RPE Elettrovalvole

GENERAL TERMS OF SUPPLY

Rev. 1.0 of 05/09/2022

SOMMARIO

0 DOCUMENT REGISTER

0.1 Revision register

Revision	Date	Revision description
0.0	24/05/2022	Draft for comments
1.0	05/09/2022	First issue

0.2 Changes of the last revision

Reason	Change	Paragraph	Sponsor
Update and integration of PQ-24 procedure contents and editing as stand-alone document, specific for suppliers	First draft	All	DIR

0.3 Writing, verification and approval

Written by	Verified by	Approved by
QF Francesco Fernandez	ACQ Florinda Ravazzani	DIR Filippo Ravazzani

0.4 Distribution list

Recipient	Distribution	Notification
ACQ, LOG, QLT Suppliers falling within the scope	Publication on the website www.rpesrl.com	Generic e-mail

1 INTRODUCTION

1.1 Purpose and field of application

This document regulates the supply relationships between RPE and its suppliers.

In case of change or update of the document by RPE, the recipients indicated in § 0.4 will receive an e-mail notification and are required to read the latest revision of the document on RPE website at www.rpesrl.com.

The general terms of supply in this document can be modified by agreement between RPE and the supplier. In the absence of written agreements signed by RPE Purchasing Department and the supplier that explicitly report or refer to different supply terms, this document applies to all RPE suppliers of products (raw materials, semi-finished products, components) and services (e.g., processing, surface treatments, assembly) connected to the production and / or validation and / or marketing of the products made or marketed by RPE, and to all orders issued by RPE to these suppliers.

1.2 Terms and definitions

The references to documented information that are integral part of this document are highlighted in blue on a grey background

The abbreviations and acronyms listed in Table 1.2-1 are valid.

Abbreviation / Acronym	Description
ACQ	Purchasing
ADR	Accord européen relatif au transport international des marchandises Dangereuses par Route
AQL	Acceptable Quality Level
ASL	Azienda Sanitaria Locale
ATS	Agenzia di Tutela della Salute
B2B	Business-to-Business
DDC	Declaration of Conformity
DDT	Transport document
DIR	Management
EDI	Electronic Data Interchange
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
IDQ	Quality Indicator
IQ	Quality Index

Abbreviation / Acronym	Description
IMDG	International Maritime Dangerous Goods Code
LOG	Logistics
LSG	Management System Level
MSA	Measurement System Analysis
MOCA	Food Contact Materials
MSDS / SDS	Material Safety Data Sheet
NDA	Non-Disclosure Agreement
OTD	On-Time Delivery
PPAP	Production Part Approval Process
PSW	Part Submission Warrant
QUA	Quality
RID	Règlement concernant le transport International ferroviaire des marchandises Dangereuses
RNC	Non-Conformity Report
RPE	Limited Liability Company R.P.E.
VDA	Verband der Automobilindustrie (German Association of the Automobile Industry)
VF	Final Evaluation

Table 1.2-1 – Abbreviations and acronyms used in the document

2 STATUTORY, REGULATORY AND ORGANIZATIONAL REQUIREMNTS

2.1 Social responsibility

Supplier is bound by compliance with the principles and rights set in the "Declaration on fundamental principles and rights at work" (Geneva 06/1998) by the International Labour Organisation (ILO), in the Directives of the UN Initiative Global Compact (Davos, 01/99) and the UN Guiding Principles on Business and Human Rights (2011).

Such principles and rights include expressly:

- preservation of human rights;
- elimination of forced, compulsory and child labour;
- freedom of association;
- elimination of discrimination based on gender, origin, religion or belief, membership of a trade union or similar organizations, disability, age, sexual identity, nationality, marital status, political affiliation, civil status, or other characteristics protected by local laws;
- compliance with occupational health and safety standards;
- protection from individual arbitrary personal measures;
- maintenance of employability by basic and advanced training;
- maintenance of adequate social working conditions;
- provision of conditions that enable employees to enjoy a reasonable standard of living;
- remuneration, which permits employees to secure their livelihoods including their social and cultural participation (minimum wage);
- implementation of equal opportunities and family-friendly policies;
- protection of local people rights;
- ban on bribery and blackmail.

Supplier shall also ensure that in its products are not used precious metals or other raw materials from mines in the location described as the Conflict Region, implementing final regulations adopted by U.S. Securities and Exchange Commission (SEC), as directed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The foregoing is in addition to compliance with all applicable statutory and regulatory requirements.

Supplier shall ensure that all and any of its sub-contractors are contractually bound to comply with the terms of this paragraph.

RPE reserves the right to ask for declaration of compliance with what above stated.

2.2 Occupational health and safety, environment

Supplier is bound by absolute compliance with mandatory regulations in the field of occupational health and safety, and environmental regulations.

The possession of third-party certification ISO 45001 and ISO 14001 is not required but it is considered objective evidence of commitment to meet the mandatory requirements and can constitute added value on assignment of orders; in case of possession of these certifications, any changes in their status (e.g., suspension, loss, waiver) shall be communicated to the RPE Purchasing Department within 5 working days.

The supplier is:

- responsible for the registration and, where necessary, the authorization or notification of the chemicals contained in the goods supplied, in accordance with the applicable local legislation (e.g., compliance with Regulation (EC) No. 1907/2006 (REACH) for the Union European);
- responsible, in case of import of chemicals, for compliance with all applicable legal obligations and the additional costs associated with them;
- responsible, in case of supply of chemical substances, preparations or mixtures, to make available to RPE an updated version and in compliance with the applicable legal requirements of the SDS of the goods
- responsible to make available safety information for transport (e.g., TREMCard) for goods classified as dangerous according to international regulations for dangerous goods (e.g., ADR / RID, IMDG, ICAO / IATA).

Supplier is required to:

- use efficiently the resources (e.g., raw material, energy, water);
- commit to promote the use of renewable energy;
- realize a careful management of water consumption and quality;
- realize a careful management of air quality;
- responsible management of chemicals;
- commit to the continuous reduction of environmental impacts and in particular waste produced, and greenhouse gases released into the atmosphere.

Supplier shall ensure that all and any of its sub-contractors are contractually bound to comply with the terms of this paragraph.

RPE reserves the right to ask for declaration of compliance with what above stated.

2.3 Quality management system

The possession of third-party certification ISO 9001 (or sector quality certifications, such as IATF 16949, EN 9100, ISO / TS 22163) is not required but it is considered objective evidence of the commitment to continuous improvement in the product manufacturing, in the provision of the service and in the achievement of customer satisfaction, and contributes to the classification of the supplier in the evaluation system of RPE suppliers; in case of possession of these certifications, any changes in their status (e.g., suspension, loss, waiver) shall be communicated to RPE Purchasing Department within 5 working days.

