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* Please note: any changes in comparison to previous versions of this document are written in blue and highlighted in yellow.			
4	01/02/2021	Massimo Lombardo /Giulia Mattia	Par. 4.4.1 was updated about the induced costs
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1. PURPOSE

The objective of the **SAPA Group**, which **STA** is part of, is to achieve the timely implementation of the provisions of the General Conditions of Purchase (I.P. 09.02), in terms of "Reliability, Quality and Controls" by its Supply Chain.

The provisions of this procedure are intended to:

- Define the principles governing relations between the SAPA Group and its subsidiaries (hereinafter referred to as SAPA) and Suppliers, regarding the Quality and Reliability required for external products and services and to supplement the guidelines in the General Conditions of Purchase I.P. 09.02
- Define responsibilities in the relation with the Supplier, identifying and allocating internal/external operational and management skills, starting from the development of a new product/modification of an existing product.
- Explain what is required of the Supplier for the development of tools necessary to manage, plan, verify and document the control of the product/service, including through the control of the process.
- Define the requirements and responsibilities for the QUALIFICATION / APPROVAL of the product, in order to assess its complete compliance with the technical specifications of SAPA and the end customer, including the performance and reliability of the sampling prepared at the beginning of the supply, in order to authorise delivery before shipment at the SAPA plant.
- Create the necessary conditions so that all suppliers have the means and resources necessary to provide a SELF-CERTIFICATION that gives evidence of conformity of the product / service supplied, so that systematic checks of lots and services provided to SAPA's production plants can be eliminated.
- Create the conditions so that there is a guarantee that all lots delivered/services performed are free from defects.
- Define responsibilities for economic compensation for non-compliant materials and/or services.

2. DEFINITIONS

In general, reference is made to the definitions contained in the related standards and legislation.

Abbreviations

TM: Technical Management
PRO: Central Procurement Office
FMEA: Failure Mode and Effect Analysis
CQC: Conformity and Quality Certificate
PQ: Plant Quality
CQ: Central Quality
IMS: Integrated Management System
LOG: Plant Logistics
FABB: Plant Production
PPAP: Production Part Approval Process
IMDS: International Materials Data System
NCR: Non Conformity Report
NBH: New Business Hold
GM: General Management
PM Plant Management
MP: Manpower
SRS: Supplier Rating System
QAM: Quality Assurance Manager

3. RESPONSIBILITY

The responsibilities for the activities described in the current procedure are described in detail in the following paragraphs.

4. GENERAL TERMS

The Quality and Reliability of a product/service are the result of a multidisciplinary involvement and coordination of all the bodies/functions that make up SAPA, Suppliers and Sub-suppliers included.

The main activities that contribute to their achievement are: planning, definition of work and control cycles, selection of infrastructures and plants (production equipment, control tools, testing equipment, etc.), targeted training of personnel, qualification and monitoring of Suppliers, collection, understanding and dissemination of documented information needed, development and implementation of any corrective actions and / or improvements.

4.1 SUPPLIER REQUIREMENTS AND RESPONSIBILITIES

4.1.1 Supplier's technical documentation

The Supplier must have documented information in writing, accessible, comprehensible and up to date, in order to guarantee compliance with the quality and reliability requirements of the products/services intended for SAPA (construction drawings, manufacturing and testing cycles, materials specifications, test reports, technical specifications for the production of moulds, gauges, equipment, etc.).

This documented information must be provided to SAPA's concerned Body or function by the TM.

4.1.2 Documentation on substances in materials/products supplied to SAPA

Without prejudice to the fact that outsourced products/services must comply with national and international laws on safety, ecology, the environment and the mandatory requirements applicable in the country of receipt, shipment and destination indicated by the end customer, the supplier must produce:

a) at the time of the preliminary negotiations, the documentation relating to the chemical substances already present in the products or likely to develop subsequently;

b) before the delivery of the Samples for Approval, the final information concerning the elementary composition of the materials making up the products/components, in order to comply with the European Directive on end-of-life vehicles (DIR 2000/53/EC) and subsequent amendments and updates.

NB: Unless otherwise agreed, this information must be entered by the supplier directly on the I.M.D.S. (International Materials Data System).

NOTE: In particular, it should be remembered that Cadmium and Asbestos must be absent, unless their use is specifically prescribed in the drawing.

If SAPA's end customer defines special controls for products that have mandatory requirements and are purchased from outside, the supplier concerned shall ensure the implementation and continuity of these controls at its premises.

FCA additional mandatory requirements

With reference to par. 8.4.2.2 of the document "Customer Specific Requirements for IATF 16949", suppliers who supply products for the final customer FCA are required to record the data of the parts produced in the IMDS and to provide evidence thereof to SAPA.

With reference to the "Conflict Minerals" regulation of 21/07/2016, suppliers who manufacture products containing tin, tantalum, tungsten and gold must inform SAPA about the possible use of these minerals in the parts produced and supplied by SAPA itself, in order to allow TM to register them in the iPoint Conflict Minerals Platform (iPCMP) of the FCA customer.

4.1.3 Technical information from SAPA

The Supplier is required to receive, understand, store and disseminate within their organisation the documented information transmitted by SAPA (drawings, standards, specifications, tables, CSR and technical documentation of the end customer, etc.), and promptly update these documents; if the supplier does not have the technical input documents, they must request them from SAPA's TM, informing CQ of the possible lack thereof.

In particular, the CSRs of end customers can be freely downloaded at the following link https://www.iatfglobaloversight.org/oem-requirements/customer-specific-requirements/ . These requirements are in addition to those provided for by IATF 16949 and must be implemented in one's Quality Management System

On the basis of the documentation received, the Supplier shall, if necessary, adapt and/or update the internal documentation of its quality assurance system

The Supplier may not transmit to or allow the use of SAPA's technical documentation by third parties without written authorisation from SAPA, except for critical activities and subjected to formal approval by TM and CQ of SAPA.

The TM is available for providing further information or clarifications regarding drawings, specifications, processing technologies, equipment, tests, control means and methods, and sharing the information flow with CQ and PRO. The Supplier must ensure that the documented input information transmitted by SAPA and that developed internally is available and updated at the sites where production, quality assurance and control operations are carried out.

NOTE: The Supplier is obliged to accept, understand and disseminate in its own organisation the SAPA technical reference documentation referred to in this procedure, in the drawings and in the technical specifications supplied.

4.1.4 Feasibility

The Supplier of new products/processes/services must first guarantee SAPA its ability to:

- realize and industrialize the product in compliance with all technical specifications and foreseen production volumes;
- be able to comply with the requirements and characteristics relating to the product/service to be provided (procurement of moulds, gauges, production and control equipment, etc.), including the customer's requirements;

This evidence will have to be formalised**:**

- before delivery of the samples to SAPA for approval and/or qualification
- by means of a preliminary analysis - to be submitted to the TM, of the technical documentation about the service to be provided (technical data sheets of the moulds, equipment manuals, time schedule of supplies, etc.)

