EXTERNAL SUPPLY SPECIFICATIONS

Guidance for Suppliers

MO-10-11-02 (14/02/22)

Contents

1. INTRODUCTION AND PURPOSE

The purpose of these specifications is to define the supply terms between ERGOTECH and the Suppliers, of both semifinished and assembled products and to establish the Supplier responsibilities and commitments.
These specifications are applied therefore to any produced, sold, shipped and/or supplied product by the Supplier (also in the case of after market products, where applicable).

ERGOTECH philosophy is based on the continuous improvement in a context of mutual agreement and collaboration, from which both parts can derive profits and satisfactions, and of conformity to IATF 16949:2016 (ISO 9001: 2015) standard.
Supplier cooperation is essential to assist and help ERGOTECH to respect its goals aimed at increasing Customers satisfaction and trust.
ERGOTECH undertakes to establish, with all the Suppliers that accept such commitment, a lasting participation relationship aimed at maintaining global economic competitiveness, quality and service standards.
"Just-in-time" delivery represents a crucial but essential service requirement and the availability to produce in cases of extra-program urgency is a fundamental feature.

ERGOTECH expectations from the Suppliers are as follows:

1. Quality System able to ensure 100% compliance with required quality standards.
2. Participation to product improvement programs, co-design, proposals.
3. Use of analytical techniques such as DOE, FMEA, according to AIAG guidelines, rev. 4, SPC methodologies, MSA, according to AIAG guidelines, process development according to APQP.
4. Periodic suggestions process review to reduce costs of production.
5. Compliance to Ergotech Code of Conduct valid when delivering

The following chapters describe the basic systems and procedures, whose application is required by ERGOTECH to each Supplier.
Any additional requirement can be individually defined and attached to quotation requests and/or purchase orders.

The acceptance of the purchase order implies the acceptance of the contents of these specifications.

Any derogation will be granted only by prior written consent of the ERGOTECH Purchasing Department and/or Quality Department.

Purchasing Manager — *F. Fabbri*

Quality Manager — *A. Foratto*

2. ASSESSMENT AND QUALIFICATION OF THE SUPPLIERS

Supplier elegibility to be included in ERGOTECH Suppliers List essentially is based on two main points:

- Economic Situation and Technical/Production Capacity
- Certified Quality System according at least to UNI EN ISO 9001:2015 (note: certification according to IATF 16949:2016 is a fully qualifying element).

Those points are valid only for Suppliers related to products and / or processes used to produce the final Ergotech product and does not apply to other Suppliers categories, where an economic evaluation by the Purchasing Department will be enough.

2.1 Assessment of Economic Situation and of Technical/Production Capacity

ERGOTECH Purchasing Department provides to:

- Assess the Supplier on the basis of received information
- Acquire, if necessary, further information from the potential Supplier, through documents or appropriate checks at Supplier premises
- Check the available information with the support of internal and/or external authorized bodies (eg. Chamber of Commerce, Kompass etc.)

At the end of the examination:

- Should the result be positive, ERGOTECH will proceed with the evaluation of Quality System
- Should the result be negative, the procedure for entering the suppliers panel will be interrupted.

2.2 Assessment of Quality System

ERGOTECH establishes the Supplier certification according to UNI EN ISO 9001:2015 standard as an admission criterion to the Suppliers List.

The certifications according to IATF 16949:2016 (specific certification for automotive sector) and ISO 14001:2015 (specific certification for environmental sector) are an important preferential factor.

The Supplier is fully responsible for the Quality System. ERGOTECH will found its first assessment of certification/documents provided by the Supplier and reserve the right to carry out any other audit at Supplier.s premises.

In this regard, the Supplier must send ERGOTECH Purchasing Department a copy of the certificate proving the type of certification and the validity of the document and future updates deriving from maintenance inspection checks.
In the case of removal/loss of the Certificate, the Supplier must give written notice within 30 working days.

3. PERFORMANCE DEVELOPMENT AND CONTROL

3.1 Supplier Performance/Customer Satisfaction

The performances of a Supplier are assessed on the basis of:

- On-time deliveries (OTD Supplier)
- Quality (certification, Accidents/troubles no., PPM)
- Costs

In particular, the two first points essentially contribute to the periodic evaluation score, by 40% and 60%, respectively.
ERGOTECH Purchasing Department, however, can assing 2 additional merit or demerit points according to efficiency proposed by the Supplier (costs reduction or increase).

