

ESBE

Supplier Manual



SWEDISH HYDRONIC SOLUTIONS SINCE 1906

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1 General



1.1 PURPOSE

The purpose of the ESBE Supplier Manual is to communicate ESBE requirements. It is the expectation of ESBE that all suppliers of direct materials comply with all of the requirements and expectations documented in this manual. It is supplier responsibility to communicate these requirements within the supply chain.

ESBE expects this manual to provide the foundation for our working relationship with our suppliers. We will strive for excellence through continuous improvement in the products and services we receive through close working relationships with our suppliers.

ESBE reserves the right to change this publication and it is suppliers responsible to have the latest version. This document and templates will be available on ESBE homepage (Support – Supplier information).

1.2 ESBE PURCHASE POLICY

ESBE strives to establish a long-term relationship with our suppliers. We shall work together with compassion to find the most effective solution. Continuous improvement is our mind set in everything we do.

- The supplier to ESBE should share the same values with high focus on:
 1. Safety, health and environment
 2. Quality
 3. On time delivery
 4. Cost effectiveness

- ESBE applies zero defect principal which means no acceptance for errors and a constant strive to reach 100% correct result

- The supplier shall comply with applicable laws, norms and standards required in each jurisdiction where the supplier operates. ESBE works according to ISO9001 and ISO14001 and all suppliers are required to have equal or higher level of standards.

1.3 CONFIDENTIALITY

All technical and commercial information regarding our products, processes and customers shall only be used upon agreed purpose. No information shall be disclosed to any third party without our written consent. If requested by ESBE all information shall be returned, including copies.

1.4 SCOPE OF VALIDITY

The requirements in this manual apply to all supplier interactions with ESBE, particularly deliveries of supplies to ESBE or designated suppliers.

1.5 USE OF WORK RESULTS

All documents / performances prepared in connection with an order placed and paid for by ESBE are the property of ESBE. This provision applies to the supplier as well as to their sub-suppliers / subcontractors. ESBE reserves the right to pass on all documents, within the framework of the confidentiality agreement, to third parties also.

If it cannot be excluded that, within the framework of the cooperation, results capable of property right protection (patents, utility models or design patents) are created by the supplier (new property rights) or if existing property rights are introduced by the supplier, the contract partners agree to enter into a separate agreement about the registration and utilization of the work results. About new property rights of the supplier, ESBE is granted at least a comprehensive right of co-utilization without any restrictions in terms of time and place.

To the extent that the work results are protected by the supplier's property rights, they hereby grant ESBE the exclusive irrevocable transferable right without limitation in terms of time, place and content to utilize these work results free of charge in any way, in particular, by duplication, publishing, exhibition, modification and processing.

1.6 CONTINGENCY PLANS

The supplier shall analyse the risks involved in the supply chain and take appropriate precautions to minimise the risks. This shall result in contingency plans to be used in the event of an emergency. Situations such as fire, utility interruption, labour shortage and key equipment failure shall be considered.

2 Communication between ESBE and SUPPLIER

2.1 CONTACTS

Suppliers must designate key contact personnel responsible for handling logistics support, and quality issues (name of contact, nominated deputy and superior, with e-mail address and phone).

The key contact person must have the necessary expertise.

Communication language:

- Local suppliers in Sweden corresponding in Swedish, or
- English (as standard for international communication)

Changes of contact persons must be informed to ESBE.

2.2 AVAILABILITY

The key contact person designated by supplier (or his or her proxy) must be reachable on working days between 8 a.m. and 5 p.m. (suppliers local time).

Outside of this time period (and during plant shutdown periods), appropriately qualified staff must be on call to handle "emergencies".

2.3 LANGUAGE OF DOCUMENTS

By preference, all documents and markings shall be issued in English or Swedish. Where legislation (e.g., customs regulations) requires a different language, an English or Swedish translation must be appended.

3 Sustainability and Environment

3.1 SOCIAL RESPONSIBILITY

Supplier must be in compliance with legal requirements and national laws and human rights according to UN global 10 principles, particularly in relation to the prohibition of child labour. <https://www.unglobalcompact.org/what-is-gc/mission/principles>

3.2 ENVIRONMENT

We expect our suppliers to actively contribute to reduce the environmental impact. Supplier shall have environmentally friendly supply chain processes implemented with limited resource consumption. Lifecycle analyse should be available upon request. Supplier shall comply with all applicable environmental laws in the country they operate.