2.4 Information security

Any information (document, data, communication) that supplier receives from RPE can be:

- PUBLIC, information that can be disclosed to all supplier resources and externally (including publication on websites);
- FOR INTERNAL USE, can be disclosed to all the resources of the supplier and the resources operating on behalf of the supplier (e.g., consultants);
- CONFIDENTIAL, information can only be shared with supplier's resources and resources operating on behalf of the supplier (e.g., consultants) who need to access for the performance of their activities, or to the resources expressly indicated by RPE.

The technical and commercial characteristics of the products made by the supplier on RPE specifications, which the supplier acquires by reason of the execution of an order, are considered CONFIDENTIAL and cannot in any way be used by the supplier except for the realization of the object of the order. To protect proprietary information, RPE also reserves the right to request the signing of Non-Disclosure Agreements (NDAs).

The supplier is required to take all necessary measures to ensure compliance with the terms of this paragraph. RPE reserves the right to carry out checks on the effectiveness of these measures.

2.5 Declaration of compliance for food contact

As a manufacturer of components intended for contact with food, by application and final use, since 2017 RPE has been included in the MOCA producers register, whose control is in the hands of the competent territorial government authorities (ATS / ASL).

RPE undertakes to adhere to the European Regulation no. 1935/2004 concerning Materials and Objects intended to come into contact with food products, also known as MOCA.

To ensure its application, we remind you that in Italy there is also a Sanctioning Decree (Legislative Decree 10 February 2017 no. 29) for the violation of the provisions of EC regulation no. 1935/2004.

RPE has therefore adopted a quality control and assurance system capable of guaranteeing the hygienic-sanitary standards required by the mandatory regulations on MOCA at every stage of product processing.

In particular, the suppliers of materials and components intended for food contact, by application and final use, are MOCA assessed and qualified, the components supplied are periodically tested in an accredited laboratory with migration tests according to the applicable standards.

The suppliers of MOCA classified products have to provide the declaration of compliance for food contact (Regulation (EC) No. 1935/2004, art.16) which certifies the conformity of the material supplied to RPE with current regulations.

The declaration shall be submitted at the same time as the first sampling and via e-mail to quality@rpesrl.it whenever requested by RPE. In case of changes of food suitability of a product already supplied, the supplier has to promptly declare the non-suitability of the MOCA requirements and indicate possible alternatives.

Processing suppliers (subcontractors) for MOCA classified products shall send the specific communication they will receive from RPE at the time of assignment of the order, stamped and signed for acceptance of its contents, to the e-mail address quality@rpesrl.it.

3 QUOTATION

The supplier who receives a request of quotation from RPE shall analyse and evaluate its ability (as applicable) to design, develop and supply processes / products / services systematically and stably in compliance with the requirements indicated in the reference specifications, highlighting any critical issues in the form M-233 SUPPLIER FEASIBILITY ANALYSIS made available by RPE Purchase Department, or on an equivalent supplier's document that includes at least all the critical factors reported in the form M-233 SUPPLIER FEASIBILITY ANALYSIS.

RPE is available for meetings on site or at the supplier, to jointly assess the feasibility of the proposed project and the risks and opportunities (e.g., possible solutions for reducing costs or lead time) related to it.

Offers that do not meet the above requirements can be automatically rejected by RPE

Offer requests are not a purchase proposal and have to be considered non-binding for RPE until it is formally accepted by RPE itself by issuing a purchase order.

4 ORDER

Upon receipt of the order, the supplier shall verify the completeness of the information in its possession to ensure compliance with all the specified or referred requirements, including all applicable mandatory requirements.

The order shall be:

- returned countersigned for acceptance to RPE Purchases (via e-mail at purchasing@rpesrl.it or via EDI). In any case, the order is considered accepted if the supplier does not communicate his refusal in writing within seven days of its communication by RPE;
- made available to the staff in charge of its evasion;
- filed and stored in accordance with legal requirements and terms.

The RPE purchase order is closed and contains all the specific conditions of supply (price, quantity, delivery date, etc.) and ends (except for the product compliance and warranty obligations) upon delivery of the products.

For some specific types of supplies, RPE can sign, in agreement with the supplier, medium-term purchase commitments (e.g., 12 months) of total quantities defined on a forecast basis, with scheduled deliveries over a period, governed by the procurement system that implements the kanban logic (see § 8.1.1).

The supplier undertakes to scrupulously meet the program (quality, quantity, and delivery date), implementing the tools necessary to achieve this purpose.

The order is mandatory and any changes (including changes to the delivery program) shall be agreed with the RPE Purchasing Department.

The supplier is responsible for immediately reporting any difficulties in fulfilling the order to RPE Purchasing Department.

This document is recalled at the bottom of the order issued by RPE; taking charge of the order constitutes acceptance of these general conditions of supply.

For equipment developed on RPE specifications, the conditions indicated above are integrated by what is reported in § 5.1.

4.1 Price

The prices indicated in the order do not include automatic variations in relation to the increase of production costs and the high cost of living, unless different criteria agreed between RPE and the supplier (e.g., copper price trend on the market).

Any price increase related to changes in the product, production process or documentation supporting the supply requested by RPE shall be in advance proposed, discussed and accepted by RPE in writing.

5 INVOICING

The supplier shall comply with the billing terms (price, supply conditions and payment conditions) stated on the orders. Any differences shall be agreed in advance with RPE Purchases.

The supplier is authorized to carry out activities involving costs borne by RPE only following receipt of an order or a formal communication issued by RPE Purchases.

The supplier shall issue a separate invoice for each order of manufacturing or modifying equipment.

5.1 Invoicing of equipment developed on RPE specification

Invoices relating to the construction or modification of equipment (e.g., moulds) shall include:

a) the reference to the RPE order of the equipment;
b) the code of the component made by the equipment (if applicable);
c) a clear description of the intervention carried out;
d) the words: "Equipment owned by RPE held on loan for use in our facilities for the execution of RPE orders" (where applicable).

The payment conditions applicable to the dedicated supply equipment developed on RPE specifics (e.g., moulds) are:

- 30% deposit on order (bank transfer on invoice date);
- 30% down payment following delivery and verification according to internal instructions of the equipment conformity (bank transfer 60 days from invoice date);
- 40% after homologation (approval) of the equipment (bank transfer 60 days from invoice date).

