###### **PROCEDURE REVISIONS**

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# **1 INTRODUCTION AND DEFINITIONS**

* 1. By this Agreement, the Parties intend to regulate the necessary terms and conditions underlying the contractual relationship between I.R.C.A. S.p.A. Industria Resistenze Corazzate e Affini (“IRCA”) or all companies – directly or indirectly - controlling or controlled by IRCA (all this companies and IRCA shall be referred to as “**ZOPPAS INDUSTRIES HEATING ELEMENT TECHNOLOGIES GROUP**”) and the Supplier in view of the continuity of the collaboration between them. The purpose of this Quality Agreement is therefore to identify the quality standards, as well as the means for control, verification and testing of the manufacturing process and of the Product, aimed at ensuring compliance of the raw materials used with all legal and contractual requirements, as well as the high quality of the Product, at improving the control processes, at reducing for both Parties the risk to be called to answer for a liability for defective products and at allowing prompt and effective identification and resolution in case defects are found.
	2. For the purposes of this Quality Agreement, the following definitions apply:

**Supplier**: any party that supplies the ZOPPAS INDUSTRIES HEATING ELEMENT TECHNOLOGIES Group with a Product, it being understood that the provisions under this Quality Agreement for the Supplier shall also apply, insofar as compatible, in case of purchase by the party of a product from ZOPPAS INDUSTRIES HEATING ELEMENT TECHNOLOGIES Group in order to use such product in its manufacturing processes;

**Purchaser:** a company belonging to ZOPPAS INDUSTRIES HEATING ELEMENT TECHNOLOGIES Group, which purchases a Product from the Supplier;

**Product/s:** any product, including raw materials, components, sub-sets and systems for the production and/or commercialization of elements and/or of heating systems manufactured by the Supplier, either entirely or in part, or however supplied by the Supplier to the Purchaser;

**Parties**: the Supplier and the Purchaser jointly.

# **2 SUBJECT**

The provisions of this Quality Agreement shall apply to each supply of Products made by the Supplier (“**Supply/ies**”) pursuant to the purchase orders transmitted by the Purchaser (“**Purchase Order/s**”). The General Purchase Conditions (Q.021) currently in force, enclosed with this Quality Agreement, and any amendments thereto, available on the www.zoppasindustries.com website under “Governance”, shall apply to each supply.

# **3 DOCUMENTS RELEVANT TO THE SUPPLY**

**3.1** The Supply shall be made in accordance with this Quality Agreement, the Orders and the technical documents provided by the Purchaser to the Supplier (“**Technical Documents**”), which shall include, by way of example and without limitation:

* Product drawing/s;
* Product acceptance specifications;
* restricted materials list (RML) which the Supplier commit to respect in compliance with what required to the Purchaser by its Customer **(if applicable);**
* **classification of the product/process special c**haracteristics (see specification 0.40.01) available on the [www.zoppasindustries.com](http://www.zoppasindustries.com) website under the area “Company \ Quality \ Documentation for the Supplier”;
* labelling standards for packaging of raw materials and purchasing components (see specification 0.20.02) available on the [www.zoppasindustries.com](http://www.zoppasindustries.com) website under the area “Company \ Quality \ Documentation for the Supplier”;
* SFNC non-conformity report form (see form Q.012) available on the [www.zoppasindustries.com](http://www.zoppasindustries.com) website under the area “Company \ Quality \ Documentation for the Supplier”;
* 8D report form (see form Q.058) available on the [www.zoppasindustries.com](http://www.zoppasindustries.com) website under the area “Company \ Quality \ Documentation for the Supplier”;
* PPAP (Production Part Approval Process) form (see form Q.057, specification 0.40.81) available on the [www.zoppasindustries.com](http://www.zoppasindustries.com) website under the area “Company \ Quality \ Documentation for the Supplier”;
* forms of RoHS/ELV/REACH/Food contact, etc. declaration of conformity available on the [www.zoppasindustries.com](http://www.zoppasindustries.com) website under the area “Company \ Quality \ Documentation for the Supplier”;
* CMRT form (Conflict Minerals Report Template) available on the [www.zoppasindustries.com](http://www.zoppasindustries.com) website under the area “Company \ Conflict Minerals”;
* Policy for the management of Conflict Minerals” (see procedure E.POLICY 003) available on the [www.zoppasindustries.com](http://www.zoppasindustries.com) website under the area “Company \ Conflict Minerals”.

