GENERAL TERMS OF SUPPLY IN PAR.CO SPA

1. Purpose

The purpose of this standard is to define the principles governing the relationship between **PAR.CO. Spa** and suppliers regarding communications, quality (product + service) and reliability required for external supply products.
It is therefore to be considered as a technical supplement to what is regulated by the general conditions of purchase printed on the back of each order.

2. Scope

This standard is applied to all Suppliers of direct production materials.

3. Operating modes

3.1 Main organizational aspects

Supplier's organization must ensure the conformity of the product supplied with the quality and reliability requirements in PAR.CO. Spa. Supplier's organization must comply following tasks and functions:

3.1.1 Technical documentation and related management

The Supplier must have written and up-to-date documentation concerning the products and their quality and reliability requirements (construction drawings, manufacturing and testing cycles, standards, material specifications, test reports, etc.)
The Supplier must retain the technical documentation sent by Purchasing dept. **PAR.CO. Spa** providing promptly with any updates that come to it; if some of the documents mentioned in the aforementioned documentation is missing, the supplier will ask a copy to the Purchasing Office, which will provide it. On the basis of the documentation received, the Supplier must update, if necessary, the internal documents used in its Quality Assurance system.
Further information or clarification regarding drawings, standards, processing technologies, equipment, tests, means and methods of control can be obtained from the Purchasing Office.
The Supplier must ensure that PAR.CO. Spa's and its own documentation are available at the time and place where the production and quality control are carried out. If the Supplier, given any organizational needs, should need to have not only the specific technical documentation mentioned above, but also other rules, tables or specifications, these may also be requested to PAR.CO. Spa Purchasing dept which will privide them.

1.1. Additional information

3.1.2
In the cases indicated in the following table, the supplier shall give an additional indication of the consignment documents and the delivery identification tags placed on the containers.

TYPE OF SUPPLY	INDICATION/TAG
Part for PPAP/sampling	Sampling
Preseries part/ SOP parts *	Start of Production
Lot with modified parts *	Product modified
Reworked lots/parts that need special release from customer	Special release
Self-certified/evaluated lots/parts	AQP

* for 3 delivered lots

3.1.3 Packaging

The packaging of the product must comply with the requirements agreed with PAR.CO. Spa and reported on the "Standard packaging" form or on the product specifications or packaging specifications customized by supplier type. If otherwise agreed, the new requirements must be visually clarified on the order..

3.1.4 Change management

The Supplier must have a registration system designed to identify the date of introduction of changes on the product and/or in the production cycle (materials, processing, treatments, etc.) and must keep the supporting documentation up to date (flows, control plans, ...) both for the changes requested by PAR.CO. Spa and for those proposed by PAR.CO. Spa itself.
The Supplier is also required to communicate in advance any type of change to its production process (technologies, plants, methods) in order to obtain from PAR.CO. Spa.
approval.
The Supplier must not:

- accept changes not officially communicated by the Purchasing PAR.CO. Spa.
- make changes if not authorized by the Purchasing PAR.CO. Spa.
- he is therefore responsible for any damage caused to PAR.CO. Spa. by the introduction of unauthorized changes.

The timing of the implementation of the changes is communicated by the Logistics Authority.
The Supplier is required to report the modified product with the related name, as prescribed in 5.1.2.

3.1.5 Quality and conformity of supply

All homogeneous supplied batches must be subjected to quality checks to verify the conformity of the product with the requirements.
The Supplier is responsible for these checks and must declare the conformity of the product with the requirements through a declaration of conformity.
In this regard, PAR.CO. Spa. classifies product characteristics based on importance criteria, indicating critical and report designs.
By startin up the supply process, PAR.CO. Spa. Quality Auditor and the Quality Board of the supplier will review and agree on the final control plan.

3.1.6 Quality and compliance of subcontracting

The Supplier is directly responsible for the qualitative compliance of the products purchased from sub-contracting companies or entrusted to them for processing and/or any treatment. The Supplier must therefore have the detailed documentation regarding the raw material used (certifications), the acceptance checks with related test cycles, corrective actions and modifications authorized by PAR.CO. Spa. and introduced by subcontractors

