit and enter a phase to request proposals.

Some key points are important to be targeted in order to align with business:

- Fulfilling the requirements
- Financial security
- Know how, history and experience
- Recommendations and business accreditations.

## Supplier's proposal phase

Having a manageable shortlist, the potential suppliers can be approached and asked for a written quotation.

Before any exchange of technical or sensitive information, like project details or drawings, a Confidentiality agreement (VB.MD.Acordo Confidencialidade) must be signed between the parties.

The potential suppliers will then be requested to reply to the requirements and present their commercial proposals. Each request of proposal (RFP) has different target and requirements and it is very important to spend enough time preparing it to have the closest outcome to the objectives. Having the quotations, they will then be compared, as well as the suppliers, in terms of what is mostly important. Price is important, but it shouldn't be the only reason why a supplier is chosen. Lower prices may reflect poorer quality goods and services which, in the long run, may not be the most cost effective option.

Whenever possible it's worth assessing future needs and asking potential suppliers to give a firm price in writing for a period of time or ask about discounts for long-term or high-volume contracts.

### 3.1.2 SUPPLIER'S INITIAL EVALUATION

In order to align the supplier base with common characteristics and alignment with the business needs, the intent of this step is to gather the data and firstly assess the suitability of the vendors.

Wherever possible and as mandatory in national territory, the supplier will be audited in order to verify how the business operates, also look for opportunities, and results will be recorded in VB.MD.Auditorias a Fornecedores. As some suppliers may outsource work to subcontractors, the subcontractor may also be assessed at a later stage.

The preferable team is built by an auditor from SQA, the category manager and an Engineer (Process or Hardware).

It is also a good practice to understand the background of the suppliers, its network, and financial background and data. For that, it is recommended that the Category Manager downloads a financial report from one of the approved company websites to assess the financial risk and suitability to business.

### 3.1.3 SUPPLIER'S APPROVAL AND ENLISTING

Based on the overall assessment a potential supplier is either approved or rejected, if approved the supplier shall be enlisted in Oracle.

Before creating a new supplier, all responsables who deal with suppliers must request generic data needed to fill a Supplier Form (VB.MD.Ficha Fornecedor), which will be used to fill the mandatory fields in Oracle.

In the case when the supplier will be providing services, they must fill the data required in this Supplier Form, and the Confidentiality agreement (VB.MD.Acordo Confidencialidade) if sensitive information may be shared between the parties.

The documents described in Table 1 will support the initial assessment and process to create the supplier as described onwards.

**Table1**

Category		Supplier's documentation needed for Approval
Services	Mandatory	<ul style="list-style-type: none"> <li>Supplier Form, (VB.MD.Ficha Fornecedor). *</li> </ul>
	Optional if no sensible information	<ul style="list-style-type: none"> <li>Confidentiality statement (VB.MD.Acordo Confidencialidade)</li> </ul>
Goods	Mandatory	<ul style="list-style-type: none"> <li>Supplier Form, (VB.MD.Ficha Fornecedor). *</li> </ul>

	Optional if no sensible information	<ul style="list-style-type: none"> <li>Confidentiality statement (VB.MD.Acordo Confidencialidade)</li> </ul>
	Mandatory if subcontracts	<ul style="list-style-type: none"> <li>VB.MD.Suppliers Quality Questionnaire.01.EN., with QA evaluation of the quality information;</li> </ul>

## 3.2 CONTINUOUS EVALUATION OF SUPPLIER'S PERFORMANCE

The Supplier Management process does not end once a vendor is qualified. The supplier's performance must be monitored on a continuous basis.

Once a year the SC Manager classifies the supplier by the level of criticality, according to following table:

Criticality Level	Definition
1	Strategic/critical goods and/or services involving high impact on Vision Box's operations or with Purchase volumes higher than 50.000 € per year.
2	All goods and/or services not included on level 1.

The Procurement department with the collaboration of other areas if needed, shall evaluate the suppliers classified with 1 criticality level, as to their activities and performance.

Three scorecards were defined to accurately support this evaluation according with the type of goods or services provided.

- VB.MD.ServiceSupplier.Evaluation\_GS Subcontractors.01.EN if a supplier is a 3rd party subcontractor of VB products
- VB.MD.ServiceSupplier.Evaluation\_Services.01.EN for generic services
- VB.MD.Supplier.Evaluation.02.EN for generic goods

The designated evaluator may seek advice from the user of the goods and/or services, to assure the evaluation appropriateness. The result of this assessment shall be compiled in the Suppliers Evaluation List (VB.MD.Supplier Evaluation Matrix), allowing the supplier's classification in accordance with the following categories:

Score	Category	Actions Required
[91:100] points	Class A	The supplier's approval is confirmed.
[61:90] points	Class B	The supplier's approval is confirmed. An assessment visit shall be carried out every year if subcontracted items.
[30:60] points	Class C	The continuity of the supplier's goods and/or service provision shall be submitted to the SC Director and the Quality Director decision. Contingency plans to include alternative vendors and/or surveillance programmes shall be prepared.
[ 0:29] points	Class D	<b>The supplier shall be suspended. Contingency plans to substitute the supplier shall be prepared.</b>

Supplier's classified with criticality level 2 shall be assessed in informal way where Procurement Director, or his designee, evaluate at any time the relevance in maintaining the supplier's qualification.

The results of supplier's evaluation can be communicated to suppliers in order to get their feedback related to any questions regarding this issue or any actions to be implemented.