3.2 Delivery Punctuality

The Supplier is assessed on the ability to comply the agreed schedules.

Will be considered:

- Delivery time
- Pieces differences
- Potential demerits

Delivery scores influence by 40% total evaluation of the Supplier and since timely and punctual deliveries are expected, the Supplier could receive a request for a corrective action plan if its performances justify it and, in case of serious production problems, ERGOTECH reserves the right to charge the costs of the various forced machine downtime, as well as of the right of redraft caused by potential delays to the final Customer.

3.3 Quality

The Supplier will be assessed on PPM (Parts per Million) criterion for defective pieces over year production.
The evaluation will have score classes from 1 to 4 according to ERGOTECH PO 11 procedure. The Supplier could be required to perform corrective action plans in the areas that have obtained minimum score.

This assessment will affect the final score by 60%.

In case of damages occurred to ERGOTECH processes/machineries, deriving from dimensional defects, non pertinent pollutants etc., as well as damages to the final Customer, ERGOTECH reserves the right to charge all costs resulting from proven cause.

3.4 Costs

The general assessment of costs is carried out according to the following parameters:

- Productivity/cost reduction proposal
- Cost breakdown analysis (if applicable)

ERGOTECH Purchasing Department can assign 2 additional merit or demerit points according to the results (0 = neutral, it does not affect total score)

3.5 Performance Classification

The Supplier will be classified according to the score:

SCORE	CLASS	SITUATION CLASS
9 - 100	Class A	Supplier with quality/logistics level above target
70 - 90	Class B	Supplier with quality/logistics level as per target
50 - 70	Class C	Supplier with quality/logistics level lower than target (improvement/action plans are required). Possible request of CSL1/CSL2
< 50	Class D	Supplier with quality/logistics level decidedly lower than the target (the Supplier is to be removed from panel as soon as possible)

The score and the relevant category or class of assignment will be communicated to the Supplier at least once a year (budget for the year) (or at the end of the first and the second semester). Nevertheless if the quarterly/half-year internal examination should lead to a downgrade, the Supplier will be sent the quarterly result so to promptly take necessary measures to amend the fault.

3.6 Development Methodology (APQP)

Following, the development methods for the Suppliers (APQP approach):

- Suppliers are required to apply APQP methodology in the development of the start-up process and components supply to ERGOTECH;
- As above mentioned, the Suppliers development process is included in ERGOTECH APQP with the purpose of initial sampling for ERGOTECH final Customer;
- Suppliers and any Subcontractor are required to promptly give notice of any change/modification of machineries and production process so ERGOTECH can readily evaluate potential impacts on the development of ERGOTECH requirements and of their Customers;
- Possible action plans required by ERGOTECH will be used to enhance the development of Suppliers or Subcontractors procedures and systems;
- Control plans, certifications, dimensional reports and related documents of the Suppliers and Subcontractors required by ERGOTECH or indipendently sent will be assessed to establish the compliance to required and/or declared requirements;
- Suppliers are requested to perform periodic researches on the trend of vehicles and raw materials market in order to forecast potential fluctuations, shortages and/or excesses that may affect supplies and costs, including their abatement as a primary target.

3.7 Escalation Process

In the case the Supplier does not reach the required levels (performance), leading thus to critical situations for ERGOTECH and/or its Customer, ERGOTECH will define and apply to the Supplier an escalation process, described as follow:

Level 1	MONITORING Phase	First alert level
Level 2	ALERT Phase	Second alert level (CSL1 and CSL2)
Level 3	NBH (New Business Hold)	Maximum escalation level (block of new assignments and evaluations of production displacement)

The Supplier will be informed of escalation process by ERGOTECH written notice.

According to the supplies quality situation (repeated non-compliance, frequent non-compliance) ERGOTECH will define the CSL (Controlled Shipping Level) status to prevent further reception of non-compliant items.

