

# SUPPLIER MANUAL



(MAN) MANUAL	WHQ_SQD_MAN001	WHQ	SQD	08	2018-10-05	EN
Type	Code	Belonging	Process	Edition	Issue date	Language

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**ZERO** defects, delivered **ON** time - **EACH** time.

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## 1. PURPOSE AND AUDIENCE

This manual is intended for suppliers of parts to any WITTUR element (or customer as appropriate.) This document outlines, the general expectations of WITTUR suppliers and WITTUR Supply Chain Management principles.

## 2. TERMS AND DEFINITIONS

**Competency:** this is evidence that a particular employee has been properly trained and evaluated to perform, manage or approve the work assigned.

**Containment:** quick actions (quality gates) aimed to stop non-conformances from entering the supply chain before root cause/corrective actions take effect.

In practice, this means use of quality gates such as 100% inspection, rework, quarantine, risk assessments, etc.

**Cpk (Process Capability):** Cpk is a statistical tool which measures the stability and control of a process, relative to the natural variability of the process and specification limits.

**CSL (Controlled Shipping Level):** Controlled Shipping is a demand being made by Wittur that a supplier put in place a redundant inspection process to sort for a specific nonconformance, while implementing a root-cause problem solving process. The redundant inspection is in addition to normal controls. The CSL process does not replace the normal nonconformity management. More details in the related Controlled Shipping Level 1 and 2 (CSL1/CSL2) Procedure.

**CTQ (Critical To Quality):** Critical to Quality is an attribute of a part, assembly, sub-assembly, product, or process that is literally critical to quality or more precisely, has a direct and significant impact on its actual or perceived quality.

**CTS (Critical To Safety):** Critical to Safety is an attribute of a part, assembly, sub-assembly, product, or process that is literally critical to safety or more precisely, has a direct impact related to personal safety end user and surroundings.

**Customer:** A customer is anyone who receives products or services (outputs) from a supplier. Customers can be either people or organizations and can be either external or internal to the supplier organization. Examples of customers include clients, consumers, users, guests, patients, purchasers, and beneficiaries

**Defect:** a "defect" is any failure to meet Customer/Wittur specific requirement regardless of cause (WITTUR or Supplier or Customer.)

Non Conformance report will be issued and addressed to the part provider (supplier) regardless of severity.

**Defective Units (for PPM):** any Non-Conformance of a sample on a lot makes the entire lot "defective" unless there is 100% sorting. Even when "used as-is" or "reworked" the entire lot is to be counted as defective.

"Rejected" is the same meaning as "Non-Conforming" – regardless if the parts are used or returned or reworked.

**Disposition:** disposition is the process of deciding how to process non-conforming material (scrap, rework, sort, return to supplier, etc.)

**First Article:** "First Article" always means a quantity of parts that are produced in Supplier's standard process. These parts must be representative of how the supplier will produce in serial production and in sufficient quantity to properly qualify the capability of supplier to produce.

**FMEA – Failure Mode Effect Analysis:** a document that defines the new process or solution with requirements and includes potential causes and effects of failure along with a prediction of the likelihood of their occurrence. FMEA stands for "failure modes and effects analysis."

**Incoming Inspection:** this is the process (controlled by local Quality) of evaluation of supplied parts to documented specifications (drawings, specification sheets or catalog items.)

**Non-Conformance or Non-Conforming Product:** any failure to meet a specified requirement (i.e., tolerance, material, Approved Vendor List, unapproved change, lifetime testing, etc.) Same meaning as "Defect".

Whether or not parts are used or returned or reworked, they are "Non-Conforming" when they do not meet specification.

"Rejected" is the same meaning as "Non-Conforming" – regardless if the parts are used or returned or reworked.

**Scorecard Record for any nonconforming parts:** every Non-Conformance requires a Corrective Action from the Supplier and must be counted in PPM measures. For example:

- Failures from rejected lots
- Failures from in-process (Red Table)
- Failures from Customers

**PPM (Parts Per Million):** this is a calculated result by "unit" on the Purchase Order, whether the unit is pieces, boxes, liters, etc....

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Non-Conforming Units X1000000/Delivered Units

**Rejected Parts:** "Rejected" is the same meaning as "Non-Conforming". Whether or not parts are used or returned or reworked, they are "rejected" when they do not meet specification.