### 3.2.1 SUPPLIER'S SUSPENSION AND/OR DISQUALIFICATION

The supplier's suspension can be claimed at any moment as a result of:

- Strongly negative feedback;
- Negative results and/or practice detected during an assessment visit;
- Low score obtained in the periodical performance evaluation (Class D);
- 2 low scores obtained in the periodical performance evaluation (Exclusion);
- The supplier's goods and/or services are no longer necessary.
- Critical problems associated with the goods or services supplied;
- Occurrence with a negative impact on a project.

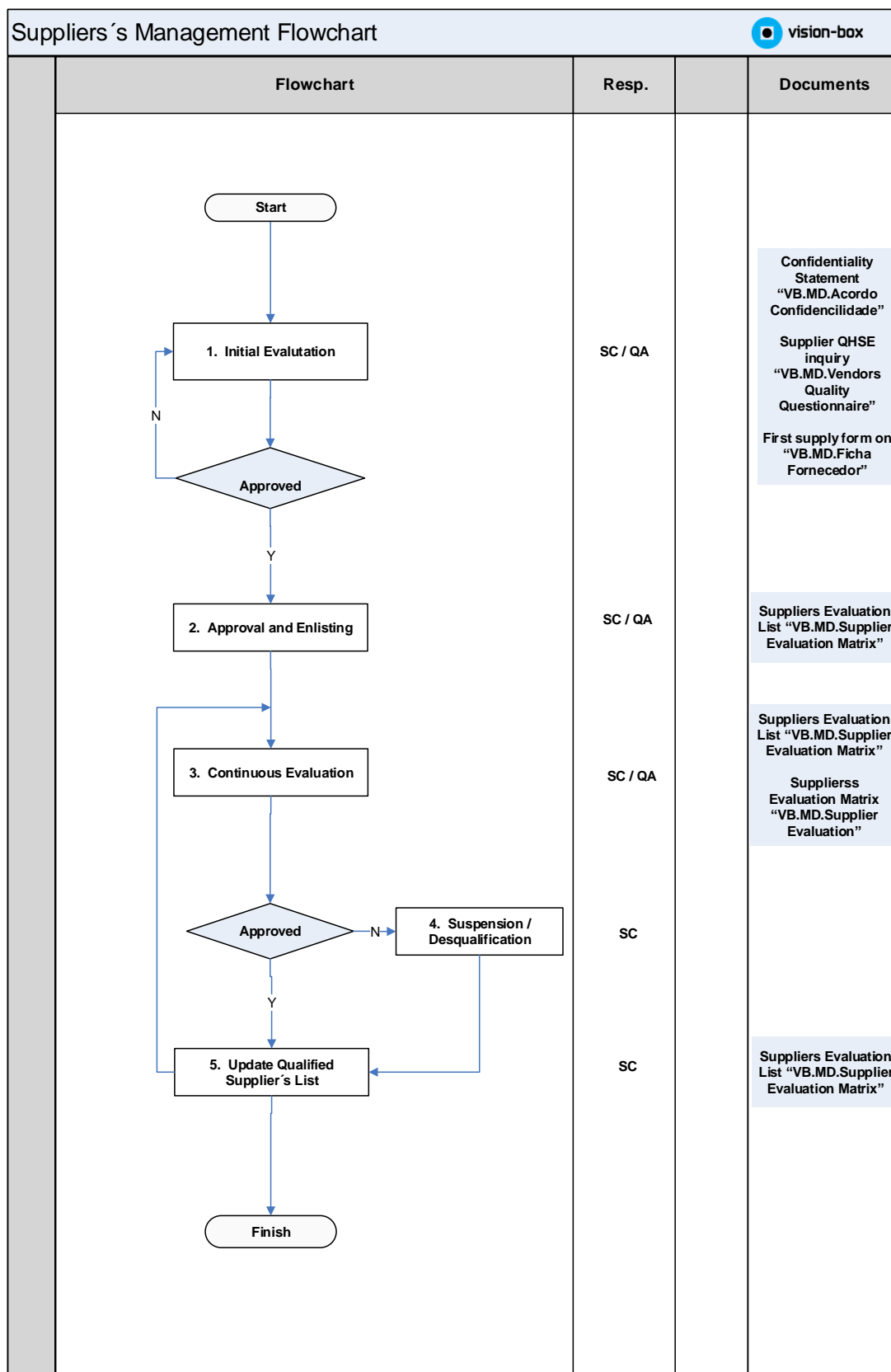
A contingency plan to substitute the supplier must be prepared after which the supplier is disqualified. If it is the case the supplier can be set on Oracle as "PO hold".

Suppliers which have been disqualified can only be re-qualified after a careful evaluation of the causes that have led to the disqualification and, in all cases, after the successful completion of an assessment, performed to determine if the causes of the previous disqualification has been eliminated.

### **3.3 UPDATE OF THE QUALIFIED SUPPLIERS LIST**

The Qualified Supplier's List shall be updated in a regular basis (at least once a Year) to reflect the results of the supplier's qualification and evaluation of performance. For this purpose, the timely update of the Suppliers Evaluation List (VB.MD.Supplier Evaluation Matrix), shall be assured by Procurement Director.

### 3.4 SUPPLIER'S MANAGEMENT FLOWCHART



### 3.5 RECORDS

All supplier's qualification and evaluation activities shall be documented and the associated records shall be archived by the Procurement Department in the respective supplier file.