ESBE
Supplier Manual

SWEDISH HYDRONIC SOLUTIONS SINCE 1906

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SUPPLIER MANUAL

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 and indirect materials comply with all 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. Definition

1.2.1. Supplier

A supplier is an individual or organization that provides goods, materials, or services to another entity. In the context of our organization, the term refers specifically to those entities that supply us with the necessary materials, products, or services required for our manufacturing processes. Suppliers can include manufacturers, wholesalers, distributors, and service providers, each playing a critical role in ensuring the smooth operation of our supply chain.

1.2.2. Products

This term includes all items produced, such as raw materials, components, individual parts and finished products.

1.3. 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 comply with 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, ISO14001 and ISO450001and all suppliers are required to have equal or higher level of standards.

1.4. Confidentiality

All technical and commercial information regarding ESBE’s products, processes and customers shall only be used upon agreed purpose. No information shall be disclosed to any third party without ESBE’s written consent

Upon request by ESBE, all information, including copies, as well as samples and products must be returned.

1.5. Scope of validity

This manual outlines the requirements that apply to all interactions between suppliers and ESBE, with a particular focus on the delivery of supplies to ESBE or its designated suppliers.

1.6. Use of work results

All documents / performances prepared in connection with an order placed and delivered to 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 Non-Disclosure Agreements (NDA), to third parties also.

If it cannot be ruled out that, during the course of the cooperation, the supplier may create results that are eligible for property right protection (such as patents, utility models, or design patents), or if the supplier introduces existing property rights, the contracting parties agree to establish a separate agreement regarding the registration and use of these results. For any new property rights created by the supplier, ESBE will be granted at least a comprehensive right of co-utilization, without any restrictions concerning time or location.

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.

1.7. Contingency plans

The supplier is required to conduct a thorough risk assessment of its operations that could impact the production facilities, quality standards, and delivery timelines for ESBE. This assessment must include an evaluation of the following factors:

- Staff shortages (including pandemics, strikes, and employee turnover)
- Cybersecurity threats
- Natural disasters
- Geopolitical risks
- Supply chain disruptions
- Intellectual property disputes
- Equipment malfunctions
- Issues related to facilities or systems

As part of this planning, the supplier must develop contingency plans to ensure operational continuity and minimize the risk of supply interruptions to ESBE. If a critical risk scenario arises for which there is no established contingency plan, the supplier must promptly notify ESBE.

2. Communications 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 to contact persons must be communicated in writing 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).

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 translated copy 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 analysis shall be available upon request. Supplier shall comply with all applicable environmental laws in the country of operation.

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’. The latest version of the CMRT report must be submitted annually.

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 twice a year.
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 a fundamental aspect of the inquiry process. Suppliers are required to assess manufacturability and, when necessary, identify any potential risks or limitations within their quotations. If these considerations are not explicitly outlined, it will be assumed that manufacturability has been confirmed by the supplier.
All inquiries should, as appropriate, encompass investments, Quality Assurance Plans (QAP), Production Part Approval Process (PPAP), and any other pertinent documentation, which must be addressed in the Request for Quotation (RFQ) from ESBE. Additionally, if ESBE requests a cost breakdown, suppliers must provide detailed specifications.

4.2. Quality assurance plan (QAP)

To achieve meaningful impact from the Quality Assurance Plan (QAP), it is crucial that all stakeholders involved in the development of a new product or the management of an existing one, actively participate. Each party must read and comprehend how the requirements and guidelines apply to their specific operations. The primary objective of all activities outlined in the QAP is to proactively reduce costs over the long term while enabling the supplier to deliver high-quality products 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 that are not explicitly specified by ESBE but are essential for intended use may include statutory, legal, and environmental considerations related to the product and its 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 applied measurement systems 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 chart.

4.2.5. Verifying test of subcomponents

A verifying test on component performance may 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 that are 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 by 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) Ppk>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 plan 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 by 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 acknowledged by supplier 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, chosen packaging 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 retained by the supplier until a new initial sample has been approved by ESBE.
An initial sample may be required based on the design data, control plan, or utilized as a reference or standard.
Results and any agreements with ESBE must be documented.

4.2.12. Appearance approval result

All products subject to appearance criteria must be reviewed and approved by ESBE. All related approval documentation related to Design and Quality shall be duly recorded.
Appearance items refer to all components that are visible to ESBE’s customer. The specified requirement for AAR sign-off includes adherence to visual "match-to-master" standards or ESBE's aesthetic guidelines.

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 products from external supplier.