**Retention:** storage and availability (primarily of documents.)

**Non-Conformance Severity:** all Non-Conforming Product requires a Corrective Action in compliance that addresses the failure to detect and the root cause of the failure.

**Severity:** this is a term to designate the seriousness of the defect. Failure of a "CTQ" dimension or material specification can be "very severe" and failure of a label adhesion can be "minor severity", but all are Non-Conforming when it is a supplier-related problem.

**Statistical Process Control (SPC):** this is a method of using measurements to monitor and control a process.

Key tools used in SPC include Control Charts, Cpk measurements, First Pass Rate, etc...

**Supplier:** A supplier is a person or an organization that provides products or services. Suppliers can be either internal or external to an organization. Internal suppliers provide products or services to people within their own organization while external suppliers provide products or services to other organizations. Examples of suppliers include organizations and people who produce, distribute, or market products, provide services, or publish information.

**Supplier Claim Rate KPI (SCR):** this is a PPM measurement. See PPM definition.

**Supplier Evaluation:** evaluation of a supplier's performance concerning processes and performance in providing goods and services that meet specification and requirements (quality, delivery, responsiveness, etc....)

**Supplier On-Time Delivery KPI (SOT) \*:** this is a calculated percentage by expected date. WITTUR requires suppliers to deliver on the date requested - never late or early.

$$\frac{\text{fully received order lines **}}{\text{expected order lines ***}}$$

*\*Annual scores will be an average of monthly scores.*

*\*\*Suppliers must deliver the entire order quantity to be considered on-time. Any previously agreed changes to dates or quantities must be reflected in the MRP systems.*

*\*\*\*Delivery date must be confirmed and within the supplier's established lead times and contractual delivery terms to be counted "late" or "early".*

**Supplier Qualification:** process of auditing and evaluation to ensure that a given supplier can produce parts and services that meet expectations using standard, qualified processes and personnel.

**Supplier Quality Development:** this department exists to define and control how to select, qualify and define targets for Suppliers, to provide global Supplier overviews, First Article and Process approval and to work with local plant Quality, Purchasing, Commodity Managers and directly with Suppliers to understand, report and improve Supplier performance and value.

**Supplier Re-Assessment:** supplier Reassessments are audits completed after initial supplier qualification.

**Supplier Process Audit:** this is an audit done when a specific technical problem appear in Wittur production line and /or during the PPAP process.

**Supplier Scorecard (Performance Metrics):** this is a summary to be sent to a supplier that shows performance to Quality, Delivery or Costs as defined by the SQD and local Quality teams.

**Vendor Rating (Performance Metrics):** this is a summary to be communicate to a supplier twice per year that classify suppliers in four classes based on the following axis: Product Quality, On time Delivery, A general evaluation based on not measurable variables like: contract and negotiation, prize and condition, cooperation and customer orientation, cooperation in complaint handling,

Environmental certifications, Health & Safety certification or assessment, Business continuity assessment.

**WCC - WITTUR Change Control:** this is WITTUR's process to ensure control and communication of changes to eliminate defects and meet customer expectations. This ensures that requirements are known and agreed in advance and that all qualification steps are complete before change is implemented.

**WDSC – Wittur Digital Supply Chain:** Wittur Digital Supply Chain interfacing system is a process e-mail and web based in order to manage the order to cash process with the suppliers.

**WPPAP - WITTUR Production Part Approval Process:** process used for securing all Customer/Wittur engineering design record and specification requirements are understood by the suppliers and that supplier production process has

the potential of producing parts consistently meeting these requirements during an actual production run. Both WITTUR and its Customers use this process as basis for their Change Management systems and must be well understood.

### 3. WITTUR VISION

WITTUR's VISION is to be recognized for excellence in solutions and safety": "We aim to be the leading "global" strategic partner for eco-efficient solutions, for components, modules and systems in the lift industry and be recognized by customers as quality and technology leader. We strive for global operational excellence to be the customer's first choice for lift components and solutions worldwide, by offering the widest range of top quality lift products: energy-efficient, safe, easy to install and maintain."

In today's global market, it is vital that we leverage our own knowledge and capabilities with an effective supply chain in order to realize this vision.

