



SUPPLIER'S HANDBOOK

dirna  **Bergstrom**

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1. Procurement Policy and Purpose Policy

Procurement Policy and purpose of the Bergstrom Supplier Handbook

The purpose of this manual is to communicate Bergstrom's (including Dirna Bergstrom's) requirements and expectations of direct material suppliers, in addition to Dirna Bergstrom's General Purchasing Conditions currently in force. Direct materials are the raw materials and bought parts of Bergstrom's final products.

This manual outlines the quality system requirements for suppliers and explains the parts approval process and the ongoing requirements for suppliers.

Compliance with this manual is mandatory and assures Bergstrom that suppliers have the systems, processes, and procedures to meet the requirements.

Bergstrom Purchasing Policy Statement

The product procurement process involves the definition of both technical and commercial issues.

Technical definitions are the specifications of the products or services needed from the supplier (engineering or production responsibility).

Commercial issues include business agreements agreed between DB and its suppliers reflecting the technical requirements defined by DB that must be followed and the levels of penalties and responsibilities that suppliers must assume in case of non-compliance (buying responsibility).

DB's objective is to reach the "Concerted Quality" level for most of its suppliers.

2. Management systems

2.1.- Quality Management System

Dirna Bergstrom has implemented a quality management system certified to IATF 16949 and, as such, must require its suppliers to be certified to IATF 16949 or at least to ISO 9001.

The supplier must provide Bergstrom with a copy of its available Certificate. This Certificate must be always kept valid, and he must report any loss of the Certificate at once to Dirna Bergstrom's Quality representative.

2.2.- Environmental Management System

Dirna Bergstrom is committed to protecting the environment by implementing an environmental management system. Therefore, we require our suppliers to follow environmental legislation and to be able to supply evidence of their compliance. In addition, the Supplier's ISO 14001, EMAS or similar certification will be an asset.

3. Quality planning

3.1.- Advanced Product Quality Planning (APQP)

The supplier concerned by an APQP, or similar process should conduct thorough advanced quality planning of the product before launching to minimise problems detected during and after the launch phase.

3.2.- Suppliers of software and products with integrated software

The supplier of software or products with embedded software shall implement and keep a software quality assurance process for its products.

This process will be audited and confirmed by Dirna Bergstrom's Quality

Manager, and the supplier shall give a dossier with at least the following documentation:

- Software quality assurance procedure
- Reporting of the Traceability of Card Engravings
- Reporting of Issue Control
- Others that may result from the 2nd party audit

3.3.- Production Part Approval Process (PPAP)

As a DIRNA Bergstrom supplier, you must fulfil a first sample approval process, whenever needed, equivalent to a PPAP with a level and requirements to be defined at the time of application. In this case, the Quality Department will decide the level based on:

- Potential customer requirements, if any
- Criticality of the product, where specific tests may be needed from the supplier
- Other considerations to be decided if necessary

PPAP documentation should be sent by e-mail to calidad@dirna.bergstrominc.com. The part number, purchase order, and revision number in the subject line must be specified. Every document must be given in a DB-readable format, and whenever dimensional drawings are needed, all drawing features, including notes and geometric tolerances and dimensions, must be documented.

3.4.- Continuous improvement

Continuous improvement is part of Dirna Bergstrom's quality philosophy and is a fundamental principle of the ISO 9001 standard, which is why we extend it to our suppliers.

Suppliers will be asked to consider and share quality, environmental and cost reduction improvements that could be applied to the products supplied.

Such improvements shall be given to the DIRNA BERGSTROM Quality and Purchasing representative for control and Approval.

4. Criteria for the Evaluation and Selection of Suppliers

New suppliers will be evaluated and selected based on the following criteria:

- He must complete the Bergstrom "Supplier Information Survey" questionnaire (F-7414- Rev. 08).
- Priority must at least ISO 9001 Quality certification. If it is impossible to find suppliers with this certification, a plan for adaptation and certification to this standard will be asked.
- Economic cost of the product/service offered.

A 2nd party initial audit shall be carried out as part of the approval process for at least the following cases (criteria):

- A. Whether the product must follow legal and regulatory requirements.
- B. Whether the product must follow safety requirements.
- C. Suppliers supply critical components (compressors, fans, evaporators, condensers, electronics and wiring).
- D. In cases where the supplier is not certified, is in the certification process, or is only ISO 9001 certified.

5. Supplier Performance Assessment

5.1.- Performance Assessment

Dirna Bergstrom evaluates the performance of its suppliers on a monthly or at least annual basis.

