

Quality agreement: contractually defining binding quality requirements between buyer and supplier

The quality agreement is a contractual document in which the buyer and supplier bindingly define the specific quality requirements for products, processes and documentation. It concretises the general terms of the purchase contract and creates a uniform, verifiable basis for incoming goods, complaint handling and supplier evaluation. In the industrial supply chain, it is one of the central instruments of supplier management and risk mitigation.

Key facts

- A quality agreement (Quality Agreement) measurably defines which requirements apply to product, process, inspection and documentation.
- Typical content includes inspection agreements, visual approvals, complaint processes, audits, escalation routes and documentation obligations.
- In practice, the structure often follows standards and guidelines such as ISO 9001 or IATF 16949, but remains contractually agreed between the parties.
- An effective quality agreement defines responsibilities, deadlines and consequences for deviations, such as credit notes or supplier change.
- It is typically concluded with new suppliers, before pilot series procurement and for critical components or raw materials.
- Regular revision and linking with supplier evaluation ensure lasting effectiveness.

Definition: quality agreement

A quality agreement is a bilateral, usually written agreement between the buyer and the supplier that bindingly regulates the quality-related obligations of both parties. It is not a stand-alone set of standards but a contractual concretisation of quality requirements that may be oriented towards recognised management system standards.

Distinction from purchase contract and general terms and conditions

Unlike the purchase contract, which governs price, quantity and delivery date, the quality agreement describes the substantive requirements for the product and the manufacturing process. General terms and conditions of purchase often contain only framework specifications; the quality agreement concretises these for a specific supplier or a specific product. In doing so, it closes gaps that would lead to interpretation problems in the event of a dispute.

Legal classification

Quality agreements are agreements under civil law and are concluded in practice as part of the supply contract or as a stand-alone supplementary agreement. Their binding effect depends on the wording:

obligations should be marked as binding, not as a declaration of intent. In cross-border transactions, the parties ensure validity and the applicable law on a case-by-case basis; legal and tax matters must always be examined individually. In addition, provisions on the CMR consignment note or on ADR law for the transport of dangerous goods may be moved to logistical supplementary agreements.

Industry-typical characteristics

The scope varies considerably by industry and risk class. In the automotive industry, quality-related supplementary agreements covering topics such as PPAP documentation and change management are customary; in medical technology and the pharmaceutical industry, significantly stricter requirements apply to documentation and traceability. In mechanical engineering, a leaner agreement with an inspection plan and complaint process is often sufficient.

Structure and typical content of a quality agreement

A practically usable quality agreement follows a structure that systematically covers product, process, inspection and response to deviations. It is important that every requirement is formulated measurably and verifiably so that it can be used in the event of a dispute and in supplier evaluation.

Product and process requirements

The core element is the reference to binding documents such as drawings, requirement specifications, standards and material lists in their valid version. These are supplemented by requirements for manufacturing processes, for example defined procedures, machinery or qualified personnel. Changes on the supplier's side generally require the customer's consent; change management, including deadlines and evidence obligations, should be regulated.

Inspections, approvals and documentation

Agreed are the type and scope of incoming goods and works inspections, inspection plans, measuring equipment specifications as well as marking and packaging. Frequently regulated are visual approval at first article and on process changes, and the obligation to hand over findings and certificates. The ATP check (available-to-promise) primarily concerns availability, but should be kept consistent with the quality requirements for the release process.

Complaints, escalation and consequences

Defined are response and completion times for complaints, responsibilities, formats for 8D reports and legal consequences such as replacement delivery, credit note or rework costs. Escalation levels up to a delivery stop and integration into supplier segmentation and supplier evaluation round off this section.

Methods and approach for preparation and negotiation

The creation typically follows a standardised procedure: derivation of requirements from the product, internal alignment between quality, development and procurement, negotiation with the supplier and regular review. A structured procurement process ensures that the agreement is effective before the first order is placed.

Derivation of requirements and risk classes

The starting point is the technical documents and the requirement specification, plus a supplier risk assessment based on supplier segmentation criteria. Critical parts with a high risk of failure are subject

to deeper requirements than C-parts in catalog buying. On this basis, the scope of the agreement is defined in tiers.

Negotiation and internal anchoring

Procurement, quality and, where applicable, legal negotiate the content jointly; typical points of contention are inspection costs, first article costs and liability limits. The final agreement is documented, versioned and stored in the supplier master. Integrating suppliers into systems such as supplier portals facilitates access to the respective valid version.

Audits, monitoring and updating

After conclusion, compliance is monitored through audits, incoming goods data and complaint evaluations. The deviation analysis and the evaluation of complaint rates provide input data for annual revisions. In the event of process or product changes, the agreement is adapted before new lots are released.

Key KPIs for managing quality-agreed performance

Quality agreements only have an effect if compliance is made measurable. The metrics frequently come from incoming goods inspection, complaint management and supplier evaluation and are reported regularly within supplier management.

Quality and process metrics

Typical indicators are incoming goods delivery rate, complaint rate, scrap and rework shares as well as the average response time to complaints. In practice, target values are agreed per supplier and component class; customary benchmarks for the incoming goods delivery rate are above 98 per cent. Deviations feed directly into supplier evaluation.