In the absence of formal communications from the Supplier and of subsequent agreements with SAPA, it is understood that ALL the characteristics indicated on the technical documentation CAN BE COMPLIED WITH and that the Supplier guarantees compliance both in the sampling and series production for the products requested, and in the provision of the service it is due to provide

It is the responsibility of the supplier to discuss with the relevant SAPA bodies the use and application of the component to be produced and the purpose of the service to be provided.

4.1.5 Quality Assurance System

The Supplier MUST dispose at least of the following means to ensure the quality of the supplies (products and services):

4.1.5.1 F.M.E.A.

The Supplier of products of own design and/or of critical or complex products shall evaluate the potential causes and effects of defects deriving from the implementation of the project/process itself.

For the analysis of these potential defects, the Supplier shall use the F.M.E.A. method as a suitable tool to contribute to the elimination of the risk through a systematic analysis of possible failure modes, evaluated according to their severity, probability and possibility of identification.

Considering that F.M.E.A. is a tool that can be applied both in the designing and in the manufacturing process, it should be noted that:

- SAPA requires the **project F.M.E.A**. for all products designed by the supplier (excluding those in the catalogue).
- SAPA requires the **process F.M.E.A.** for all products with their ranked characteristics (Key Characteristics, Report, Safety, etc.) indicated in the drawing, and this must be completed before preparing for production; if in the process F.M.E.A. there are critical work cycles that require the execution of "special" operations, the Supplier must take into account and assess the need to certify - in the qualification phase, also the components produced with these operations.

The reference methodology for the adoption of this preventative measure must comply with the provisions of the documentation recognized by the automotive industry (FIAT 00270 F.M.E.A. 2nd generation project standard, FIAT 00271 F.M.E.A. Process Standard, AIAG Manual - Potential Failure Mode and Effects Analysis FMEA, ANFIA Manual - AQ-009 FMEA, VDA Volume 4 Chapter Product and Process FMEA).

4.1.5.2 Planning of production systems and service delivery

The Supplier, who is independent as regards the choice and development of the industrial system and the necessary production and control means, must have at their disposal:

- Means and skills suitable to guarantee the quality and reliability requirements of the product, by verifying the adequacy and performance over time through the identification and analysis of the process capability, in particular for the ranked characteristics indicated in the technical documentation provided by SAPA, with appropriate symbols/identification;
- Infrastructure and corporate structure that allows compliance of the services provided on behalf of SAPA.

Criteria for verifying the suitability of a tool to produce the characteristics of the part, within the prescribed tolerance limits, must be aligned with the requirements mentioned in the FIAT Auto 9.01102/08 specifications and in the AIAG Manual - Statistical Process Control (SPC).

4.1.5.3 Planning of production process controls

The Supplier must ensure optimal management of the manufacturing and assembly processes through systematic and continuous controls of the parameters of the production process; therefore, the Supplier is required to monitor and keep under control all the critical characteristics of the production process, thus creating and keeping the appropriate records.

The necessary tools to verify that the production process maintains the initial conditions also during production, are:

- **Checks for variables**: this allows to identify the factors that determine the variability of a process through control charts (X-R) and, consequently, to activate the most appropriate corrective actions, in order to prevent the production of non-compliant products.
- **Controls by attributes**: with the support of other types of charts (P, C, etc.), they allow to use the information, collected in advance through the controls by attributes carried out (P, NP), to adopt corrective actions aimed at systematically reducing the defects that have emerged. These checks are to be carried out when, following diagnosis, it is concluded that they cannot be traced back to checks for variables.

4.1.5.4 Sub-supplies

The Supplier selected by SAPA is directly responsible for the conformity of the products obtained from its suppliers (Sub-Suppliers) or entrusted to them for processing and/or treatment, and for the adequacy of the services they provide.

The Supplier selected by SAPA must provide the documented information regarding the acceptance checks with the relative test cycles, the corrective actions implemented for any non-conformities and the modifications authorised by SAPA, the manuals and technical equipment relating to the service to be carried out.

Without prejudice to the validity of the General Conditions of Purchase regarding the control of sub-supplies, it is specified that the Supplier selected by SAPA, having ascertained the suitability of its sub-supplier in advance, transmits to it the relevant documentation including the CSR of the end customer, and must ensure that the sub-supplier adjusts its Quality Assurance System in an equivalent manner, according to the requirements set out in this procedure and those forming part of the IMS of SAPA.

The Supplier selected by SAPA shall involve its sub-suppliers in the I.M.D.S. and shall be responsible for the data entered therein (unless otherwise formally agreed).

Whatever the system adopted, SAPA must always and in any case be guaranteed the implementation of timely corrective actions in the presence of non-compliant products/services of sub-suppliers and the evaluation criteria adopted for the analysis of anomalies and any interventions on these must be communicated to the PQ/CQ and TM of SAPA

During the supply phase, any change of sub-suppliers declared during the PPAP phase must be considered as process changes and thus must be reported to the TM, PQ/CQ, PRO of SAPA.

The notification of such changes must be made in the manner described in paragraph 4.1.5.11.

4.1.5.5 Planning of product controls (Control Grid, Control Plan)

The Supplier is required to prepare and submit to the SAPA TM, PQ/CQ, before the start of deliveries at full capacity, a plan illustrating all the planned controls for the product supplied, accompanied by studies and analyses, to demonstrate the suitability of the production process, the measurement methods adopted and to ensure the conformity of the product over time.

This Control Plan, for which the mod. GDC000 'Control Grid' is proposed in Annex 3 to this procedure (or similar) must provide for each characteristic of the product considered:

- the description of the characteristic to be verified with its classification of importance;
- the process stage at which control is foreseen;
- the frequency of execution of the control itself in relation to the variability/reliability of the own production process and/or that of the subcontractor.
- the control tool/testing equipment used;
- the reference sample used, any test cycle and the documentary support used to record the results of the checks.

This should include the functional, performance and reliability checks to be carried out on the finished product before delivery to SAPA, in particular the checks carried out on key or special characteristics.

If the manufacturing cycle includes "special" operations added to the normal basic production cycle approved by SAPA, these must be included in the control plan and shared with SAPA; the Group reserves the right to evaluate it and share it with the customer if requested, both in the original version and in the event of subsequent changes.

4.1.5.6 Control means

The Supplier selected by SAPA must have efficient static methods and monitoring criteria for activities related to the production and provision of services, adequate means of control / testing equipment, in such quantity and technological rate as to ensure the execution and adequacy of all controls and tests, to ensure compliance with the characteristics of the product with the requirements of the SAPA technical documentation and that of the customer, at each stage of the production process.

The evaluation of measuring and testing devices shall be carried out in accordance with international standards (ANFIA Manual - "Analysis of measuring systems" and AIAG Manual "MSA") and monitored in accordance with IATF 16949.

If the supplier does not have suitable means or criteria to carry out directly and independently the specific controls and tests prescribed by the documented information provided by SAPA or the customer, they must:

- Report through appropriate channels, to PRO, TM and PQ/CQ of SAPA the characteristics that they are not able to examine, notifying the qualified and accredited laboratory to which they intend to entrust the execution, giving evidence of accreditation according to ISO / IEC 17025 and suitability of the certification for the kind of test to be carried out.

