

SUPPLIER QUALIFICATION, MONITORING & EVALUATION



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|----------------|---------------|-----------|---------|---------|------------|----------|
| (PR) Procedure | WHQ_SQD_PR002 | WHQ | SQD | 06 | 14/02/2020 | EN |
| Type | Code | Belonging | Process | Edition | Issue date | Language |

PURPOSE

The following procedure has the purpose to define the criteria to select, qualify, monitoring and evaluate direct material suppliers to the Wittur Group. This procedure affects all new suppliers of standard parts as well as suppliers of special parts utilized for customized customer order.

SCOPE

All Group companies.

This procedure is not applicable for the suppliers involved in the following providing:

- 1) Supplier of off the shelf parts not classify as special or critical parts;
- 2) All suppliers of indirect parts (not present in the BOM).

REFERENCE

§ 8.4 – ISO 9001:2015 Control of externally provided processes, products and services

§8.4.1 – ISO 9001:2015 General

§8.4.2 – ISO 14001:2015 Type and extent of control

§ 8.1 – ISO 14001:2015 Operational planning control

§ 8.3 – ISO 22301:2012 Business continuity strategy

§ 8.3.1 c) – ISO 22301:2012 Determination and selection

§ 8.3.2 – ISO 22301:2012 Establishing resources requirement

RESPONSIBILITY

PROCESS OWNER
Corporate

Supplier Quality Development

SQD are responsible to apply the procedure for all eligible suppliers and monitoring the deployment of the defined procedures at local level.

The new Sourcing Committee must drive down costs by ensuring the adherence to the sourcing strategy

Local

Local Quality is responsible to monitoring and reporting the performance and alert the Corporate department in case of serious accidents (Safety and/or Functional), repetitive quality issue, cross-factory quality issue.

RELATED DOCUMENTS

Procedures

WHQ_SQD_PR001 – Supplier Problem Solving

WHQ_SQD_PR005 – WPPAP

Instructions

WHQ_SQD_PR006 – Supplier Escalation Process

NA

Forms

FR001 [WHQ_SQD_PR002] – Supplier Pre-Audit Questionnaires

FR002 [WHQ_SQD_PR002] – Supplier Audit Checklists

FR003 [WHQ_SQD_PR002] – Supplier Process Audit Checklists

FR004/5 [WHQ_SQD_PR002] – TFP Dashboards

FR006/7 [WHQ_SQD_PR002] – TFP Entry/Exit letters

FR008 [WHQ_SQD_PR002] – Vendor Rating Form

FR001 [WHQ_IMS_PR009] – Non-conformity Report (NCR)

Others

WHQ_SQD_MAN001 – Supplier Manual

WHQ_SQD_MAN003 – PCBA Process Manual

WHQ_SQD_MAN004 – Wire Harness Process Manual

TS001 [WHQ_SQD_PR002] Quality Agreement (Q-Annex)

| Issue history | Date | Ed. | Description of change | Editor | Approvers |
|-------------------------|------------|-----|--|----------|-----------|
| First | 2017-07-28 | 00 | | M.Ursida | A.Aviles |
| | 2018-01-10 | 02 | Added reference to form FR008 Vendor Rating Form; updated reference to Q-annex | M.Ursida | V.Bruno |
| | 2018-03-05 | 03 | Added show stopper for supplier of safety component in case of critical issue | M.Ursida | V.Bruno |
| | 2018-07-16 | 04 | Modified paragraph 2.4.2 | M.Ursida | V.Bruno |
| | 2019-09-16 | 05 | Added reference to the Sourcing Committee | M.Ursida | V.Bruno |
| Current | 2020-02-14 | 06 | Added PPM rule in paragraph 2.4 | M.Ursida | V.Bruno |
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0. TERMS AND DEFINITIONS

AVL: Approved Vendor List.

BOM: bill of material; list of all components of an article or product.

Commercial part: consumable article immediately available without requiring any particular design.

CSL: Controlled Shipping Level; status of increased controls to which a component has to withstand before being shipped to Wittur Organization.