CSL 1	The Supplier must implement any measure required to prevent ERGOTECH from the reception of the non-compliant items. Such actions carried out by the Supplier may include additional/redundant assessment up to 100% supplies control. The choice of the typology of CSL1 control action must receive ERGOTECH approval on the basis of the evaluation of residual risk to receive non-compliant items. Supplies must be identify as coming from phase CSL1 (with special label). The Supplier will send daily report of detected waste. CSL1 status will last up to the execution of the corrective actions, relevant check and efficacy monitoring by the Supplier.
CSL 2	In the case of persisting of quality problems during CLS1 phase, ERGOTECH will declare escalation to CSL2. The Supplier must, at its own expense, define a third company (approved by ERGOTECH) for the execution of 100% control (certification) of the output product. Such society will carry out measurements/checks on the items (already defined for CSL 1). Supplies must be identified as coming from phase CSL 2 (with special label and/or stamp of the third company on label). The Supplier will send daily report of the detected waste. The status of CSL 2 will last at least 5 weeks or otherwise up to the execution of the corrective actions, relevant check and efficacy monitoring by the Supplier. The 5 weeks count will start again at every defective item detected during CSL 2 phase.

4. SUPPLY PROCEDURES

Supplies must comply with the information given in the Purchase Order, as well as with the technical specifications, regulations and drawings that may be attached to the order.
There are three types of supply.

- Sampling for experimentation (PROTOTYPES): They are not subject to "Supply Approval"
- Sampling for approval (SAMPLES): They are used to grant the .Supply Approval. (PPAP)
- Standard Supply (LOTS): They are authorized by the positive assessment of PPAP (including verification of the samples)

The Supplier can not start to produce and deliver if there are not requisites such as:

- ERGOTECH Quality Approval after verification of the Documentation, the Dimensional and Functional Conformity of the product.
- Approval to the process after audit (GPC) and relevant formalization (if applicable)
- Possible derogation for one or more functions of the two articles above mentioned and considered not suitable but provisionally acceptable. In such case an action plan must be drawn-up to comply with the exceptions in due time.

4.1 Documentation (PPAP, AIAG guidelines)

If the Supplier is certified according to IATF 16949:2015 standard and is a Supplier of semi-finished products *(see also cap. 4.3),* is required to provide a level 3 PPAP dossier containing (according to AIAG guidelines, version 4):

- Numbered drawing with acceptance of all its contents (cleaning test, test...)
- Complete Dimensional Relief
- Flow Chart
- FMEA
- Control Plan
- Statistic Analysis of the Quotas in gravity
- R&R Studies
- Raw Materials Data Sheet
- Safety Data Sheet
- Rohs Compliance Declaration
- Logistics Sheet (Packaging, Label, Pallet etc.)
- Data loading in IMDS system
- PSW

If the Supplier is certified according to ISO 9001:2015 standard, he must provide the documentation required by ERGOTECH Quality Department which at least includes:

- Process Flow Chart
- Production Control Plan
- Complete Dimensional Survey

ERGOTECH Quality Service will be available for any technical support to the Supplier in the case it does not have appropriate know-how and tools to provide such documents.

In the case of raw material supply *(see also cap. 4.5)*, packaging *(see also cap. 4.7)* and chemical products *(see also cap. 4.6),* the Supplier must provide:

- detailed product technical sheet

- toxicological and/or safety sheet,
- declaration of conformity with the binding regulation
- certificate of conformity with the specifications.

In the case the Supplier is a labour supplier *(see also cap. 4.4)* ERGOTECH Quality Department will be in charge to provide the appropriate operating instructions for the correct execution of the production process.

4.2 Sampling (general guidelines)

The Supplier is required to provide an initial sampling according to one of the followings reasons (PPAP/APQP management):

- Initial supply of new items;
- Resampling in the case the previous sampling has been rejected (at Supplier.s expenses);
- Item modification;
- Any change in the Process;
- In the case the equipment has been transferred or moved;
- In the case a new piece of equipment has been built or modified;
- If a Subcontractor is changed;
- In the case the item is produced in a plant different than the previous one;
- If the product has not been supplied for one year, at least.

Required PPAP level is defined according to AIAG guidelines.
Unless otherwise specified on the purchase order, samples minimum order is 50 items.
The certified samples must be at least 3 and for each cavity in case of production with multicavity equipments/molds.
All packagings/wrappings, must be clearly identified by the words: "INITIAL SAMPLING" and provided with the required documentation.
Computer documentation is preferable since it is easier to manage and environmentally friendly.
The packing list, in addition to the quantity of goods, must state the description: INITIAL SAMPLING, PROTOTYPE, PREPRODUCTION...
The Supplier must yearly upgrade the product according to procedures to be arranged with ERGOTECH.

