

Guidelines suppliers

1 INTRODUCTION

ESSKÅ, with primary customers in the automotive industry, strives continuously to reach a delivery accuracy of 100 % and zero deviation to end customers. In order for us to achieve this goal we need the same input from our suppliers. This document is supposed to help in clarifying our guidelines and requirements, and hence make it possible for all of us to accomplish this together.

Below you find some general guidelines and requirements that we expect to be followed for a good and fruitful cooperation:

- Perform product reviews, a critical review already at the inquiry stage, and include this with your quotation. If the quotation is sent to us without a product review, you, as a supplier, confirm that the product can be delivered according to specifications.
- Oblige to follow our Code of conduct and pass these requirements along the supply chain.
- Deliver PPAP as agreed.
- Reach a delivery accuracy of at least 98 %.
- Mark all deliveries and delivery notes with the correct label, acc. to section 5.
- Pack deliveries according to package instructions.
- Deliver products as agreed (drawings and specifications).
- Deliver the correct amount, specified on the order.
- In cases where specific requirements are stated, we expect these to be respected.
- Have a documented quality assurance, as ISO 9001 or IATF16949.
- Have a documented environment management system according to ISO 14001.
- Suppliers who are currently not certified in accordance with IATF16949 shall aim to strive for and develop their working method in accordance with these requirements and thus also a certification.
- In cases of delivery and/or quality issues, we ask you to announce this to your contact at ESSKA a.s.a.p.
- For non-swedish suppliers, the formal language is English.
- All communication should take place electronically. Claim reports are communicated per e-mail or phone.

1.1 General information

Our guidelines and requirements are based on the latest version of ISO/TS/IATF 16949, ISO 9001 quality assurance systems and ISO 14001, environment management system as well as the routines and instructions that permeate our quality philosophy. These requirements and guidelines are integrated with and apply for our orders and requests. However, the document will not replace the specific requirements agreed upon for the product. This document is a complement for our suppliers, in order to present and make our expectations clear.



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1.2 Supplementary documents

Both current and future suppliers are responsible, if applicable, for introducing as well as keeping updated with document that are required by IATF 16949 according to the last version.

If you have comments or questions about our guidelines and requirements, please refer to the contact list on our homepage <http://www.esskametall.com/>.

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2 SUPPLIER EVALUATION

We make continuous supplier evaluations of both existing as well as new suppliers.

For new suppliers, this means that the purchase manager and the quality manager make a mutual evaluation and approve the supplier according to given criteria. The supplier sends a test delivery for approval if the purchase manager finds this necessary.

Existing suppliers are being measured and followed up on a regular basis.

2.1 Follow-up

We work on continuous follow-up of our key suppliers.

Our evaluation is based on 4 different criteria and these are:

- Delivery accuracy (+0/-2 days) 100-95%=25p 94-90%=15p 89-85%=10p <85%=0p
- Quality results number of complaints for a year divided with the number or order rows: 0-0,005 = 25 p, 0,006-0,014 = 15 p, 0,015-0,03 = 10 p, >0,03 = 0 p
- Competence/availability achieved according to stated requirements =25p long response times=15p difficult in receiving information =10p difficulty in being reached over the phone =0p
- Risked or caused interruptions for us or for our client No=25p Ja=0p)

Sum/ranking:

100-90 p= A-supplier (Level 1)

89-70 p= B-supplier (Level 2)

<70 p= C-supplier (Level 3) =LP (Low Performance)

Basic criteria for being classified as an A supplier, regardless of the above assessment, is that you have a certification according to IATF16949. Without this, you reach maximum B status (Level 2).

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2.2 Actions after follow-up

At **level 1** no action is required, besides the supplier continuous work for achieving and this level.

At **level 2** communication is performed with the supplier.
This communication is carried out in order to reach an improved quality and delivery.

Level 3 means that an analysis of the LP trend and the type of control reports is initiated.

The supplier presents an action plan reset to an acceptable level.

The follow-up is performed to see if the trend for LP is positive or negative.

An action plan is required from the supplier.

As **level 3** does not show a positive trend, discussions are brought up to decide whether the supplier is appropriate or not.

3 APQP, PPAP AND IMDS

We always require full PPAP with the associated APQP performed and reported according to the requested level of request.

Upon request, the supplier should report tasks to the International Material Data System, IMDS, www.mdssystem.com.

4 INITIAL SAMPLES

Before parts are sent for initial samples, the supplier should perform a test on their own to verify that the requirements according to our specifications are kept. This applies for both articles produced in-house as well as bought items.