CTQ: Critical To Quality; a product characteristic that has been considered critical by Wittur Organization according to its functionality.

Indirect part: a consumable article at support to the manufacturing processes, not part of the final product and not present in the BOM.

NCR: Non-Conformance Report; a report that communicate to supplier that a supplied product or material has been found out of specifications along the supply chain and with which Wittur requires actions to avoid future happening of the same error.

NBOH: New Business On Hold; status of not eligibility for new business in which a supplier can enter in case of repetitive or serious failure conditions of one or more supplied component.

Off the Shelf: consumable article immediately available without requiring any particular design.

OTD (On time Deliveries): this is the percentage of products shipped or arrived on time according to Wittur purchasing order, above the total quantity of products shipped to Wittur.

RFQ: Request for Quotation.

Score card: monthly supplier performance report based on quality and on time delivery performance.

Special part: part made to customer specification subject to specific tests.

SQD: Supplier Quality Development function.

Standard part: a standard part is usually an individual part manufactured in significant volume according to the same specification (such as size, weight, material etc...), and subjected to specific validation process and control requirements.

Sourcing Committee: team represented by Corporate Purchasing Officer, Commodity Managers and Functional Stakeholders

TFP: Top Focus Program; list of activities put in place to support the supplier on improving its performances.

Vendor Rating: performance letter concerning a six months' time frame supplier performance including a class rating attribution.

1. FOREWORD

Wittur Global Purchasing Organization is organized in a two structured axis: Local Purchasing representatives at each Wittur affiliate looking at all commodities for that entity and Commodity Managers looking after a set of commodities across different Wittur entities. A new supplier must be audited and "Approved" prior to start business with Wittur. Historical suppliers are automatically in the status of "Approved" suppliers.

2. DESCRIPTION OF THE OPERATIONS (Rev. 5)

Input: Sourcing Committee output (Supplier consolidation, Best Cost Country Sourcing, Enforce New Business hold on troubled suppliers)

There can be multiple Wittur agents triggering the process. In any of those cases the processes must involve in the followings steps:



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2.1. Request of a new supplier

There are different situations that can lead to the need of a new Supplier, among others:

- Procurement of new materials, parts;
- Change of supplier for existing parts;
- Changes on make vs. buy policy (outsourcing);
- Significant change of the business framework for an existing supplier (relocation business).

The request must be address to SQD organization.

Request effecting rule: If the request to introduce a new supplier is affecting.

| Effecting | Responsible to make the request | Recipient |
|----------------------------|---------------------------------|---------------------------|
| Only one Wittur affiliate | Local Purchasing representative | SQD Corporate Dep |
| Multiple Wittur affiliates | Commodity Manager | SQD Corporate Dep. |

The Purchasing representative issue the RFQ package:

- RFQ document;
- Purchasing Term and Condition document;
- Supplier Q-annex TS001 [WHQ_SQD_PR002]
- Supplier Manual WHQ_SQD_MAN001
- Supplier Pre-audit Questionnaire related to the commodity.
- Product Producibility Analysis and Confirmation

2.2. First evaluation: audit new supplier

The outcome of the Supplier Pre-audit Check-List is:

- Supplier not suitable for Wittur business;
- Or supplier suitable for Wittur business.

For details see Supplier Pre-audit Questionnaire.

2.3. Supplier approval

All suppliers resulting "Suitable for Wittur Business" in the pre-audit questionnaire are then evaluated with a System Audit planned by SQD. Evaluation audit by SQD is not needed for suppliers already certified according to ISO 9001 and willing to provide only class C components.

SQD can ask support to Local Plant Quality during the Qualification audit.