Our objective is to continuously improve our supply chain by developing cooperative partnerships with all of our suppliers and customers. We continuously monitor supply chain performance in order to satisfy our customers and form a firm foundation for further improvements.

We expect our suppliers to meet requirements, provide defect-free product and search continuously for improvement opportunities – both in their own processes and in suggestions for improvement to our product. We consider suppliers who constantly meet requirements, provide effective solutions and offer consistent improvement to be the most valuable partners to us.

As partners, we commit ourselves to communicate openly with our suppliers and provide value-added feedback in support of continuous improvement. We choose our partners based on demonstrated performance and will provide any support possible in order to assist them in reaching their goals.

The challenge to achieve our vision requires the best supply chain performance. In order to meet our customer expectations, we must also set clear expectations for supplier performance. To accomplish this, we have set a benchmark target for our global supplier chain as follows:

As example 2018 Quality and Delivery targets

Key Performance Indicator	2017 Performances	2018 Target
Quality	If performances is greater than 1500 PPM	1500 PPM
	If performances is lower than 1500 PPM	20% improvement from 2017 result
	Non Conformance Report	20% improvement from 2017 result
Delivery	Supplier On Time Delivery	> 99.9%

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## 4. SUPPLIER QUALITY STRATEGY

The WITTUR ZONE is based on a ZERO Defect, delivered ON time - EACH Time approach and requires communication and action to get our Supplier Base operating at a higher level.



## 5. SUPPLIER QUALITY AWARENESS

In order to achieve our goals and realize our vision, WITTUR Suppliers need to have a fundamental understanding and concrete implementation of Quality principles and activities.

### 5.1. QUALITY SYSTEMS (ISO, ASME, ETC.)

#### 5.1.1. ISO9001

- All suppliers **shall** have and maintain ISO9001 accreditation by a qualified 3rd party auditor at a minimum. 3rd Party auditors shall be accredited by a valid accreditation body.  
[http://www.iaf.nu/articles/IAF\\_MEMBERS\\_SIGNATORIES/4](http://www.iaf.nu/articles/IAF_MEMBERS_SIGNATORIES/4)
- Quality Manual shall also be in English if doing business with WITTUR outside your home country or as requested.

#### 5.1.2. QUALITY MANAGEMENT

All suppliers shall have a Quality Manager (or equivalent) and demonstrate expertise in at least:

1. ISO9001 Management
2. Incoming, In-Process and Outgoing Quality Inspection Gates
3. Root Cause/Corrective Action
4. Statistical Process Control
5. Lean Methodology
6. Basic English communication if doing business with WITTUR outside your home country.

#### 5.1.3. HEALTH, SAFETY AND ENVIRONMENT COMMITMENT

WITTUR is committed to ISO 14001 Environment Management System / ISO 45001 Occupational Health and Safety Management System compliance and strongly encourages our Suppliers to integrate these into their management systems.

WITTUR Suppliers are required to follow and ensure application of all WITTUR safety and environmental requirements. Additionally, Suppliers will rigorously comply with all mandatory regulatory requirements which may apply (e.g. REACH, WEE, ROHS, SOC etc...) including but not limited to the ISO 45001 and ISO 14001 standards.

WITTUR team is dedicated to satisfy customer requirements based on Health, Safety and Environmental program towards continuous improvement. WITTUR Suppliers are expected to demonstrate the same level of commitment and diligence. It is mandatory that WITTUR Suppliers provide the necessary support and cooperation to comply with Wittur Customer initiatives on Health, Safety and Environmental related topics.

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WITTUR Suppliers will be evaluated based on environmental aspects of all supplied products entire life cycle. This life cycle evaluation will progressively cover quantitative determination of all exchange flows between the product system and the ecosphere in all the transformation processes involved.

The Wittur Supplier Quality Development Department will check during audits the compliance of the Suppliers with product environmental requirements, fabrication emission reduction programs and the use of environmentally sustainable packaging/ raw materials according to the *Life Cycle checklist FR001\_WHQ\_PMO\_PR004*, the *Supplier Audit Checklist FR002 [WHQ\_SQD\_PR002]* and the *Supplier Qualification Monitoring Evaluation Procedure WHQ\_SQD\_PR002*



## 5.2. PRODUCTION CONTROL

### 5.2.1. PRODUCIBILITY ANALYSIS

When required, WITTUR will send a Producibility Analysis and Commitment template. The purpose of this analysis is to ensure that all requirements and questions are answered before awarding business.