3.3 HEALTH AND SAFETY

Supplier shall have a system to secure the work environment and a standardized way to continuously improve the safety culture within the company. The supplier shall have a system to handle safety risks within the company.

3.4 CONFLICT MATERIALS

"Conflict Minerals" refers to minerals or other derivatives mined in the Democratic Republic of the Congo (DRC) and in the adjoining countries where revenues may be directly or indirectly financing armed groups engaged in civil war, resulting in serious social and environmental abuses. ESBE expect that our suppliers have policies and procedures in place to ensure that products and parts supplied to ESBE are 'DRC Conflict-free'. A CRMT report should be provided upon request.

3.5 RoHS

RoHS, Restriction of Hazardous Substances. RoHS prohibits or restricts the use of certain heavy metals and flame retardants in electrical and electronic products in the market. The supplier is responsible to ensure that use of RoHS forbidden substances over the restricted value are not present in the parts they are supplying, even if the supplied part is not classified as an electronic component. The final product is classified as an electronic product and must comply with RoHS. More information about RoHS could be found at: <https://eur-lex.europa.eu/homepage.html>

Supplied parts that include substances over the restricted value this part will be blocked. If there is any doubt about the reliability in the information ESBE can request for an analysis of the material.

Supplier's compliance with RoHS should be declared in the declaration of conformity.

3.6 REACH

REACH directive. (Registration Evaluation Authorization and restriction of Chemicals). The main goal of the legislation is to protect human health and the environment from risks, from substances and to increase the EU's chemical industries competitiveness and innovation. More information about REACH could be found at <http://eur-lex.europa.eu/>.

Substances listed on REACH Candidate list is Substances of Very High Concern, SVHC. Registration in SCIP database of components of material with substances of very high concern in candidate list is requested. Candidate list and instructions of registration can be found at <http://echa.europa.eu/>. Supplier's compliance with REACH should be declared in declaration of conformity.

ESBE requires specific material data and safety datasheet on components supplied. Safety data sheet should be sent to sdb.se@esbe.eu

4 Introduction of new and changed products

4.1 INQUIRY

Contract acceptance is always a component part of the inquiry. The supplier must always evaluate the manufacturability and, to the extent necessary, define any possible risks / limitations within the quotation. Otherwise, manufacturability shall be confirmed by the supplier. All enquiries if required should include investments, QAP, PPAP and other relevant documentation should be answered within the RFQ from ESBE. Cost breakdown specifications must be submitted by the supplier if this is requested by ESBE.

4.2 QUALITY ASSURANCE PLAN (QAP)

In order to get an impact and effect from the quality assurance plan, it is of vital importance that all parties affected are taking part in the development of the product (a new product or management of an existing product) read and understand what the requirements and guidelines mean for their own operation. The purpose of all activities in this QAP is to work proactive and in the long term reduce cost and create possibilities for the supplier to deliver products with high quality to ESBE.

Quality assurance plan (QAP) shall include the following described below. Any deviations from this plan should be communicated and approved by ESBE in the RFQ process. The plan shall be documented on ESBE template "Quality assurance plan - products".

4.2.1 Contract review

Drawings, requirement specifications and other technical data shall be examined through a cross functional team to ensure that requirements for the product, including requirements for delivery and activities after delivery are sufficiently well defined.

Requirements not specified by ESBE but are necessary as intent of use could be statutory, legal and environmental requirements that concern the product and the manufacturing process.

The results of the review shall be documented and clearly described with references to the data examined. (Include identity and version of document reviewed)

4.2.2 Process flow chart

A flowchart shall be produced that clearly describes the production process's different stages and sequences. The flowchart shall be used to analyze sources for variations of machinery, material, methods and operators from the first to the last stage in the manufacturing and/or installation process. The flow chart shall include reworks stations, storage and transports. The process flow chart shall comply with the Process FMEA and Control plan.

4.2.3 Process FMEA

The Process FMEA shall be implemented during product development in order to assess the risks of disruptions to production and installation. Depending on the process, an analysis will be carried out to predict, resolve or monitor potential problems for the new or changed processes. The PFMEA shall comply with the Process Flow Chart and Control plan.