The outcome of the audit could be:

| | | |
|---|---|--|
| SUPPLIER QUALIFIED: | Score ≥ 90 | <ul style="list-style-type: none"> ➔ Insert in the approved vendor list ➔ Insert the New Vendor in the ERP/Corporate AVL |
| SUPPLIER UNDER CONDITIONAL QUALIFICATION | Score $\geq 75 < 90$ | <ul style="list-style-type: none"> ➔ Insert in the approved vendor list ➔ Upon a Corrective Action plan submission ➔ Insert the New Vendor in the ERP/Corporate AVL |
| SUPPLIER NOT QUALIFIED: | Score < 75 | <ul style="list-style-type: none"> ➔ Supplier will not be added in the AVL |

In case of Conditional Approval the supplier corrective action plan is evaluated and if good evidences are available the supplier is "Approved". This is also valid for "Historical" supplier but in the meanwhile the business is not stopped till the final evaluation of the action plan.

For suppliers of class A components (safety components), corrective action plan has to be checked with a follow up audit as soon as main points of the audit outcome have been closed by supplier, according to action plan. Follow up of action plan provided by suppliers of class B and C components can be verified during the next planned audit.

Once the supplier is "Qualified" and Quality Agreement (Q-Annex) has been signed off, Purchasing representative must insert the New Vendor in the ERP or Corporate AVL.

At this stage of the process PUR could awarded the supplier with New Business. The supplier could start business relationship with Wittur Group prior to having passed the WPPAP Process.

All suppliers present in the ERP/ Corporate AVL have the status of approved supplier.

The Approved Vendor List is regularly reviewed and updated by Corporate Purchasing supported by SQDs.

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In specific case it's mandatory a supplier re-qualification based on the following criteria:

| Object of supply | Frequency |
|--|-----------------------------|
| suppliers of safety parts – class A components | Every year |
| suppliers of functional parts – class B components | Purchasing specific request |
| Commodity – class C components | Purchasing specific request |

2.4. Performance periodically evaluation & continuous improvement (Rev. 06)

Each qualified supplier shall be subjected to performance monitoring with different criteria and periodicity, as specified in the table below:

| Type of reporting Way to share | Frequency | Data | Elaboration In charge to | Communication responsible |
|--|---|---|---|------------------------------|
| Supplier Scorecard By e-mail to Suppliers' Quality Dept. Records retain: 2 years | On monthly base | Qty received Qty defective PPM Supplier on time (OTD) Deliveries (%) Non conformities records One month performance YTD performance | Local Quality Dept Local Logistic Dept | Local Quality Dept. |
| Supplier Vendor Rating By e-mail to Suppliers' Purchasing Records retain: 2 years | Twice per year (quarter 1 and quarter 3) | Class rating attribution The evaluation is performed based on Product Quality, Punctuality, a general evaluation and management systems certification availability. 6 Month performance. | Multidisciplinary Team The Supplier Quality Development, Purchasing, Logistic and Incoming Inspection are responsible to elaborate the Supplier vendor rating | Local Purchasing |

Internal review of supplier performance

| | | | | |
|---|-----------------|--|--------------------|--------------------|
| Global Supplier KPI File available to Quality Dep., Logistic, Purchasing: Records retain:2 years | On monthly base | Qty received Qty defective PPM Supplier on time (OTD) Non conformities records | SQD Manager | SQD Manager |
|---|-----------------|--|--------------------|--------------------|

The supplier PPM calculation is defined as following: Ratio between amount of rejected parts due to nonconformity

a) detected in incoming inspection

b) detected in production,

on the total amount of received parts.

This conditions must be always respects:

- Commercial parts:** are not included in the ppm if the entire replacement will be received by Wittur not later than 24 hours from claim. Otherwise all parts will be counted as rejected.
- No-commercial parts:**
 - Only rejected parts must be counted in ppm calculation. Not the entire batch.
 - Reworked parts has not to be counted in the ppm.
 - Defective parts "used as it is" prior official derogation are excluded from the calculation.

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2.4.1. Scorecard

All new suppliers already qualified or historical ones are on monthly based measured along these axis:

- Part per Million defects;
- Number of No-Conformance;
- On time delivery (Supplier On Time).

The supplier Scorecard is on monthly base issued by all Local Plant Quality or Purchasing to suppliers.