WITTUR expects Suppliers to understand this process and commit to analyzing the requirements and their capability before producing parts.

The purpose of the Producibility Analysis is to ensure:

1. All dimensions and requirements are understood and expected to be produced to specification before ordering tooling or making samples.
2. Materials required are available without substitution.
3. Issues or questions are addressed prior to business award.
4. WITTUR-defined CTQ's and Safety parameters are understood and controlled (either by process or by inspection) in Manufacturing.

CTQ characteristic comes from PFMEA, Customer feedbacks, Audit inputs, Brainstorming.

Supplier **shall** follow instruction depicted in paragraph 5.2.3 item 4a/4b.



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## 5.2.2. DESIGN AND PROCESS VALIDATION

Supplier **shall**:

1. Properly qualify all tooling and equipment for WITTUR product – either in-house or by a competent 2nd or 3rd Party.
2. Have dedicated technical resources who understand the technologies used in production of WITTUR product.
3. Formulate Design/Process FMEA's, Control Plans (with CTS/CTQ defined) and Work Instructions for each WITTUR part.
4. With English if doing business with WITTUR outside your home country or as requested.
5. Follow WITTUR Production Part Approval Process to ensure full compliance with specification.

## 5.2.3. STATISTICAL PROCESS CONTROL (SPC)

Modern professional manufacturers use SPC to control their processes. WITTUR expects Suppliers to have and understand SPC in order to provide the highest level of service.

Supplier **shall**:

1. Have SPC practices within their production process.
2. Review performance of their SPC data for improvement.
3. Have appropriate tooling/equipment to produce accurate results.
4. Understand and use Process Capability (Cpk)
  - a. Control of WITTUR CTQ's has a targeted minimum of 1,33 Cpk.
  - b. If process is less than 1.33, then Supplier must introduce 100% inspection or other methods like Poka-Yoke to ensure delivered parts meet specification.

## 5.2.4. TRACEABILITY

Supplier **is expected** to be able to trace back all materials used to produce the part, until batch numbers of purchased raw materials / subcomponents. A system must be in place to ensure the traceability and identification of single products (where possible) and boxes / pallets:

1. barcode label with supplier codes
2. customer name, material code number and amount of parts in box, production dates, manufacturing machine, line number.

For Safety Components the supplier (manufacturer) **shall** be complaint to the Lift Directive LD 2014/33/EU as referenced in the Technical Specification TS001(WHQ-IMS-013) and TS002 (WHQ-IMQ-013) available in the Supplier Portal network.

A system must be in place to ensure the traceability and identification of single component by means of:

1. Type
2. Production Batch number and date
3. Component/Product Serial Number
4. Supplier Name, or Registered trade name, Postal address

## 5.2.5. RAW MATERIAL CONTROL

Raw material code is stated in the drawing. Any indication to material international reference standard is not anymore reported in to the drawings.

Suppliers will received from Wittur Purchase Department the indication of equivalent materials and related international reference standard he/she can use it together the Purchase Order and other pertinent documentation.

Supplier **Shall**:

1. Ensure that raw material is from a previously qualified source.
2. Ensure that raw material meets WITTUR specifications.
3. Ensure material is handled and stored properly avoiding :
  - a. damages – including cosmetic
  - b. mixing with other material
  - c. loss of traceability
  - d. Used New or Unused material

In case that partial or all materials are supplied by Wittur, the Supplier **shall** keep the raw materials provided by Wittur properly. If some quality problems or potential quality problems are discovered before raw materials are put



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into production, the Suppliers shall stop the production and inform Wittur in time. If the Supplier fails to inform Wittur, those quality problems are attribute to the Supplier, and Supplier shall compensate all losses incurred to Wittur.

## 5.2.6. CONTROL OF IN-PROCESS AND FINISHED GOODS

Supplier **shall**:

1. Ensure that all parts in production are handled and stored properly to ensure:
  - a. No damage – including cosmetic
  - b. No mixing with other material
  - c. No loss of traceability
  - d. Inform the Customer in case the part does not meet the specification. The eventual temporary deviation is limited in the quantity and in the time frame.