  SAPA avails itself of the right not to accept the laboratory indicated by the Supplier.
- Send a copy of the test reports/certificates to the SAPA TM, PQ/CQ involved in the verification of the sampling or lots (as specified on the relevant order) intended for production, attaching them, when necessary, to the CQC joined to the transport document.
- Carefully archive and retain the original test documentation for the prescribed time.
- Notify the SAPA TM, PQ/CQ of any inconsistencies, deviations or misalignments in the progress of operational activities.

Therefore:

- product acceptance is a prerogative of SAPA's Plant Quality;
- the acceptance of the service (delivery of moulds, equipment, means of production and control) is prerogative of SAPA’s TM.

4.1.5.7 Control Systems

The selected Supplier, when requested, must be able to demonstrate to the relevant SAPA departments that - always in advance of the shipment of the supply batches or the completion of the activities relating to the service to be provided, it has used the information generated by the systems, means of control and testing equipment, with timely and effective interventions, and has monitored the operations and implemented corrective actions to ensure the conformity of the service to be supplied.

4.1.5.8 Means of production, control and testing provided by SAPA

The Supplier selected must carefully use and preserve the means of production, control and testing provided by SAPA in **compliance with the provisions of the General Conditions of Purchase** and, therefore, ensuring their constant efficiency through routine maintenance, without subjecting them to transformation, modification or tampering, unless otherwise agreed between the parties.

If the conditions of the means of production, testing and control require extraordinary maintenance or any changes, including as a result of defects found on the product produced with them, before proceeding with the execution of any intervention, the Supplier must promptly inform the PRO and the TM of SAPA, in order to receive approval for the execution of such actions and instructions on the measures to be taken.

In any case, it is the Supplier's responsibility to verify the conformity of the product obtained with these means and to inform SAPA's PRO, TM and PQ/CQ of any anomalies found; the same obligation also applies to extraordinary maintenance work on SAPA's own machines.

4.1.5.9 Product collection/packaging/transport system

The choice of the collection/packaging medium can have a significant effect on the quality of the product.

It is the Supplier's responsibility to use appropriate packaging agreed with the SAPA TM in order to preserve the products up to the point of use.

Any changes to the established procedures must be authorised, in writing, by PRO in collaboration with the PQ and LOG functions of the SAPA plants concerned.

4.1.5.10 Product identification

The supplier selected by SAPA must have a system that guarantees

- identification, traceability of raw materials and semi-finished products in stock in its warehouses and proper management of stocks
- the distinction between "compliant", "non-compliant" and suspect products throughout the production cycle;
- Identification of the finished product, whether approved or to be checked.

In the case of products also manufactured for other customers, the Supplier must put a mark on the containers of the product constituting the "safety stock" intended for SAPA.

At the time of shipment, the Supplier must apply to each container of the lot the appropriate Product Identification Card (PIC), duly completed and in the number of copies required, in the specified format, unless otherwise indicated, including the relative barcode.

In case of sampling, modified product or product with derogation, in addition to the correct filling in of the transport document and the PIC, the containers must be properly identified by means of an additional sign of specific colour, which gives evidence of the change and / or variance applied for that type of product.

4.1.5.11 Modifications

The supplier selected by SAPA may not make any changes to the product/service without the prior and formal approval of SAPA.

The Supplier who intends to propose modifications to the product/service (both for their own project and for SAPA's) for their own internal needs, must accompany the request for modification with the certification of the tests carried out for its re-qualification as well as those carried out for the product before modification, providing documentary evidence of the benefit obtainable from the implementation of the modification to the service.

The modification can only be made after SAPA has evaluated the proposed modification and, if necessary, communicated its approval which, obviously, will not constitute a judgement of merit on the technical/technological choices of the exclusive competence of the Supplier.

The modified product/service may only be supplied after PQ/TM have given their approval.

For the modifications requested by SAPA, for those proposed by the Supplier and authorised by the Group, the supplier must have an identification system capable of identifying the date of introduction of the modifications on the product/service and/or in the production cycle (materials, processes, treatments, etc.), the relating quantities and must update the related technical documents.

Changes in the external process or in the Supplier's project on SAPA's request must also be identified and transmitted in advance to the Group's plant that will receive the supply.

Finally, the Supplier is required to inform every SAPA plant involved in the supply of the initial shipments of the modified product, reporting the words MODIFICATION on the shipping and accompanying documents of the lot (Delivery note or Product Identification Card and C.Q.C.) and on the containers shipped, in all cases where the modification causes or not any variation to the drawing number.

NOTE: Sub-Supplier variations are also to be assimilated to process modifications.

4.1.5.12 Variance in technical specifications

Products/services with variances with respect to the technical specifications in relation to critical characteristics or subject to legal constraints (see Table on page 20) may under no circumstances be supplied to SAPA.

For products/services other than those described above, if the Supplier notices changes to the technical specifications that do not alter the characteristics of the product, it shall request authorisation from SAPA (TM or PM) to deliver these products/services, while specifying:

- SAPA user plant
- Drawing number and part name.
- Nature and characteristics of the variance.
- Number of pieces affected by the variance and variance duration period.
- Technical modes of execution of the activities related to the service to be performed

In the case of a product destined for more than one SAPA plant, the quantities must be specified per plant.

The SAPA departments and functions in charge, having assessed the conformity of the product, will grant authorisation for delivery, highlighting any constraints for the Supplier and any additional charges on the Supplier's side (induced costs).

The Product Identification Card shall contain, in the 'Additional information' box, the word VR for all the containers of pieces affected by the variance.

By means of this authorisation, SAPA may:

- where it deems it appropriate, indicate that it has modified its provisions and adapted them to the Supplier's requests;
- indicate that it has not modified its provisions and, therefore, specify either the quantity of pieces and the period of validity of the authorisation.

4.1.5.13 Recording and storage of control and test results

The supplier shall maintain an appropriate system for recording the results obtained, applying specific controls to its own production, and shall ensure that these records are kept for the prescribed time: 15 years for characteristics of products subject to mandatory constraints and for critical characteristics and 2 years for other types of characteristics

The supplier will have to take action towards its sub-suppliers in order to guarantee the correct management of the critical characteristics of the requirements defined so far.

All documentation, including that of sub-suppliers must be available on request from SAPA.

4.1.5.14 Product traceability

For certain products indicated on the technical documentation of SAPA and/or of the customer with the symbol REPORT (or equivalent) or due to binding constraints, the Supplier must do the following:

- Highlight these products and their characteristics with the specific symbol on the relevant documents
- Check the product/features and their process with predefined and adequate means and methods in order to guarantee 100% of the level of conformity required.
- Have a system that allows to identify and trace, unequivocally and for each production lot, the date of manufacture, the results of control and testing to which the product has been subjected and any corrective actions taken; this system must be submitted to PQ/CQ of SAPA for approval.
- Ensure similar commitment for products/features made by sub-suppliers.

4.1.5.15 Product marking

The Supplier selected by SAPA must comply with the product marking requirements described in the SAPA technical documentation and/or the purchase order.

4.1.5.16 SUPPLIER RISK WARNING

If there is a risk that even a single requirement of the agreed supply conditions will not be met, or that there will be significant changes to the normal supply conditions, the Supplier is obliged to notify SAPA immediately no later than 24 hours after such risks have been identified.