Suppliers have 15 working days to reply with comments/remarks to the Scorecard contents delivered by Wittur.

Without any reply from the suppliers Wittur consider that as agreement with the evaluation.

Monthly meeting with Plant Quality, Purchasing, Logistic, Production and SQD are planned to monitor the ongoing activity and plan next ones.

The monthly supplier scorecard is an input to SQDs organization to enter in the Top Focus program or in the continuous improvement activities.

In case of suppliers of safety components present critical deviation from Wittur requirements HSE&Q team will stop the deliveries till the resolution of the non-conformities.

The criteria are the following:

- PPM Year to Date value major than 500;
- Upward trend of Non Conformance report issue;
- Severity of the Non Conformance detected;
- Last Quality Audit outcomes.

SQD, Plant Quality are the main drivers of this initiative.

In case of Critical Suppliers (Operational Performance, Available Alternative, Replacement Lead Time) not performing in line with targets a specific improvement initiative shall be started by SQD.

2.4.2 Vendor rating

At the first quarter and the third quarter the supplier evaluation is carried out for the previous six months. In the supplier evaluation 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.

The criteria to define the supplier vendor list is based on:

- Supplier Turn Over > 400 K€ or 80% of the Total Spending covered
- The critically of the part (CTQs);
- And if the purchased parts are safety parts.

Purchasing supported by Quality is responsible to keep the supplier vendor rating list updated.

The Vendor Rating List is archive by Corporate Quality.

Sourcing Committee agree, especially if the supplier does not meet the minimum requirements placed on it, action plans for the next six months (eg. continuous improvement, Top Focus Program). Further the Sourcing Committee enforced the new business hold on with suppliers classified as level C or D.

A process audit (see checklist FR003 [WHQ_SQD_PR002] for reference) can be arranged during Top Focus Program or Continuous Improvement Activities, or in case of a critical or repetitive issue.

The bi-yearly evaluation results (classification of the suppliers) is according to the following criteria and defined four categories:

| Level | Score % | Classification | Actions requested |
|-------|-----------|---|---|
| A | ≥ 85 | Satisfy our requirements | Suppliers in A and B class are candidates for continuous improvement activities |
| B | ≥ 68 < 85 | Manly satisfy our requirements | |
| C | ≥ 50 < 68 | Only partially satisfy our requirements | Supplier in C and D class are candidates for Top Focus Program. |
| D | < 50% | Not satisfy our requirements | |

The evaluation takes in consideration 4 axis:

- Product Quality;
- Supplier punctuality (On time Delivery);
- A general evaluation based on not measurable variables but on business judgement like: contract and negotiation, prize and condition, cooperation and customer orientation, cooperation in complaint handling;
- Environmental certifications;
- Health & Safety certification or assessment;

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- Business continuity assessment.

The departments involved in the evaluation are: Supplier Quality Development, Purchasing, Logistic and Incoming Inspection.

The maximum reachable scoring is 3.500 points calculated in this way:

- Product quality = directly coming from total scrap PPM of the evaluated period – Max scoring 1000;
- Supplier punctuality (On time Delivery) = directly coming from total on time delivery in the evaluated period - Max scoring 1000;
- General evaluation = Points calculated based on predetermined criteria by each local plant Quality, Logistic and Purchasing departments – Max scoring 1000;
- Quality Certification = directly resulting from third party certification ISO 9001 or IATF 16949 or Wittur qualification audit – Max scoring 150;
- Environmental aspects = directly resulting from third party certification ISO 14001 or Wittur environmental verification on supplier – Max scoring 150;
- Safety aspects = directly resulting from third party certification ISO 45001 or OHSAS 18001 or Wittur safety verification on supplier – Max scoring 150;
- Business continuity = directly resulting from third party certification ISO 22301 or Wittur safety verification on supplier – Max scoring 50.

Data analysis and reporting to suppliers is made using form FR008 [WHQ_SQD_PR002] Vendor Rating Form.

SUPPLIER SELECTION, QUALIFICATION, MONITORING & EVALUATION



3. Flow Chart

