VEONEER STANDARD

Supplier Audits

VS002

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Introduction

As a global supplier to the world´s automotive industry Veoneer must achieve zero defects in its products and services. With this target it is essential that Veoneer products are developed, assembled and manufactured with controlled processes to assure quality. To achieve this it is equally important that our Supplier's business and manufacturing processes continuously deliver products and services with the same quality level.

Audits are utilized to evaluate processes, and assess potential risks that may result from system gaps or lack of control.

1 Purpose

The purpose with VS002 is to define the procedures to be used to assess business processes and services provided at our Suppliers.

The assessments are intended to verify the application and effectiveness of quality assurance actions, which are necessary to support Veoneer's zero defect strategy, as well as verifying social responsibility requirements.

Note: The performance of audits by Veoneer representatives will not release the suppliers from their responsibility of delivering components/products or services in conformance with the defined technical specification. The suppliers are fully responsible for the quality of their products and services.

2 Scope

The VS002 shall be used for audits at External Suppliers.

A Supplier producing parts, that have a Special Process (example: heat treating, coating, plating, et cetera), shall also comply with the requirements in VS069, and hence, needs additional assessments.

It is also recommended that Suppliers use VS002 audits as self-assessment tools.

The VS002 requirements are based on customer requirements and current quality system standards, in particular International Standard Series ISO 9001, IATF 16949, ISO 14001, VDA 6.3 Process Audit as well as on requirements in the Veoneer Standards and Veoneer Supplier Manual (VSM).

Qualification of VS002 auditors is defined in VS002 Appendix B – VS002 Auditor Certification.

Note: Customers may require/mandate that a specific audit shall be conducted at a Supplier (Customer Specific requirement). Such audits are not part of the scope of this standard.

3 Responsibility

3.1 Veoneer

The **Supplier Quality Director** is responsible to implement the requirements in this standard.

Compliance to the standard includes:

- Auditors are certified according to VS002 Appendix B
- Planning and performing of audits
- Monitoring, follow-up of the results and supplier performance
- Managing audit cycle and document into Supplier Board / Supplier information and flagging status.

The VS002 Auditor shall ensure that the audit is carried out in accordance with this standard.

3.2 Supplier

The Quality Manager of the Supplier facility shall be available and prepared for the audit. It is expected that the local Management team are present at the opening and closing sessions of the Audit as a minimum.

The Process Owner of the audited process /service and required support personnel shall be available and prepared for the audit. The Process Owner is also responsible for necessary corrective actions in his/her process.

The Managing Director/Plant Manager of the audited Supplier's facility is responsible for

- Reporting to the Veoneer Auditor
- Implement corrective actions and preventive actions
- Improvement of the local audit-related activities

4 *Audit Types*

4.1 Pre-Qualification Audit

The Pre-Qualification Audit is used to assess and release potential new suppliers or new supplier locations.

4.2 Social Responsibilities Audit

The Social Responsibilities Audit is used to assess that suppliers comply with VS319 and commit to upholding the same social, ethical, and environmental principles in operating their businesses.

For new Suppliers, or new Supplier locations, the Social Responsibility Audit is mandatory to perform as a part of the Pre-Qualification Process.

For current Suppliers the VS002 – Social Responsibility Audit needs to be performed as part of the VS002 Audit Schedule. When Suppliers have a Social Responsibility policy or equivalent that satisfies Veoneers requirements, a self assessment / audit is acceptable with evidence. Evidence is to be stored in Supplier Board. For those that do not have a Social Responsibility policy or equivalent that satisfies Veoneers requirements, a Social Responsibility Audit is required.

- This is Not required for Service Part only Suppliers.

4.3 Project Management Audit

The Project Management Audit is used to assess supplier's ability on Project Management, Product and Process Development/Validation including prototype, personnel capabilities and resources, advance quality planning.

4.4 Process Audit

The Process Audit is used to verify the application and effectiveness of supplier's quality-, manufacturing- and management system to support Veoneer's zero defect strategy. The process audit also includes product audit requirements.
It will include questions to assess the supplier's ability to manage tier 2 suppliers to Veoneer requirements as defined in VSM.