The management of any risk will take place according to the criteria set out in the I.P: 10.08 "Emergencies".

Additional requirements for the FCA customer - Monitoring the quality of supplies

With reference to the "Supplier Quality Package" of the FCA customer, SAPA is required to ensure compliance with the requirements related to the stability of the processes and the quality of the parts produced by its supply chain, in detail:

1. Proactively notify FCA of any changes or modifications
2. Request authorisation from FCA before making any changes to the process
3. Request authorization from FCA before proceeding with the implementation of changes related to the production sites of suppliers and sub-suppliers, where changes are defined as the change in facilities and equipment related to the production of the outsourced product
4. Monitor sub-supplier issues and immediately report them to FCA
5. Notify FCA of potential procurement problems and/or anomalies;

in particular, it is an obligation to request authorisation from FCA, on a preliminary basis, for any changes to the production process carried out in outsourcing by its suppliers (changes to the reference site, changes to plants and equipment, etc.).

Any breaches by SAPA's suppliers of the requirements of the above mentioned specification will be managed by means of:

- diagnosis of the anomaly detected and its severity;
- Communicating to the concerned supplier the immediate containment actions to be implemented to restore normal supply conditions;
- application of "special status" to the supplier in order to ensure the development and implementation of effective interventions aimed at the complete removal of the causes that led to the breach detected.

4.2 SUPPLY MODES AND REQUIREMENTS

4.2.1 Supply start

In accordance with the provisions of the General Conditions of Purchase (I.P. 09.02) it is specified that the supply of a newly designed product, first-supply and/or modified products, must always be authorized, formally and in writing, by PQ through approval of the supply authorization.

Approval is granted on the basis of the results of the controls and tests certified by the Supplier, by means of the C.Q.C. and the laboratory report on raw material or other documentation required by SAPA during the order phase, and on the basis of any checks on suitability for use and/or compliance with the requirements established by the SAPA Departments / plant functions, regarding the product samples presented by the Supplier.

The provision of services must be examined and, if necessary, approved by the requesting SAPA function/department before proceeding to the provision of the service itself.

4.2.2 Granting of supply approval and, where applicable, product qualification

In order to obtain the supply approval of a product and any qualification, the Supplier, following a regular order received from the PRO, must present a sample whose characteristics are indicated in the order itself or in the technical documents received from SAPA and relating to the activities mentioned in the order.

With the sampling, the Supplier must present the results of the analyses carried out on batches of the raw material used, the Certificate of Quality and Conformity on which, in addition to the general indications, must be indicated if it is a product obtained via "provisional" or "definitive" equipment.

In the case of specimens intended for Qualification, if the sample is related to a product designed by the Supplier or manufactured by the Supplier under SAPA licence and for which the latter has only the dimensional drawing, the Group reserves the right to request drawings relating to the individual components and other technical documents relating to the product itself (ministerial approval certificates, etc.).

The SAPA departments/functions concerned, on the basis of the results of the tests, the controls declared by the Supplier on the CQC and those carried out by SAPA, will grant the Approval and any Qualification to the product made with the "definitive" equipment.

The communication to the supplier of the concession of the supply Approval and, where applicable of the Qualification (including the results of the tests) is made in writing by PQ with mod. PDB000 'Approval Plan".

Additional requirements for FIAT customer - Design and development controls

In relation to par. 8.3.4 of the document "Customer Specific Requirements for IATF 16949" of the customer FCA, SAPA carries out the approval process of the supplied products according to the methods mandated by the Client; if these criteria are not applicable, it is the responsibility of SAPA to request the summoning of the Client's SQE for the validation of the processes.

4.2.2.1 Sampling for design suitability assessment (prototypes)

Sampling must be prepared and supplied for products that require prior definition in the testing phase (Technical Resolution).

Sampling can also be carried out with means and equipment different from those foreseen for the related production series.

Additional requirements for the FCA customer - Prototype planning

In relation to par. 8.3.4.3 of the document "Customer Specific Requirements for IATF 16949" of the customer FCA, the suppliers of the SAPA Group must deliver prototypes with related CQC.

4.2.2.2 Sampling for product/process conformity assessment (series)

This sampling will be prepared only when the products have passed the Technical Resolution phase.

The sampling must consist of products taken from a pilot series made by the Supplier with the means and final equipment that will be adopted for production of the series and accompanied by the documentation required by the P.P.A.P. (See par. 4.2.3.1).

It is the responsibility of the supplier to ascertain, by means of appropriate checks and tests, the complete compliance of the sample prepared with the technical specifications before submitting it to SAPA.

SAPA may request to attend, with its own personnel, the performance of such checks and tests at the Supplier's site.

This sampling must be presented to the SAPA departments/functions in charge so as to be subjected to the controls and tests aimed at obtaining the supply authorisation, including the data on the capability of the production process adopted for the Ranked Characteristics.

The Supplier is required to guarantee the conformity of the products with the technical specifications (Specifications, Standards, Tables, etc.), both at the beginning of the supply relation and, subsequently, in any sampling for new qualifications of the same products (e.g. modifications).

The supplier must develop the planning and control plans for the prototypes to be produced; the supplier must use, whenever possible, the same suppliers, equipment and production processes that will be used during production.

4.2.2.3 Authorisation to supply unified parts

(APPROVAL or QUALIFICATION OF THE PRODUCT))

Qualification for normalised and/or standardised parts, when required, is granted by SAPA which, through PQ or TM, verifies compliance with all the characteristics required by its Table/Catalogue and the relative Standards.

When deemed necessary, TM may intervene to verify the suitability of the part, by means of additional targeted tests, in order to ascertain the possibility of use for a specific application.

The notification of the granted Qualification and/or Approval, is given as indicated in paragraph 4.2.4.

4.2.2.4 Authorisation for the supply (qualification) of chemical products - non-defined direct material

For the purposes of hygiene, safety at work and energy, the Supplier certifies the conformity of chemical products (paints, solvents, protective agents, adhesive mastics, sealants, detergents, lubricants, degreasers, phosphating agents, brake fluids, etc.), giving SAPA at the time of preliminary negotiations the document "SUBSTANCES TO BE DECLARED IN THE COMPOSITION OF THE PRODUCT", which indicates the complete chemical composition.

In accordance with local legal requirements (see LD. 52/97 and LD. 285/98), the Supplier shall provide - free of charge, on paper or electronically, the safety data sheet drawn up in accordance with local legislation and is also required to transmit an updated sheet if they have become aware of any new information in this regard.

For these products, however, it is essential to send information on the chemical composition (if requested by the I.M.D.S.) at the time of delivery of the samples for production approval.

4.2.3 Authorization to supply the product: Supply approval or Qualification of the product

The formalisation of the supply authorisation by SAPA takes place:

- based on the certification of the controls/tests carried out by the Supplier, through P.P.A.P. and/or C.Q.C., and on the test/laboratory reports with the presence of the ACCREDIA logo;
- following any controls/tests that SAPA has decided to carry out;
- by sending information on the chemical composition of the product and, if required, the transmission of data via the I.M.D.S.