## 5.2.7. PACKAGING OF FINISHED GOODS

Supplier **shall**:

1. Package parts in accordance with Wittur requirements and pre-arranged Minimum Order Quantities (MOQ) with WITTUR.
2. Ensure packaging will properly protect parts from damage in transit and storage.
3. Ensure packaging properly identifies parts and production information necessary to identify and trace goods.

## 5.2.8. WITTUR DIGITAL SUPPLY CHAIN (WDSC)

Wittur is implementing Digital Supply Chain interfacing system with the suppliers e-mail and web based in order to manage the order to cash process.

This tool (while applicable) will be only interface channel with the suppliers whom will work exclusive on this tool.

Also a utility program to print the labels is built in WDSC tool that will be the only way for the supplier to print the label for the product to be delivered to Wittur.

WDSC will also provide the ASN (Advanced Shipping Note) in order to support the supplier delivery process, and to allow Wittur to know in advance the goods that will be delivered from the supplier.

WDSC will also support the expected invoice in order to support the supplier invoicing process.

All the logistic performance of the suppliers will be calculated and managed using this tool.

It's mandatory for the supplier to use exclusively WDSC tool to fulfill the delivery process.

## 5.2.9. ON-TIME DELIVERY REQUIREMENTS

Supplier **shall**:

1. Deliver on the date requested within Kanban replenishment frequencies - no late and no early deliveries.
2. Communicate all anticipated delivery problems immediately when known.
3. Measure the on-time delivery performance to WITTUR.
4. Manage and measure the supply base to ensure that materials also arrive on-time.
5. Analyze stock and production schedules to ensure there is adequate contingency to meet delivery dates.

## 5.3. EQUIPMENT CALIBRATION

Supplier **shall**:

1. Control, Calibrate or Qualify all equipment and tooling at specified interval or prior to use within their facility including:
  - a. External Tooling/Equipment
  - b. Internal Tooling/Equipment
  - c. Checking Tools
  - d. Reference Tools
2. Identify all equipment and tooling with labels including at minimum:
  - a. Unique serial number
  - b. Label that shows serial number and due date
  - c. "Reference" or "Calibration Not Required" for reference standards

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3. Maintain Records of calibration and qualification to include at minimum:
  - a. All test measurement data
  - b. Traceability of all tooling used to qualify or calibrate as well as to international or national standards
  - c. Tester information (test operators if internal and 3rd party name as appropriate)
  - d. Calibration records shall be reviewed to ensure they pass manufacturer specification
4. Take appropriate actions as necessary in case the validity of the previous measurement results has been adversely affected

\*Note – If internal calibration is performed, the supplier shall properly train and qualify personnel performing work. (External training, Gage R&R, etc.)

## 5.4. CHANGE MANAGEMENT REQUIREMENTS

### 5.4.1. CHANGE COMMUNICATION

ALL changes to supplier process, sourcing or personnel that can have any effect on delivered product quality, delivery or cost shall be communicated prior to the change. Requirements for approval will be agreed ahead of time with WITTUR Supply Chain Management.

This includes but is not limited to:

- New Molds
- Additional Lines
- Supplier Location Changes
- Change of Raw Material/Component Sources

### 5.4.2. CHANGE MANAGEMENT

Supplier shall maintain a documented Change Management process that is effective to ensure changes are identified and qualified before implementation.

## 5.5. CONTINUOUS IMPROVEMENT AND VISUAL WORKPLACE

Supplier **shall**:

1. Have an internal program to measure performance and improve with actions and dates.
2. Have Work Instructions posted where the work is performed.
3. Have relevant data displayed where employees can see their performance.

## 6. SUPPLIER COMMUNICATION

### 6.1. WITTUR SUPPLY CHAIN PERSONNEL

1. Suppliers must communicate locally with their WITTUR Purchasing or Quality contacts.
2. Meetings at Supplier sites must start at the designated time.

### 6.2. WITTUR CUSTOMER CONTACT

WITTUR Customers are allowed the same access as WITTUR Supply Chain, but:

1. Direct Customer communication without WITTUR is not allowed unless previously agreed with WITTUR Quality.
2. WITTUR must be immediately notified of any direct Customer contact – physically or by email or by phone.
3. WITTUR must coordinate and attend all Customer meetings unless previously agreed.