4.2.4 Control plan

Control Plans that are relevant to the product must be drawn up with a description of the system for the control of articles and processes that will apply during the different phases of product development. Control plans shall contain information about product and process properties, methods for process control, operator and process control including measurement systems applied during series production. Control plans must be kept updated in tandem with the changes affecting the product and process and must comply with the Process FMEA and process flow.

4.2.5 Verifying test of subcomponents

A verifying test on component performance could be requested by ESBE.

The performance test should be monitored with a view to compliance with specified requirements in technical data. The test should be based on components/materials manufactured in serial production products, tools and manufacturing processes.

The test subjects and associated result reporting should have complete traceability to the individual component.

4.2.6 Evaluation of Measurement and Control Systems- MSA

The variation in the measurement and control systems defined in the control plan must be analyzed. In a measurement and control system, the operator, material, method and environment work together, which can contribute to a considerable degree of uncertainty regarding the measurements.

The equipment is thereby part of a system and shall be analyzed in a repeatability and reproducibility study (R&R study). The study shall include 3 operators that measure 10 parts 3 times. The comparison is done to calculate the part of the tolerance area made use of in the measurement equipment's variation.

Measurement and control equipment used for the verification of a particular property should be analyzed in order to confirm that repeatability, reproducibility, accuracy, stability and linearity within specified requirements.

Recommendation for acceptance of a measurement system's repeatability and reproducibility (% R&R) are:

- 1) <10% means that the measurement system is deemed acceptable
- 2) <10% - 30% means that the measurement system may be acceptable depending on use, cost of the equipment, repair costs etc.

- 3) $>30\%$ means that the measurement system must be improved by identifying the unwanted spread in the measurement system and remedying the root cause of this.

A history of changes and approval as well as calibration and verification in accordance with MSA must accompany the system for as long as it is active and described in the control plan.

4.2.7 Preliminary Process Capability – Ppk

The capability of the processes/operations that affect the result of special properties must be known.

The special properties to be focused on are related to the definition explained below. As a result of the capability study, it is established whether the process has reasonable conditions for producing products that meet specified requirements.

For the properties that can be studied with an X-R diagram, a study should be based on at least 125 measures, if other not agreed with ESBE quality department. The results should be investigated for signs of instability. In the event of instability, corrective action should be taken.

The following Ppk values and measures apply:

- 1) >1.67 = Process meet requirement
- 2) $1.33 < Ppk < 1.67$ = Process may deviate from the requirement. Corrective action does not normally need to be implemented. In the event of difficulties, contact ESBE's representative for a decision.
- 3) $Ppk < 1.33$ = Process is not acceptable. Improvement work shall be given a high priority. Increased control/testing must take place on all articles manufactured until the process is stable. This situation is not optimal but is necessary until corrective measures are verified and deemed effective.

4.2.8 Certificates for material

If requested from ESBE the supplier shall describe the composition of the product's material with a material certificate. All suppliers at all stages of the processing chain adhere to applicable EU legislation regarding permitted and non-permitted chemicals.

Upon ESBE's request, Supplier shall provide ESBE compliancy information in the form of full material content declaration. Supplier warrants that the information it provides ESBE is correct and complete and will provide a Certificate of Compliance with each full material content response.

4.2.9 Declaration of conformity

The Declaration of Conformity is a legal Document which must accompany all CE Marked products sold in the European Union. Almost all new products must be supplied to the end user with a Declaration of Conformity. This document needs to include the following:

- Name and address of supplier taking responsibility for the product
- Description of product
- A list of the applicable safety directives the product complies with
- Details of relevant standards may be included.
- The manufacturer or a representation of the supplier placing the product on the market should then sign the Declaration and send to ESBE.

4.2.10 Packaging

It must be verified that packed components are ready for delivery and protected to prevent deterioration in quality during unfavorable transport and environmental conditions.



Regardless of the manner of packaging specified by ESBE, packaging chosen must be validated. It must be ensured that the method of packing is compatible with ESBE equipment for material handling, including automatic handling.

4.2.11 Initial samples

Products for initial samples will be taken from production under series-like conditions. Initial samples will be picked randomly from the batch produced in a number to be agreed between the supplier and ESBE, normally 5 items.

When samples are taken from tools with multiple cavities, at least 5 are to be taken from each cavity. Each sample shall be marked with identity, date, traceability to each cavity and version of drawing.

