



# **SUPPLIER QUALITY MANUAL SUPPLIER CODE OF CONDUCT**

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# Supplier Quality Manual

## Preface

This Ewes AB Supplier Quality Manual has been created to assist our suppliers in understanding the purchasing expectations and quality requirements for products and/or services supplied to Ewes AB, hereafter called Ewes. To assist Ewes in complying with IATF 16949 and to develop our suppliers, this manual is structured around IATF 16949 and ISO14001 requirements.

In order for Ewes to maintain compliance to the IATF16949 Standard, section 8.4, Control of externally provided processes, products and services, suppliers to Ewes must achieve certification by an accredited body to a current version of the ISO-9001, or be able to demonstrate assessment by an OEM or an OEM-approved second party. From environmental point of view, we expect all our suppliers to take care of all legal requirements and continuously work with active actions which are in line with the demands in the ISO 14001 Std.

All Suppliers to Ewes are encouraged to achieve conformity to IATF16949 and ISO 14001.

Through implementation and adherence to the standards stated herein, Ewes looks forward to a long and mutually beneficial relationship with our Suppliers.



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## **1. Introduction**

### **1.1 Scope**

The Ewes Quality Manual has been developed to communicate the operating principles, general expectations, requirements, and procedures of Ewes. Acceptance of any purchase order obliges the recipient to comply with this manual's content. These guidelines are provided as supplement to, and do not replace or alter, any purchase agreement terms or conditions which are included as requirements of applicable engineering drawings, specifications and other contractual documents. This manual describes the minimum requirements for which the supplier has responsibility. However, system improvements that exceed the requirements specified within this manual are always encouraged.

Guidelines described in this manual are required from all Ewes suppliers of production material.

### **1.2 Purpose**

Quality is the result of hard work, adherence to high standards, continuous improvement and team-oriented problem solving. Quality is a culture, not a set of rules for operation. Every Ewes employee is a member of the Quality staff and committed to the goal of providing our customer with the best possible products and services as a result of their daily activity.

For this objective to be achieved, it is necessary that all functions within Ewes and their business associates operate on the "zero defect" philosophy. We must all strive for a fundamental quality system that provides for continual improvement in the quality of product, delivery and services. Emphasis should be on defect prevention and the reduction of variation and waste in the supply chain.

### **1.3 Implementation**

Suppliers are responsible for the development, documentation, implementation, and maintenance of a quality system that complies with the ISO 9001 standard. Suppliers are encouraged to become certified to IATF16949 and ISO14001 quality / environmental standards.

## **2. Supplier Evaluation and Performance**

### **2.1 Supplier Evaluation**

Ewes supply base will consist of organizations supporting our business needs. Controlled methods are used to evaluate, select, develop and monitor suppliers. Criteria for evaluation and selection of suppliers on Ewes Supplier List is based on the supplier abilities to consistently deliver defect-free products and/or services, meet or exceed our delivery requirements, be cost competitive and be responsive to Ewes needs.

Suppliers to Ewes are expected to work with continuous improvements to develop towards excellent performance. To become a supplier to Ewes for new business, the supplier must be approved by Ewes after answering the supplier self-assessment and audited by Ewes when needed.

## **2.2 Consistent Quality**

100% defect free product is required from suppliers to Ewes. Any deviation from this will result in a (NCR) Non-Conformity Report in 8D format. Every NCR will be followed by an administrative cost of EUR 150.

The definition of “defective” also includes administrative failures, such as wrong labelling, wrong part No, delivered quantity does not match quantity on box label or bill of lading etc.

## **2.3 Escalation Model**

If a supplier cannot implement a permanent corrective action to supply zero defects to EWES, and problems continue, EWES will agree on a Quality Improvement Plan together with the supplier. This is a containment process that will be implemented until the supplier has shown their ability to ship defect-free material on a continuous basis. Containment actions will be followed.

If another defect is discovered within the containment period, the supplier will be moved to the next level of improvement plan. This means no new business until containment actions have been established successfully, and zero-defect products have been delivered on a continuous basis.

## **2.4 Non-Conforming Product**

If parts are found to be out of specification in receiving inspection, during production at a Ewes facility, or if at final customer, and the complaint is confirmed to be a supplier quality problem, the supplier will be notified by Ewes Quality Dept. to provide immediate containment and support to resolve the problem by use of well recognized problem solving tools.