## 7. SUPPLIER QUALIFICATION AND REASSESSMENT

Supplier Qualification is a process of auditing and evaluation to ensure that a given new supplier can produce parts and services that meet expectations using standard, qualified processes and personnel.

Supplier reassessments are performed by qualified auditors from WITTUR so that each supplier is evaluated frequently (based on criticality and performance.)

The all process is illustrate in the Supplier Qualification, Monitoring and Evaluating procedure WHQ\_SQD\_PR002.

Since January 2015 Supplier Qualification process of auditing is according to Supplier Audit Checklist FR002 [WHQ\_SQD\_PR002].

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Therefore all the existing suppliers before January 2015 are in status of “Qualified” based on the old requirements.

This does not exclude Wittur to redo the audit based on the supplier performance and part critically.

Scorecards will be sent from WITTUR to further communicate the performance of the supplier on monthly base.

## 7.1. AUDIT METHODOLOGY

WITTUR performs audits on a process-based approach. Qualification is a process-related audit to determine the strength and feasibility of the supplier to perform work.

The suppliers shall agree to provide documentation and access to production areas as necessary to ensure that Wittur will be able to determine compliance with standards, competence in processing and risk mitigation.

The suppliers shall disclosure written documents, records and other information of product according to demand of Wittur, such as control plan, process capability, analysis report, material certificate, third party inspection report for key components and factory inspection report etc. and shall be responsible for authenticity of all information.

The process and form is defined in Supplier Audit Checklist FR002 [WHQ\_SQD\_PR002].

## 7.2. AUDIT EXPECTATIONS

Supplier **shall**:

1. Be prepared for each audit:
  - Start the meeting/audit on time.
  - Have Production processes ready to produce previously agreed products.
  - Have the appropriate Quality Management and Production staff available.
  - Have an analysis of the Quality performance with actions, questions and plans for improvement – based on the Score Card or pre-audit questionnaire.
2. Follow up on audit findings and communicate actions as agreed.
3. Ask for a Score Card prior to the audit if not already sent.
4. Regularly update the WITTUR SUPPLIER BOARD and post it in the shop floor

## 8. TOP FOCUS SUPPLIER PROGRAM

The evaluation is done by SQD and Purchase community is informed.

SQDs take in account the following variables:

1. PPM Year to Date value major then 500
2. Upward trend of Non-Conformance report issue
3. Repetitive Non-Conformance
4. Severity of the Non-Conformance detected
5. Total Turn Over in K€ major or equal to 100
6. Last Quality Audit outcomes
7. Supplier rated in C and D class

Supplier inside the Top Focus Program must prepare an Action Plan to be followed at least on monthly base:

1. for all the Non-Conformances claimed
2. answers to all Wittur Process audit findings
3. analyzed Internal PPM most contributors (eg. Pareto analysis)

A window of six months is given to the Supplier to recover the situation.

Within this time frame on monthly base the Supplier performances are monitored to evaluate the improvements.

New Business is not given to the supplier till the closure of the Top Focus Program.

At the end of the 6 months the metrics are compared to the initial data and the decision is:

1. Release the Supplier from the Top Focus Program If we have at least 50% of improvement and/or the Supplier is not anymore present in the Pareto of the top 5 worst suppliers
2. Keep the Supplier in the Top Focus Program for additional six month if the criteria 1. is not satisfy
3. If after one year under the Top Focus Program the supplier does not satisfy the criteria 1. SQD will notify to Purchasing/Commodity community a phase out proposal

## 9. SUPPLIER PERFORMANCE EVALUATION

On monthly base Local Quality issue the Scorecard to the suppliers. Part per Million, Number of Non Conformances and On Time Delivery are reported in the document.

At the first quarter and the third quarter the supplier evaluation is carried out for the previous six months. In this rating all evaluation results coming from departments are taken in account: Quality (PPM), Logistics (punctuality), Incoming Inspection, Purchasing and are communicated through the Purchasing to the supplier. An official communication is submitted to the suppliers.

## 10. WITTUR PRODUCTION PART APPROVAL PROCESS (WPPAP) COMPETENCY

Supplier shall have a working knowledge of the WITTUR PPAP criteria in order to provide details and analysis needed as required by WITTUR or WITTUR Customers.