The first sampling of products from supplied production equipment (e.g., mould tests) are borne by RPE; the subsequent ones (if performed at RPE) are charged to the supplier at a cost of € 500 each.

6 TECHNICAL SPECIFICATIONS

The technical specifications necessary for the supply are shown on the RPE drawings.

The supplier is required to ask to RPE Purchase Department for a copy of the specific requirements mentioned in the drawing and not in its possession.

6.1 SPECIAL characteristics

The characteristics (physical, chemical, mechanical, electrical, dimensional, functional, etc.) of the product and the process parameters highlighted on the RPE documentation with the symbol ⬭ have a significant relevance for customer satisfaction and / or internal processes and are classified as CRITICAL.

All the characteristics classified as critical shall always be included in the control plan and, where required by RPE, subjected to statistical process control (e.g., $\bar{x}$ and R chart, Cp, Cpk).

7 SUPPLY APPROVAL

The start of the supply is subject to the release of approval by RPE

To obtain approval, the supplier shall submit a sample that complies with all applicable requirements and the documents specified by RPE in the form M-234 DOCUMENTATION FOR APPROVAL. If RPE requires the application of the approval process defined in the latest available edition of the PPAP - Production Part Approval Process manual issued by AIAG, the required PPAP level is specified in the form M-234 DOCUMENTATION FOR APPROVAL (see figure 7 -1 and table 7-1).

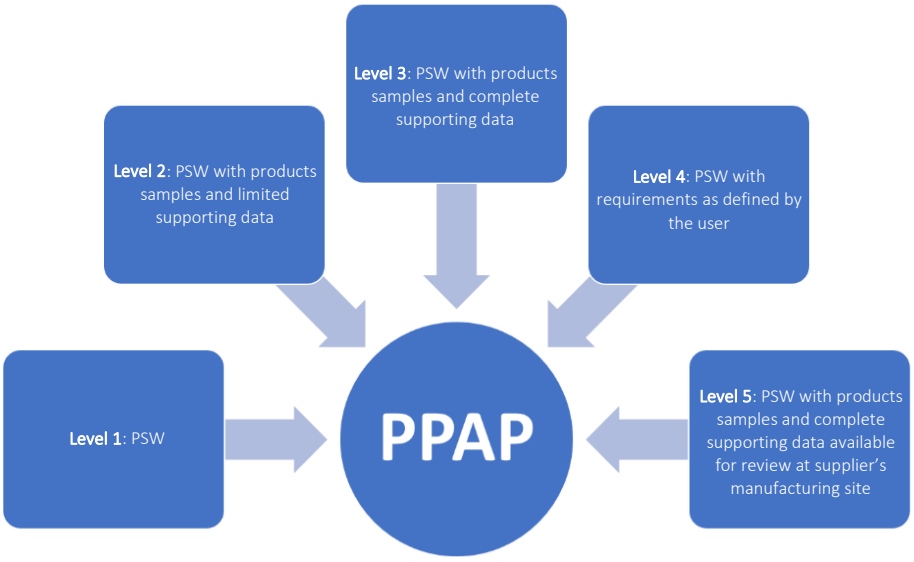

Figure 7-1 –PPAP levels

DOCUMENT	PPAP LEVEL				
	1	2	3	4	5
PRODUCT DRAWINGS	R	S	S	*	R
ENGENEERING CHANGE DOCUMENTS (IF ANY)	R	R	S	*	R
RPE ENGENEERING APPROVAL	R	R	S	*	R
DESIGN FMEA	R	R	S	*	R
PROCESS FLOW DIAGRAMS	R	R	S	*	R

DOCUMENT	PPAP LEVEL				
	1	2	3	4	5
PROCESS FMEA	R	R	S	*	R
CONTROL PLAN	R	R	S	*	R
MEASUREMENT SYSTEM ANALYSIS STUDIES (MSA)	R	R	S	*	R
DIMENSIONAL RESULTS	R	S	S	*	R
MATERIAL PERFORMANCE TEST RESULTS + MATERIAL TECHNICAL DATA SHEET	R	S	S	*	R
INITIAL CAPABILITY PROCESS STUDIES	R	R	S	*	R
QUALIFIED LABORATORY DOCUMENTATION	R	S	S	*	R
APPEARANCE APPROVAL REPORT	R	R	S	*	R
SAMPLE PRODUCT	R	S	S	*	R
MASTER SAMPLE	R	R	R	*	R
CHECKING AIDS	R	R	R	*	R
PART SUBMISSION WARRANT (PSW)	S	S	S	*	R

S= The supplier shall submit to the customer the request for approval at the sampling stage, and retain a copy of records or documents at appropriate locations, including the manufacturing one

R = The supplier shall retain a copy of records or documents at appropriate locations, including the manufacturing one, and make available to the RPE representative upon request

* = The supplier shall retain a copy of records or documents at appropriate locations and submit to RPE upon request

Tabella 7-1 – Documentation PPAP

In addition to what is listed above, the presentation of a sheet is always required.

Furthermore, RPE may request documentary evidence useful for verifying the production process in progress compared to the one at the time of approval (e.g., moulding parameters sheet). RPE reserves the right to attend tests and checks on materials and products.

The request for approval shall explicitly declare and cover, in terms of documents and samples submitted, possible alternative materials (also at mixture level) foreseen for the realization of the product; equivalence includes the characteristics (chemical, physical, mechanical, etc.) of the material and the available certifications. The alternative materials can be used for production only if and when explicitly and formally accepted in writing by RPE.

The submission of samples and required documentation applies to:

a) new supplies;

b) changes in critical product characteristics or new equipment (e.g., new mould) of existing supplies;
c) correction of discrepancies on previously submitted samples;
d) change in the supply process of a product (new production line / equipment;
e) change in operating flows;
f) new equipment (e.g., new mould) of existing supplies.

With reference to points a), b), f), the sampling of a part has to be delivered by the date specified in the sampling order and shall be accompanied by the relevant documentation required at the same time as each order.

With reference to point c), the supplier shall agree with RPE and the timing of submitting a new sample (possible changes to the documentation required by the PPAP can be agreed with RPE).

With reference to point d), e), the supplier is required to inform RPE in advance of the will / need to make a process change and to agree with it on the timeframe for obtaining the approval or, where required, of submission of the PPAP.

The control plan shall be updated following any modification of the product (including design revision) or of the process, and shall include for each item:

- feature to check;
- control methods;
- control instrumentation to be used;
- control frequency;
- methods of recording the checks carried out.