4.3 Sampling/Customized Components Supply

These are semi-finished products, such as metal inserts whose specifications are arranged with the Supplier, issued and managed by ERGOTECH.
Sampling must be produced with equipments and machinery used for series and definitive cycle production (according to AIAG guidelines, PPAP).
The Supplier is responsible for establishing and verifying the complete compliance of the product with the last revision of the drawing before delivering the sample.
Any derogation must be discussed and requested in advance to ERGOTECH Quality Department.
Sampling must be accompanied by the required documentation.
The Supplier can start the series production only after approval of ERGOTECH Quality Department (QE/Quality Evaluation) or previous request for written derogation accepted by ERGOTECH.

4.4 Sampling/Assembled Products Supply

"Assembled Products" means the supply of one or more assembled items forming a complete subgroup composed of different plastic, metall, rubber parts etc.
The different parts that compose subgroup can:

- be produced and directly assembled by the Supplier or Sucontractor;
- be fully supplied by ERGOTECH for manufacturing purposes;

- be partially produced by the Supplier and partially provided for manufacturing purposes by ERGOTECH;
- be partially acquired by the Supplier and partially provided for manufacturing purposes by ERGOTECH.

In any case, the Supplier will always be responsible for the quality and compliance of the acquired items directly and as regards the parts for manufacturing purposes supplied by ERGOTECH, the Supplier will be responsible only for the compliance of the Procedures and the instructions given by ERGOTECH, that must provide the Supplier all information, instructions and necessary documents to correctly perform the Productive Process.

A) In the case the Supplier owns machinery and equipments, must compile a proper maintenance plane and produce and store an adequate quantity of fundamental spare parts to avoid any potential production arrest. Management costs will be entirely charged on the Supplier.
B) When machinery/equipment are supplied by ERGOTECH, the Supplier must follow an adequate routine maintenance plan, provided by ERGOTECH, at its own expenses. In the case of extraordinary maintenance due to machinery/equipment wear, the costs will be charged on ERGOTECH and in case of breakage due to incompetence, the costs will be totally charged on the Supplier.
C) In case of equipment cost-sharing, a contract will be arranged for each case.

The Supplier must give communication, through the relevant form provided by ERGOTECH, every 15 days, of the production waste and must promptly report any problem deviating from the average quality standard.
Once a month all production waste must be returned to ERGOTECH, clearly identified by production code and divided by fault type and accompanied by the list of all data required to the identification of defects.
A complete inventory of components supplied for manufacturing purposes is to be provided on quarterly basis.

4.5 Sampling/Commercial Products and Raw Materials Supply

"Commercial Products" means all the standardized items in the catalogue such as plastic and metal raw materials, electric and electronic components, bolts and nuts and similar items, whose technical specifications are issued and managed by the Supplier or by the Distributor and whose commitment is not exclusive to ERGOTECH.
The Supplier is responsible for establishing and communicating at sampling delivery and at every lot supply, by sending the Quality and Compliance Certificate, the complete product compliance with the communicated specifications and with the Regulatory/Safety/Environment current regulations.

4.6 Sampling/Chemical Products Supply

“Chemical Products" means the products such as paints, solvents, lubricants, releasing agents, detergents, degreaser, hydraulic fluids, glycol etc. whose technical specifications are issued and managed by the Supplier or by the Distributor.
The Supplier is responsible for establishing and communicating at sampling delivery and at every lot supply, by sending the Quality and Compliance Certificate, the complete product compliance with the communicated specifications and with the Regulatory/Safety/Environment current regulations.
Furthermore, during the sampling phase the Supplier must send:

- Declaration of the substances the product is composed of and their percentage;
- Data sheet (Chemical composition, physical and chemical properties);
- Safety data sheet (flammability: flash point, ignition temperature, auto-ignitability, susceptibility to instant combustion, explosion hazard: susceptibility to the explosion, LEL (Level Explosion Limits), toxicological data);

- Methods and precautions to be used for handling, transport and storage, emergency measures;
- Treatment and disposal methods (according to applicable regulations);
- Information about breaking down properties, potential polymerization, incompatibility and reaction with other substances;
- Declaration of compliance with the current regulations for chemical products;
- Supply and use specifications;
- Normative regulatory requirements.