Cost impact and processing

The economic assessment includes avoided costs (cost avoidance) through prevented incorrect deliveries as well as direct consequential costs such as sorting costs, freight surcharges or write-downs. The average 8D turnaround time and the proportion of overdue actions show how reliably the supplier adheres to agreements.

Risks, controls and compliance aspects

Without clear controls, a quality agreement remains a paper exercise. The risk lies primarily in outdated document statuses, a lack of binding effect in purchase requisitions and unclear responsibilities in complaint handling. Regulatory requirements such as supply chain due diligence legislation are also increasingly expanding the scope of inspection.

Typical risk areas

Common weaknesses are outdated drawing statuses, a missing link between purchase orders and the agreed scope of inspection, and complaints without documented root cause analysis. Verbal deviation approvals without documented release also create liability risks. For critical components, a quality incident without an agreement can lead to production interruptions and high expedite costs.

Control instruments

Effective controls are document version management, system-based blocking logic for purchase orders without a valid agreement, audit planning by risk class and regularly repeated supplier evaluations. Complaint and credit note processes are aligned with finance so that compensation (set-off) against open invoices is contractually clearly regulated.

Compliance and sustainability

Quality agreements may reference environmental and social requirements and evidence obligations arising from supply chain due diligence legislation, without fully reproducing them. The scope depends on the industry and customer requirements. Legal assessment of the respective obligations should be carried out on a case-by-case basis by specialist bodies.

Current developments: digitalisation and global supply chains

Quality agreements are increasingly migrating into digital supplier portals and are linked with master data, certificates and evaluation data. At the same time, requirements are rising due to longer supply chains, changed regulation and higher expectations of verifiability.

Digital management and automation

Modern systems store quality agreements versioned in the supplier master and link release status with purchase order release. Inspection plans and first article documentation are exchanged digitally; evaluations from the deadline deviation analysis and complaint statistics flow automatically into scorecards. This accelerates supplier onboarding and reduces media breaks.

Increased demands for transparency

Global supply chains, material shortages and regulation increase the pressure for demonstrable quality across several tiers. Companies are therefore increasingly shifting requirements onto sub-suppliers within their Tier-1 supplier's agreements. Contingency plans and safeguards modelled on disaster recovery (DR) concepts are increasingly finding their way into quality and continuity agreements.

Typical metrics

Incoming goods delivery rate: > 98%

customary target value for suppliers covered by quality agreements

Complaint rate: < 1–2%

in practice tiered according to component class

8D response time: typically 24–48 hours

initial response to complaints as agreed

On-time first article approval: > 95%

proportion of approvals completed on schedule

Practical example

A medium-sized mechanical engineering company sourced precision cast parts from several European suppliers without a uniform quality agreement. After repeated dimensional deviations and long complaint cycles, the company introduced tiered quality agreements, starting with the A-parts ahead of pilot series

procurement for a new gearbox programme.

- Negotiation of uniform agreements with inspection plan, visual approval for first articles and a mandatory 8D process with fixed response times
- Linking the agreement status check to purchase order release in the procurement system
- Monthly supplier scorecards with complaint rate and 8D turnaround time as control variables
- Escalation process with a defined credit note rule for sorting effort

Conclusion

The quality agreement translates technical requirements into binding, verifiable obligations between buyer and supplier. It reduces potential for dispute, accelerates complaint processes and creates the data basis for a robust supplier evaluation. Decisive is consistent implementation: valid document statuses, measurable KPIs and defined consequences in the event of deviations. Those who interlink quality agreements with the procurement process, supplier management and complaint handling sustainably reduce risk and total cost of quality. It therefore belongs in the standard repertoire of professionally organised industrial procurement.

Frequently asked questions

What is a quality agreement?

A quality agreement is a contractual supplementary agreement between the buyer and the supplier that bindingly defines the quality requirements for product, process, inspection and documentation. It concretises the purchase contract and serves as the basis for incoming goods inspection, complaint handling and supplier evaluation.

What belongs in a quality agreement?

Typical content includes references to drawings and requirement specifications, scope of inspection and inspection plans, first article and visual approvals, change management, the complaint process with response times, audits and consequences of deviations such as credit notes or delivery stops. Documentation and certificate obligations are also frequently regulated.

When is a quality agreement concluded?

It is customary to conclude the agreement before the first order, in particular with new suppliers, critical components and prior to pilot series procurement. The agreement is also adapted or renegotiated in the event of process changes, site relocations or after serious quality incidents.

Is a quality agreement legally binding?

Yes, it is an agreement under civil law and in practice forms part of the supply contract or a stand-alone supplementary agreement. What is decisive is the wording as a binding obligation. The specific legal effect, for example regarding liability limits, should be examined legally on a case-by-case basis.

Which standards are relevant for quality agreements?

Frequently, orientation is taken from ISO 9001, in the automotive industry from IATF 16949 and in medical technology from the regulatory requirements applicable there. The standards themselves are not quality agreements, but they provide the technical structure to which the contractual content is aligned.

What is the difference between a quality agreement and a quality assurance agreement?

The terms are largely used synonymously in practice. Some companies distinguish them in that the quality assurance agreement places stronger emphasis on process- and inspection-related details such as audit and inspection arrangements, whereas the quality agreement forms the more comprehensive framework.