## Rheinmetall Auditing

At Rheinmetall Defence Australia (RDA) we understand that audits can be a challenging, confronting and time consuming process and many Australian businesses do not experience regular audits. However, audits can also be a powerful tool for helping organisations to better understand and improve their business. By explaining how our system works, we hope that you are better prepared for an audit, have the best chance of an effective outcome and that you are able to benefit from the audit experience.

### 1. Why does RDA audit?

The purpose of an audit is to reduce risk in the RDA supply chain. To reduce risk, RDA focusses auditing on the production and assurance processes. If you have well defined, documented, approved and implemented processes then this improves the likelihood of a high quality assured manufacturing outcome, first time, every time.

### 2. Who does RDA audit?

The Procurement teams from RDA and other Rheinmetall businesses identify potential suppliers to Rheinmetall, requesting 'onboarding' of these suppliers. If the Procurement teams intend to provide a supplier with opportunities to compete for work packages, they request a Qualifying audit from the Supplier Quality Assurance team. RDA then engage with you to organize a mutually suitable time for the audit against the commodity and manufacturing scope of process defined by Procurement.
It is important to note that the audit team are not directly involved in the procurement process, and will not be able to advise you of possible work packages, RFQs or contract opportunities. While we understand that this is of high importance, we need to leave these discussions with the Procurement teams.

### 3. Why focus on process?

International manufacturing best practice can be demonstrated through approaches across the aviation and automotive sectors, who both rigidly adhere to a process approach to manufacturing. While the Defence sector is not exactly automotive or aviation, the same principles hold true and Rheinmetall believes that best practice should always be our goal.

### 4. What is a process?

A series of actions, events or steps performed in a sequence to achieve a pre-defined outcome. To be recognized for auditing purposes, a process must be documented, the sequence between actions defined and evidence of completion and compliance available.

### 5. What is the Rheinmetall audit system?

RDA utilizes the VDA 6.3 Process Audit, which forms part of the VDA 6 Quality Management System standard utilized across the automotive industry. VDA 6.3 assesses the product manufacturing lifecycle and emphasizes deliberate controls and releases between stages of production and on identifying and managing risk.

### 6. Why does Rheinmetall use an automotive auditing system?

No auditing system is perfect.

VDA 6.3 does however, provide us with a common baseline that enables a fair and consistent measure of all potential suppliers. The additional benefit of VDA 6.3 is, because it is drawing on production best practice, the insights and feedback offered to you may provide valuable opportunities for business improvement.

### 7. Are there any pre-requisites before auditing?

Rheinmetall requires all suppliers to have an externally accredited Quality Management System (QMS) as an essential pre-requisite. In Australia, ISO 9001:2015 is the popular QMS standard although some enterprises prefer to utilize AS9100. Maintaining an accredited QMS is also a condition of doing business with Rheinmetall.

On rare occasions a business will be approved for auditing without an accredited QMS; however, this is by exception only and our experience is that suppliers without an accredited QMS generally have more challenges achieving a successful audit outcome.

It is also a pre-requisite that a Non-Disclosure Agreement (NDA) is in place between the audited supplier and Rheinmetall.

### 8. What is required to be demonstrated?

Evidence is paramount.

We are looking to see that you have a defined, documented and implemented process that is being used for production. We want to understand what your process is and then see evidence of how it has been implemented. This would include the documentation of release approvals, capture of inspection records, management of training competencies and any other evidence to show that you 'practice what you preach'.

While there are certain characteristics that are necessary in any effective quality system, we do not have a pre-conceived idea of what your system needs to look like. Our focus is on first understanding how your system works and then looking for areas where risk may not have been mitigated.

### 9. How does RDA perform the audit?

RDA will always seek to conduct an audit onsite with you, at your production facility. The audit typically follows a pattern of introductions, a factory tour and then focused questions based on an audit template. Prior to the audit, we will:

1. Contact you to request the audit
2. Agree a date and time with you
3. Provide you with an audit agenda and the audit template

### 10. Does the audit have to be onsite?

During the COVID travel restrictions, RDA developed a remote assessment methodology or tool, but have found this to be less than ideal and that the nuances of a virtual audit meant that many businesses were not able to represent themselves in the most effective way possible. While we retain the remote assessment as part of our toolkit, RDA will only use this under adverse conditions as we want to ensure that you are provided the full opportunity and benefit of the audit.

### 11. Is the audit the same for everyone?

While we use a single, standardized template for all audits, there are two categories of audits, each with two sub-categories:

1. Potential Analysis
   a. Build to Print (B2P)
   b. Design & Build
2. Process Audit
   a. Build to Print (B2P)
   b. Design & Build

### 12. What is a Potential Analysis?

The Potential Analysis is the audit we use for potential new suppliers. The Potential Analysis is a shorter questionnaire set that seeks to understand whether the potential supplier has a quality management system that is compatible with RDA's expectations.

### 13. What is a Process Audit?

Process audits are used for suppliers who have previously provided supplies to RDA or are currently in contract with RDA. The existing relationship allows a deeper level of questioning which is able to focus on how the supplier has delivered or manages RDA's requirements. The question set expands on the questions used in the Potential Analysis.