**3.2** Any amendments to the Technical Documents shall be sent by the Purchaser to the Supplier by a written notice; they shall be considered to have been accepted unless the Supplier sends its own written comments to the Purchasing Department of the Purchaser within 15 days from the receipt of such notice.

**3.3** The following documents are an integral part of the Supply relationship:

* this Quality Agreement;
* the Purchase Order/s;
* the Technical Documents;
* the General Purchase Conditions of the Purchaser.

In case of differences between the provisions of the documents listed above, the provisions of the texts shall prevail according to the list, except as otherwise expressly agreed by the Parties.

**3.4** The Supplier guarantees that all the applicable mandatory and regulatory requirements and the product/process special characteristics (ref. 0.40.01) are passed down to his supply chain until the point of the manufacturing process where such characteristics are realized and the mandatory and regulatory requirements are applicable. On request, the Supplier shall give objective evidence to the Purchaser.

**3.5** If the special characteristics are safety/regulation type or the Product is destined to food contact, the Supplier guarantees the traceability by manufactured lot through the supply chain. On request, the Supplier shall give objective evidence to the Purchaser.

# **4 QUALITY REQUIREMENTS**

## 4.1 Organisation (quality, environment, safety, energy)

**4.1.1** The Supplier declares and guarantees that in its organization he implements a Quality Management System which complies with the ISO 9001 standard or is however such as to:

* ensure the conformity of the Product to the Orders, the Technical Documents and the provisions of this Quality Agreement;
* promptly identify any non-conformity found in the Product or liable to occur within its manufacturing process;
* ensure that immediate corrective/preventive actions will be taken in case of any non-conformity of the Product or of its own manufacturing process.

**4.1.2** The Supplier of Products destined to the Automotive sector declares and guarantees to have developed, implemented and improved a Quality Management System **certified according the ISO 9001** **standard** issued by a Certification Body bearing the accreditation mark of a recognized IAF MLA having the objective to get, if not already done, the **certification to IATF 16949** **standard** according to a development plan agreed with the Purchaser.

**4.1.3** The Supplier undertakes to comply with all provisions of laws and regulations on the environment, food contact and on Product safety in force in the European Union (EU), in the country where his Registered Office is located, in the Country where the place of manufacture is located and in the Country where the Purchaser Registered Office is located. In particular, the Supplier shall ensure compliance of the Product with the following requirements:

* EC Regulation 1907/2006 concerning the registration, evaluation, authorisation and restriction of chemicals (REACH) and the “candidate list” of SVHC [Substances of Very High Concern] available on the [www.echa.europa.eu](http://www.echa.europa.eu) website and its amendments;
* Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS) and its amendments;
* EC Regulation 1935/2004 on materials and articles intended to come into contact with food, insofar as applicable and its amendments;
* EC Regulation 2023/2006 on good manufacturing practice (GMP) for materials and articles intended to come into contact with food;
* EU Regulation 2017/821 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas and its amendments.

Moreover, if required by the Purchaser, the Supplier undertakes to comply with the following provisions/regulations on the environment, food contact and on Product safety:

* Directive 2000/53/EC on end-of life vehicles (ELV) and its amendments;
* American law H.R. 4173 July 2010 (“Dodd-Frank act”) available in the policy for the management of “Conflict Minerals” (see procedure E.POLICY 003) and its amendments;
* Proposition 65 of the State of California – Safety drinking water and toxic enforcement – Act of 1986 and its amendments;
* Swedish Act (2016:1067) concerning tax level on chemicals in certain electronic items and its amendments;
* laws / standard / regulations extra EU on food contact Products;
* restricted materials list (RML) in compliance with what required to the Purchaser by its Customer.