The required documentation shall be processed using parts of normal production taken from significant production batches, made at the plant intended for mass production, using final processes, equipment, tools and materials.

The documentation relating to the approval shall be sent to the e-mail address quality@rpesrl.it.

If the approval is not granted, the supplier shall:

- implement the actions necessary for the resolution of the contested non-conformities;
- agree with RPE the delivery date of a new sample.

In the absence of approval, any supplies shall be processed upon request for derogation from the supplier.

In case of approval issued in the presence of exemptions accepted by RPE, they are reported in the form Mod.RPE030 DEVIATION PERMIT, which is attached to the document whereby RPE issues approval for supply (e.g., PSW signed).

Where necessary, the supplier shall keep reference samples equal to those presented to RPE for approval.

RPE reserves the right to approve every single batch at the supplier even during the production phase.

7.1 Moulds approval (for thermoplastics, elastomers, metals)

For the approval of the mould, and the consequent balance of the order, the supplier shall submit to the technical office of RPE, (before construction and at each modification):

a) 3D drawings (and, where required, 2D with views and sections) complete with dividing planes, extractors, injection points; overall dimensions; weight of the mould and indication of the tonnage of the press for which the mould was developed;
b) confirmation of acceptance of the delivery date requested by RPE or formal proposal for an alternative date;
c) Moldflow analysis, if required;
d) photographs of the mould (fixed part and mobile part);
e) approval samples (First Off Tool) accompanied by dimensional measurements and process parameters sheet.

The materials used and the treatments applied shall guarantee the full functionality of the mould and parts subject to wear, for the duration of the guarantee defined and agreed in the offer phase based on the technical specifications initially communicated by RPE.

7.2 Controls in production

The records of the controls performed by the supplier during mass production, as defined in the approval phase, shall be kept, and made available for any checks by RPE representatives, for a minimum period of five years.

To carry out the required checks, the supplier shall take the appropriate measures to ensure that the control tools (measurement and testing) are adequate in terms of accuracy, repeatability and reproducibility of the measurements and results, and that they are periodically checked and calibrated. to ensure proper functioning. During the audit, the RPE appointees may request the inspection of the calibration reports of the instrumentation used for the controls of the products supplied to RPE

The supplier shall monitor the progress of production, communicating in time to RPE any risks for shipments and deliveries.

In the case of indirect supply (e.g., through resellers), the latter shall take responsibility for the above with their suppliers.

7.3 Management of sub-supplier

The supplier is directly responsible for the quality of the products purchased through its suppliers, even if these are imposed by RPE. For this purpose, the supplier shall provide for formal operating procedures to ensure compliance of the product with the prescribed requirements and compliance with the requirements set out in this document by the subcontractor.

With the explicit consent of RPE only, the supplier is responsible for disclosing the technical documentation concerned to the entire supply chain, extending the confidentiality obligations referred to in § 2.4.

In case of sub-components or process parts purchased / performed by its sub-suppliers, the supplier shall:

- during the supply approval phase, make available all the necessary documentation requested by RPE;
- in case of non-compliance, ensure the management of the non-compliance and evaluate the effectiveness of the corrective actions defined by the sub-supplier.

In the event of non-management or unsatisfactory management of any non-conformities, RPE reserves the right to request meetings / meetings with the active participation of the direct RPE supplier and the subcontractor.

7.4 Periodic requalification

RPE reserves the right to indicate in form M-234 DOCUMENTATION FOR APPROVAL any periodic requalification requirements that the supplier shall comply with (e.g., tests to be performed, frequency, documentation). The contents of this requalification shall be included in the control plan.

The results of the periodic requalification, including dimensional reports and any reliability tests, shall be kept by the supplier, and made available to RPE upon request.

8 SUPPLY

The supplier shall archive and keep (according to the terms of the law and the requirements of RPE) documented information of the controls carried out and make them readily available upon request of RPE.

Table 8-1 shows the types of material supplied that require specific documentation to be attached to each shipment, and the type of documentation.

Material supplied	Required documentation
Metal parts	Inspection certificate 3.1 (*)
Zinc-plated metal parts	Inspection certificate 3.1 (*) Zinc-plating certificate Salt spray test (at least every 12 months or upon specific request)
Rubber parts	Inspection certificate 3.1 (*)
Spring	Inspection certificate 3.1 (*)
Cables	Declaration of conformity to the order "type 2.1" (*)
Plastic raw material	Inspection certificate 3.1 (*)

(*) according to EN 10204

Table 8-1 – Documentation to be attached to each shipment

The submitted document shall always be validated and signed by the person appointed as responsible for issuing the certificate. The control document shall contain all the information required and necessary for the identification of the material and the shipment to which the document refers.

The expected cases for sending the declaration of quality and conformity by the supplier are indicated in table 8-2.

PHASE	WHEN?
SAMPLING	• new product with new process and equipment • modified product
SUPPLY BATCH	all delivery notes supplied (even if the supplier's production batch is the same)
PRODUCT SUPPLIED WAIVED	all lots delivered within the period of validity of the waiver granted by RPE

Table 8-2 – Cases of submission of the declaration of quality and conformity

The document shall be submitted to the e-mail quality@rpesrl.it.

8.1 Packaging, transport and delivery

All goods shall be delivered in standard packaging or in the alternative packaging agreed during the approval phase with RPE or, if specific packaging has not been defined, in intact containers upon receipt at the warehouse and allow adequate storage of goods.

The packaging shall be equipped with the kanban label where applicable and an identification label stating:

- RPE code and product description;
- quantity;
- identification number of the production lot;
- date of shipment.

The transport document accompanying the shipment shall include:

- RPE order number;
- RPE code and / or description of each product that makes up the shipment;
- quantities relating to each product that makes up the shipment.

The traceability system adopted by the supplier shall make it possible to identify, for each product supplied:

a) batch and date of production;
b) quantity of pieces produced;
c) raw material / components / semi-finished products used, even in the case of subcontracting.

RPE reserves the right to refuse the taking over of goods not accompanied by the travel documents required by law. These documents shall include:

- supplier name and supplier code;
- product code;
- order number and date;
- number of packages and quantity for each package;
- date of shipment.

The taking over of the goods by RPE does not in itself imply immediate acceptance of the same; following the entry of the material in the arrival reception area, it can be inspected according to a specific RPE control plan; if the inspection is performed on a sample basis on the material supplied, the sampling plan is defined according to the latest edition of the ISO 2859-1 standard. The level of AQL used will be indicated in the initial order request phase and agreed with the supplier.