ESBE does not allow any supplier to do changes, in processes or related products, 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 all questions in the SCR to enable proper handling. Supplier must send the SCR to the responsible party at ESBE by email. When the SCR is “Under Consideration” there is no possibility for the supplier to change any of the information in the sent request. If there is a need to change or add information when the SCR is under consideration, the responsible party at ESBE must be contacted.
When ESBE has taken a final decision, the decision will be filled in the relevant SCR report. The report will then be sent back to supplier with information.

4.4. ESBE Change Order

ESBE change order is used to handle permanent changes requested by ESBE. An order for change will be sent to the supplier, the reply shall be returned within 14 days to ESBE.
First delivery of the new revision shall be labeled as “NEW RELEASE” followed by change order number and printed on colored paper.

5. Forecast and Order

5.1. Forecast

The Supplier receives an annual non-binding forecast of demand volumes. Based on this forecast, the supplier must ensure that production capacity aligns to this demand and that sub-suppliers are able to deliver the necessary products accordingly.

5.2. Ordering

The delivery dates specified in purchase orders represent the required arrival dates at ESBE’s facility. Any deviations from this standard must be agreed upon separately.
Supplier checks if the received purchase order is complete and correct. (e.g., that supplier name, part number, quantity and delivery date are correct). If any discrepancies are noted, supplier must inform the responsible party at ESBE immediately.
Order confirmations should be received by ESBE within 48 hours. Any deviations from this standard must be agreed upon 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 any disturbances arise that impact compliance with ESBE requirements, the supplier must promptly implement the necessary countermeasures. If it becomes clear that agreed deliveries’ conditions cannot be met, supplier must notify the responsible party at ESBE immediately via email and advise new

delivery conditions, 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) Investigated alternative production options (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.
- Revision of product.
- Quantity delivered, per load carrier & per item number.
- 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 the responsible party at ESBE.

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 freight documents.
Material certificates shall be provided with freight documents if requested.

6.4. Premium freight

Premium freight is organized by the supplier.
The supplier must coordinate with the ESBE's site designated for delivery, to select the appropriate carriers for transporting the goods.
The costs associated with premium freight will be the responsibility of the accountable party. If ESBE is to bear these costs, prior written confirmation of acceptance must be obtained from the responsible party at ESBE.

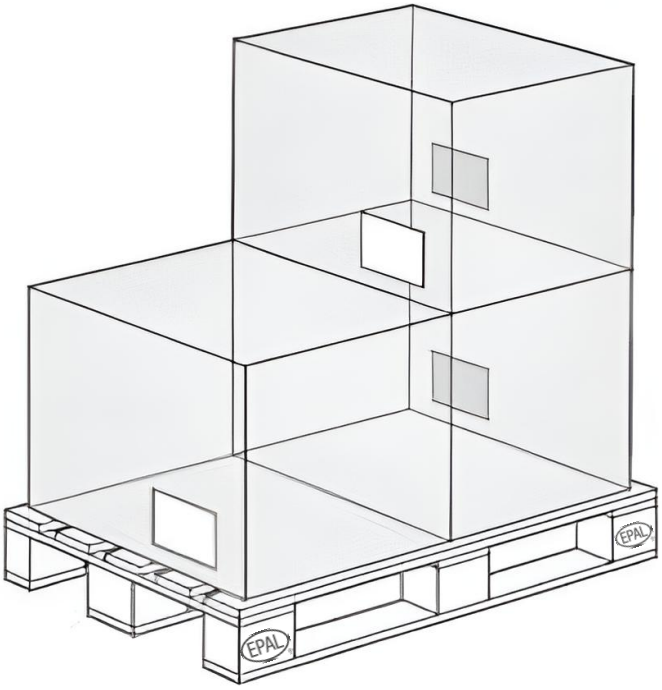
6.5. General packaging instructions

To ensure compliance with Swedish regulations and promote sustainable practices, suppliers outside of Sweden are required to provide detailed information about the packaging materials used for every shipment. This information must include material type, weight and recyclability status.

This documentation must accompany each shipment and should be submitted in a clear and organized format to facilitate review. If the supplier is unable to provide such information with every shipment, the supplier must instead provide accumulated data for a certain period upon request.

- All types of unnecessary packaging shall be avoided.
- **Eu-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 box and pallet markings must be clearly visible and include the following required information. Different articles must be separated.
  - ESBE Purchase order number
  - ESBE item number
  - ESBE item description
  - Quantity
  - Date
  - Revision of product



6.6. General protection

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

- handling damages, e.g., 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 frames must have pallet lid and be strapped, so that frames are secured, and pallets are stackable.