### 14. B2P or Design & Build?

B2P suppliers are asked to manufacture a product to an existing RDA design whereas Design and Build suppliers are asked to develop the solution against a RDA specification or requirement. The Design & Build audit asks additional questions, focusing on the design and project management capabilities of the supplier.
For most audits, we default to the B2P template as the products we are manufacturing have already been designed, what we assess is how suppliers manufacture to this design. We utilize the Design & Build template when Procurement have identified opportunities for suppliers to contribute to design and development.

### 15. What questions does RDA ask?

The questions are broken into 6 functions, or elements, of the production cycle, with Design & Build audits addressing all 6 functions while B2P only address the last 4. The 6 elements are:

- Project Management (Design & Build only)
- Planning the Product and Process Development (Design & Build only)
- Implementation of the Product and Process Development (both)
- Supplier Management (both)
- Process Analysis Production (both)
- Customer Care / Satisfaction / Service (both)

A summary of the 6 elements is included at Appendix A.

### 16. How long does an audit take?

It depends on a number of factors ranging from the type of audit to the complexity of the commodity, to how your quality system is structured. As a rough guide, the different audits require:

1. Potential Analysis B2P: 1 day
2. Potential Analysis Design & Build: 1.5 days
3. Process Audit B2P: 2 days
4. Process Audit Design & Build: 2.5 days

### 17. What are the outcomes of an audit?

Audits result in one of three outcome grades:

'A' Supplier – the supplier is released to supply against the defined commodity.

'B' Supplier – the supplier is released to supply against the defined commodity conditional on completion of an Action Plan to address concerns raised during the audit.

'C' Supplier – the supplier's quality system is not compatible with RDA and the supplier is not released. 'C' Suppliers are encouraged to review their quality systems and approach RDA at a future time for a new audit and the potential for release. For existing suppliers, a C grading does not affect the current contract scopes but may prevent the supplier from entering future opportunities.

### 18. What is a Release?

Release is the term we use to indicate that a supplier has been approved by the Quality Department to supply a defined commodity. The Release enables Procurement to consider the supplier as a candidate to receive work packages.

### 19. What is an Action Plan?

During audits, we typically identify deviations and areas for improvement which form part of the audit report. For 'B' suppliers, we capture these points into an Action Plan and request that the supplier address these items to the satisfaction of the auditor. The Action Plan includes an agreed timeline and the onus is on the supplier to compete the required actions. For 'B' suppliers, release is conditional on completion of the Action Plan. Depending on the nature of the Action Plan, we may require an onsite visit to review and close the plan.

### 20. The audit is over, what happens now?

Shortly after the audit is completed, the audit team will complete the audit report and will provide a copy to you. We ask that you review the report and, if you agree that it is an accurate record of the audit, that you return a countersigned copy.

Once we have received the countersigned report, we file and distribute to the Rheinmetall Procurement teams and record the outcomes in our tracking matrix.

For 'B' suppliers, we continue to remain engaged with you around the Action Plan.

## Appendix A : Audit Question Sets

### A. Project Management (Design & Build only)

Reviews how the supplier structures to ensure the product or project requirements are correctly captured and a suitable organization structure is used to ensure customer requirements are met. Includes:

- Is there a system or plan for project management and how is this organized?
- Are project resources planned and available?
- How is project planning conducted and is this agreed with the customer?
- How does the project ensure customer requirements are met?
- How is change managed?
- How are issues escalated?

### B. Planning the Product and Process Development (Design & Build only)

Reviews how the engineering and/or design process is conducted and controlled. Includes:

- How are product and process requirements confirmed?
- Is feasibility evaluated?
- How is product and process development planned?
- Is supply and support across the product lifecycle planned?
- Are the necessary resources available?

### C. Implementation of the Product and Process Development (both)

This roughly aligns with the bid/quote process and reviews how customer requirements are managed and design transitioned in readiness for production.

- Are the personnel resources available for production?
- Are the material resources available for production?
- Have approvals been completed?
- How is the production and inspection plan developed?
- Has feasibility and risk been addressed?
- Is there a process to handover to production?

### D. Supplier Management (both)

Reviews how the supply chain is managed to ensure that quality outcomes are achieved from purchased products and services.

- How are suppliers selected and approved?
- How are customer requirements communicated through the supply chain?
- How is supplier performance monitored?
- How is the quality of materials and supplies ensured?
- How are incoming goods inspected and stored?

### E. Process Analysis Production (both)

Focuses on the quality processes and controls implemented through the production process.

- How is transfer into production controlled?
- Are the necessary records and releases in place for production materials?
- How is change tracked and documented?
- How are production processes captured in the control plan?
- How is a re-starting production controlled?
- How are defects managed?
- Are employees qualified for their assigned tasks?
- Is the manufacturing equipment suitable for the production task?
- Is manufacturing equipment maintained?
- Are measurement and test equipment maintained and used?
- Are work and inspection stations appropriate?
- Are production targets set and monitored?
- Is process and quality data analysed?
- Are deviations analysed and the root cause assessed?
- Are processes audited regularly?
- Is transport, storage and packing suitable for the products?
- Are records and releases retained?

### F. Customer Care / Satisfaction / Service (both)

Investigates how the post-production aspects of the product lifecycle are supported.

- Are all quality system and process requirements fulfilled?
- Is a system in place for customer service?
- How is the supply of parts ensured?
- Are quality deviations analysed and corrective actions implemented?

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