If the goods received are not compliant with what was approved in the approval phase and/or at the order and/or specific request, RPE reserves the right to return the goods to the supplier.

In case of delivery of quantities of goods in excess, RPE reserves the right to refuse the taking over of the goods delivered exceeding the quantities indicated in the order.

In the event of delivery of defective quantities of goods, the supplier has to restore the missing quantities as quickly as possible.

The delivery date, understood as the day on which the ordered material is physically made available at the RPE warehouse, is mandatory.

In case of delivery of the goods in advance of the delivery date established in the order, RPE reserves the right to withhold the goods or not, making the payment terms run from the expected delivery date.

In case of delivery of the goods after the delivery date established in the purchase order and in any case within five calendar days from that date, the material is considered as "overdue" and contributes to determining the supplier's performance and its evaluation by RPE.

RPE reserves the right to charge the supplier for damages resulting from late or missed deliveries and reserves the right to cancel the order.

8.1.1 Kanban

RPE manages the entire production process, from the issue of supply orders to the output of the finished product, applying the kanban method.

RPE does not force its suppliers to accept and implement this methodology but favours close collaborative relationships with the suppliers who apply the methodology, giving priority to the issue of orders to these suppliers, and provides all the information and support necessary for the supplier to adopt this tool.

The methodology shall be applied systematically and each package, box, box shall also contain the tag with reference to the kanban batch, printable from the kanbanBOX platform.

Electronic kanban are characterized by a status that identifies the stage of progress of the container to which they correspond. There are eight possible operating states:

- RELEASED: The emptied kanban tag has become an operational supply order for the supplier;
- UNDER PROCESSING: the supplier has confirmed and taken charge of the order;
- PRODUCED: the supplier has produced the component;
- SHIPPED: the kanban tag is on its way to the customer;
- AVAILABLE: the kanban tag has been filled and is available again at the customer.

For a correct management of the process, the supplier shall carry out the correct handling of the tags on the supplier board; the supplier has to define the status of the tag in real time, moving it and changing its status on the kanbanBOX blackboard based on the status of its production process, according to table 8.1.1-1.

Handling phase **WHEN?**	**Tag movement** **WHAT?**	**Responsibility** **WHO?**
Order confirmation	Order confirmation sent to RPE Purchasing Department	Supplier
Inizio della produzione della merce richiesta da RPE	UNDER PROCESSING	Supplier

Handling phase WHEN?	Tag movement WHAT?	Responsibility WHO?
End of production of the goods requested by RPE	PRODUCED	Supplier
Delivery note issue and shipment of goods	SHIPPED	Supplier
Arrival of goods at the RPE warehouse and control in terms of logistics and quality	AVAILABLE	RPE warehouse

Table 8.1.1-1 – Handling phase and kanban tag

The supplier shall print and return the kanban cards (example in figure 8.1.1-1) correctly filled in on each package, box, case.

Figure 8.1.1-1 – Example of a kanban tag

The supplier is required to systematically respects the kanban quantities requested by RPE on the tag.

Variations within ± 10% of the total quantity are considered as acceptable and do not cause the opening of a non-conformity by RPE.

Concerning the expected delivery date and in the event of a change in the deliverable quantities, the supplier is required to use the “Negotiation” section of the kanbanBOX board and indicate:

- new quantity and/or
- new delivery date.

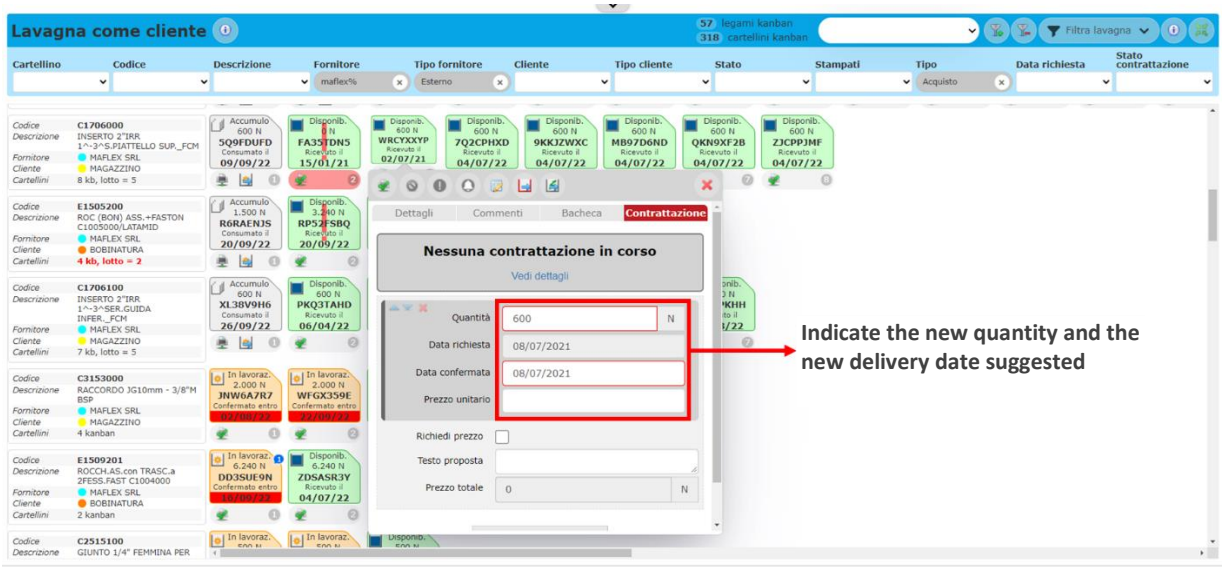

Figure 8.1.1-2 – "Negotiation" section of the kanbanBOX board

RPE, following notification of the request for negotiation, will accept the new proposal or not.

In addition, through the comments section, the supplier has the possibility to make directly official communications regarding the specific order.