Once PQ has received the samples, it performs the tests for the approval and based on the results grants the Supply Approval; the notification to the Supplier is given through the document **mod.PDB000** "Approval Form".

In case of product qualification, PQ notifies the Supplier, by using the same form, of the **Product Qualification** as a guarantee of compliance with the technical specifications required by Sapa.

Please note that "Significant" products of the production process must be qualified.
When analysing the "Significance" of the process, it is necessary to take into account both the "basic" cycles and the cycles that provide for "special" operations; if these cycles are present, the Supplier, when sharing the test plan with the TM, must indicate the presence of the different cycles in order to decide together which are the parts to be qualified (basic cycle, special

cycle, both) and to take into account the presence of the different cycles both in the collection of samples to be qualified and in the definition of the process control grid.
For components subject to legislative constraints, if the Supplier did the project, the supply authorisation is subject to the delivery to the Plants (in copy) of the Ministerial Homologation Certificates, which the supplier must request as separate devices, before the homologation on vehicle requested by SAPA.

4.2.3.1. P.P.A.P. production part approval process

The P.P.A.P. (Production Part Approval Process) is a method used in the presentation of samples of automotive components (see P.P.A.P. AIAG Manual).

This tool aims to ensure that all the requirements expressed by the Customer have been adequately understood by the supplier and that its process is able to maintain over time the quality and quantity defined by the contractual documentation.

For the presentation of samples, the Sapa Group requires its suppliers to apply the following standards, based on the specific requirements of the end customer:

- AIAG – PPAP 4th edition
- VDA Volume

PPAP - Levels of Approval Procedure

SAPA will decide the appropriate level of the approval procedure in relation to the requirements of the product to be supplied; the decision taken regarding the level to be implemented does not imply that the same level is also chosen for the sampling of other codes.

The choice of levels made by SAPA will be based on factors such as:

- Supplier's compliance with IATF 16949 or similar requirements.
- Result of the latest process audit performed.
- Criticality of the component.
- Past experience of previous approvals granted.
- Supplier's experience with a specific component.

The levels of approval procedure are:

1st LEVEL A request for approval must simply be submitted to the Client.

(If the aesthetic appearance of the product is also to be assessed, the Supplier must submit an aesthetics report).

2nd LEVEL Samples of the product concerned must be attached to the request for approval submitted to the Client, also accompanied by some documentation.

3rd LEVEL Samples of the product concerned must be attached to the request for approval submitted to the Client, accompanied by detailed documentation.

4th LEVEL A request for approval must be submitted to the Client (no samples are required), accompanied by detailed documentation.

5th LEVEL Samples of the product concerned must be attached to the request for approval submitted to the Client, accompanied by detailed documentation that will be reviewed at the Supplier's plant.

Note: Refer to the "Approval Procedure Requirements" table for the exact requirements for each level.

THE 3RD LEVEL IS THE DEFAULT LEVEL THAT MUST BE USED FOR ALL APPLICATIONS FOR APPROVAL, UNLESS SAPA IS OF A DIFFERENT OPINION. FOR RAW MATERIAL SUPPLIERS, THE LEVEL TO BE USED IS THE 1st LEVEL

REQUIREMENT		Level of approval procedure				
		1St LEVEL	2nd LEVEL	3rd LEVEL	4th LEVEL	5th LEVEL
1	Request for approval	S	S	S	S	R
2	Approval of aesthetics	S	S	S	S	R
3	Master reference sample	R	S	S	R	R
4	Project documentation Documentation on part projects	R R	S S*	S S*	S S*	R R
5	Documents on modifications (if applicable)	R	S	S	S	R
6	Dimensional results	R	S	S	S	R
7	Control supports	R	R**	R**	R	R
8	Tests results	R	S	S	S	R
9	Process flow charts	R	R	S	S	R
10	FMEA project FMEA process	R# R	R# R	S# S	S# S	R# R
11	Control plan	R	R	S	S	R
12	Process capability studies	R	R	S	S	R
13	Studies of measurement systems	R	R	S	S	R
14	Project approval	R	R	S	S	R

S	Submit the documentation to SAPA's Plant Quality dpt. Keep a copy at the production facility.
R	Keep the request at the Plant. Make it immediately available upon request of the SAPA representative
*	Unless SAPA renounces it.
**	Submit if requested by SAPA
#	To be applied in case the Supplier is co-designer and/or designer the component

4.2.3.2. Conformity and Quality Certificate (CQC)

The C.Q.C. - duly filled in and signed, is the document that contains all the technical characteristics referred to in the drawing and related documents and that must be attached, in addition to the normal delivery documents, to the product samples (new or modified), to each homogeneous lot of series supply or upon any specific request from SAPA.

With the C.Q.C. the supplier assumes the responsibility of certifying the quality of the product delivered, declaring that the conformity of the supplies with the requirements is guaranteed by systematic checks to which the product is subjected in relation to: dimensions, performance, materials, etc., reporting, for each characteristic checked, both the prescribed values and values measured.

In the series production phases, the supplier is allowed, subject to formal agreement by SAPA, to certify only the Ranked Characteristics (Key Characteristics) and to send the document only upon request; the Supplier has the responsibility of keeping a copy of the C.Q.C. relating to the various homogeneous production batches at its plant.

If the Supplier has entrusted the performance of certain checks to other bodies qualified for the C.Q.C., a copy of the test reports issued by them must be attached.

NB: Deviations from the requirements MUST be clearly indicated on the document.

4.2.3.3 Verification of the aesthetic characteristics

SAPA may require the evaluation of aesthetic characteristics for some types of products. The acceptability criteria are defined with master pieces that must be delivered together with the initial sampling for acceptance.
The Supplier must use the form **mod.AAR000** "Appearance Approval Report" (in attachment 7 to this procedure) to request the certification of the colour, gloss, embossing, painting class etc. and the aesthetic level agreed by Customer, SAPA and Supplier.

After approval of the initial sampling, the masters are kept by the Supplier and PQ as a reference for control during series production.

4.2.4 Reference samples

They are adopted for products for which SAPA has issued only the dimensional drawing and/or specifications, or, having binding characteristics that cannot be expressed or qualified by drawing (e.g.: colour, appearance, etc.).

These samples may be instituted and used by the bodies concerned to compare the conformity of the product and in cases of dispute, they must, therefore, be replaced whenever the product undergoes changes regarding the characteristics represented in the sample itself or renewed according to the deadlines of the programme, in the case of products subject to ageing, perishable or alienated.

The reference sampling will be identified with an approval label signed for acceptance by SAPA Quality Assurance and the Supplier.

The Supplier is responsible for the approval activities.

4.2.5 Information on the chemical composition of the product

Unless otherwise agreed, the supplier shall enter the chemical composition data into the International Materials Data System (I.M.D.S.: http://www.mdsystem.com), taking into account the constraints specified in the reference table in the IMDS system itself.