Each individual must comply with requirements regarding:

- 1) Dimensions and measurements in accordance with technical data, including measurement protocol
- 2) Material, execution and functional tests in accordance with product specification
- 3) Other requirements in accordance with the quality assurance plan.

ESBE's approval of initial samples will be acknowledged in writing to the supplier with corresponding clarity.

One (1) initial sample shall be saved at the supplier until a new initial sample has been approved by ESBE. Where an initial sample is required in accordance to design data, control plan or used as a reference or standard.

Results and any agreements with ESBE must be documented.

4.2.12 Appearance approval result

All parts/products having appearance criteria shall be reviewed and approved by ESBE Design and Quality and approval recorded. The complete AAR and representative production products/part shall be submitted to the location specified by the customer to receive disposition if needed.

Appearance items are all components which are visible to the customer. Visual “match-to-master” or ESBE cosmetic guidelines is the specified requirement for AAR sign-off.

4.2.13 Sign-Off – Production run

The production run should be carried out with production tooling, with all the relevant equipment that will be used in mass production, and ideally with the same material as mass production.

The output from the pilot run will allow you to analyze data such as machine settings and process capability studies, to review the process instructions, and to get products for testing and validation.

When production run is finished and approved and signed the production of serial production could start.

4.3 SUPPLIER CHANGE REQUEST (SCR)

Supplier change request (SCR) is used by ESBE to handle permanent changes requested from suppliers. It concerns changes related to both process and product (design) of delivered parts from external supplier.

ESBE does not allow any supplier to do changes, process or product related, without approval from ESBE. The SCR can be accepted only under the condition that a new QAP is approved. It is important that supplier answer current questions in the SCR to enable proper handling. Send the SCR to the responsible purchaser by email. When the SCR is “under consideration” there is no possibility for the supplier to change any of the information in the report. If there is a need



to change or add information when the SCR is under consideration, the purchaser must be contacted.

When ESBE has taken a final decision, the decision will be filled in the concerned SCR report. The report will then be sent back to supplier with information.

4.4 ENGINEERING CHANGE ORDER

Supplier change order is used to handle permanent changes requested by ESBE. A request for change will be sent to the supplier, reply shall be returned within 14 days to ESBE. First delivery of the new revision shall be marked with “NEW RELEASE” and change order no, use colored paper. Supplier shall inform on which order the new version will be implemented.

5 Forecast and Order

5.1 FORECAST

Supplier receives yearly volumes as non-binding forecast. Based on this, Supplier has to make sure that production capacity corresponds to this volume and that sub-suppliers are able to deliver material accordingly.

5.2 ORDERING

The delivery dates quoted in orders are the required dates on site at ESBE. Any non-conformance to that standard must be agreed separately. Supplier checks if the received order release is complete and correct. (e.g., that supplier name, part number, quantity and delivery dates are correct). If any discrepancies are noted, supplier must inform the responsible ESBE contact immediately.

Order confirmations should be done within 48 hours. Any non-conformance to that standard is agreed separately.

5.3 ORDER TRACK

Supplier continuously tracks ongoing orders internally. Supplier must be able to provide information of the progress of production at all times.

Supplier shall have an early warning system to detect supply problems.

If disturbances occur which affect compliance of ESBE requirements supplier shall initiate necessary countermeasures. If it becomes clear that agreed deliveries cannot be met, supplier must notify their ESBE contact immediately via email and advise a new delivery date and/or quantity, as appropriate.

In this case, supplier must also be able to provide information on the following points:

1. The root cause of the supply problem
2. Alternative production options investigated (production lines and/or production schedule; always according to quality requirements)
3. Availability of alternative parts (always according to quality requirements)
4. Check the possibility of partial delivery
5. Premium freight capabilities and timing

6 Deliveries

6.1 DELIVERY NOTE

For each delivery to ESBE, there must be a delivery note, including at least the following information, (example below):

- ESBE Purchase order number
- ESBE item number

- ESBE item description
- Quantity delivered, per load carrier & per item no.
- Total net weight (weighed) stating unit of measurement.
- Total gross weight stating unit of measurement.
- Delivery address (as defined in the order).
- Name and address of supplier including contact person(s) in case of queries.
- Invoice number
- Date of shipping
- Delivery term and shipping mode
- Supplementary information provided by ESBE (e.g., initial samples, test certificate).
- Special notes e.g.: ESD Guidelines (for electronic goods); expiry/use-by date and date of manufacture for goods with limited life; reference to special arrangements.