Supplier performance will be evaluated using the metrics in section 5.2 for all suppliers of critical components: compressors, fans, condensers, electronics, evaporators, blowers, plastic injection moulding parts, wiring and sheet metal enclosures, which may be expanded or reduced at internal discretion, and will be reflected in the monitoring list.

Suppliers who were not initially included in the monitoring list and experienced a complaint that is considered to have a critical effect on the functionality of the equipment may be included in the monthly monitoring table for three months.

If the supplier fulfils the evaluation criteria according to the scoring system with a G-value (Green) during these three months, it will be removed from the monthly monitoring table.

Similarly, the annual assessment for suppliers of non-critical components that have not been subject to a complaint shall be made using the performance metrics in section 5.2.

5.2.- Supplier performance metrics

The Supplier Scorecard is a comprehensive and multifunctional assessment of a supplier's performance. This qualification is used to ease our supply base's development and improve the quality of a supplier's products and processes.

Metrics	Calculation / formula	Objective
Quality: Rejected pieces per million (PPMs)	(no. defective parts x 1,000,000 / no. parts received)	To be defined annually
Number of non-conformities per month (NCP)	Nº NCP	<1
8D delivered on time	8D delivered/ 8D needed Response containment/correction < 21 días Response Containment/Correction >21 días	100%
Open, repeated incidences	No = 2 pts Yes = 0 pts	0 repeated incidences
Costs due to quality failure	Costs of hours invested + material costs + selection costs	0

Deliveries, Kanban incidents	Number of incidents/months	0
Supplier responsiveness	According to buying criteria	OK= 1 pt. NOK= 0 pts
Special transports	0 transports = 1 pt. 1 transport = 0.6 pt. >2 transports = 0 pts	OK = 1 pt.
Guarantee failures	0 Failures = 1 pt. 1 Failure = 0 pt.	OK = pt.

Ranking of the scoring system:

To achieve the evaluation value, the individual values of each of the criteria are added up, and the result is defined based on the following distribution:

Green = supplier in good standing. (> 8)

Yellow = Supplier improvement plan needed; no audit 2nd part needed (7 - 6)

Red = Supplier in poor situation (< 6). Supplier shall be subject to an improvement programme based on 2nd party audits and follow-up action plans.

6. Quality assurance practices

6.1.- Active documentation

Supplier shall treat the required documents for controlling the product supplied as active documents. They shall be continuously updated at any stage of improvement or resolution of a quality problem raised by either party, reflecting all changes in the supplier's process, solutions implemented, and recent changes in the quality and control system.

Such updates shall be communicated to the quality manager or department by e-mail.

6.2- Traceability and Quality Control.

Suppliers shall be required to implement systems that allow traceability of products through the process, from raw materials to the ultimate finished product.

All shipments to Bergstrom must be found so that traceability of the batch is possible in case of a quality deficiency at the final DB customer.

6.3. Calibration

Suppliers shall be required to select and certify the measurement system/means properly. This data will be verified during the second party audit.

Whether a medium is acceptable will be decided based on the uncertainty values. If any media is considered "Unacceptable", it should be removed from service until repaired or replaced.

6.4.- Agreed quality

a) "DIRNA will mutually agree quality Agreed" level and the supplier after a series of improvement processes have been implemented, based on the non-conformities detected in the first audit programme. Upon agreement, the following three batches delivered from the supplier will be counted and 100% checked upon arrival at DIRNA-BERGSTROM. Suppose in these three deliveries no defects are found. In that case, this reference/product code will automatically enter "Agreed Quality". It will not be rechecked when it arrives at DIRNA-BERGSTROM, allowing its automatic entry into the production line.

b) If, after entering a reference in Concerted Quality, a quality failure is detected, either at Dirna Bergstrom or our end customer, an urgent containment protocol will be automatically activated, which will start a 100% revision of the stock of parts at DIRNA and the end customer within no more than 24 hours. This revision may be conducted by the supplier's personnel or by third parties contracted for this purpose if the client does not authorise the supplier to enter his premises.

The costs arising from these actions shall be fully passed on to the supplier who supplied the reference concerned.

In addition, where needed, it undertakes to deliver a complete 8D report outlining the root causes and the corrective action plan.

DIRNA BERGSTROM must confirm this document, and if it is not accepted, the costs of the election shall be borne by the supplier. Validation will be done by 100% incoming control of later batches or by second party audit verification of the measures undertaken.