4.7 Sampling/Packaging Supply

“Packaging" means cases, boxes, bags, separators, belts, straps, corner guards, cartons, pallets, labels, polystyrene, bubble wrap etc. whose technical specifications are issued and managed by the supplier, by the Distributor or by ERGOTECH for specific needs.
The Supplier is responsible for establishing and communicating at sampling delivery and at every lot supply by sending the Quality and Compliance Certificate, the complete product compliance with the communicated specifications and with the Regulatory/Safety/Environment current regulations.

4.8 Product Integrity and Storage

The Supplier answers for the integrity and the storage of the product with appropriate packaging and protections aimed to guarantee dimensions and surface characteristics, sending, if necessary, a information sheet with instructions for manipulation and storage, maximum time limit for inspection and use, rules and guidelines.
Instructions for the correct management of the item will be integrated in ERGOTECH PFMEA.

4.9 Supply Approval

Depending on what is requested and agreed, at sampling presentation ERGOTECH Quality Department can:

a) analyze the documentation sent by the Supplier
b) perform direct checks on samples (countermeasures in comparison to what stated in the dimensional reports)
c) request internal checks or request the final Customer to carry suitability tests, as part of the sampling of ERGOTECH for its Customer.

The Supplier is given the reply by signed and approved "Supply Approval" form or PSW, whose copy will also be given to Purchasing Department, responsible for purchase orders filing.

4.10 Modifications

The Supplier can not under any circumstance modify the product and/or the process without prior agreement and authorization by ERGOTECH.
In the case the modification process and new sampling have been approved by ERGOTECH, the Supplier shall mark as .MODIFIED PRODUCT. the packaging of the first three lots delivered.

4.11 Derogations

The Supplier can not deliver non-compliant products or not accepted by ERGOTECH without prior written consent.
Supplier must request the derogation through special form that indicates motivations, quantities and duration of such derogation, as well as the plan of action to avoid further recurrences.
ERGOTECH will send back the compiled and signed form with the possible acceptance of the derogation.

4.12 Supply Certification and Data Storage

In all cases and for all supplied lots, products compliance is responsibility of the sole Supplier, who must keep records and process control documents for minimum 10 years from the lot delivery.
Record about the products subjected to Regulation/Safety must be kept for minimum 15 years from the stop of production.
On request, data about measurements, CPK, trials and tests carried out during the production cycle of the lot indicated and requested by ERGOTECH must be provided within 24 hours.

4.13 Identification and Traceability

All products coming to ERGOTECH must be identified unambiguously by previous agreement.
Unidentified products will be returned and will be subject of quality accident.
In the case of assembly operations, the Supplier will be given a box with details of the lot and box number and, at the end of manufacturing process, will stick on the box a label with lot number assigned by the Supplier, box number and operator number. The finished product lot must be unequivocally associated with the lot number of the plastic item provided by ERGOTECH and with the lot number of the insert/inserts.

4.14 Subcontractors

The Supplier must declare on sampling documents, which phases of the production process will be externally performed and who is its Supplier (initial sampling phase, PPAP).
Any change to what has been declared on sampling documents must be communicated to ERGOTECH and will be operational only after ERGOTECH written approval.
The Subcontractor is the sole responsible for quality, confidentiality and information processing of sub-supplies and of the compliance of the processes.

5. SUPPLIES COMPLIANCE ASSESSMENT

5.1 Delivery Quality/Punctuality

The Supplier must guarantee:

- Presence and correctness of data on the transport documents of goods;
- Respect of delivery schedule;
- Respect of the programmed quantities;
- Conformity and integrity of the packages;
- Correctness of the identification data of product traceability.

As explained in cap.3, each of these items will contribute to the periodic evaluation of the Supplier and to class assignation.

5.2 Product Quality

The Supplier must guarantee:

- The requirements compliance with drawings, specifications, any Law and/or Regulation requirement
- Presence and completeness of the Quality Certificate (when required)

5.3 Non-compliant supply management

The lot will be considered "non-compliant" and will be contested and rejected when does not comply with the requirements (incorrect dimensioning, incorrect material, not met specifications etc.)
Under particular conditions of necessity, ERGOTECH reserves the right to accept the supply or part of it as an exception, depending on the type of non-compliance and of the potential functional impact.