Supplier is fully responsible for all costs occurring in relation to the delivery of defective parts. This includes for ex.:

- cost for sorting,
- machine cost at production stop,
- rework,
- shipment cost for returning of faulty parts,
- all costs claimed by the Ewes customer.

First alternative is always that supplier send approved replacement parts. If sorting or rework is needed, the supplier is responsible for this.

If the supplier can't perform the sorting, it will be done by Ewes or hired staff, at a cost of 45 EUR/hour which will be forwarded to the supplier.

## **2.5 On-Time Delivery**

Ewes requires all suppliers to provide 100% on-time delivery performance with the exact product and/or services promised and correct quantity and pricing agreed upon.

## **2.6 Nonconforming delivery**

Ewes consider unauthorized early or late deliveries and partial or over shipments to be

unacceptable. The quantity shipped per order or release cannot vary from specified quantity without the prior written consent of the Supply department of the receiving plant. If a production line is shut down due to poor quality, late delivery, or incorrect quantity on any shipment, the supplier will be responsible for any costs incurred including expediting shipments or charges from Ewes customers.

All premium freights caused by late delivery from supplier will be the responsibility of the Supplier.

## **2.7 Rights of Verification of Products/Services**

Ewes reserves the right to verify the products/services on the supplier's premises by Ewes representatives and our customer and/or their representative. This verification also applies to the supplier's sub tier supply base.

## **3. Supplier Performance and Rating**

### **3.1 Supplier Performance**

Ewes Suppliers are monthly measured on quality and delivery performance.

- Quality performance; Number of complaint reports and Severity rate.
- Delivery performance, OTD (On Time Delivery); delivery date precision and quantity.

Suppliers with low performance are expected to present a corrective action plan containing recommended improvements and responsibilities together with implementation dates. Ewes purchasing/quality department will review the submitted action plans and monitor the improvements.

### **3.2 Supplier rating**

The Supplier Rating is performed yearly by Ewes for the Focus suppliers. Supplier Rating is a system based on a combination of the supplier quality and delivery performance the last 12 months but it also includes the following values:

- Achieved certificates according to ISO 9001, IATF 16949 and ISO 14001. - Agreement of and adopting the Ewes Supplier Quality Manual
- Actively working with improvements and development of the common business
- Support and proactiveness

## **4. Quality Process Requirements**

For Ewes to achieve a smooth implementation of new projects as well as develop and maintain ongoing business, Ewes expects the Supplier to be familiar with the well-recognized tools for quality planning, quality approval, continuous improvement and SPC tools according to the Automotive Industry Action Group (AIAG) or similar.

### **4.1 Advanced Product Quality Planning (APQP)**

Prior to production of any product, the supplier should utilize quality planning techniques to ensure successful launches of these products. Ewes recommends the use of the Advanced Product Quality Planning (APQP) reference manual published by AIAG as a guide to proper

use and documentation.

At involvement in development projects for new products with Ewes, the supplier is requested to accept and sign the Non-Disclosure Agreement

#### **4.2 Production Part Approval Process (PPAP)**

Ewes requires all their suppliers to maintain a Production Part Approval Process (PPAP) system to ensure parts submitted to Ewes meet all requirements. This system should utilize the AIAG standard documentation found in the PPAP reference manual.

The supplier shall always establish and maintain a complete updated PPAP retained at its site. The supplier shall use PPAP level 3 as the default for all submissions unless otherwise specified in the PPAP checklist prepared by Ewes SQ. Full approval of this process must take place according to the established PPAP date. (Ref: PPAP manual Section 1 table 1.3.2)

#### **4.3 Traceability**

In case of any deviations or field actions it's very important to have good traceability on supplied parts to enable a delineation.

Ewes have a minimum requirement for traceability on supplied parts as described:

- Steel: All material traced down to material certificate, Charge no on coil.
- Springs, Machined parts, Pressed parts: Delivery id tracked down to production batch => material certificate and any post treatment, Delivery id. on label.
- Assembled parts: Delivery id tracked down to production batch (including traceability on ingoing components), Delivery id. on label.

#### **4.4 Supplier Request for interim approval**

If the supplier, by any reason, cannot fulfill Ewes required specifications for any product supplied to Ewes, the supplier has to apply for an interim approval. No shipment is allowed for not approved production material or non-conformances before the interim request is approved by Ewes. The interim should not be used as Request for Engineering Change or as any sort of implication for a quotation.