6.2 FREIGHT DOCUMENTS

- a) The supplier must provide the forwarder with a consignment bill (CMR, waybill etc.) for each delivery address. Types and quantities of load-carriers/packages must be added up and stated.
- b) The delivery notes must be appended to the relevant consignment bill. Consignment bills, together with a copy of the delivery notes, must be issued to the forwarder separately.
- c) For suppliers outside EU a customs invoice and a delivery note shall always be attached to the freight documents.
- d) Sea shipping deliveries shall always be followed by invoice, delivery note, B/L (original Bill of Lading) and if appropriate also certificate of origin to be sent to daily contact at purchasing.
- e) A separate delivery note must be issued for each delivery address.

6.3 OTHER DOCUMENTS

For non-EU consignments, preferential documentation (Cert. of origin, EUR.1, A.TR. etc.) and commercial or pro-forma invoice (stating realistic data on the value of the goods) must be provided in addition to the necessary delivery documents.
Material certificates shall be provided with delivery documents if requested.

6.4 PREMIUM FREIGHT

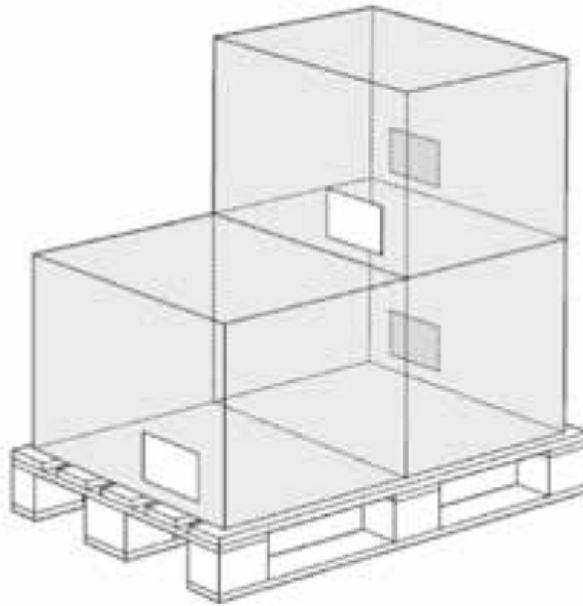
Premium freight is usually organized by supplier. Supplier shall agree with the receiving ESBE site on the carriers to be used.

The costs of premium freight shall be borne by the responsible party. If ESBE will be responsible for the cost, a prior written confirmation of acceptance is required from the responsible ESBE site.

6.5 GENERAL PACKAGING INSTRUCTIONS

- All types of unnecessary packaging shall be avoided.
- Eur-pallets should be used. Frames must be unmarked.
- Pallets must be adapted to the weight and withstand any stresses during transportation
- All pallets shall fulfill ISPM 15
- All boxes/pallets' markings must be clearly visible. Different articles must be separated
 - ESBE Purchase order number
 - ESBE item number
 - ESBE item description
 - Quantity

- Date
- Revision



6.6 GENERAL PROTECTION

In all cases, goods must be packaged in a manner which is suitable for the shipping mode to be used which provides protection against:

- handling damages, i.e., bending, breakage, etc.
- all material must be delivered in weather-proof packaging.
- corrosion
- contamination
- damage (specially to working and sealing surfaces)
- static build-up (where appropriate)
- All risk of mechanical damages must be eliminated

Pallets and collars must have pallet lid and be strapped, so that collars are secured and pallets stackable.

6.7 PACKING ELECTRONICS

Electronic modules and components must be packaged in accordance with ESD Guidelines.

7 Invoicing GENERAL INVOICE REQUIREMENTS

All invoices must include at least the following information

- Legal information about your company; company name, address, corporate number.
European Union: Statement if reverse charge of VAT is applicable
Both selling and buying company VAT-number
- Invoice date
- Due date
- Invoice number
- Our reference
- Your reference
- Delivery terms
- Payment terms. Must be according to agreement with ESBE
- Country of origin

- Payment instructions; bank name, account no. (IBAN account no. if available), Bic/Swift
- address and if necessary, fed wire
- Currency rate (only for Swedish suppliers invoicing in EUR)

7.2 REQUESTED INFORMATION ABOUT THE DELIVERY

- Dispatch number / Delivery note number (same number as on the delivered goods)
- ESBE purchase order number and position
- ESBE item number
- ESBE item description
- Quantity delivered
- Unit price
- Total amount, currency specified.
- VAT amount specified if applicable.