In case of NON-COMPLIANCE:

- the Supplier will receive a Testing Report describing the anomalies detected and the inconveniences caused to ERGOTECH, the demerits and the charges.
- ERGOTECH sets the charges deriving from the anomaly/defect and informs the Supplier about induced costs due to delivery delay, machine downtime, derived damages to automations, potential costs of selection/reprocessing and/or disposal and/or finished product recovery, payments displacement due to early delivery or program overflow, payment variation due to difference of declared/found quantity, etc.

Fixed management cost will be applied according to the process phase where the anomaly has been detected (see Enclosure 1).

The Supplier must inform ERGOTECH from the day of the notification of the non-compliance, within:

- 24 hours: about the implementation of all necessary containment actions;
- 5 days: about the causes of the anomalies, structured corrective actions aimed to the detection of the causes and the definitive resolution of the problem;
- 5 days: send 8D model (causes analysis, corrective/preventive actions plan).

The Supplier is required to send structured analysis (Ishikawa method, 5 Cause) of the causes that have caused the problem and those that have caused its missed detection.

In case the Supplier does not have its own 8D model (approved by ERGOTECH), ERGOTECH model will be used.
The Supplier must properly identify the first complying supply lot after the notification, and attach to the delivery documents the Quality and Conformity Certificate.

6. AUDIT

6.1 Internal Audit to Suppliers/Subcontractors

The Suppliers/Subcontractors, are required to regularly perform internal audits to guarantee that the internal and external procedures are complied aiming at a continuous improvement process.
Internal audits must be performed by personnel external to the functional and organizational structure under inspection.
Audits must be performed both on Quality System and Process.

Internal procedures of the Supplier must:

- point out the standards and relevant audit index the audit refers to;
- define the responsibilities of the personnel performing the audit;
- point out audit contents/questions;
- define audit schedule;
- define improvement procedures to confirm that any request for corrective action is maintained and completed.

6.2 External Audit to Suppliers

At the beginning of every year the Purchasing Manager (ACQ), together with Quality Insurance (AQ), defines the Development activities for Suppliers considered strategic on the basis of Vendor-Rating. Suppliers audits are an integral part of Suppliers development.
Audits are arranged with the Suppliers concerned and are performed by internal/external qualified personnel.
An annual audit schedule will be established for the Suppliers with product/system problems and for strategic Suppliers.

Audit activity can be increased and/or performed in exceptional cases as:

- Product severe anomaly (Ergotech and/or Final Customer);
- Out of limit PPM values for extended periods;
- Industrial issues (potential closure, merger, etc);
- Particular. and/or new productions;
- New production sites;
- Preventive audit during process development;
- Preventive audit for potential Suppliers to be added to Suppliers panel.

6.3 CQI Audit

The Supplier performing special processes is requested to perform CQI audit according to the relevant CQI at least once in a year and to forward it to ERGOTECH Quality Service (CQI 23, CQI 12, CQI 15, CQI 9).

Self-assessment CQI audit of the Supplier must be preferably performed by internal/external certified auditors.

7. PACKAGING

7.1 Packaging Requirements

Packaging used by the Supplier must have the following characteristics:

- Packaging must comply with international standards (Euro-Pallet, Octabin etc.) and with whatever agreed upon during sampling/purchase order phases;
- Identification labels must be of "ODETTE" or "GALIA" type;
- Maximum permitted weight per pallet should not exceed 500 Kg, or 1000 Kg in the case of raw material supplied in Octabin.
- Any change must be previously agreed with ERGOTECH Purchasing Department;
- Maximum admitted weight for cases/boxes that can be handled, must not exceed 15 Kg;
- The Supplier is responsible to guarantee that all shipped cases are resistent enough to bear the transport and the handling operations in a plant;
- Cases can be fixed on pallet with wrapping or bond. Bond loads must have at least 4 straps;
- If necessary can be used specific corner guards;
- The dynamic load in transit is at least three times the static load and this must be kept in consideration for the choice of the suitable packaging, to protect the product from potential damages;
- Supplies in bulk bags will not be permitted, except raw material samplings;
- Once the packaging type has been defined, no variation will be permitted without previous new agreement with EGOTECH;
- When possible, the Supplier is required to define alternative packaging;
- Suppliers providing goods to be checked according to the .Information system on dangerous materials", must know such rules for packaging and shipping and to comply with them;
- All shipments must be accompnied by relevant documents on material safety data;
- Any packaging material should be recyclable or reusable.