#### **4.5 Supplier Request for Product- or Process change.**

Ewes is encouraging the supplier to take initiatives and supports good ideas which could be beneficial for all parties.

However, the rules within the automotive industry are very strict. Any changes in process or product from original PPAP have to be approved before implementation. The request for product or process change should to be submitted to Ewes together with a change implementation plan.

The Change request process refers to any change to the already approved PPAP package. Potential reasons for filling in the change request form:

- Change in the process
  - ❖ Layout
  - ❖ New location

- New machine /tool
  - ❖ Rework of tool (other than normal maintenance)
  - ❖ Change in the Supply chain
- New sub supplier
- New materialsource
- Change of product design
  - ❖ Dimensions
  - ❖ Material

The supplier should always contact Ewes Purchase or Quality if there are uncertainties on whether approval is required.

#### **4.6 Continuous Improvements and Statistical Process Control**

Suppliers are expected to work with continuous improvements as part of the supplier production and quality system.

To verify, understand and improve the stability of any production process, Ewes recommends the use of the Statistical Process Control (SPC) reference manual published by AIAG among others.

#### **5. Code of conduct**

As a supplier to EWES, supplier must comply with applicable laws and regulations, and the requirements set out in this Code of Conduct. In case local law is stricter than the Code, local law shall prevail.

##### **5.1 Reporting of violations**

If you become aware of unethical or illegal conduct, you are expected to report your concerns to company management. When reporting suspected violations, employees may choose to identify themselves, or to remain anonymous. There must be no retaliation against any employee making a report in good faith.

The supplier shall follow the laws and regulations in each country where it operates. The Code sets forth the minimum level of approved behavior.

##### **5.2 Dealing with confidential information**

Employees often have access to information about Ewes, and sometimes also to information owned by third parties, that is not generally available to the public.

Such confidential information must not be passed on to anyone outside the agreement between EWES and the supplier.

##### **5.3 Respect for the individual**

Supplier shall provide equal employment opportunities to all individuals without regard to gender, race, religion, age, disability, sexual orientation, nationality, social or ethnic origin, citizenship, union affiliation, political opinions or any other characteristics protected by applicable law.

Physical, psychological, sexual or verbal harassment against any colleague or business partner will never be tolerated.

##### **5.4 Fair working conditions and wages**



Employment terms shall be fair and reasonable. Wages and working hours must be according to laws and agreements in each operating country. All employees, including those who are temporarily employed, should have their employment terms in writing and be made aware of their employment conditions.

#### **5.5 Fairness in all business relations**

We exercise fairness in all dealings with our business partners and stakeholders. Business decisions are based on the best interests of supplier and Ewes, without regard to personal relationships or considerations.

Employees must not accept gifts, benefits, reimbursements or entertainment that could affect, or even appear to affect, the objectivity and professional judgment of the employee. Likewise, supplier shall not offer rewards or benefits to any business party or stakeholder, which is, or appears to be, in violation of applicable laws.

The Ewes team competes in a manner that is both ethical and fair, without engaging in any inappropriate activities or unfair trade practices.

#### **5.6 Freedom of association**

All employees should be free to exercise the right to form, join or refrain from joining unions or similar organizations devoted to collective bargaining.

#### **5.7 Forced or child labor**

Ewes do not tolerate underage labor in its operations or in the operations of any supplier or other party with whom we cooperate. The minimum employment age is 15 years, or the lawful age for working in the country in question.

We do not allow illegal or forced labor in our operations or in the operations of any parties with whom we cooperate.

#### **5.8 Safety**

The necessary conditions for a safe and healthy work environment shall be provided for all employees, including appropriate information and training.

The use of drugs or alcohol at the workplace is not tolerated.

#### **5.9 The Environment**

The supplier is committed to protection of the environment and to maintain a sustainable business model. The commitment involves reducing the environmental impact of the supplier's operations, products and processes. This applies from product idea to product delivery, operation, maintenance and disposal, even when there is no legal requirement to do so.

The supplier is committed to work systematically with environmental management systems. The environmental programs feature continuous improvement, technical development and resource efficiency including waste reduction, and use of sustainable resources.