When the invoice contains more than one purchase order number, there must be a separated line.

Invoices cannot contain deliveries both with and without ESBE purchase order number. In that case two separate invoices must be issued. Packaging cost and/or freight cost should only be charged, if agreed upon.

7.3 OTHER REQUIRED INFORMATION

- Customs tariff number
- Total net weight, kg
- Date of shipment
- Shipping mode (sea, air, lorry etc.)

7.4 CREDIT INVOICE / CREDIT MEMO

If the invoice is not according to terms of agreement, a credit invoice / credit memo must be issued.

- The credit invoice must refer to the original order number.

7.5 SENDING INVOICE.

Invoices shall be sent when the goods are released into ESBE possession or otherwise agreed upon.

Invoices shall be sent to:

E-mail address: invoice-po.se@esbe.eu

Invoice address:

ESBE
Bruksgatan 22
SE-333 75 Reftete, Sweden

- E-mail invoices must have PDF-format (also applies to credit notes)
- E-mail with PDF-invoice must not contain any other files or information, e.g. business information or greetings.
- One PDF-file (plus any attachments) must only contain 1 invoice, 1 file = 1 PDF-invoice.
- An e-mail can contain several files

8 If problem occur on products & deliveries

8.1 NON-CONFORMING PRODUCTS, PRODUCTION STOP OR DELAYED DELIVERIES

Non-conforming product is defined as a disruption created by supplier impacting ESBE or ESBE customer's processes (violation of specification, a DPPM/quality level over committed target, delayed response, lack of/non-robust containment/corrective action, delayed deliveries, production stop etc.).

If non-conforming products are detected during quality assurance activities or after production starts, the supplier shall take appropriate actions to reduce the effects for ESBE. After corrective action is implemented, product must be subjected to re-verification for a minimum period of three (3) consecutive deliveries, or minimum thirty (30) days of continuous production, or otherwise agreed with ESBE quality department.

8.2 SUPPLIER CORRECTIVE ACTION REQUEST (SCAR)

A Supplier Corrective Action Request (SCAR) will be issued for each rejection of material at ESBE or our customer when it is determined that the problem is related to the supplier. A Supplier Corrective Action Request (SCAR) may also be issued to the supplier for non-conformances discovered during an ESBE audit of the supplier's quality system.

Supplier Corrective Action responses shall handle the 8D methodology.

- Containment Actions must be completed and communicated to ESBE within **two (2) working days (48 hours)** of issue of the SCAR. Typical containment activities include sorting and rework activities (only under ESBE approval), as agreed in advance with ESBE quality department.
- If the supplier fails to respond to containment within **two (2) working days**, ESBE has the option to, if needed:
 - inspect and sort all incoming suspect materials by ESBE personnel
 - Initiate third party sort for all incoming suspect materials.
All related cost for the actions mentioned above will be charged to the supplier.
- Preliminary investigation plan, along with root cause analysis and proposed completion dates, must be submitted within **five (5) working days** of issue of the SCAR. Any updates to the plan shall be promptly communicated to ESBE.

- Corrective action plan, along with root cause analysis and proposed completion dates, must be submitted within **fifteen (15) working days** of issue of the SCAR. Any updates to the plan shall be promptly communicated to ESBE
- Full implementation of final corrective actions is due **thirty (30) calendar days** from the date of notification. When necessary, suppliers may ask for extension to Corrective Action deadlines with the ESBE quality department.
- All products being shipped to ESBE affected by the SCAR will require the packaging to include a visible label that reads **“Sorted Material per SCAR# _____”**. This label shall be applied to incoming product until the SCAR and Corrective Action is closed.

8.3 COST

ESBE intention and policy is that all related cost for a claim should be handled by the claim owner. All cost related to the SCAR will be communicated and charged to the supplier when it has been determined that the supplier is responsible the problem occurred. Sorting and administrative cost are mentioned in the 8D-Report. Supplier Cost Recovery will be initiated by ESBE, through the Supplier Cost Recovery Note.

8.4 DISPENSATION

If problems occur and the delivery situation is critical the supplier could apply for dispense to the purchase department. A specific form shall be updated by supplier, this form shall be sent to ESBE for analyze. Decision will be informed by ESBE.

