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DEROGATION/CONCESSION MANAGEMENT FLOW

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LIST OF CHANGES	
Rev. no.	Description
00	First issue
01	Definition of QAM job: delivery of derogation to T&I
02	Replacement of form H01FDQA430 with new MOD_001_QAM; revision of procedure and flow
03	Specification of derogation/concession approver and definition of cases when derogation/concession concerns design, process or Quality System

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1 PURPOSE

To define the flow of information required to correctly manage the authorisation to use a product deviating from the specifications by granting derogations or concessions.

2 SCOPE OF APPLICATION

This procedure applies to all the codes of direct material manufactured/used at the factories of BERCO S.p.A..

This procedure applies to all the processes implemented at the factories of BERCO S.p.A..

3 DEFINITIONS

Authorisation to use: this is the product release or the authorisation to move on to the next step in the process after a careful examination and inspection of the product.

If product NCs are identified, the product may in any case be accepted with a concession or a derogation.

Concession: this is the authorisation to use or to release a product even if it is not compliant with the requirements specified by an entitled entity or, where applicable, by the customer. Normally, a concession is limited to the delivery of a product having nonconforming features, within the specified limits and for a limited period of time, or for an agreed number of products.

Derogation: this is the authorisation granted before production or before provision of a service to deviate from the original product requirements. Normally, a derogation is granted for a limited number of products, for a limited time, and for a specific use.

In both cases, products are used intentionally and knowingly even if they are nonconforming. The difference between these two definitions is the point in the Value Stream at which the decision is made.

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4 INVOLVED ENTITIES

- Area QM
- Central Quality QAM - SGI
- T&I Technology & Innovation
- Production Engineering (= Production Technology)
- Customers
- Suppliers

5 GENERAL

A request for a derogation/concession starts a process that helps manage a temporary deviation, i.e. a deviation limited in the quantity of components manufactured and/or limited in time, from a project specification (drawing, material, etc.), including the relevant risk analysis.

The Area QM, who has assessment competences, defines which cases should be solved by derogation/concession following the process specified in the relevant procedure. The Area QM sends the proposal to the entity in charge of assessing and approving the derogation/concession. The corporate entities authorised to grant a derogation include:

- *derogation/concession in connection with a **DESIGN**-related aspect - the entity designated to assess and authorise the derogation/concession is exclusively T&I;*
- *derogation/concession in connection with a **PROCESS**-related aspect - the entity designated to assess and authorise the derogation/concession is exclusively Production Engineering;*
- *derogation/concession in connection with a **QUALITY SYSTEM**-related aspect - the entity designated to assess and authorise the derogation/concession is exclusively SGI.*

6 DUTIES AND RESPONSIBILITIES

The internal or external entity (supplier) in need of a derogation/concession shall at all times send the request to the Area QM, who in turn shall fill out the form MOD_001_QAM (in addition to collecting

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the necessary technical information). Depending on the applicable situation, i.e. DESIGN, PROCESS or QUALITY SYSTEM derogation/concession, the Area QM shall do as follows.

- **DESIGN derogation/concession**

The Area QM shall fill out and send form MOD_001_QAM together with any necessary technical information to the Central Quality QAM, which is the process facilitator entity. QAM shall evaluate the request and, where it is deemed complete and in line with the process defined herein, shall send it to T&I that is the only entity entitled to approve this type of request for derogation/concession. T&I shall send the form with the related outcome to QAM (Central Quality) who shall **code, manage and formally record it in the relevant record MOD 002 QAM** and shall ask the end customer, where required, to approve the derogation/concession. The request for end customer's approval shall be evaluated and defined by T&I, and it shall be formally recorded in the Derogation Management Form MOD_001_QAM.

QAM is responsible for notifying the final outcome of the derogation/concession at all times and in a timely manner, and the notification shall be sent to the Area QM and to T&I in cases requiring customer's approval.

If T&I believes that the derogated requirements are to be permanently put on record in the technical documentation, T&I shall directly formalise this decision in the derogation management form MOD_001_QAM. This decision shall be followed by a change request drafted by the Area Quality entity, as required by the existing process.

- **PROCESS derogation/concession**

The Area QM shall fill out and send the form MOD_001_QAM together with the necessary technical information to Production Engineering (= Production Technology), which is the only entity entitled to approve this type of derogation/concession request. Production

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Engineering shall send the form with its outcome to QAM (Central Quality) who shall **code, manage and formally record it in the relevant record MOD_002_QAM.**

Please note that PROCESS-related aspects, which as such fall under the responsibility of Production Engineering in terms of derogation/concession approval, include features that, although derogated, do not affect the final outcome of the product, in other words features whose conformity will be restored by the next machining processes performed by BERCO S.p.A..

- **QUALITY SYSTEM derogation/concession**

The Area QM shall fill out and send the form MOD_001_QAM together with the necessary technical information to the Central Quality QAM, which is the only entity entitled to approve this type of derogation/concession request concerning the QUALITY SYSTEM. QAM and the SGI Director shall evaluate and decide on the request, and QAM shall **code, manage and formally record it in the relevant record MOD_002_QAM.**

QAM is responsible for notifying the final outcome of the derogation/concession at all times and in a timely manner, and the notification shall be sent to the Area QM, Production Engineering, and any other involved entity.

Where no peculiar situations occur (e.g. potential line stops, failure to comply with the obligations to the end customer set forth in the contract), the **nonconforming material must not be accepted** and, as a result, the derogation/concession must be rejected. "Peculiar situations" means:

- a situation in which failure to accept the material may negatively affect BERCO production or compliance with the contract entered into with the external customer;
- a situation in which failure to accept the material may cause substantial economic damage to the supplier.

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Safety features or features in connection with compliance with legislation must not be derogated.

The PPAP samples too may be derogated, in conformity with the management flow described in this procedure and in procedure PS_001_QAM (PPAP component approval) (QUALITY SYSTEM-related derogation/concession).

After the derogation/concession has been defined, the Area QM shall closely stick to the guidelines given in the "Notes" section in the form; where the derogation/concession is not granted, the NC shall be handled following the procedure for Nonconforming Product Management (type 1 and type 2) of BERCO S.p.A..

Please note that when full responsibility of the external Supplier is verified, even if the derogation/concession has been approved, all the costs in connection with derogation management (i.e. material sorting, document management, reworking, and repairs) shall be charged to the Supplier by way of entering them in the corresponding computerised document or issuing a nonconformity in the SAP management software, as specified in the NC Management procedure.

Communications with the supplier fall under the responsibility of the **Supplier Quality** entity of **BERCO S.p.A.**

All the material which can be used following approval of a derogation/concession shall be identified by the Area QA throughout the entire production cycle as follows: a copy of the derogation/concession form shall be affixed on all the containers storing the material in question. Where specified by the approving entity, the serial numbers of the products containing components under derogation/concession shall be recorded.

7 ATTACHED DOCUMENTS

- MOD_001_QAM: Derogation/concession request form
- MOD_002_QAM: Derogation/concession record

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