This table is made up of a list of substances prohibited and/or to be monitored by law and has been obtained from the Client regulations; the information sent through the I.M.D.S. system has the dual purpose of certifying the absence of prohibited substances in the product and allow to demonstrate the conformity of vehicles to the requirements of European Directive 2000/53/EC - End-of-Life Vehicles

Supplementary requirement for VW - production part approval process

With reference to the specific requirement (ref. 8.6.1) of the Customer VW, Sapa Group's suppliers shall comply with the VDA vol.2 methodology and the criteria set out in the Formel-Q-Concrete document (Chapter 3.2) for the approval process of products intended for VW.

4.2.6 Product requalification

The supplier is required to carry out the requalification of the current series products, in order to confirm that the initial requirements are maintained (size, materials, function, aesthetics, etc.), according to the methods and frequency agreed with/communicated by the Sapa Group (PQ) and in compliance with the specific requests of the end customer.

4.3 SAPA's COMPETENCES

4.3.1 Supplier Quality Management System Development

SAPA requires its suppliers of automotive products and services to develop, implement and improve a Quality Management System (QMS) with the ultimate goal of obtaining certification according to the IATF 16949:2016 standard.

Unless otherwise authorized by SAPA, the minimum initial acceptable level of development of the Supplier's quality management system is certification to ISO 9001: 2015.

Non IATF 16949 Certified Suppliers must submit to PRO for approval a development plan for their QMS with the objective of obtaining, where applicable, IATF 16949 Certification through the following development progression:

- **Step-1** ISO 9001 Certification through third party audits; unless otherwise specified by SAPA, SAPA suppliers must demonstrate compliance with ISO 9001 by maintaining a third party certification issued by an accredited certification body, and where the main purpose of the accreditation body includes certification of management systems according to ISO/IEC 17021;
- **Step-2** ISO 9001 certification of compliance with other quality management system requirements defined by SAPA (such as Minimum Automotive Quality Management System Requirements for Subcontractors (MAQMSR) or equivalent), through part two audits;
- **Step-3** ISO 9001 certification of IATF 16949 compliance through second party audit;
- **Step-4** IATF 16949 certification through third party audit (valid third-party supplier IATF 16949 certification issued by an IATF recognized certification body)

4.3.2 Supplier Suitability Assessment

SAPA carries out inspections at the Supplier in order to verify the suitability of the organizational and production structure to meet the quality and reliability requirements of the product supplied.

The reasons for which SAPA carries out an audit at the production site of the Supplier are:

- Start of a new supplier relationship
- start of a new product or new plant / equipment
- modification or relocation of the production process
- a situation whose severity requires monitoring / growth of the supplier (repeated non-conformities, low score in SRS, etc.)..

This activity is carried out in accordance with the provisions of the SAPA procedures or according to criteria defined by SAPA's end customer.

The final outcome of the Process / System Audit conducted by SAPA's qualified personnel before the supply is a **binding element: suppliers who have NOT passed the audit successfully and therefore are NOT qualified CANNOT be used.**

In case of negative outcome of the Audit, the Supplier is requested to submit a recovery plan and the implementation of appropriate corrective/preventative actions aimed at ensuring the conformity of the product and service offered.

Additional requirement for customer VW - Second Party Audit

In relation to paragraphs 7.2.4 and 8.4.2.4.1 of the VW customer specific requirements document, the suppliers of the SAPA Group used to manufacture the products intended for this customer will be audited with process audits, in accordance with the "Formel Q - Capability" guidelines, applying the VDA 6.3 method.

4.3.3 Verification of supply conformity

SAPA reserves the right to carry out conformity checks on batches of products supplied both on delivery and during the production process, in its own plants and/or in those of the Customers.
It is understood that the entire batch delivered may be rejected if SAPA finds in the sample subject to verification:
a) a physical waste, i.e. the presence of even one non-compliant element having at least one of the characteristics checked beyond the limits prescribed;

b) a statistical deviation on at least one key/significant characteristic analysed for variables greater than the one defined as acceptable, if the Supplier is not able to demonstrate that its process is kept under control (process capability Cpk) and, therefore, actual conditions for exceeding the prescribed limits cannot occur throughout the lot (e.g.: 100% selection).

4.3.2.1 Reporting the quality of supplies (Non-Compliance Report)

SAPA, following the checks carried out at the plants on the product received, will inform the Supplier of any anomalies found that have led to non-conformity, product unacceptability or disturbance to the regularity of the production flow, by means of the Nonconformity Report (**mod. RNC000** in attachment 1 to this document).
a) When expressly requested, the Supplier must give written confirmation of the measures taken using the Customer Complaint form **mod. RC000** (in attachment 5 to I.P. 10.41) or similar document, for example 8D, within 5 working days to the requesting SAPA PQ and for information to CQ, to notify:

- The cause of the anomaly found with the "five why" method
- The corrective action (temporary and/or definitive) taken
- The date of implementation of the corrective measure
- The verification of effectiveness.

b) Attach the CQC to the first batch delivered after the implementation of the corrective measure, reporting the following in this document:

- Type and frequency of checks carried out on the product.
- Verification of both the characteristics indicated as non-compliant in the non-conformity report and those that can be correlated with them.
- Criteria adopted to ascertain the conformity of the lot subject to the non-conformity report and to define its homogeneity

4.3.4 Supplier's performance

The evaluation of the Supplier's performance is carried out by PRO on a monthly basis assigning a maximum score of 100 points and takes into consideration

- quality level (RPPM, complaints)
- logistics
- level of service
- competitiveness
- financial soundness
- QMS certification

Suppliers are then ranked according to the overall score by assigning them a supply class according to the following table:

Supply class		
Class	**Score**	**Meaning**
Class A	Between 75 and 100	Supplier with **excellent** performance
Class B	Between 60 and 74	Supplier with **sufficient** performance
Class C	Between 46 and 59	Supplier with **insufficient** performance
Class D	<45	Supplier with **severely insufficient** performance

As a result of the performance evaluation, PRO periodically sends to the Supplier a communication regarding the class of supply assigned.
Upon receipt, if the supplier finds any inaccuracies, they may request correction by notifying the Procurement Office in writing of the reasons for the inaccuracies.

In case of negative performance PRO will immediately inform the Supplier, and an action plan and/or specific sanctions will be requested of them.

4.3.5 Escalation Process in response to insufficient quality performance

If the quality of the product delivered results in an "Insufficient quality service", SAPA reserves the right to take the measures it deems most appropriate (reminder letter, summons to the Supplier, technical quality control at the Supplier's premises, Supplier filing, etc.). The measures that SAPA may take are as follows

- **CSL1**= Controlled Shipping Level 1 (Containment carried out by the Supplier)
- **CSL2**= Controlled Shipping Level 2 (Containment carried out by Third Party Company)
- **CSL3**= Controlled Shipping Level 3 (Problem solving carried out by Third Party Company)
- **NBH**= New Business Hold

NOTE: the above does not exclude the application of additional penalties at the same time.

4.3.5.1 CSL1= Controlled Shipping Level 1

CSL1 applies to a Supplier for a given product line and involves the suspension of self-certification of supplies.

The aim is to protect the SAPA plants from the arrival of non-compliant product supplies and to initiate corrective actions at the supplier's production site.

In the event of a serious anomaly occurring more than once within a short time, the PM and QAM place the Supplier in CSL1 to check one or more specific defects.