The Supplier undertakes to notify the Purchaser in writing and however, under penalty of forfeiture, within the date on which the Product is made available to the Purchaser for withdrawal, of any non-conformity with the provisions and requirements provided by applicable laws and regulations under this paragraph; he shall also notify the Purchaser in writing, under penalty of forfeiture, of any non-conformity found in Products already delivered, within 5 days of the date of publication or notification of the updated lists of prohibited hazardous substances, to which the Products do not conform. Failing such notice, the Product supplied to the Purchaser shall be assumed to be fully compliant with the requirements under this paragraph.

**4.1.4** The Supplier shall in its workplace observe all applicable laws on safety and environmental health by adopting adequate procedures, measures and protection means and shall implement suitable actions to reduce energy consumption.

**4.1.5** The Supplier declares that he is aware of the regulations regarding the administrative responsibilities of organisations and the principles included in the Purchaser’s Organisation Model and Code of Ethics (“**Organisation Model**” and “**Code of Ethics**”, available for consultation and printout on the website [www.zoppasindustries.com](http://www.zoppasindustries.com) under the area “Company \ Governance” and to be considered an integral part of these General Purchase Conditions and commits himself, also on behalf of its Partners and/or Sub-suppliers, to observe them.

**4.1.6** Failure by the Supplier - and by all its Partners and/or Sub-suppliers – to observe the provisions in the above-mentioned Organisation Model and/or Code of Ethics shall to all effects and purposes imply serious non-fulfilment of the contract and shall authorize the Purchaser to terminate the relationship with immediate effect.

**4.1.7** Supplier shall guarantee the absence of **Counterfeit Parts** in the Supply where Counterfeit Part is meant an unauthorized copy, imitation, substitute, or modified part (e.g. material, part, component), which is knowingly misrepresented as a genuine part of an original or authorized Sub-supplier.

## 4.2 Measuring tools and testing equipment

**4.2.1** The Supplier declares and guarantees that it has sufficient and suitable measuring tools and testing equipment to ensure that the manufacturing process and the Product comply with the characteristics indicated in the Technical Documents and in all documents relevant to the Supply relationship.

**4.2.2** The Supplier shall regularly verify and calibrate such measuring tools and testing equipment and shall keep the relevant registration throughout the performance of the Supply.

## 4.3 Tests and Controls

**4.3.1** The Supplier shall have and maintain throughout the performance of the Supply certain necessary and suitable verification procedures and control tools to carry out tests and control operations on the Product.

**4.3.2** If the Supplier does not have the verification and control tools indicated in the preceding paragraph, all or part of them, the Supplier shall indicate to the Purchasing and Quality Department of the Purchaser in writing all those tests and/or controls on the Product, which the Supplier is not able to perform directly; it is provided that if during the Supply the Supplier supplements its own control and testing tools, it shall timely inform the Purchasing and Quality Department of the Purchaser in writing, specifying the tests that the Supplier is able to perform.

**4.3.3** If the Supplier notifies that it is not able to directly perform the tests and controls, the Supplier shall indicate in the same notice whether it intends, at its own cost, to appoint qualified third parties or to entrust the Purchaser with carrying out the tests.

**4.3.4** At the end of the tests performed by the Supplier, either directly or through qualified third parties, the Supplier shall transmit the relevant results to the Purchaser’s Quality Department.

**4.3.5** The Purchaser shall be entitled to verify the results in its own laboratories by performing similar tests on the Product; it is provided that if the values obtained by the Purchaser are not the same as those obtained during the tests performed under the care of the Supplier, the costs for the performance of the tests by the Purchaser shall be entirely charged to the Supplier.

**4.3.6** If the Supplier intends to entrust the performance of the tests directly to the Purchaser, the Supplier shall timely send the relevant samples to the Purchaser’s Quality Department.

**4.3.7** The results of the tests performed by the Purchaser shall be transmitted to the Supplier by the Purchaser’s Quality Service Department, through the Purchasing Department, together with a regular invoice for the costs incurred in relation to the performance of the tests.