9 Material life cycle

9.1 STARTUP AND PHASE OUT MANAGEMENT

During start-up and phase-out ESBE expects increased flexibility from its suppliers. This requires a capacity planning process in order to be able to supply even small volumes timely in the right quantities.

Capacity planning must be coordinated between ESBE and supplier in time.

9.2 FIFO

FIFO must be respected for stock as well as for deliveries.

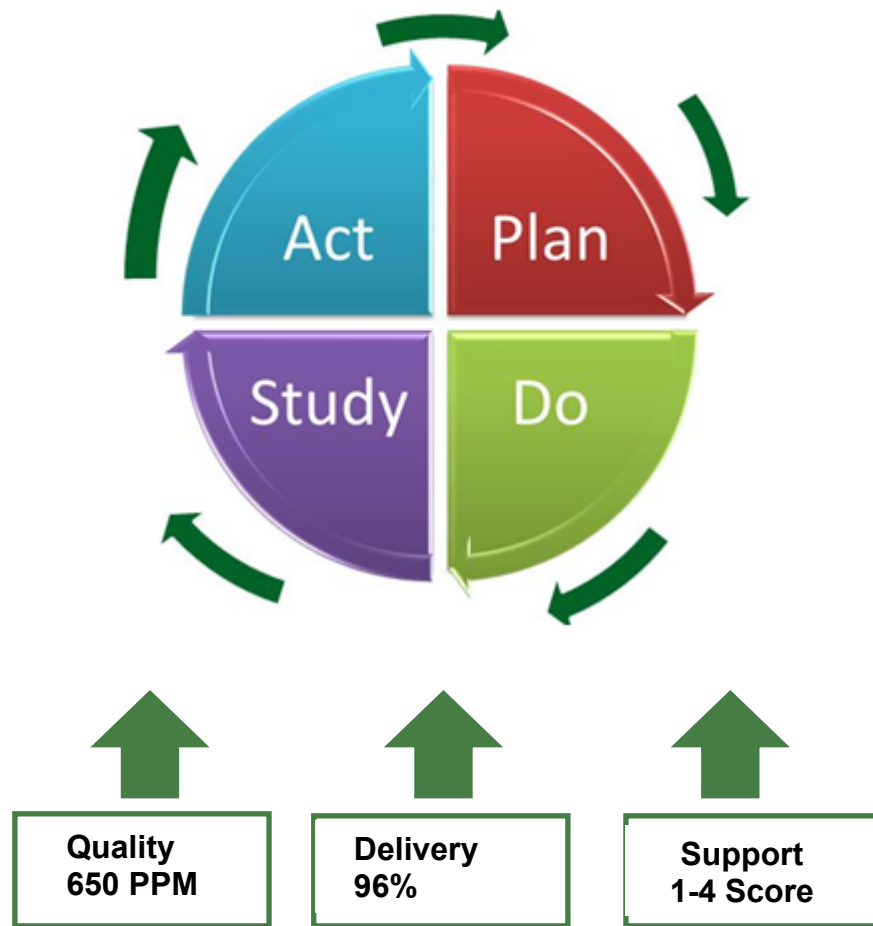
9.3 SAFETY STOCK

ESBE will specify the required safety stock on part number according to weeks against forecast. A list of part numbers and safety stock will be enclosed separately to the agreement with the supplier.

10 Supplier evaluation

10.1 CONTINUOUS IMPROVEMENT

Each supplier commits to work with continuous improvement in all processes.



If targets not met, an action plan must be presented by the supplier upon request.

10.2 SCORECARD

ESBE works according to zero defect failure process where PPM targets are used as a measure of progress. This value shows the level of parts delivered which has been rejected from ESBE as not approved deliveries.

Each supplier commits to strive to reach a zero-defect failure mode production and process where a PPM target is decided in the individual supplier agreement.

ESBE requires an action plan for poor KPI performance.

Continued unacceptable performance from the supplier may result in a deselection process.

10.3 PROCESS AUDIT

Upon request, the supplier shall allow ESBE to make a process audit. The supplier shall therefore, after notice on the date of such an inspection, guarantee the ESBE representative gets reasonable access to his business premises and shall assist during such audit. The supplier shall also guarantee reasonable access to all process related documents, records, data or other information on the production of the products that is needed. Process audits are usually performed on new suppliers, new critical components or in case of escalated claim.