- Verification of the current state of the process quality and monitoring systems by comparing/auditing product and process requirements to the control plan requirements
- Identification of process/service risks and improvement potentials (before failure occurrence)
- Management monitoring to ensure that effective actions are taken to address risk and opportunities
- As required by VSM, may also include a review of selected manufacturing cells for verification of the PFMEA and/or control plan
- Identification and communication of best practices
- Audit of some selected environmental requirements is also included

Note: Suppliers or Suppliers with sub suppliers using Special processes (e.g. heat treatment, coating, plating, etc.), shall be assessed according to VS069 (Special Processes) in addition to the Process Audit.

For current suppliers the VS002 – Process Audit is to be performed based upon a VS002 Commodity Audit Plan. A Commodity Audit Plan is to be a 3 year rolling plan and to be reviewed quarterly for prioritizaiton. (Ref. 5.1.1 Planning)

Each Audit type can be used as a stand-alone assessment or combined.

5 *Procedure*

An audit cycle starts with the initial audit and may be followed by one or more follow-up audits. It ends when the audit result meets the requirements defined in this standard (see respective audit type).

Each audit shall follow the procedure as defined below:

5.1 Planning and preparation

5.1.1 Planning

Supplier audits shall be planned by Commodity Supplier Quality in collaboration with Purchasing, Project Supplier Quality and Plant Supplier Quality.

Audit type and planning shall be based on a risk analysis prioritization including as a minimum: (in order of prioritization)

- New supplier selection
- New supplier location
- VS051 rating result for Quality (Q) – 12 Month Rolling
  - 1st Priority - Red Suppliers, 2nd Priority – Yellow Suppliers
  - Life Cycle of parts driving (Q) Score >1 year Serial Production life remaing
- Project management performance VS051 rating result for Quality (S - SQP)
- Sub-Supplier management issues
- QMS Certification level
- Supplier delivering component involved in safety/regulatory functions
- New process evaluation
- Supplier VS002 Self Assessment is > 3 years
- Sourcing needs, according to VS057 – Sourcing Process

Additional event-related audits should be performed, if necessary.

5.1.2 Preparation

Schedule the audit at the Supplier, make reservations, etc. ensure that enough time is available, normally 2-3 days* for a combination of process audit, project audit and social resp. audit. (*Audits can last longer depending on the size and complexity of the supplier).

Schedule a pre-audit meeting by telephone to agree with the supplier the scope of the audits and the areas to be audited. Supplier should receive or access the audit questionnaires at least 2 weeks prior to the audit to complete as a self-assessment.

Ensure that enough time is available after the audit is being conducted, for follow-up of closed audit findings and if needed a re-visit.

5.2 Audit Execution (At the supplier)

1. Opening meeting
2. Document review
3. Go&See audit at shop floor/lab/office/etc.
4. Closing meeting
    a. Summary of audit findings
    b. Agree and set timing for corrective actions

Note: Document review and Go&See audit can be iterated for each audit section.

5.2.1 Audit participants

The Supplier plant management shall be present as a minimum during the Opening meeting and the Closing meeting.
The Supplier quality manager shall be available during the full audit.

Relevant personnel at the Supplier shall be present at each audited area when audited.

5.2.2 Audit Questionnaire

The Questionnaire provides detailed assessment criteria and interpretation of the audit topics to ensure a common process understanding among the auditors. This includes direction to the auditor to “Review” documentation and/or “Go & See” evidence of compliance at the worksite.

5.2.3 Audit items not checked

Items which are not checked during the audit are marked as "not audited" on the questionnaire sheets and are not taken into consideration in the assessment. If not all items are audited a comment shall be provided.

5.2.4 Rating Criteria

Rating criteria for Pre-Qualification Audit

The assessment questions of this audit are answered as Yes or No or Partly. See further VS002 Appendix A1 – Pre-Qualification Audit Questionnaire (sheet "Explanations")

Rating criteria for Social Responsibility Audit
The assessment questions of this Audit are answered as Yes or No. See further VS002 Appendix A2 – Social Responsibility Questionnaire.

Rating criteria for Process Audit and Project Audit
Each audit item is rated according to the following criteria based on IATF 16949, VSM, and Veoneer Standards. **If multiple findings to a question are found, the worst one has to be chosen for the rating**.