## 4.4 Manufacturing process

* + 1. Throughout the performance of the Supply, the Supplier shall ensure that:
* the staff involved in the production of the Product have and maintain all necessary and suitable technical skills;
* the production and control means are suitable for the purposes of the compliance with the technical and quality requirements of the Product as indicated in the Technical Documents;
* the Technical Documents shall be available and kept constantly updated.
	+ 1. During the performance of the Supply, the Supplier shall identify and analyse all potential risks in its own manufacturing process through FMEA-type methods and shall implement suitable actions and controls to prevent defects from occurring. Moreover, for all critical characteristics of its own manufacturing process, the Supplier shall carry out adequate process capability studies which must guarantee, except otherwise indicated by the Purchaser, a Cpk index > 1,33 and shall monitor such capability through a suitable statistical analysis (SPC). The Cpk, also called Performance index, measures the capability of the process to manufacture Products that meet requirements over a certain time range, taking into account variability, as well as whether the process deviation or not from the reference values.

**4.4.3** If the Purchaser points out certain critical characteristics of the Product in its Technical Documents, the Supplier shall carry out verifications and controls and put in place all suitable controls and actions to exclude such critical aspects and shall monitor its own manufacturing process to guarantee that the Purchaser’s requirements are met.

## 4.5 Identification and preservation of the Product

**4.5.1** The Supplier shall suitably identify the Product during all steps of the manufacturing process, highlighting the results of the controls carried out throughout the performance of the Supply (conforming – non conforming) and the status of the Product before and after the relevant work step.

**4.5.2** Whenever it is specifically requested in the Technical Documents, the Supplier shall affix an appropriate mark (name or initials) on each Product intended for the Purchaser.

**4.5.3** During the performance of the Supply, the Supplier shall ensure suitable conditions of storage of the Product and a withdrawal management in accordance with the FIFO (First In First Out) method.

## 4.6 Deposited samples (typical or limit)

**4.6.1** If the Purchaser has requested a Product with characteristics (as to appearance, aesthetics, etc.) that are difficult to be indicated or reproduced in drawing and/or which are to be made binding for the purposes of the performance of the Supply, the Purchaser shall be entitled to request from the Supplier the delivery of a few typical or limit samples reproducing such characteristics (“**Reference Samples**”).

**4.6.2** If the Reference Samples pass the approval tests by the Purchaser, the Purchaser shall be entitled to proceed to the lead-sealing of some of the Reference Samples delivered, one of which shall be returned to the Supplier (“**Lead-sealed Samples**”). During the Supply, the Lead-sealed Samples shall be used by the Parties as comparison samples for the control of the Supply, and in any case of complaints for non conformities of the Product.

## 4.7 Pre-production for approval

For the approval of the Product by the Purchaser, the Supplier shall submit to and send the Purchaser a lot of Product made with the final equipment, which the Supplier intends to use in its own manufacturing process for the purposes of the Supply (“**Pre-production**”). The Pre-production lot shall be opportunely identified by the Supplier with the indication “Pre-production” on each package or container.

Together with the Pre-production lot, the Supplier shall also provide the Purchaser with the following documents:

1. a report containing the examinations made on the Pre-production with respect to the Product characteristics as indicated in the Technical Documents; whenever it is specifically requested in the Technical Documents or the Purchase Order, such report shall conform to the inspection certificate type 3.1 provided in the EN 10204 standard and include the relevant declaration of conformity to the Purchase Order;
2. certificates of the materials used in the Product;
3. technical and safety data sheet for the Product, if required under law;
4. EU declarations of conformity of the Product to the European Directives and Regulations (e.g. RoHS, *ELV*, ATEX, Food contact, etc.);
5. PPAP (Production Part Approval Process) report, if requested by the Purchaser;
6. IMDS report (International Material Data Sheet), if requested by the Purchaser.

The “Pre-production” indication must also be affixed on the shipping document (delivery note).

## 4.8 Supplies following the approval - Types of control documents

**4.8.1** If it is expressly requested by the Purchaser (through a written communication or indication in the Technical Documents or in the Purchase Order), the Supplier shall provide the Purchaser with inspection certificates (documents type 3.1 or 3.2 in accordance with the provisions of the EN 10204 standard) and with report containing the surveys done on the purchased Supply lot and with included declaration of conformity (document type 2.1 in accordance with the provisions of the EN 10204 standard).