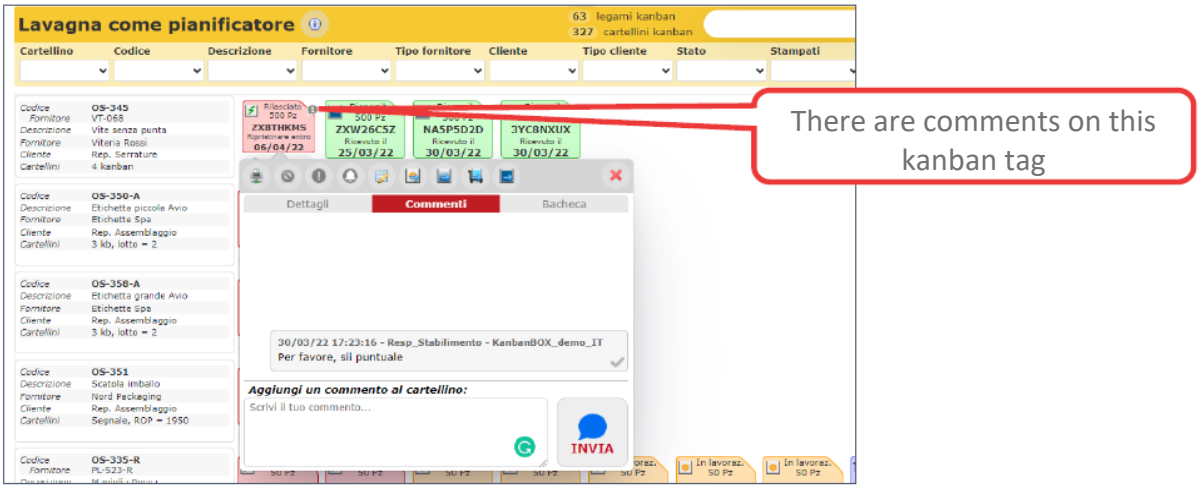

Figure 8.1.1-2 – Comments concerning the specific order

Correct management of the kanban methodology leads to a significant improvement in the production and procurement process; incorrect management complicates the management of materials and for this reason incorrect management generates reports and nonconformities according to the escalation scheme shown in table 8.1.1-2.

Incorrect kanban management	Notification	Impact on the supplier assessment
First notification	e-mail to the supplier	None
Second notification (first notification not managed)	Formal notification form	None
Third notification (second notification not managed)	Non-conformity report	Penalisation

Table 8.1.1-2 – Incorrect kanban management escalation

In case of acceptance of a supply agreement by applying the kanban methodology, the supplier:

- will have a free license to collaborate with RPE;
- will have the right to an unlimited number of users;
- will have the ability to connect to other customers;
- will have practical/theoretical support for the correct use of the kanbanBOX platform.

8.2 Waiver

Whenever the product or production process is different from the approved one, the supplier shall submit a request for waiver to RPE before shipping the material that does not comply to the applicable specifications. The request shall be detailed and include:

a) description of the anomaly;
b) quantity involved and date of restoration of conformity of the product/process;
c) causes of the anomaly and corrective actions defined.

The request shall be accompanied, as far as possible, by explanatory documentation (e.g., dimensional measurements, test results, representative images of the defect, reference samples).

RPE reserves the right to reject the request for waiver.

8.3 Non-conformity

In the event that the goods supplied show defects in the phases subsequent to its delivery (e.g., in assembly, in the use of the finished product in the field) that are not clearly identifiable at the time of delivery, RPE communicates the presence of nonconforming material to the supplier by WARNING (which does not affect the supplier's performance evaluation) or NON-CONFORMITY (which affects the supplier's performance evaluation), sent by e-mail and containing the information useful to start the analysis of the problem.

The supplier undertakes, to the extent of its competence, to collaborate with RPE for the complete resolution of the problem. In particular, the supplier shall manage any warning/non-conformity issued by RPE, applying to them methodologies recognized by RPE for problem solving and capitalization of experiences. The application of the methodologies shall be formalized and shared with the Quality of RPE using the RPE forms or equivalent 8D forms, in compliance with the times indicated in table 8.3-1.

Due date	Action
Within 48 hours	8D opening and definition of the working group Identification and implementation of the containment action Start of the analysis of the causes
Within 15 days	Identification of the root cause of occurrence and non-detection Definition of corrective actions
Within 30 days	Implementation of corrective actions
Within 60 days	Validation of the effectiveness of corrective actions Capitalization of experience (e.g., system documentation update)

Table 8.3-1 – Timetable of non-conformity management

RPE reserves the right to:

- reject, sort by and/or at the expense of the supplier, or accept on waiver the batch containing nonconforming products;
- sort by and/or at the expense of the supplier (at RPE or at the supplier) the batches after the batches containing nonconforming products;
- request to review or supplement the documentation presented for the management of non-conformity and problem solving.

RPE reserves the right, following disputes, to issue charges according to table 8.3-2.

Effect	Charge	Description	Situation
Non-conformity issue	80 €	Administrative costs for the issue and management of non-compliance	Non-conformity classified by RPE as VERY SERIOUS
Internal sorting	35 €/h	Cost per hour for the sorting activity by RPE personnel	Always
External sorting	35 €/h	Cost per hour for the sorting activity by providers	Always
Production downtime	35 €/h	Cost for non-production of each operator involved in the downtime	Always

Table 8.3-2 – Charges associated with non-conformity

8.3.1 Escalation

In case of recurring nonconformities, non-conformity with high impact on the final customer, or unsatisfactory performance of the supplier, RPE reserves the right to activate different levels of escalation:

- reactive audit, with notice depending on the seriousness and risk of the problem;
- structured plan to improve the areas of weakness of the supplier, regularly monitored by RPE through targeted KPIs, for which the active and direct participation of the supplier's top

management is required, the term of which is bound to the satisfaction of exit criteria defined in start-up phase;

- 100% selection (not replacing the normal checks provided for in the control plan but additional to them) by the supplier according to work instructions and defect books prepared by the supplier and approved by RPE, and identification of the checked parts and related packaging delivery (if identification is not possible, for example due to the shape of the piece, another method shall be agreed with RPE to ensure the traceability of the inspected parts);
- 100% selection (not replacing the normal controls provided for in the control plan but additional to them) by an external company recognized by RPE according to work instructions and defect books prepared by the supplier and approved by RPE, and identification of the pieces checked items and related delivery packaging (if identification is not possible, for example due to the shape of the piece, another method shall be agreed with RPE to guarantee the traceability of the checked pieces);
- exclusion from the possibility of participating in the assignment of new RPE products.

All costs deriving from the selection activities are borne by the supplier.

9 CHANGES

The supplier cannot make any changes to the product or production process without formal approval from RPE. Any requests for changes shall be formally submitted to RPE Purchasing Department.

In case of approval of the request, the supplier has to submit the samples and the documentation specified in the form M-234 DOCUMENTATION FOR APPROVAL, for the issue of a new supply approval.

Note: The changes include any adjustment in the certification status of the materials (e.g., failure to renew a drinking water certification).