3.1.7 Derogation of non-conforming batches

If the Supplier, during the carried out verifications detects the presence of a product that does not meet the requirements and whose recovery, for production needs of the PAR.CO. Spa, does not allow compliance with the delivery programs on schedule, it must give timely telephone/email signallingn to Quality Dept in PAR.CO. Spa, requesting authorization for the delivery in "derogation" of the aforementioned batches.
It shall specify the design number and name of the particular, the non-conforming characteristics and the number of parts covered by the derogation and propose a recovery plan.
AQ PAR.CO. Spa., having assessed the extent of non-compliance and in agreement with the Technical Office, will grant or not grant the derogation by e mail or telephone.
The supplier is only authorized to deliver PAR.CO the non-compliant product (limited to the quantity or period of validity of the derogation) and must identify each container of derogating products as specified in 5.1.2

3.1.8 Recording of test results

The Supplier must maintain an adequate system for recording the results obtained, applying specific test cycles, relating to both its own production and that of any subcontractors, and ensure the keeping of the records for the prescribed time (see 5.1.8.1); this documentation must be available at the request of PAR.CO. Spa.

3.1.9 Retention of process control and testing results from technical documentation and records

The supplier must keep the technical documentation, the data relating to controls, tests and tests concerning the product with report characteristics for 15 years and a minimum of 3 years for critical, important and secondary characteristics unless otherwise requested by PAR.CO. Spa

3.2 Traceability

The supplier must set up a traceability system that allows to trace the materials/components used, the documentation concerning the processes/controls that allows to identify over time the defective product/batch.
For Safety products (Reports) this system must guarantee traceability for 15 years, for other products at least 3 years.

3.2.1 Corrective actions

Reports of non-compliance or non-acceptability found on the product supplied are transmitted to the Supplier by the PAR.CO Quality through "TEST REPORT".
Following these reports, the Supplier must formalize appropriate corrective actions by transmitting to it AQ PAR.CO. Spa In case of non-conformities regarding characteristics for variables, it must attach process capacity studies (cp / cpk), demonstrating the effectiveness of the corrective actions themselves.
The supplier is required to deliver the first batch after the implementation of the corrective action by attaching a quality and compliance statement (CQC).

4 Start-up of supply (new supplier or supply of a new product)

Once the Supplier is in possession of the technical documentation (drawings, specifications, standards, tables and other requirements) relating to the product, the supply is launched by the purchase order that the Purchasing Dept. in PAR.CO. Spa. sends to the Supplier.
During the supply, any changes to what is required in the aforementioned documentation will reach the Supplier by written communication from the purchasing dept in PAR.CO. Spa.
The authorization of the actual supply takes place only on the basis of the approval resulting from the checks and tests declared by the Supplier and/or from the verifications carried out by PAR.CO. Spa. on the samples sent as specified below. The competent body for issuing the approval is the Quality Assurance PAR.CO. Spa.

4.1 Supply approval and possible qualification of the product

In order to obtain the supply approval of a product and any Qualification, the Supplier, following a regular "order" issued by the Purchasing dept., must submit a sample whose quantity of specimens or products, if not specified on the order, must be:

- for printed parts at least 5 per figure/compartment;
- for parts with a size of at least 10 meters;
- for other details at least 10.

Sampling should be accompanied by the following documentation:

- PPAP level 3 - for new type of product (e.g. Product never supplied, material change, etc.) - suppliers class 1
- PPAP level 2 - for other cases other than the previous one - suppliers class 1
- Certificate of Quality and Compliance with annexes of the certificates of materials used and, for "Critical" characteristics, process capacity studies (Pp/Ppk) - suppliers class 2.

If the Supplier has entrusted the execution of certain controls to other bodies, it must also attach the reports of those bodies, making itself a guarantor for them.
AQ PAR.CO. Spa reserves the right to attend the production start-up of a new product.

4.1.1 Start of regular supply process

the Supplier can deliver the product only after obtaining positive approval from the PAR.CO. Spa

4.2 Product appearance

The product supplied must be packed and arranged in pre-agreed collection and/or loading units. (Ref.3.1.3)

Externally to each container (basket, case, box, etc.) and in a clearly visible position must be affixed a suitable label, by the Supplier and bearing at least:

- Mechanographic code and description of the detail;
- Quantity;
- The supplier's business name.

4.2.1 Compliance certification

the supplier must periodically submit:

- Certification of the characteristics prescribed by isq003 "Certified Product List" . Any details must be agreed with the Quality Assurance PAR.CO.
- Process Capacity Studies (Cp/Cpk) for "Critical and Report" characteristics

The frequency of delivery of documentation is regulated by internal procedure in Par.co (ISQ003).