Once the need to place a Supplier in CSL1 has been determined, the Supplier is formally informed by letter of the opening of CSL1 from SAPA CQ and PRO.

The letter indicates the characteristics to be 100% checked, the start date and the exit criteria, including the period or number of lots for which CSL 1 will apply.

CSL1 is implemented with a control carried out by the Supplier itself on 100% of the products shipped from its plant to SAPA; the Supplier must inform the SAPA plant concerned of these results on a weekly basis.

Exit criteria: to take into consideration the revocation of this measure, it is necessary that one or more specific defects for which the supplier has been placed in CSL1, do not reoccur for a duration of at least 25 working days (for production of less than 2 batches/month CSL 1 it is maintained for at least 8 different batches).

CSL1 durations greater than the above are at the discretion of the SAPA plant concerned.

The decision to suspend CSL1 is taken by PM, subject to approval by CQ, which will evaluate the evidence produced by the supplier.

It is the right of the SAPA plant concerned to request/perform any Process Audit before closing CSL1.

Once the decision has been taken, SAPA CQ and PRO will send a letter to the Supplier and a copy to the SAPA Central Bodies concerned.

4.3.5.2 CSL2= Controlled Shipping Level 2

CSL2 is similar to CSL1 but is implemented with some fundamental differences.

If the previous actions undertaken by a Supplier are found to be inefficient or if the supplier is "challenged" as a result of repeated anomalies or negative audits/visits, it is decided to implement the action in a serious manner, requiring the supplier to have the control carried out by an external company and at its site.

The Supplier is formally informed jointly by SAPA CQ and PRO by letter to the Supplier's Management and copy to the SAPA Central Bodies concerned.

The Supplier is required to sign an Agreement; in this case, it is not the supplier but the third party Company that will periodically send SAPA the reports of the results of the checks carried out.

The qualified external company must be paid directly by the Supplier.

4.3.5.3 CSL3= Controlled Shipping Level 3

CSL3 is applied, in addition to CSL2, when the Supplier demonstrates inadequacy in problem solving and in eliminating the defect.

Also in the case of CSL3, the Supplier must use a Certified Third Party, which, in addition to the activities required by CLS2, provides the necessary support over the entire process for the identification of the basic causes, the definition of corrective action plans and for the removal of defects.

4.3.5.4 Miscellaneous application modalities

During all the containment phases, the Supplier is required to report all the batches sent to SAPA, attaching CQC with the above values relating to the characteristics of the product to be supplied, with evidence of the characteristic(s) for which containment has been initiated.

In the event that the Supplier does not attend the meeting to sign the Agreement Report for CSL2, the SAPA QC and PRO will, in any case, issue a Report to the Supplier, giving a copy to the SAPA plants concerned.

During the period of application of the CSL, PQ or another SAPA body may carry out an examination of the effectiveness of the actions, and record comments and/or conclusions at the end of any inspection visit.

The end of the CSL period must be notified by a communication to the Supplier issued by the CQ and shared with SAPA PRO.

When the Supplier is subject to the CSL 2 regime, it must inform its certification body, and notify SAPA; if the Supplier has not done so, SAPA is authorised to inform that body of repeated unreliability.

4.3.5.5 New Business Hold (NBH)

In a situation of serious or lasting inadequacy of a product/service provided, the supplier will be penalized by the exclusion from the assignment of new products/services of the same line for a period of not less than 12 (twelve) months on new projects.

This status is called New Business Hold (NBH) and the factors that contribute to the inclusion in NBH are as follows:

- The Supplier who for 2 (two) consecutive process audits obtains a result equal to 2 (Job Stopper risk), indicated on the relevant forms.
- The Supplier who, within 12 months from the convocation, is placed by SAPA in CSL2 more than twice.
- Following continuous complaints about the quality of the product and/or service formalised by one of the SAPA departments (GM, PM, TM, PRO, CQ).

The exit criteria are the consequence of formal evidence that the factors that led to the NBH have been completely resolved by the end of the 12th month and will be verified directly at the Supplier's site by SAPA CQ and PRO or their representatives.

4.3.5.6 Summoning of the Supplier

As a result of "insufficient quality service" not covered by the points mentioned in section 4.3.4, SAPA's PRO, with the support of or on proposal from the CQ, may summon the Supplier for on-site meetings specifying the issues to be addressed.

Following the convocation, SAPA draws up a MOM (annex 4 to the I.P. 10.43) for the Supplier relating to the matters dealt with and the measures agreed upon; the report will be sent to the Supplier who must give written confirmation to the Pro and the CQ of the measures taken.

Following serious and/or repeated anomalous situations found by the PQ and shared with the CQ during the supply, the departments may decide on urgent quality restoration measures to be carried out by means of technical checks or inspections at the Supplier's Plant, in order to assess the causes that may have led to an "Insufficient Quality Service" for a given product.

These checks, previously agreed between PRO, CQ and the Supplier, will be carried out jointly by SAPA personnel and by the Supplier, who must make its own control and testing equipment available with the relevant personnel.

Following the audit, SAPA technicians draw up a report on the anomalies found in the production process and on the agreed measures, which SAPA PRO formalises by means of a written communication to the Supplier who, within 10 working days of receipt, must confirm in writing, the measures planned and specify the relative implementation schedule

4.4 CHARGES AND RECOVERIES

4.4.1 Costs incurred in the production and/or provision of services

The supply of products must be free from defects and delivered within the agreed times; the quantities delivered must conform to those ordered; keeping to delivery times is particularly important also for the supply of moulds, gauges and equipment.

Any qualitative and quantitative non-conformity ,as well as any delivery delay, can generate costs not budgeted and of which the economic responsibility falls on the Supplier who generated them. These costs are defined and determined on a preventive and forfeit basis, except for any greater damage determined, according to the following table.

The definition of these phases allows the SAPA plant to recover at the same time the costs induced by the use of particular anomalous results during or after use in production (e.g.: restoration, selection, disassembly, etc..), of missed or delayed deliveries or expenses generated by violations of deadlines for the delivery of equipment or its ineffective functionality.