10 AUDITS

The supplier formally authorizes RPE access (possibly with the end customer of the products concerned) to its own production sites and those of its subcontractors, to conduct system, process and/or product audits.

The willingness to carry out an audit is communicated to the supplier by RPE by e-mail, which specifies date, purpose, scope and methods of performing the audit. The supplier can propose alternative planning in case of no possibility in the period selected by RPE.

The audits can be carried out by personnel from the Quality area of RPE, in collaboration with other company functions as technical experts (e.g., Technical Office, Industrialization, Production).

The audit can be aimed to:

- evaluate a potential new supplier;
- evaluate a new manufacturing process;
- evaluate the modification of a production process (including transfer of moulds);
- periodically evaluate an ongoing production process;
- verify a process following non-conformity;
- verify the application of the general conditions of supply;
- evaluate a supplier with unsatisfactory performance;
- satisfy the request of an end customer;
- evaluate the supplier's general aspects and operating methods.

During the audits, RPE auditors shall have access to documentation (including PPAP) and related to the checks carried out on the products supplied to RPE, including the results of these checks.

The supplier shall manage the observations reported by RPE in its audit report, applying methods recognized by RPE for solving problems and in compliance with the timelines indicated in the audit report.

10.1 Additional requirements and self-audit/self-assessment

In case of direct request, the supplier has to periodically carry out self-assessment.

10.1.1 Supplier and sub-supplier of special processes

For the control of special processes (heat treatment, coating, painting, welding, soldering, injection moulding, casting moulding, brazing), RPE can ask the supplier to carry out a self-assessment at least every 12 months. According to the current edition of the applicable AIAG guideline:

- CQI-9 | Heat Treat System Assessment
- CQI-11 | Plating System Assessment
- CQI-12 | Coating System Assessment
- CQI-15 | Welding System Assessment
- CQI-17 | Soldering System Assessment

- CQI-23 | Molding System Assessment
- CQI-27 | Casting System Assessment
- CQI-29 | Brazing Assessment

10.1.2 Supplier (and sub-supplier) of processed products

For the control of production processes, RPE can request to perform product and process self-audits according to VDA 6.3, VDA 6.5 or internal checklists.
In general, the self-assessment and self-audit evidence carried out (e.g., completed checklists) shall be appropriately filed by the supplier and presented to RPE when requested.
The supplier undertakes to participate in any surveys prepared by RPE (e.g., on the sustainability of its supply chain), providing complete and exhaustive information, supported by any necessary evidence.

11 MATERIALS ON CONTRACT WORK

Drawings, machines, equipment, samples, and any other material delivered by RPE to the supplier for the execution of the service object of the supply remain property of RPE.

The supplier undertakes not to copy, reproduce, transmit, use on behalf of third parties and/or otherwise allow third parties to use said material, without the written authorization of RPE.

The supplier has to promptly inform RPE of any problems with RPE material on contract work (e.g., incorrect identification or quantity, damaged packaging, results from inbound checks).

The supplier shall handle, store, and use the material supplied by RPE on subcontracting:

a) preserving its integrity, identification, and traceability (in particular, shall provide for ordinary maintenance);
b) carrying out the checks provided for in the control plan, where applicable.

11.1 Equipment on loan for use

RPE equipment on loan for use at the supplier for the execution of RPE orders (moulds, control equipment, assembly lines, etc.) remain the exclusive property of RPE.

The supplier is responsible for the proper custody and management of such equipment and compliance with legislative constraints on health and safety in the workplace.

In particular, the supplier shall:

a) register and identify (with the tags sent by RPE) the equipment as owned by RPE (or by the person indicated by RPE);
b) to provide insurance coverage for the equipment against fire, theft, vandalism, natural disasters and other insurable risks of loss or damage at the expense of the supplier and for the benefit of RPE;
c) to implement at its own expense the implementation of a maintenance plan (which shall include all maintenance operations indicated in the manufacturer's manual), including the supply of materials and tools necessary for maintenance interventions (e.g., oils, greases, detergents), the replacement and replenishment of stocks of components subject to wear (e.g., cutting blades, drilling bits) and sensors (e.g., load cells, displacement transducers);
d) report to the RPE technical office, for prior authorization, the preventive maintenance interventions not covered by the manufacturer's warranty, necessary to maintain the equipment in efficiency (normally at RPE's expense, at the supplier's if due to accidents, negligence, or other causes attributable to the supplier);
e) report to the RPE technical office, for prior authorization, the corrective maintenance interventions not covered by the manufacturer's warranty, necessary to maintain the equipment in efficiency (normally at RPE's expense, at the supplier's if due to accidents, negligence, or other causes attributable to the supplier); pending or in the absence of authorization from RPE Purchasing Department, the supplier is required to request an exemption as per § 8.2;
f) manage the documentation necessary for the proper functioning of the equipment (e.g., control plans, instructions for the operator);

g) manage and keep track of ordinary and extraordinary maintenance performed on loaned equipment;
h) allow RPE to check the state of conservation and use of the equipment;
i) not to transfer the equipment to third parties for any reason and not to constitute guarantees on them;
j) use the equipment only for the execution of RPE orders.

The equipment cannot be transferred (e.g., to another supplier's site, to a subcontractor) without prior formal authorization from RPE.

Unless otherwise indicated, the supplier shall return the equipment to RPE at the end of the supply covered by the contract.

The supplier shall annually submit to the administration office of RPE an updated list of the moulds on loan for use.

11.2 Production scrap

The supplier shall carry out a detailed analysis of the production waste and return the discarded material to RPE monthly, with references for the traceability of the components (e.g., batch number).

If the production waste exceeds the normal process waste (1% unless otherwise agreed), the supplier shall manage the anomaly, keeping RPE informed.

RPE reserves the right not to accept the management of the anomaly and to charge the supplier the value of the discarded material.

12 RAW MATERIAL

During production, the supplier shall only use the material indicated in the drawing and used in the production of the samples approved by RPE. If the material is indicated in a generic way (e.g., PA66) the supplier shall use the material specified in the list.

The supplier shall keep the documentation of conformity (e.g., certificate of conformity, certificate of flammability if applicable, Conflict Minerals Reporting Template) of each batch supplied, giving a copy to RPE if requested.

The use of alternative materials shall be authorized in advance by RPE (see § 9).

Any defect in the component or finished product caused by non-compliance with the requirements will be entirely the responsibility of the supplier (see § 15).

12.1 Management of regrind for thermoplastic material

The supplier using regrind material for injection moulding shall:

a) declare it at the approval stage and record it in the production documents (e.g., manufacturing cycles, bill of materials);
b) respect the limits set by the technical data sheet of the material;
c) ensure compliance of the supplied product with all applicable requirements.