**4.8.2** The documents indicated in paragraph 4.8.1 above, as well as any other documents relevant to the Product, delivered by the Supplier under this Agreement, including, where required, the testing and quality documents mentioned in this paragraph, shall constitute certification by the Supplier of the conformity of the Product to the technical and quality characteristics under this Agreement and those required by the Purchaser.

## 4.9 Inspections at the Supplier’s premises

**4.9.1** With the acceptance of the Purchase Order, the Supplier expressly allows the Purchaser’s staff and its Customers or government Authorities to access the Supplier’s premises, upon reasonable notice, in order to carry out the necessary verifications and controls on the manufacturing process and verifications on the quality and conformity of the Product to the characteristics and requirements under this Quality Agreement.

For the purposes of this paragraph, the Supplier expressly authorises the Purchaser upon such accesses to use the Supplier or the Purchaser’s control and testing equipment.

**4.9.2** It is understood that the performance by the Purchaser of any inspections or verifications, controls, testing, approvals and/or trials on the Product pursuant to this Agreement shall not imply exclusion or limitation of the obligations undertaken by the Supplier towards the Purchaser under this Agreement.

**4.9.3** The Purchaser reserves the right also to carry out audits at the Supplier’s or his Sub-suppliers premises, with notice and together with Customers and the government Authorities, in order to evaluate and/or verify his organisation and Management System (Quality, Environment, Logistics, etc.) also with reference to specific requirements of the Purchaser (e.g. Cleanliness for Supplier of the Automotive sector, Products suitability with foodstuff, etc.).

**4.9.4** The Purchaser reserves the right also to carry out process audit according to the standard VDA 6.3 or equivalent standard at the Supplier’s premises in order to evaluate its manufacturing process capacity to realize a product conforming with the Purchaser’s request.

## 4.10 Supplier Evaluation

**4.10.1 All sectors except Automotive**

**4.10.1.1** The evaluation of the Supplier is based on a global performance indicator (Vendor Rating VR), which takes into account the following elements/aspects:

|  |  |  |
| --- | --- | --- |
| **NO.** | **ELEMENT** | **WEIGHT ON THE TOTAL VR** |
| 1 | QUALITY | 45% |
| 2 | SERVICE | 20% |
| 3 | PRICE | 10% |
| 4 | DEVELOPMENT | 15% |
| 5 | MANAGEMENT | 10% |

Depending on the VR value, the Supplier is evaluated as follows:

|  |  |
| --- | --- |
| **VR VALUE** | **CLASSIFICATION** |
| **VR ≥ 85** | EXCELLENT |
| **70 ≤ VR < 85** | GOOD |
| **60 ≤ VR < 70** | SUFFICIENT |
| **50 ≤ VR < 60** | INSUFFICIENT |
| **VR < 50** | TO BE REPLACED |

In the event that not all VR elements are available, the Supplier evaluation shall be solely based on the quality status of the lots received, by means of the Supplier Quality Index (SQI) calculated by the following formula:

 (good lots x 100 + lots accepted by deviation x 75 + reworked or sorted out lots x 50 + rejected lots x 1)

SQI = ---------------------------------------------------------------------------------------------------------------------

 arrived lots

Depending on the SQI value, the Supplier is evaluated as follows:

|  |  |
| --- | --- |
| **SQI VALUE** | **CLASSIFICATION** |
| **IQF ≥ 98** | GOOD |
| **96 ≤ IQF < 98** | SUFFICIENT |
| **80 ≤ IQF < 96** | INSUFFICIENT |
| **70 ≤ IQF < 80** | NOT SATISFACTORY |
| **IQF < 70** | TO BE REPLACED |

**4.10.1.2** The Supplier shall take suitable actions as soon as possible, and however within such time as to not delay or prejudice the Supply, in order to reach the indicators minimum level required by the Purchaser (VR > 60 or SQI > 96).