Score	Nonconformity	Rating / Explanations
	Major (Ma)	A major nonconformity (Ma) is one or more of: - The absence of or total breakdown of a system to meet an IATF 16949 or VDA 6.3 requirement. A number of minor nonconformities against one requirement can represent a total breakdown of the system and thus be considered a major nonconformity. - Any noncompliance that would result in a probable shipment of a nonconforming product. A condition that may result in the failure or materially reduce the usability of the products or services for their intended purpose. - A noncompliance that judgment and experience indicate is likely to result in the failure of the quality management system or to materially reduce its ability to assure controlled processes and products. - A single observed lapse, which causes nonconformity in case of CC/SC, is to classify as a major nonconformity.
	Minor (Mi)	A minor nonconformity (Mi) is a failure to comply with IATF 16949 or VDA 6.3, which based on judgment and experience is not likely to result in the failure of the quality management system or reduce is ability to assure controlled processes or products. It may be one of the following: - A failure in some part of the organization's documented quality management system relative to IATF 16949 or VDA 6.3. - A single observed lapse in following one item of a company's quality management system.
All nonconformities shall be recorded and shall not be closed during the audit. The VS002 auditor shall require the audited organization to submit root cause analysis and evidence of systematic corrective action for each nonconformity issued.		

	Improvement Potential (IP)	Conform but opportunity to improvement is required.
	Conform (C)	Conform, activities formally controlled and in accordance with the IATF 16949, VDA 6.3, specification, law and fulfilling VEONEER expectation.

Table 5.2.4

5.2.5 Audit Findings

All findings must be properly documented according to the finding report of each audit type. (Ref. appendix A, B, C, D).

The Supplier is responsible to address each finding with a corrective action and implementation plan.

5.3 Audit result

The Audit result is based on the criteria for each audit type and shall be documented in the Summary report.

The next steps including timing for corrective actions depends on the audit result.

In the event of a **Major Noncompliance** that would result in a probable shipment of a non-conforming product, the auditor must ensure that the Supplier implement containment actions **immediately**. Containment shall stay in the process until corrective actions are implemented and verified.

5.3.1 Audit result – Pre-Qualification Audit:

Audit Result		Explanations	Time frame for sending corrective action report	Follow-up audit
0 No **AND** **≤ 9** Partly	**GREEN**	Zero "no" and less than 9 partly audit findings . Proceed and implement action plan as needed.	Date of audit report + 2 weeks	-
1-2 No **OR** **10-14** Partly **OR** **0** No **AND** **15** Partly	**YELLOW**	Corrective actions shall be implemented within 90 days from end date of site assessment. Proceed with caution (understand root cause of no & partly answers).	Date of audit report + 2 weeks	Within 3 months*
≥3 No **>15** Partly **OR** **1-2** No **AND** **15** Partly	**RED High risk Supplier**	**Probation status:** Supplier will be on probation until corrective actions are completed. Corrective actions shall be implemented within 90 days from end date of site assessment. Supplier will be on new business probation and not sourced until corrective actions are completed.	Date of audit report + 2 weeks	Within 3 months*

* For new suppliers (or new location), follow-up audits shall be done prior to serial order.

5.3.2 Audit Result - Social Responsibility Audit

If "**NO**" is answered in any row the Audit result is "Not Accepted".

Notification to Veoneer Compliance Department, VP Purchasing and Supplier Quality Director is mandatory.

5.3.3 Audit Result - Project management Audit:

Audit Result			Explanations	Time frame for sending corrective action report	Follow-up audit
0 **0** <6	Ma **And** Mi IP	**GREEN**	No minor or major nonconformities. Proceed and implement action plan as needed.	Date of audit report + 2 weeks	-
0 **1-3** ≥6	Ma **And** Mi **And** Action plan for all minor non-conformities submitted and approved **Or** IP	**YELLOW**	Corrective actions shall be implemented within 90 days from end date of site assessment to avoid probation status. (A supplier that does not complete corrective actions will move to the probation status).	Date of audit report + 2 weeks	Within 3 months*
≥1 **≥4** **≥10**	Ma **Or** Mi **Or** IP	**RED Probation Status**	**Probation status:** Supplier will be on probation until corrective actions are completed. Corrective actions shall be implemented within 90 days from end date of site assessment. If corrective actions are not completed within the 90 days the Supplier will be evaluated for new business probation or discontinuation of business.	Date of audit report + 2 weeks	Within 3 months*
* For new suppliers (or new location), follow-up audits shall be done prior to serial order.					