Therefore:

Type of cost	Unit reference cost	Comments
Fine for administration of NCR (Qualitative and Quantitative Non-Conformity Report).	300 Euro / NCR	The figure shown covers the administration costs of a NCR: time for preliminary analysis time to prepare the technical documentation to support the explanation of the problem preparation and shipment of any defective part notification of the NCR supplier monitoring 8D Report Analysis Evaluation of the effectiveness of corrective actions Time for quantitative conformity verification and NCR reporting
Fine for additional checks	N/A	In the case of lots not accompanied by the required certification of conformity with the technical documentation (C.Q.C., certificate of materials, etc.) or if this is incomplete, SAPA has the right to carry out ex officio conformity checks not carried out by its own internal bodies. NB: in the case of involvement of a third party, the full amount of the invoice relating to the hours of specialized MP used and the related inconvenience caused will be charged, plus 100 Euro for administration costs.
Labour costs for selections in SAPA	35 euro / hour	Hourly cost for the use of specialized MP.
Cost of work for rework on the SAPA production line	35 euro / hour	Hourly cost for the use of specialized MP.
Fine for occupation of the warehouse	20 euro per m² / day	Daily cost for the space occupied in the warehouse by suspended or discarded batches, awaiting intervention by the supplier.
Scrapping of non-reusable components	N/A	The cost varies according to the type of components to be scrapped
Production line downtime in SAPA	N/A	The cost varies according to the type of production line, the type of product and the production site
Special transports to the final customer	N/A	If, due to delays in deliveries with respect to the provisions of the Orders Programme, exceptional transport is necessary to meet SAPA's delivery deadlines to the Customer, the resulting costs shall be totally passed on to the supplier. Any downtime of the Client, will be charged to the supplier in full with the amount equal to the Client's invoice increased by **100 Euro** (one hundred) for administration costs.
Replacement of the finished product at the end customer (0km)	N/A	This is the cost charged by the end customer to SAPA for managing the replacement of defective components found in its line. The cost varies according to the customer and its production site and will be increased by **100 Euro** (one hundred) for administration costs.
Production line downtime at the end customer	N/A	The cost varies according to the type of production line, the type of product and the production site of the end customer
Warranty costs	N/A	See chapter 6.2
Service and Recall Campaign	N/A	These activities are carried out by the end customer, by SAPA or by a third party jointly appointed by the two parties, with the aim of smoothing out a critical situation from a qualitative point of view on all the products potentially concerned: - on the vehicle before shipment to the dealer: service campaign - on the ground: recall campaign The cost varies according to the final customer and the type of finished product.

Type of cost	Unit reference cost	Comments
Reactive audits or urgent visits to the supplier	2,000 Euro	Audits or visits to the supplier's production sites following critical situations or degradation of the production process. The figure includes expenses for 2 people
Delays in the progress of orders	N/A	Penalties are applied in relation to the number of days of delay caused by the service provider; for details, please refer to the "General Conditions of Purchase"

4.4.2 Behaviour of the product under warranty

SAPA, on the basis of the information received from the Client on the interventions carried out under warranty and when the supplier's responsibility is ascertained, will report both the type of anomalies and the attribution of the costs induced, through partial documents and summaries of charges. If necessary, it will request the intervention of the Supplier in the technical analysis with the Final Client; if possible, SAPA will make the parts replaced under warranty of its competence available to the supplier directly or through a delegated company.

The Supplier is required, depending on its diagnostic capability, to carry out the analysis to identify the causes of anomalies and prepare the appropriate corrective action plans.

The costs deriving from this activity will be charged to the supplier in full; any activity connected with "recall campaigns" or "restoration" on the network will be analysed with the Supplier and the costs charged in full as per the Final Client's invoice.

SAPA reserves the right to grant its insurance company the right to charge the Supplier, in the event of economic intervention in restoration campaigns or complaints from the welfare bodies, for defective vehicles/products.

4.5 CLASSIFICATION OF THE PRODUCT AND OF ITS CHARACTERISTICS

All the characteristics indicated in the technical documentation MUST be met.

It is also correct to state that not all characteristics have the same importance in the mission of the component; for this reason some characteristics are "ranked" and are assigned a "Class of Importance" determined by:

- the consequences that any deviation of this characteristic from the technical specifications/prescriptions may cause both on the product and on the assembly and/or vehicle for which the product is intended;
- the probability that these consequences may occur (e.g. characteristic more or less aligned to its own process margins);
- the probability that this deviation may occur (e.g. a characteristic more or less easily obtainable with normal production processes).

This classification is indispensable to establish the degree of control to be attributed to the product and process characteristics.

This identification

- guides you in the choice of an adequate production process (e.g. machinery, cycles, maintenance and periodic adjustments, etc.);
- determines a rational distribution of the controls to be carried out (e.g. equipment, periodic calibrations of instruments, sampling plans, types of product/process controls and relative cycles).

For the purposes of the above, the importance of the characteristics is attributed by SAPA TM or by the co-designing Supplier, who adopts the criteria shown in the table below (Characteristics Classification).

NOTE: normally SAPA assigns a classification to products based on the Final Client documentation and that takes into account the importance they have for the functionality of the set for which they are intended.

It is the Supplier's responsibility to clarify these aspects (criticality and identification) before the product is industrialised.

The classes of importance attributed to specific or critical characteristics are usually indicated directly on the technical documents relating to the product (drawings, specifications, product sheets, etc.)

4.6 QUALITY REQUIREMENTS

Whereas production must be set up in compliance with the requirements of the documented information (specifications, standards, drawings, etc.) and the commitment of the Suppliers is to maintain zero defects for all the characteristics, classification and/or definition of the class of importance of some characteristics is necessary/useful to define the control plans of the production process at the Supplier's premises.

In order to guarantee a capable process with statistical control, the Supplier must define:

- the "ranked" characteristics (Key, etc.) of the product/process related to those defined by the contractual technical documents;
- the objectives of machine and process capability (Cm, Cmk, Cp, Cpk) in the development of production processes;
- a control plan that ensures the achievement of the quality and productivity objectives required by SAPA.

The **process capability** required for a certain characteristic, refers to the functional class of the product according to the following table:

Definition	Class of importance	Main identification symbols						CM CMK
		Fiat	GM	Ford	PSA	VW	D.C.	
It is a characteristic of the product whereby a reasonably foreseeable variation can significantly affect its safety or its compliance with governmental laws.	**Safety**	R	<S/C>	▽	▽	<D / TLD>	<E> <S>	>1.67
Deviations from the requirements may compromise the efficiency and/or use of the product (safety and/or compliance with legislation, operational integrity, reliability, induced costs, image, etc.).	**Critical**	C C						>1.67
Deviations from the specific requirements may result in a partial reduction in the efficiency and/or usability of the product.	**Severe**	+ +						>1.67
Deviations from the specific requirements may only cause minor inconveniences.	**Minor**	- -						>1.33
A characteristic identified as a "key" characteristic must be kept under control as its variation beyond the limits of specification (non-conformity) may compromise important aspects of the product. It can also be associated with one of the above classifications.	**Key**	H H	PQC KPC ◊	SC			<D>	>1.67

5. ATTACHMENTS

attachments				
Document	**Title**	**Person in charge of archiving**	**Retention period**	**Archiving support**
Attm. 1 mod. RNC000 (A-B-C)	Quality - logistics - service alarms	QAM/LOG	2 years	Paper/electronic
Attm. 2 mod. CQC000	Quality and Conformity Certificate	QAM	2 years	Paper/electronic
Attm. 3 mod. GDC000	Control grid	QAM	2 years	Paper/electronic
Attm. 4 mod. PDB000	Approval plan	QAM	2 years	Paper/electronic
Attm. 5 mod. RAP000	Charge request / penalties	QAM	2 years	Paper/electronic
Attm.. 6 mod.PSW000	Part Submission Warrant	RSGQ	Product life + 1 year	Paper/electronic
Attm. 7 mod.AAR000	Apparance Approval Report	RSGQ	Product life + 1 year	Paper/electronic
Attm 8 mod.8DR000	8D -Report	RSGQ	2 years	Paper/electronic

NB: These forms are a mere guide and may be subject to change.