**4.10.2 Automotive sector**

**4.10.2.1** The evaluation of the Supplier of Products destined to the Automotive sector is based on the following indicators:

|  |  |  |
| --- | --- | --- |
| **NO.** | **TYPE** | **INDICATORS** |
| 1 | DELIVERED PRODUCT CONFORMITY TO REQUIREMENTS | **PPM** |
| 2 | CUSTOMER DISRUPTION, INCLUDING YARD HOLDS AND STOP SHIPS (RETURN FROM THE FIELD) | No. of non conformity reports following Customer’s returns (**NCR TYPE “R”**) |
| 3 | DELIVERY SCHEDULE PERFORMANCE – ON TIME DELIVERYOCCURRENCES OF PREMIUM FREIGHT | On Time Delivery In Full (**OTIF**) |
| Quantity Reliability (QR) |
| On Time Delivery (OTD) |
| 4 | SPECIAL STATUS CUSTOMER NOTIFICATIONS RELATED TO QUALITY OR DELIVERY ISSUES | **No. of Special Outbound Delivery to recover Supplier’s Delay**  |
| 5 | FIELD RETURN | No. of non conformity reports following CSL1, CSL2, CSL3, NBH status (**NCR TYPE “S”**) |
| 6 | CUSTOMER DISRUPTION, INCLUDING YARD HOLDS AND STOP SHIPS (RETURN FROM THE FIELD) | Field return N.A. |

**4.10.2.2** The Supplier of Products destined to Automotive sector shall take suitable actions as soon as possible, and however within such time as to not delay or prejudice the Supply, in order to reach the indicators minimum level required and yearly agreed with the Purchaser.

## 4.11 Continuous Improvement

During the performance of the Supply, the Supplier shall pursue, implement and ensure the continuous improvement of his manufacturing process, by applying all such analyses, methods and technical solutions as to prevent the recurrence of defects and/or potential risks of defects in the Product, and reach the “zero defect” target.

## 4.12 Self-certification

The stipulation of this Quality Agreement between the Purchaser and the Supplier is necessary, although not sufficient, in order for the Supplier to be included in the Purchaser’s Self-certification System and in the list of Suppliers with whom the Purchaser defines and maintains preferential relationships.

This clause is not applicable to the Suppliers of Products for Automotive, Aerospace, Eolic as well as ATEX/IECEx sectors.

## 4.13 Control of Supplies from Sub-suppliers

Whenever the Supplier avails himself of the work of subcontractors within the performance of the Supply for the manufacturing of all or part of the Product or of components thereof, the Supplier shall be directly liable for the actions of the subcontractors with respect to the conformity of the Product to the terms and conditions of this Quality Agreement and of the other contractual documents which regulate the Supply of Products to the Purchaser.

For the above purposes, the Supplier shall verify, before entrusting an assignment to a subcontractor, that the latter has sufficient and suitable means and equipment to carry out the tests and trials as indicated in paragraph 4.3 above.

# **5 NON-CONFORMITIES OF THE PRODUCT**

## 5.1 Management of non-conformities

**5.1.1** The Product supplied shall conform to the technical and quality requirements as indicated by the Supplier in the Technical Documents and to any other conformity or testing documents required by the Purchaser under this Agreement. The Purchaser shall not be bound to assess the Product conformity at the time the Product is delivered, being understood that the Purchaser reserves the right at his sole discretion to carry out controls on the Product Supply, or on samples, without being subject to any forfeiture with respect to the terms and conditions for reporting the defects and without this resulting in any limitation of the obligations undertaken by the Supplier to the Purchaser under this Agreement.

**5.1.2** In the event that the Product should be found defective or non conforming to technical, quality and quantity requirements under this Quality Agreement, the Purchase Order and the Technical Documents, the Purchaser shall inform the Supplier within 30 (thirty) days of the discovery.

**5.1.3** The Purchaser shall notify the Supplier of the presence of a defect or non-conformity found in the Product, regardless of any acceptance by deviation pursuant to art. 5.4 below, by sending “Non-Conforming Supply Notification” (SFNC) forms and an “8D Report” specifying the nature of the defect or non-conformity, accompanied by the results of the tests carried out on the Product and, if at all possible, by samples of the defective Product.

**5.1.4** On receiving the SFNC Non-Conformity Report, the Supplier shall immediately verify all Products in its stocks (including those of any sub-suppliers), in order to verify that no other Products with such defect or non-conformity will be delivered to the Purchaser.