8. TRANSPORT

8.1 Conveyors, Documentation, Responsibility

With the exception for particular prior agreements with ERGOTECH, the Suppliers are in charge to contact the conveyors and/or couriers, to meet the requirements and the needs of ERGOTECH and its Customers.
The goods must be accompanied by relevant transport documents with information about the correct identification of the product, shipping date and any shipping note.
The Supplier is responsible for the proper handling of the goods and will have the right to bring action against the conveyor in the case of accident, of charges due to missed and/or delayed delivery, goods damages, machine downtime costs etc.

9. PLANNING

9.1 Orders

Raw materials, preproduction, small supplies and normalized products in general, can be ordered with closed purchase orders, where prices, quantity and delivery dates are clearly defined in the purchase form.
The purchase of packaging, inserts and convenience goods, as well as all the assembled products are managed with open orders.

9.2 Forecasts

The information about delivery forecasts will be sent to Suppliers according to the programs received from ERGOTECH Customers.
Suppliers, in turn, are required to inform their Subcontractors about planning information required to respect delivery schedules.
Each Supplier/Subcontractor must be able to support at any moment a 30% production increase without additional costs related to plant and/or equipment.
Suppliers must have at their disposal a minimum stock requirement for one week.

10. QUALITY TARGET

ERGOTECH annually asks its Suppliers to elaborate a plan to achieve Quality targets and requirements.
ERGOTECH will quarterly assess the performances according to what described in cap. 3.3 Class “B” Suppliers will have to send an action plan with corrective actions results evaluated on the production of 6 months after the implementation.
Class "C" Suppliers will be called by ERGOTECH and will have to provide a recovery plan within one month.
The effectiveness of such plan, will be valued together with ERGOTECH, 3 months and 6 months after its application and if the evaluation result will be negative, the Supplier will be downgraded to "D" and ERGOTECH may decide to replace it.

The evaluation will be sent to the Supplier at the end of every semester if the Supplier is in class “B”, “C” or “D” and however within the end of every calendar year.
Should problems arise during quarterly assessment, Purchasing Department will send the results at the end of the quarter to allow Suppliers to formulate action plans for the recovery of the targets.

Definition of the targets for the Suppliers:
- *Certification status*
- *Max.no of non-compliances for the current year*
- *Maximum PPM for the current year*
- *Punctuality in deliveries (%)*

11. ON CALL SERVICE

In case of serious logistic or quality problems, ERGOTECH must be able to rely on the cooperation and support of its Suppliers who are asked to be available 24 hours per day, 365 days per year.
For such purpose the list of the references (Enclosure2) must be compiled.

12. CONFIDENTIALITY

The Supplier undertakes not to disclose to Subcontractors and third parties, samples, drawings, equipments and any information pertaining to processes and know-how, without previous written authorization by ERGOTECH, under penalty of legal recourse.

This document must be duly compiled, signed and sent to ERGOTECH for acceptance.
It is an integral part of the General Purchase Conditions.
It is to be considered VALID in the absence of comments from the Supplier, after 30 days from its receipt/publication.

SUPPLIER (stamp)	
Attachment No. (if any)	
Date	
Signature **(Name/Last name/Function)**	

ENCLOSURE 1: DEFINITION OF THE COSTS DUE TO QUALITY INCIDENTS

List of costs/chargebacks to be assessed on the basis of quality incident due to non-compliant supplies:

1) Fixed cost for quality incident opening (file management):
    - Arrival Acceptance; €80
    - During production; €160
    - At ERGOTECH customers: €240
2) Return of defective materials/components;
3) Selection costs incurred by ERGOTECH (at ERGOTECH and/or at ERGOTECH Customers) to support the shipping to Customers;
4) Costs for ERGOTECH and ERGOTECH Customers machine downtime;
5) Costs for urgent transports incurred by ERGOTECH to support the shipping to Customers;
6) Product recall costs (chargebacks);
7) Chargeback by ERGOTECH Customers;
8) Extraordinary plants/equipment maintenance;
9) Additional set up;
10) Other costs/chargebacks.

ENCLOSURE 2: TABLE OF CONTACTS FOR ON-CALL SERVICE

SUPPLIER		
DATE OF UPDATING		
COMPILED BY:		

FUNCTION / NAME / LAST NAME	*PHONE No.*	*E-MAIL*
HEAD OFFICE		
QUALITY DEPT		
LOGISTICS		
PRODUCTION		
TECHNICAL OFFICE		