This process is used to manage New and Modified Part Approval within WITTUR.

The minimum requirements supplier must accomplish are:

1. Product Producibility analysis
2. Control Plan integrated with Process steps (preferred Process flow chart)
3. Material certificate
4. Dimensional report

## 11. NON-CONFORMING MATERIAL PROCESS

### 11.1. PURPOSE

Non-Conforming material found in inspection (First Article or Standard), In-Process and returned from WITTUR must be marked, controlled and handled to ensure that they do not enter into the product stream, according to Non-conforming material management procedures WHQ\_IMS\_PR009 for non-safety components and WHQ\_MS\_PR014 for safety components. Non Conformance Report (NCR) is issued for every Non-conforming material detected along the processes.

Wittur reserves the right to ask suppliers to make 100% control and certificates the execution (CSL1). In case the problem persist 100% control by an external provider paid by the supplier is conduct to supplier's premises (CSL2).

If after this second level of inspection the problem is still present the supplier is put in business on-hold until the complete removal of the defects. Further details related to CSLs are available in the procedures WHQ\_SQD\_PR006 and WHQ\_SQD\_PR007.

### 11.2. IDENTIFICATION AND LABELING

All material must be properly labeled to identify its source (either with all information or by a label that references a non-conformance system with all the information.) accordingly to paragraph 5.2.7 while applicable.

### 11.3. CONTAINMENT ACTION, ROOT CAUSE AND CORRECTIVE ACTION REQUIREMENTS

All suppliers shall have competent personnel and effective methods to identify sources of problems to correct and prevent defects, according to Supplier Problem Solving Procedure WHQ\_SQD\_PR001.

#### 11.3.1. CONTAINMENT ACTION

Suppliers has to put in place within 24 hours all the Containment Action need it to protect Wittur for further Non-Conformities (eg. identified and isolated suspicious material in warehouse, in transit, at Wittur, sorting activity, material replacement, etc.)

#### 11.3.2. ROOT CAUSE ANALYSIS (RCA)

ALL product that does not meet specification (Non-Conformance) shall have a Root Cause Analysis from our suppliers. No exceptions! Our suppliers must take their commitment to quality seriously and must be aware of all issues and provide appropriate analysis.

Root Cause must be effective and based on standard Root Cause methodology such as:

- Ishikawa (Fishbone) Analysis

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Note: Ishikawa is NOT “Root Cause” – this is merely an analysis tool to decide all the input factors for complicated problems. “Root Cause” analysis must follow.

- 5 WHY or other method

Note: Proper analysis requires finding the most relevant cause – even if more than one are possible influences.

Examples of Unacceptable Root Causes:

**“Employee Error”, “Not Cost Effective to Analyze” and “Unknown” are unacceptable Root Cause symptoms. These are not looking at the proper and Actionable “Root Cause” categories.**

### 11.3.3. CORRECTIVE ACTION (CA)

Corrective Action must be effective in order to prevent further errors – and shall have a measure of effectiveness.

ALL product that does not meet specification (Non-Conformance) shall have a Corrective Action from our suppliers. No exceptions! Our suppliers must take their commitment to quality seriously and must be aware of all issues and provide appropriate analysis.

Corrective Action must be effective in order to prevent further errors – and shall have a measure of effectiveness.

Examples of Unacceptable Corrective Actions:

“Retrained Operator”, “Implemented more Inspection” and “Replaced Supplier” are unacceptable Corrective Actions. These may be necessary actions, but do not address the systemic issue nor prevent the problem from recurring.

Examples of Measures of Effectiveness

Statistical Process Control – measure the effect of the CA in process with First Pass Rate or Cpk or Control Charts.

Operator Qualification – test operators on new process using First Pass or GR&R or other methods.

Follow up audits to ensure problem is solved with documentation. (“3 subsequent audits showed no further evidence of problem”, etc...)

## 11.4. DISPOSITION OF MATERIALS

Disposition of the item depends on whether it can be reworked, used as-is or if it must be scrapped.

### 11.4.1. REWORKABLE

Items must be properly marked and inspected after the rework process. Reworked items must be separately marked and packaged if returned with new production parts. Rework process must be agreed with Customer.