6.7. Packing of Electronic Components

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

7. Invoicing

All invoices must include at least the following information:

7.1. Invoice General Requirements

- Legal information about supplier's company; company name, address, corporate number.
- Registered Companies (Suppliers) in the European Union: Statement if reverse charge of VAT is applicable.
- Both selling and buying company VAT-number.
- Invoice date.
- Payment due date.
- Invoice number.
- Our reference.
- Your reference.
- Delivery terms.
- Payment terms. This must be in accordance with the agreement established 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 previously agreed upon.

7.3. Other required information

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

7.4. Credit invoice / credit memo

If the invoice does not comply with the terms of the agreement, a credit invoice or credit memo must be issued. This must be sent along with a new invoice that fully meets all requirements.
The credit invoice must refer to the original order number.

7.5. Sending invoice

Invoices can be submitted using one of the two following methods once the goods are released into ESBE possession or as otherwise agreed upon.

Option 1: E-mail Submission

Invoices shall be sent to:

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

Invoice address:
ESBE
Bruksgatan 22
SE-333 75 Reftele, 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.

Option 2: Peppol System Submission

Suppliers are also encouraged to submit invoices and credit notes via the Peppol e-invoicing system. When submitting through Peppol, please use the following ESBE Peppol ID:

ESBE's Peppol ID: 00007:5562696319

Please ensure the following when sending invoices via the Peppol system:

- Submit invoices in the format specified by the Peppol system requirements.
- Ensure that the Peppol ID is used correctly to avoid any delays in the invoice processing.
- Each invoice and credit note should be submitted as a separate document within the system.

8. Product and Delivery Issues

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 (e.g., 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 on ESBE and/or ESBE's customers. 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 Control 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 at ESBE's customers 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 control system.
Supplier Corrective Action responses must adhere to the 8D methodology.

- Containment Actions must be completed and communicated to ESBE within **two (2) working days (48 hours)** of the issuance of the SCAR. Typical containment activities may include sorting and rework activities, which must be pre-approved by the ESBE Quality Control department.
- If the supplier fails to respond to the containment action within **two (2) working days**, ESBE reserves the right to:
  - Inspect and sort all incoming suspect materials using ESBE personnel.
  - Initiate a third-party inspection and sort for all incoming suspect materials.

  All the cost related to these actions will be charged to the supplier.
- A preliminary investigation plan, along with the 8D-analysis and proposed completion dates, must be submitted within **five (5) working days** of the issuance of the SCAR. Any updates to the plan must be promptly communicated to ESBE.

- Corrective action plan, along with the 8D-analysis and proposed completion dates, must be submitted within **fifteen (15) working days** of the issuance of the SCAR. Any updates to the plan must be promptly communicated to ESBE
- Full implementation of final corrective actions is required within **ninety (90) calendar days** of the issuance of the SCAR.
  When necessary, suppliers may ask for extension to Corrective Action deadlines with the ESBE quality department.
- All products shipped to ESBE that are affected by the SCAR must have the packaging that includes a visible label stating ***"Sorted Material per SCAR#_____".*** This label shall be applied to incoming product until the SCAR and Corrective Actions are closed.

8.3. Cost

ESBE intention and policy dictate that all costs associated with a claim must be borne by the claim owner. Any costs 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 will be detailed in the 8D-Report. Supplier Cost Recovery will be initiated by ESBE, through the Supplier Cost Recovery Note.

8.4. Dispensation

In the event of critical delivery problems, the supplier may request a waiver of the clauses outlined in this section of the supplier manual from the purchasing department.
The supplier must complete a specific form, which should then be submitted to ESBE for analysis. ESBE will review the request and communicate their decision in due course.

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

The FIFO principle must be adhered to for both stock management and deliveries.

9.3. Safety stock

The safety stock for each product is managed individually under separate agreements with suppliers, based on forecasted demand. ESBE will review and update these agreements regularly as needed.

10. Supplier evaluation

10.1. Continuous Improvement

The supplier is committed to fostering continuous improvement across all processes.

The supplier's performance goals for Key Performance Indicators (KPIs) are outlined above. If these targets are not achieved, the supplier is required to provide an action plan upon request. Continued unacceptable performance from the supplier may lead to a deselection process.

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

10.3. Process audit

Upon request, the supplier shall allow ESBE to perform a process audit. The supplier shall therefore, after notice on the date of such an inspection, guarantee that ESBE representatives get reasonable access to the supplier's premises and shall be assisted during such audit. The supplier shall also guarantee reasonable access to all related process, documents, records, data or other information on the production of the products that are needed. Process audits are usually performed on new suppliers, new critical components or in case of escalated claim.