Initial samples should be produced in production tools with machines, as well as the process equipment and production methods that is supposed to be used for upcoming production. Deviations from this shall be reported to us before material delivery. Initial sampling can take place at different stages in production, as agreed, for instance after different steps in the tool production.

If several parallel tools are used, for example for pressing one article (part number), samples from each cavity shall be tested. The article shall be traced to its origin through a marking process.

Unless no other agreements have been made, the supplier tests and delivers five parts marked with numbers 1 through 5.

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4.1 Reports

The test results are performed and presented on test reports together with a PSW form, Should the supplier wish to use a PSW belonging to them, this is also accepted. A material certificate shall be included with the first delivery, as well as on request (from us) from the supplier.

4.2 Delivery of initial sample

No serial deliveries of new/modified parts must take place before performing an initial sample test and a written approval from us has been received. The material for first initial sample shall always be sent with a separate delivery note, separate from other deliveries.

Address labels and delivery notes shall be marked "Initial samples". Associated documents shall be sent per e-mail and also be included with the goods, in an envelope or a plastic bag.

Initial samples that are sent without a complete test protocol are rejected and returned to the supplier.

Initial samples shall be ordered and delivered in a time frame to make it possible to approve them and possible measurements shall be performed before the first batch delivery.

All orders, of both prototypes, initial samples and serial deliveries, shall be confirmed and possible claim reports reported to the contact at ESSKÅ.

5 PACKAGING, MARKING AND DELIVERY

All packages, delivery notes and invoices that are sent shall be marked as follows:

- Our PN/article number
- Our order number
- Number of articles/parts
- Others as agreed in the purchase documents

The labeling shall follow Odette standard. If this is not possible an exception can be allowed, after our approval. The packaging process shall always follow the agreed packaging instructions, or, if such instructions are missing, be performed in such a way so that the material is possible to handle and is not exposed for damages. Every part number is packed in a separate package if nothing else is agreed upon.

6 CLAIM REPORTS

The following procedures (priority) applies if deviating material from a supplier has been delivered to us and an agreement with the supplier is performed:

1. The material is returned at the expense of the supplier or scrapped right away, and hence the invoice from us is cancelled. When the material is redelivered according to specifications, the invoice is paid. A possible credit note is sent to ESSKÅ and the quality manager stated as reference.
2. If we due to a lack of material are forced to correct/sort the material, this is done by the staff at the supplier.
3. If the deviation is noticed during production, or if the supplier has no opportunity to correct it, the material will be corrected on our side. All extra costs for corrections are charged to the supplier as agreed, before the work is started.

All extra charges for corrections are currently 450 SEK/h. Scrapping of material is credited by the supplier at the purchase level. In cases with a refining process before the claim report is noticed, a full cost for the product is used.

The claim report shall be confirmed within 24 h. The claim report is expected to be complete with a well-conducted basic root cause analysis (5 Why, fishbone diagrams or similar) and long-term measures within 10 days. Extra time can be given on request.

6.1 Deviation approval

In order to receive an approval of deviation, the supplier shall contact the quality manager, who decides if it can be accepted. ESSKÅ will send a signed copy of the deviation approval if it is accepted. Otherwise the quality manager will contact the supplier and inform that it has been rejected.

A copy of the approval shall be placed on the package, in order for us to keep track of the package, and know that the deviation approval is valid for these particular deliveries.

6.2 Supplier change request

In order to implement any change in product, process or process flow the supplier shall fill out the the supplier change request form found on the ESSKÅ website and submit it to ESSKÅ.

ESSKÅ will send a signed copy with the decision. Note that no changes may be started before receiving a signed approval from ESSKÅ.

7 GUIDELINES FOR SUSTAINABILITY

As a supplier to Esskå, we expect you to live up to our code of conduct and actively work with sustainability in your business / organization. The areas we, as a minimum, expect you to follow and work with are:

External environmental aspects:

- Reduce greenhouse gas emissions (GHG), energy efficiency and the use of renewable energy.
- Water quality (emissions to water) and consumption
- Air quality (Emissions to air)
- Sustainable resource management and waste reduction
- Responsible chemical handling

Business principles / human rights:

- Conditions such as freedom of association and collective bargaining, wages and benefits, working hours, child labor, modern slavery, security and harassment and discrimination.
- Corruption, extortion and bribery.
- Privacy and data protection.
- Fair competition and antitrust as well as conflicts of interest.
- Whistleblowing and protection against reprisals.