**5.1.5** In any case of Notice of defective or non-conforming Products, the Purchaser shall be entitled, by previously notifying the Supplier thereof:

1. to return Ex Works (Incoterms as applicable case by case) the entire lot of the Product, or part thereof, which was found to be defective or non-conforming pursuant to paragraph 5.2 below
2. to submit the non-conforming Product to selection and/or reworking with costs to be borne by the Supplier in the amount to be agreed in good faith between the Parties or pursuant to paragraph 5.3 below
3. to terminate the Supply agreement.

**5.1.6** The Supplier undertakes in all events to timely take all necessary actions, starting from the date of the SFNC Report, in order to remove the causes of the defect and/or non-conformity; the Supplier shall indicate to the Purchaser’s Quality Department, by filling the “8D Report” previously received and to be returned to the Purchaser, the root causes that gave origin to the defect or non-conformity and the plan of short-term (containment) and corrective actions adopted, or which the Supplier intends to adopt in order to prevent the problem from recurring, as well as the relevant implementation dates.

**5.1.7** In the cases under this article, if the defect or non-conformity of the Product is found to be ascribable to the Supplier or to the manufacturing process adopted by the same, the Purchaser shall be entitled to compensation of all damages directly or indirectly incurred in consequence of the Product being defective and/or non-conforming or unsuitable for use, and to receive a refund of all costs incurred by the Purchaser in relation to the defect or non-conformity of the Product due to a cause ascribable to the Supplier.

## 5.2 Returns

**5.2.1** On Purchaser’s request, the Supplier undertakes at its cost to withdraw all defective or non-conforming Products within the dates indicated in the SFNC Report form and to replace them within 7 (seven) days of receiving the Report or, in case of termination of the Supply agreement, to issue a credit note in favour of the Purchaser within 7 (seven) days of the Report, for an amount equal to the Supply amount.

**5.2.2** In case of failure by the Supplier to comply with the deadline for the withdrawal of the defective Products, the Purchaser shall return such Products, and the costs for the transport and handling of the defective or non-conforming Products shall be fully charged to the Supplier.

## 5.3 Sorting out and/or Reworking

On Purchaser’s request, the Supplier undertakes to sort out and/or rework the non-conforming or defective Product at the Supplier’s cost and with the Supplier’s resources including, for example even limited, labour, equipment, instruments, transport costs, etc.

For the purposes of this paragraph, whenever possible, the Purchaser shall be entitled, at its discretion, to put its own resources at the disposal of the Supplier.

## 5.4 Deviation

* + 1. Whenever the Supplier has a necessity to supply the Product at terms other than those required by the Technical Documents and/or the Purchase Order, the Supplier shall previously send a request for deviation to the Purchaser's Quality Department, in order to obtain a written authorisation for the delivery of the Product.
		2. The Supply of the Product “accepted by deviation” shall be delivered with a clear indication of the non-conformity, the deviation number, the date of issue and the name of the Purchaser’s contact person who authorised such deviation.

## 5.5 Management of non-conformities found at users

Save for the provisions of the above paragraphs, if the Product defects and non-conformities are found by users of the Product and the defect is found to be ascribable to the Supplier or to its manufacturing process, the Supplier shall participate in and suitably support any operations of assessment of the Products and any campaigns for recalling the Products from the market/users as may be organised by or however involve the Purchaser. The Purchaser undertakes to inform the Supplier thereof with a reasonable notice.

# **6 CHANGES/MODIFICATIONS**

**6.1** Any modification to the Product, design, manufacturing process, production site, materials, Sub-suppliers or any other change that may affect the correct performance of the Supply in accordance with the terms and conditions under this Quality Agreement or the performance, quality, characteristics and reliability of the Product must be timely notified by the Supplier to the Purchaser in writing. Any non-conformities of the Product to the characteristics indicated in the Technical Documents and/or the Purchase Order must be timely notified by the Supplier to the Purchaser’s Quality Department, as soon as the Supplier has become aware of them and however within the date on which the Product has been made available to the Purchaser for collection, being applicable the provisions set forth in paragraph 5.1.2 above.