Any defect in the component or finished product caused by non-compliance with the requirements will be entirely the responsibility of the supplier (see § 15).

13 SUPPLIER EVALUATION

RPE assesses supplier performance monthly based on the following indicators:

a) management system level (LSG);
b) quality indicator (IDQ);
c) On-Time Delivery (OTD);
d) Non-conformity reports (RNC);
e) MOCA (only for suppliers to which it is applicable).

Each indicator contributes in percentage to the overall evaluation of the supplier's performance according to the scheme shown in table 13-1.

Indicator	Specific weight
Management system level	10%
Quality indicator	20%
On-Time Delivery	30%
Non-conformity reports	40%

Table 13-1 – Indicators used to evaluate suppliers

The indicators are combined to give a final evaluation from which the class attributed to the supplier derives.

The supplier's performance is communicated every six months by RPE by sending the form M-237 SUPPLIER PERFORMANCE EVALUATION.

13.1 Performance indicators

13.1.1 Management system level (LSG)

For suppliers without a third-party certification of their quality management system, the initial assessment of the supplier management system level is done jointly by RPE's Purchasing and Supplier Quality Manager, based on the documentation collected through the form M-235 SUPPLIER ASSESSMENT QUESTIONNAIRE, sent to the supplier by RPE Purchasing Department and to be returned duly completed by the supplier to the e-mail address quality@rpesrl.it.

The value of the LSG indicator is calculated according to the scheme shown in table 13.1.1.-1.

Supplier's quality management system	LSG
Certificated IATF 16949 or EN 9100 or ISO/TS 22163	100
Certificated ISO 9001	90
Not certificated, assessed as adequate by RPE	70
Not certified, assessed for improvement by RPE	50
Not certificated, assessed as not adequate by RPE (or not assessed)	0

Table 13.1.1-1 – Indicator LGS

13.1.2 Quality indicator (IDQ)

The quality index as defined as:

$$IQ = \frac{nonconforming\ quantity\ delivered}{quantity\ delivered}$$

The index is updated monthly considering the quantities delivered in the last six months.

The material accepted in derogation is calculated as nonconforming material.

The IDQ Quality Indicator is calculated from the IQ quality index according to the scheme shown in table 13.1.2.-1.

IQ	IDQ
IQ ≤ 2%	100
2% < IQ ≤ 5%	50
IQ > 5%	0

Table 13.1.2-1 – Indicator IDQ

13.1.3 On-Time Delivery (OTD)

The supplier's service level is measured by the OTD (On-Time Delivery) indicator, defined as:

$$OTD = \frac{number\ of\ timely\ deliveries}{number\ of\ deliveries} X\ 100$$

Punctuality is calculated based on the agreed delivery date, tolerating an advance or a delay of up to 5 days.

13.1.4 Non-conformity report (RNC)

The value of the RNC indicator is calculated according to the scheme shown in table 13.1.4-1.

Number of nonconformities issued by RPE to the supplier	RNC
NC ≤ 1	100
1 < NC ≤ 4	50
NC ≥ 5	0

Table 13.1.4-1 – Indicator RNC

13.1.5 MOCA

The additional score attributed to suppliers to whom an MOCA declaration is requested is calculated according to the scheme shown in table 13.1.5.-1.

Assessment of the declaration submitted	MOCA
Declaration of conformity (DDC) complete	+10%
Declaration of conformity (DDC) partial	+5%
Declaration of conformity (DDC) not submitted	+0%

Table 13.1.5-1 – MOCA

13.2 Supplier ranking

The final VF evaluation of the supplier's performance is given by the sum, weighted according to the percentages defined in table 13-1, of the individual performance indicators.

$$VF = (LSGX0{,}1 + IDQX0{,}2 + OTDX0{,}3 + RNCX0{,}4)\ X\ (1 + \text{MOCAX100})$$

The class attributed by the supplier is assigned according to the scheme shown in table 13.2-1.

Final evaluation VF	Class
VF ≥ 90	A
70 ≤ VF < 90	B
50 ≤ VF < 70	C
VF < 50	D

Table 13.2-1 – Supplier ranking

Class A suppliers:

- are not required to define a specific improvement plan;
- are preferential in the assignment of supplies and in the development of new projects;

Class B suppliers:

- are required to promote continuous improvement activities, aimed at moving to class A;

Class C suppliers:

- shall establish an improvement plan aimed, as a minimum, at the transition to class B, to be formalized in the form M-236 SUPPLIER IMPROVEMENT PLAN;
- are considered unsuitable for the assignment of new supplies;

Class D suppliers are deemed unsuitable, and the continuation of their supply depends on the feasibility of the activities necessary to minimize the risks associated with it.

14 CONTRACTUAL BREACH

RPE reserves the right to charge suppliers for costs generated by breach of contract pursuant to Article 1218 of the Civil Code (e.g., non-delivery, late delivery, nonconforming product):

- hours of production downtime or shipment blocking (internal, at the supplier and/or at the final customer of RPE);
- additional delivery costs;
- selection and/or rework costs (internal and/or at RPE's final customer);
- production waste (semi-finished and/or finished products);
- administrative costs of managing non-compliance or defects;
- unjustified misalignments of material quantities on contract work;
- costs under warranty, consisting of (by way of example and not limited to):
    - cost of the single RPE unit replaced due to the defectiveness / non-conformity of the supply component;
    - cost of labour for the replacement of the defective unit at the retailer;
    - additional logistics costs due to the shipment of the unit to be replaced at the retailer.

The above in accordance with the applicable legislation in force, also in the field of product liability and compensation for damage.

In the event of repeated or protracted breach of contract, RPE reserves the right to terminate the supply contract.

For any dispute concerning the interpretation and application of these conditions and all contracts between RPE and supplier, the Court of COMO will have exclusive jurisdiction.

A.1 LIST OF ANNEXES

The documents listed in table A.1-1 are integral part of the general terms of supply.

Acronym	Document	Revision
M-233	SUPPLIER FEASIBILITY ANALYSIS	1.0
M-234	DOCUMENTATION FOR APPROVAL	1.0
M-235	SUPPLIER ASSESSMENT QUESTIONNAIRE	1.0
M-236	SUPPLIER IMPROVEMENT PLAN	1.0
M-237	SUPPLIER PERFORMANCE EVALUATION	1.0
Mod.RPE030	DEVIATION PERMIT	3

Table A.1-1 – Annexes