### 11.4.2. NOT-REWORKABLE:

In case of material being identified as non-re-workable material by Customer, Supplier may choose among two options:

- In-House Scrap at Customer (preferred solution for Customer so as to ensure product is not re-entered into the supply chain): Supplier must pay for material scrap processing costs if these were to exist and all scrapped material is considered Customer property.
- Return to Supplier for Scrap: Supplier has 5 working days to pick up the material from the Customer plant. In this case Supplier must clearly permanently mark the Product and preferably do so as rendered inoperative (destroyed) so that Product cannot accidentally be resent to Customer. Supplier must bear any related costs to mark or destroy the product.

#### 11.4.2.1. USE AS-IS

Items used as-is are still considered “Non-Conformities” and count as defective units in PPM, requiring a Corrective Action.

#### 11.4.2.2. ELECTRONIC MATERIAL

Electronic Material returned from WITTUR Customers is not reworkable and must be returned or destroyed after analysis in accordance with processes defined by Quality Management and aligned with relevant Customer requirements.

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Electronic Material found in-process between WITTUR and Supplier can be reworked under the following conditions:

- a. Rework of the material is according to IPC requirements.
- b. Rework of the material brings the unit to full production quality status and is processed through all defined testing.

## 11.5. NON-CONFORMANCE COST

When product is not delivered on time or is delivered with Non-Conformities, the Supplier will be notified and Customer reserves the right to charge fees to compensate for costs incurred.

Non-conformance costs may include the following:

- Cost of the rejected purchased goods, including both product price paid by Customer as well as additional logistic costs incurred to ship to Customer plant.
- Re-inspection or Disposal fees (by Customer or 3rd Party as appropriate). In this case Customer will advise Supplier of the need to do this. Supplier has the right to send own personnel in 4 hours or less to the Customer plant to carry out these tasks. If unsuccessful, Customer will carry out these tasks directly, applying the following costs per hour/ operator:
  - 20€/hour for China, India, Turkey, Mexico
  - 25€/hour for Slovakia, Hungary, Brazil, Argentina
  - 30€/hour for Spain, Italy
  - 45€/hour for Austria, Germany
- If a batch is rejected, or partially rejected the Supplier shall reimburse Customer a lump sum of two hundred Euro (200 EUR) as compensation for additional administrative costs caused to Customer in the follow-up.
- If one or several line items of a purchase order are delayed, application of a lump sum of two hundred Euro (200 EUR) as compensation for additional administrative costs caused to Customer in the follow-up. This sum will be applied per order. If Supplier communicates to Customer the delay in advance and Customer explicitly authorizes the delay, penalty will not be of application. For each additional working day of delay (additional working day of delay will be based on accepted delivery times at Wittur plants), an additional 25% will be added to the total value of the lump sum (e.g.: day 1 total lump sum 200€; day 2 total lump sum 200€x1,25= 250€; day 3 total lumpsum 250€x1,25= 312,5€;... Therefore, if delayed three days Supplier would pay a total of 312,5 €).

It is expected that in case of a technical issue affects Customer capacity to produce, Supplier will do all the necessary to deploy solutions to urgently deliver correct Product to Customer, including express deliveries or airfreight if needed.

Costs indicated above do not represent in any case a limitation or maximum of Supplier liability in front of Customer nor a reduction of rights of the Customer to demand additional compensation due to impact of Supplier non-conformance.

## 12. ANNEXES

- Wittur Corporate Policy: ENVIRONMENT HEALTH & SAFETY AND QUALITY
- Wittur Supplier Code of Conduit
- WHQ\_SQD\_TS001 – Mechanical Component Quality Agreement
- WHQ\_SQD\_TS002 – Electromechanical Component Quality Agreement
- WHQ\_SQD\_TS003 – Electronic Component Quality Agreement
- WHQ\_SQD\_TS004 – Raw Material Quality Agreement
- WHQ\_SQD\_PR001 – Supplier Problem Solving Procedure
- WHQ\_SQD\_PR006 – Supplier Escalation Process
- WHQ\_SQD\_PR007 – Controlled Shipping Level CSL1 and 2

# SUPPLIER MANUAL



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- Life Cycle checklist FR001 [WHQ\_PMO\_PR004], Ed. 2017-06-12
- Supplier Audit Checklist FR002 [WHQ\_SQD\_PR002], Ed. 01.A 2018-01-10