5.3.4 Audit result - Process Audit:

Audit Result			Explanations	Time frame for sending corrective action report	Follow-up audit
0 **0** <11	Ma **And** Mi And IP	**GREEN**	No minor or major nonconformities. Proceed and implement action plan as needed.	Date of audit report + 2 weeks	-
0 **1-6** 	Ma **And** Mi **And** Action plan for all minor non-conformities	**YELLOW**	Corrective actions shall be implemented within 90 days from end date of site assessment to avoid probation status. (A supplier that does not complete corrective actions will move to the probation status).	Date of audit report + 2 weeks	Within 3 months*

≥ 11	submitted and approved **Or** IP				
≥ 1 **≥ 7**	Ma **Or** Mi	**RED Probation Status**	**Probation status:** Supplier will be on probation until corrective actions are completed. Corrective actions shall be implemented within 90 days from end date of site assessment. If corrective actions are not completed within the 90 days the Supplier will be evaluated for new business probation or discontinuation of business.	Date of audit report + 2 weeks	Within 3 months*
* For new suppliers (or new location), follow-up audits shall be done prior to serial order.					

5.3.5 Probation status

- If the audit status is Red for Project Audit or Process Audit, it will lead to a red flag (status) in the Veoneer Sourcing Board
- If the audit status is "Not Accepted" for Social Responsibility, it will lead to immediate New Business Probation (NBP)
    - For new Suppliers audited, the qualification process will immediately stop
- See further VS057 – Sourcing Process

5.3.6 Signatures

The Audit Report shall be signed by minimum the Supplier's Quality Manager and the Auditor to document confirmation.

5.4 Follow-Up

The Supplier shall send corrective and preventive actions for each finding to the auditor for scheduling regular reviews to track progress and ensure timely closure of corrective actions.

Depending on the criteria for each audit type, a follow-up audit shall be conducted.

5.5 Filing and Closure

The auditor is responsible that the audit result and status is updated in the applicable IT systems for the full audit cycle.

When the audit or follow-up audit result is acceptable according to the result criteria (for respective audit type), the audit cycle can be closed.

6 References

VS004	Veoneer Standard	Traceability
VS005	Veoneer Standard	Substance Use Restrictions
VS051	Veoneer Standard	Supplier Rating
VS052	Veoneer Standard	Special Characteristics Classification
VS057	Veoneer Standard	Sourcing Process
VS069	Veoneer Standard	Special Processes – Requirements and Assessments
VS104	Veoneer Standard	FMEA
VS319	Veoneer Standard	Business Conduct and Ethics for Suppliers
VS412	Veoneer Standard	Interim Inspection Plan (IIP)

VSM	Veoneer Supplier Manual	http://www.veoneer.biz
VDA 6.3 Process Audit		

VS002 Training	Stored in Standards database

7 Appendices

7.1 VS002 Appendix A1 – Pre-Qualification Audit Questionnaire

7.2 VS002 Appendix A2 – Social Responsibilities Audit Questionnaire

7.3 VS002 Appendix A3 – Project Management Audit Questionnaire

7.4 VS002 Appendix A4 – Process Audit Questionnaire

7.5 VS002 Appendix B – VS002 Auditor Certification

8 Modification Index

Version #	Date / Author	Modification	Purpose
1.0	1-April-2018 / Dennis Nielsen Hakan Soderlund	First version	
2.0	8-Nov-2019 / Dennis Nielsen Hakan Soderlund	4.2 Social Responsibilities Audit – Removed 3yr. window. Updated to be part of VS002 Audit Plan. Self Assessment added and clarifications. 4.4 Audit Plan – Definition added of VS002 Commodity Audit Plan and to be a 3 yr. rolling plan based on prioritization. 5.1.1 Planning – Made changes for better clarification and content for planning based on risk analysis and elements of prioritization. General – New Business Hold changed to New Business Probation.	To better plan and prioritize audit scheduling based on risk and prioritization.To include supplier self assessments.