**6.2** Any modification may be implemented by the Supplier only with the written approval of the Purchaser.

**6.3** For the purposes of this paragraph, the Supplier shall keep an updated registration of the starting dates of all implemented changes, with the expressed authorisation of the Purchaser, and shall define an identification system capable of identifying the starting date of the changes/modification implemented to the Product and/or the manufacturing process.

**6.4** Each discrepancy found by the Supplier between the Technical Documents and the Purchase Orders must be timely notified by the Supplier to the Purchaser in writing.

# **7 INSURANCE POLICY**

The Supplier undertakes to stipulate and maintain in force throughout the performance of the Supply a suitable insurance policy with one or more leading insurance companies, giving evidence thereof to the Purchaser; such policy shall cover all risks of loss and damage to the Supply until the delivery, and all damages of any nature caused by the Products to the Purchaser and/or to third parties, including any Products being recalled from users.

# **8 DISPUTES, APPLICABLE LAW AND COMPETENT COURT**

**8.1** The contractual Supply relationship, including this Quality Agreement and its annexes, as well as the relevant supply contracts executed under this Quality Agreement, are governed by the law of the Country where the registered office of the Purchaser is located at the date on which the Purchaser has purchased the Products. In the event that Supplier's registered office is located out of such Country, the United Nations Convention on Contracts for the International Sale of Goods (Vienna, 1980) will apply and the law of the Country where the registered office of the Purchaser is located at the date on which the Purchaser has purchased the Products, will apply subordinately for any and all issues, facts and matters which are not covered by the aforementioned Convention.

**8.2** Any dispute or controversy that may arise out of or in connection with the contractual Supply relationship, this Quality Agreement or its annexes, as well as the relevant supply contracts executed under this Quality Agreement, shall be settled exclusively by the court of the place where the registered office of the Purchaser is located at the date the lawsuit is taken; as an exception thereof, the Purchaser shall always be entitled to take legal actions against the Supplier before any other court having jurisdiction.

**8.3** In any case of disagreements between the Parties with respect to the Supply, the Parties undertake to meet in order to reach, in good faith, a mutually acceptable solution to preserve and keep the Supply agreement in force, before taking any legal action.

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| **I.R.C.A. S.p.A.** | **The Supplier** |
| **…………………………….** | **…………………………….** |
| Place ……..……....………………….. | Place ……..……....………………….. |
| Date ……………....………………….. | Date ……………....………………….. |
| Position …………..………………….. | Position …………..………………….. |
| Name …………..…………………….. | Name …………..…………………….. |
| Signature …………………………….. | Signature …………………………….. |

Pursuant to the applicable law, the Supplier declares to have read, understood and specifically accept the following clauses of this Agreement:

- Article 2: subject;

- Article 3.2: limitation period to claim the Technical Documentation;

- Article 3.3: contractual documents;

- Article 3.4: applicability of the applicable mandatory requirements and the special product / process characteristics (reference 0.40.01) to subcontractors;

- Article 3.5: traceability of the production batch;

- Article 4.1.3: limitation period for a declaration of non-conformity;

- Article 4.3.5: expenses allocation for the execution of tests;

- Article 4.9.1: inspections at Supplier’s;

- Article 4.9.3: audits at Supplier’s and / or sub-suppliers;

- Article 4.9.4: process audit according to VDA 6.3;

- Article 4.10: Supplier evaluation;

- Article 4.11: continuous improvement;

- Article 4.13: control of the subcontractors’ supplies;

- Art. 5.1.1: no obligation to assess the Products at the delivery date or at their acceptance;

- Article 5.1.2: extension of the limitation period to denounce the defects;

- Article 5.1.7: compensation for damages;

- Article 5.2.1: withdrawal of the defective Product;

- Article 5.2.2: consequences for late withdrawal of the defective Product;

- Article 5.5: management of non-conformity found at users;

- Article 6: changes/modifications;

- Article 8.1: applicable law;

- Article 8.2: jurisdiction.

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| **The Supplier** |
| **…………………………….** |
| Place ……..……....………………….. |
| Date ……………....………………….. |
| Position …………..………………….. |
| Name …………..…………………….. |
| Signature …………………………….. |