

Notice to Suppliers



Supplier Cost of Non-Quality Charges - Indirect

Originator: Matthew Bradbury
Job Title: Supplier Quality Manager
Business Unit: GBS Indirect Procurement

NTS Number: 569
Issue: 1
Date: 01 March 2023

For the attention of the Managing Director and Quality Manager

Scope/Applicability:

All suppliers and Partners supplying products and/or services related to Rolls-Royce Indirect contracts / purchase orders.

Dear Supplier

Introduction:

We enter into agreements with our suppliers for the purchase and supply of products/services on the basis that such products/services will fully conform to all applicable quality and warranty requirements agreed in the applicable agreement.

If a product and/or service does not meet agreed quality and warranty requirements, Rolls-Royce incurs internal administrative costs to manage non-conformance.

To improve compliance, we will now seek reimbursement for any administrative costs we incur as a result of non-conformance to quality and warranty requirements contractually agreed with us.

We have categorised the different scenarios of non-conformance and these are set out in the table below under "Description" (for the purposes of this NTS only, each a "Quality Non-Conformance"), together with the corresponding administrative charge, which comprises the processing and technical assessment(s) required by Rolls-Royce (each a "ConQ Charge").

Table : Non-Conformance description and associated charges

Quality Non-Conformance Description	Global Standard ConQ Charges (US Dollars)
Concession	\$2600
Non-Conformance identified at receipt inspection/assembly or test	\$3000
Non-conformance identified at customer / operator	\$6000

What this means for in-scope suppliers:

Payment of the ConQ Charge will be incorporated into our indirect supplier agreements and when incurred due to a Quality Non-Conformance, will be payable without prejudice to any of Rolls-Royce's other rights and remedies, whether under contract or at law. The ConQ Charges will be payable for each occurrence of a Quality Non-Conformance and Rolls-Royce may (notwithstanding anything to the contrary in the relevant supplier contract) elect to make a deduction from any payments due to the supplier.

NTS Category:
SABRe

Authorised by:
Dave Deakin - Chief Procurement Officer