6.5.- Costs due to quality defects

It shall be agreed internally whether to charge the supplier for the costs of Quality defects caused by defective material deliveries or in case of inclusion in the monitoring panel:

Breakdown of charges:

- 1) Charges for sorting, reworking and handling of 20 €/h of labour for the actual time spent on defective components or assemblies and 20 €/h for Quality personnel.
- 2) Reimbursement of express delivery or replacement costs.
- 3) Charges distributed by Dirna Bergstrom related to inadequate quality, replacement of parts or line stoppage can be deducted from the amounts due:
 - Charges for the shutdown of a Bergstrom line will be calculated based on the number of operators involved in the shutdown value of the product that has not been produced at the selling price. The hourly rate will be 30 €/h per operator hour.
 - The end customer has special/urgent freight charges or costs due to line stoppages and manufacturing incidents.

6.6.- Documentation and Record-Keeping (Where PPAP or specific documentation is needed)

Relevant data, records, and procedures must be kept for at least the product's useful life plus five years. Examples of applicable documents include, but are not limited to:

- 1) Statistical quality data
- 2) Data from test results and process and final inspections
- 3) All data from first samples
- 4) Corrective action reports
- 5) Details of the examination at the acceptance
- 6) Test procedures
- 7) Control Plan, FMEA, Flow Chart
- 8) Descriptions of quality systems and procedures
- 9) Written instructions for inspections
- 10) Laboratory instructions and tests

These documents must be kept being made available to Dirna Bergstrom within 24 hours of the request.

6.7.- Change Approval

The supplier shall not make any changes or deviations to the product or processes intended for production without PSW (Parts Submission Warranty) Approval for Parts with PPAP or without prior Approval by Quality (Bergstrom). The supplier shall manage any unapproved changes' direct and indirect problems.

Planning requests for change development, process changes or deviation of parts must be communicated in advance and in writing to Bergstrom's Purchasing and Quality departments.

The request should explain, in detail, the requested changes, the reason, the cost savings, if any, the possible improvements and the validation plan.

The latter should supply detailed information on how the supplier will preserve quality, ability, supply and traceability during and after the changeover period. In no case shall the supplier give less than 30 working days' notice before the planned implementation date.

The PSW or Change Authorisation Request sent by the supplier and signed/confirmed by Dirna Bergstrom Quality is the acceptance document to ensure that the supplier can implement the requested changes.

7. Maintenance of tooling owned by Dirna Bergstrom

All testing and manufacturing tools and equipment belonging to Bergstrom, or its customers must be permanently identified with a Bergstrom fixed asset number. These tools are to be used exclusively for Bergstrom products.

Tools should be kept in good condition, and a maintenance schedule should be set up and adhered to. The supplier must inform the Purchasing Dept. about the tooling condition if there is a level of degradation, necessary improvements, repairs.

At the disposal of Dirna Bergstrom's Purchasing Department, it must also have a list of the available tooling, status, and if the applicable quantity of parts produced, discards.

8. Guaranties

Suppliers shall sign a binding guaranteed agreement defining the conditions for reimbursing guarantee claims.

The delivered product must be free from manufacturing or operational defects during the legal guarantee period defined in the agreement. The supplier's warranty shall cover any costs incurred by Bergstrom or its customers due to failure of components supplied during the warranty period, including, but not limited to, materials and quality.

9. Other requirements

9.1.- Insurance certificate

Bergstrom's Certificate requires that a certificate of insurance showing the coverage defined below be given annually. The following requirements form the minimum to be contracted:

General liability

Limits of liability: 2.000.000.-€ Total products/operations completed.

9.2.- Product certification: Country of origin

Bergstrom is required by law to keep documentation proving the country of origin of all products and parts thereof. The supplier must supply a declaration of facts from the country of origin upon request to fulfil this obligation.

9.3.- Financial statements

Bergstrom requires the annual submission of audited and updated financial statements.

10. Confidentiality

All information shared with suppliers is considered confidential. Disclosure of any Bergstrom confidential material outside Bergstrom shall be regarded as sufficient grounds for immediate termination of the supplier. Suppliers are expected to sign a binding confidentiality agreement.

AMENDMENT					
03	26/02/2020	General revision of the Supplier Manual			
02	18/07/2019	Auditing AENOR comments are incorporated			
01	06/06/2019	Supplier Manual is updated, and IATF 2019 points are incorporated.			
00	01/03/2018	Supplier Manual (reduced version) is created.			
REV	DATE	COMPLETED	REVIEWED	DATE	APPROVED
03	26/02/2020	Javier Segura	David Oviedo	26/02/2020	Leticia Chiches
		Purchasing Officer	Quality Manager		0