4.3 Technical requirements of the product supplied

4.3.1 - Compliance with technical requirements

The conformity of the product with the technical requirements is guaranteed by the Supplier through its organizational technological suitability, possibly verified by PAR.CO. Spa through an acceptance inspection that in any case does not replace the supplier's control and does not even relieve him of his responsibilities.

4.3.2 - Compliance verification with technical requirements

The inspection is carried out in PAR.CO. Spa by The Incoming inspection Dept., and it is based on technical documentation similar to that used by the supplier through a random verification.
If the batch of the product delivered by the supplier and inspected by PAR.CO. Spa is found not to meet the requirements even for a single feature, it will be judged NON-COMPLIANT.

4.3.3 Non-compliance of the product

If a batch of product supplied to PAR.CO. Spa is found to be non-compliant, the following technical/operational process will be triggered:

4.3.4 Batch sorting

A sorting action is under responsibility of the Supplier and can be made at the PAR.CO. Spa, which makes its equipment available, or at the supplier, after reshipment of the lot.
If, for the need for continuity of production, the PAR.CO. Spa is forced to carry out the selection with its own staff /means (in whole or in part), the cost of this operation will be charged to the Supplier.
Non-compliant material is isolated from the lot and falls into one of the following categories:

A. it is not possible to make it compliant by additional rework. The scrap is final and is reloaded with the Supplier.
B. additional rework makes it compliant. The Supplier performs the additional processing at its total expense; in the event that due to production needs, the PAR.CO. Spa to provide for such processing, the relative costs will be borne by the Supplier.

The rework cycle must be shared with Quality PAR.CO. Spa.

4.3.5 - Interventions for unsatisfactory quality

If the development of supplies shows a quality level of the product considered unsatisfactory, the
PAR.CO. Spa reserves the right to take the measures deemed most appropriate as outlined below.

A. MEETING WITH SUPPLIER

The Purchasing Office PAR.CO. Spa can summon the Supplier.
Following the convocation, PAR.CO. Spa draws up a report on the topics covered and the agreed measures that will be countersigned by the Supplier; the report will be sent to the Supplier in a copy.

B. TECHNICAL/QUALITATIVE VERIFICATION BY THE SUPPLIER

The Quality Assurance PAR.CO. Spa reserves the right to carry out technical checks or inspections at the Supplier's establishment, in order to evaluate the causes that may have determined such abnormal situations attributed to the product.
The Supplier must make available its control and testing equipment with its personnel. Following the technical verification, PAR.CO. Spa draws up a report on the anomalies found in the production process and on the agreed measures.
The Supplier must give a written confirmation of the corrective action taken specifying the relative timing of implementation

4.3.6 Non-technical supply requirements

The aim is to indicate by this the whole aspects of the supply relationship, which do not concern the technical characteristics of use of the product commissioned.
The following requirements are particularly prominent:

- compliance with the planned quantities and related transport;
- 100% of delivery on times;
- management of programme variances;
- regularity of handling and accounting documentation;
- economic competitiveness;
- successful compilation and submission of certifications / process capacity studies.

If it is found that one of the methods indicated above has not been complyied with, PAR.CO. Spa reserves the right to take the appropriate measures (e.g. convocation, etc.).

4.4 Supplies in "AQP" (Self-Certification Supplies)

4.4.1 Selection criteria

The main objective of PAR.CO. Spa is to have 100% of the supplies in AQP.
The supplier must be able to assume full qualitative responsability for the product by ensuring zero defects on supplies.
The conditions for being considered to be in AQP supply state are as follows:

- the process is qualified with a score of 90÷100 (when requested);
- in the performance evaluations, the Supplier has achieved a Quality Index "Last 6 months" between 98 ÷100.

4.4.2 AQP Notification

The AQP notification is officially communicated by the Purchasing Dept. to the supplier, this will thus be able to start supplies in the state of AQP.
The AQP notification shall be called into question if the qualitative or reliability results do not meet those set out in the various paragraphs of this section.

4.4.3 Vendor rating / Supplier evaluation

The Purchasing Dept. of PAR.CO. Spa periodically communicates to Suppliers the trend of the global indicator (Vendor Rating) of the supplier's performance, calculated on the basis of the elaboration of 4 indicators as specified (methodology can be requested to Purchasing Dept.).4.4.4 Process checks / Quality System evaluations

AQ PAR.CO. Spa reserves the right to carry out Process Audits at the Supplier's establishment, even in the presence of the Final Customer.