

VERFAHRENSANWEISUNG

Escalation Process Supplier / Purchased Parts

HWA AG | QM



OBJECTIVE

Ensuring flawless supplies to our customers takes top priority at HWA AG. To this end, the absolute prerequisites are flawless deliveries from our suppliers.

In the event of faulty deliveries, the HWA Escalation Process Supplier / Purchased Parts will be applicable. This process is principally valid for all suppliers.

For all parties involved, this escalation process will support

- fast and efficient actions, and
- binding and sustainable process optimization.

For the remedy of faulty deliveries, cross-functional teams are to be set up, if necessary, between the supplier, HWA and possibly external experts.

The Escalation Process Supplier / Purchased Parts describes the procedure in case of faulty deliveries and deficient sustainability in the elimination of errors.

It ensures that HWA is using a uniform procedure and that HWA suppliers are integrated, through the same escalation process, in the problem solution process.

INCLUSION IN THE ESCALATION PROCESS (INCLUSION CRITERIA)

Inclusion in the escalation may be effected in case of:

- Faulty deliveries
- Repeat errors – despite concluded problem solution process (8D Report)
- Deficient complaints management by SUPPLIER
- Long-term or repeated exceeding of target agreements
- Customer complaints due to faulty purchased parts

The following will be additionally taken into account:

- Criticality or significance of the error
- Consequences of the error for HWA
- Potential race and/or field complaints/recall actions at a HWA customer

To what extent one or several of the above-mentioned events or criteria will result in the inclusion in one of the escalation levels will be case-specifically decided by the responsible specialist departments. Depending on the situation, direct entry may also be provided for level 2 or 3.

CONTENTS OF THE ESCALATION PROCESS

Incoming Goods / QA		Purchasing / Supplier Development	
<p style="text-align: center;">Escalation level 1 ES 1</p> <ul style="list-style-type: none"> - Increased vigilance at CLIENT's incoming goods dept. Case-specifically - 100 % self check by SUPPLIER including check CLIENT in delivery plant and parts inflow - 100 % check by third parties (in coordination with CLIENT) - Expansion of QA measures to other components - Visit with SUPPLIER <p style="text-align: center;">OBSERVATION</p>	<p style="text-align: center;">Escalation level 2 ES 2</p> <ul style="list-style-type: none"> - Letter to Supplier's management or the upper management circle - Q-talk at CLIENT Supplier's management presents a program for error elimination - Agreement to an additional 100 % check at the Supplier by a service provider accepted by CLIENT Commissioning by SUPPLIER - Visit at SUPPLIER to check process, error analys <p style="text-align: center;">DEVELOPMENT</p>	<p style="text-align: center;">Escalation level 3 ES 3</p> <p>Executive Management meeting between:</p> <ul style="list-style-type: none"> - Purchasing department - Q division - SUPPLIER's Management <p>If necessary:</p> <ul style="list-style-type: none"> - Change of strategic supplier classification for production material -> escalation in Purchasing - No consideration for new Businesses - Shifting of volume - Information of customer - Information to Supplier's certifier <p style="text-align: center;">NEW-BUSINESS HOLD</p>	<p style="text-align: center;">Escalation level 4 ES 4</p> <p>Building up an alternative supplier</p> <ul style="list-style-type: none"> - Specific removal - Revocation of delivery order <p style="text-align: center;">ELIMINATED</p>

ESCALATION LEVEL 1 (ES 1)

If HWA decided on the basis of available facts to take supplier into level ES1, there will be increased vigilance at HWA's incoming goods department.

On this level, HWA will establish the following:

- Parts concerned
- Characteristics concerned
- Type of check
- Labelling

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- Content and scope of documentation
- Criteria of de-escalation
- Criteria of higher grading (further escalation)

Case-specifically, the following is to be effected:

- 100 % self check by supplier, including check of the parts located at HWA
- 100 % check by third parties (in coordination with HWA)
- Expansion of QS measures to other components
- Visit with supplier

The agreed check must relate to the characteristics which have become conspicuous. For every delivery, Supplier shall document it in writing by means of a form (designation of checked goods after complaint). Furthermore, HWA may specify additional documentation requirements.

Supplier shall implement the agreed measures until proof of a lasting problem solution has been rendered. This will result in de-escalation.

ESCALATION LEVEL 2 (ES2)

If the proof requested in level ES1 is not rendered or not in good time, HWA may initiate escalation level 2. This is done in collaboration with the responsible purchasing department.

In escalation level 2, the following steps are mandatory:

- Letter to Supplier's management or its upper management circle
- Q-talks at HWA offices. Supplier's management presents a program for error elimination
- Agreement on an additional 100 % check at the Supplier's by a service provider accepted by HWA. Commissioning to be effected by Supplier.
- Visit with Supplier for process, error analysis and check on measures

On this level, Supplier's additional duties are:

- Reporting regarding root cause analysis
- Status of error elimination
- Working off measures

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Supplier shall implement the agreed measures until proof of a lasting problem solution has been rendered. This will result in de-escalation.

ESCALATION LEVEL 3 (ES 3)

If the measures agreed on level 2 are not expedient or inadequate in processing, HWA may initiate escalation level ES3.

On escalation level 3, the head of the purchasing department is to initiate a meeting with the following parties:

- Executive Management meeting between:
- Head of Purchasing HWA
- Head of Quality HWA
- Supplier's Management

If necessary, the following consequences can here be initiated:

- Change of strategic supplier classification; escalation in HWA Purchasing
- No consideration for new business
- Shifting of volume
- Information of HWA customer
- Information to Supplier's certifier

ESCALATION LEVEL 4 (ES 4)

If the measures agreed on level 3 are not expedient or inadequate in processing, HWA must initiate escalation level ES4. That means:

- Building up an alternative supplier
- Specific removal
- Revocation of delivery order