

SUSTAINABILITY, QUALITY, HEALTH & SAFETY AND ENVIRONMENTAL REQUIREMENTS FOR SUPPLIERS

CONTENT

- A. SCOPE**
- B. DESCRIPTION IN DETAILS**
- C. TERMS AND DEFINITIONS**
- D. REFERENCES**

Rev. No	Date	Description	Prepared by:	Approved by:
1	27/04/2024	Introduction of Technical Specifications for forging Suppliers (Par.3.10-3.11.2-3.13); see NC nr.1 of DNV IATF certification audit (14-15 Feb24)	Sandra Zanobini	Luigi Toniolo
0	31/10/2023	First issue (replaces IO.4.04.07 Instruction)	Sandra Zanobini	Roberto Casolin

A. SCOPE

This norm governs any purchase order concerning:

- Raw material
- Heat treatments
- Mechanical processing
- Forgings
- Surface treatments
- (if applicable), products and services supplied directly to the customer (e.g. pass-through customers)

In the event of non-compliance with these conditions, Arcoprofil srl may return the goods to the Supplier and/or recover the costs associated with the non-compliant material (see section 5.5.3)

B. DESCRIPTION IN DETAILS

1. Foreword

The purpose of this document is to clearly communicate all Quality/Reliability, Sustainability, health & Safety and Environmental requirements to which all Arcoprofil s.r.l. suppliers must comply with.

In particular, this document provides an overview of what Arcoprofil s.r.l. requires Suppliers to set and implement at their sites in terms of Sustainability (see Appendix A). It is a fact that in this day and age, product quality is essential for any company to maintain and improve its position in the global marketplace; but Arcoprofil s.r.l. needs to go further to follow its Customers on Sustainability requirements, as they are rapidly extending their expectations in this direction.

Suppliers of Arcoprofil s.r.l. are required to adhere to the requirements of this document, and to prepare for the implementation of their preferred Sustainability requirements; therefore, suppliers are required to cascade all requirements of this document into their supply chain. This will imply an overall benefit, since only through ultimate customer satisfaction can the company remain stable and possibly grow..

2. Responsibility

Compliance with the procedures, standards, drawings and customer requirements set out in the Purchase Order and all related documents is the responsibility of the supplier; in the event of any further unclear points, the supplier is requested to ask for clarification:

- To the Arcoprofil Purchasing Department for any quantity and/or delivery issues;
- To the Arcoprofil Quality Department for any technical or quality issues.

If requested, the Supplier shall also share information on test results (e.g. test or conformity reports); in the case of sending prototypes or initial samples, the Supplier shall provide all required documentation and sample parts (see section 5.4.1).

3. Operating procedures

The relationship between Suppliers and Arcoprofil srl is governed by this document and includes all supplies of raw materials, heat and surface treatments, machining, forging, etc.. The operating procedures to be observed are described below.

3.1 Confidentiality

The Supplier shall guarantee the confidentiality of any information received by Arcoprofil srl or its Customers (written, verbal, paper or electronic, etc.).

3.2 Suppliers' selection process

If Arcoprofil srl needs to select a new supplier, a risk assessment procedure is followed (based on product conformity and on-time delivery). If necessary, the supplier reports all information required for a more precise risk assessment by Arcoprofil srl. The above procedure also applies if the supplier has been selected by the Customer (so-called 'imposed supplier').

3.3 Delivery

Suppliers must meet the requirements, deadlines, delivery date and all requests of the order.

Delivery dates must be 100% adhered to.

Compliance is an evaluation parameter for Arcoprofil srl (see section 5.16).

When goods are not ready for collection on the agreed date, Arcoprofil srl Purchasing Dpt reserves the right to charge all costs associated with the missed deadline (e.g. urgent transport costs, downtime, etc.).

3.4 Shipping documents

Shipping documents must be issued in accordance with all legal requirements and must be completed with company name, order number, drawing number or code (where applicable), quantity, batch number. and any necessary reference to Arcoprofil srl's delivery terms or order documents (part/quota).

3.5 Packaging and handling

Packaging is important to ensure protection and preserve the product.

The geometry and materials of the packaging must ensure that no damage occurs during transfer operations.

Packaging must meet Arcoprofil srl's requirements, if applicable, and, in any case, must be manufactured according to the specific law.

3.6 Identification and traceability

In order to avoid risks of mixed materials and to ensure traceability and identification, the parts (the goods) must be handled by the Suppliers using the appropriate methods, tools and instructions.

3.7 Checks on good supplied

Arcoprofil srl carries out accurate checks in order to keep all goods supplied under control. These enable Arcoprofil srl to ensure product conformity in terms of internal and customer requirements. Inspections shall in no way relieve the supplier of responsibility

for supplying goods that comply with requirements or any consequences of non-compliance.

Where applicable, Arcoprofil srl reserves the right to communicate with the supplier, who directly supplies the Customer (i.e. Pass-Through Customers), to ensure that appropriate tests have been fully and efficiently applied.

3.8 Mandatory requirements and information

It is the responsibility of the Supplier to ensure that the parts (goods) supplied comply with the established requirements in force:

- in the European Community, unless otherwise specified by Arcoprofil srl, or
- in the countries specified by Arcoprofil srl

Arcoprofil srl reserves the right to request the implementation and maintenance of specific tests relating to mandatory characteristics or requirements.

Whenever Arcoprofil srl shares information with the Supplier concerning special requirements of the product or process for which it is responsible, the Supplier shall take this into account in its own goods and production processes.

The Supplier shall provide its supply chain with all information relating to mandatory requirements and any special requirements.

3.9 Sviluppo del sistema di gestione della qualità del fornitore

Arcoprofil srl's main objective is for all suppliers to be certified in accordance with IATF 16949.

However, based on a risk assessment carried out according to its own internal criteria, Arcoprofil srl has established both an initial level and a target for each supplier's quality management system to achieve the above main objective over time. The supplier's quality management system development process is defined in IATF 16949.

Where applicable, suppliers who are required to further develop the quality management system are informed in good time.

3.10 Prototypes

Where contractually agreed with Arcoprofil srl, Suppliers shall proceed with prototypes preparation, by providing the maximum care and the required documentation. In particular, in the event forgings are in question, Suppliers are required to carry out the magnetoscopic 100% check.

3.11 First samples and pre-series (PPAP)

Suppliers must review the requirements communicated by Arcoprofil srl to assess and confirm their feasibility based on available technology, organisation, quality and economic capabilities.

Suppliers must provide PPAP documents in the following cases:

- New product or product without approval
- Product change (dimensions, material, heat treatment, etc.)
- Process change (approval by Arcoprofil srl required)

- Extraordinary maintenance or change of equipment that directly influences the manufacture/characteristics of the product/process
- New process tooling
- Change of sub-suppliers

3.11.1 Identification of first samples

The parts (products) must be identified with a "FIRST SAMPLE" label (see MO.4.04.05) that also includes:

- Supplier's company name or logo
- Product description
- Article code of Arcoprofil srl
- Arcoprofil srl Purchase Order No.

Delivery documents must state "FIRST SAMPLE" for the relevant product (P/N - part number)

3.11.2 Documentation for the first samples dispatch

For the first samples, the Supplier must send all the following documents as requested in the Purchase Order or by e-mail:

- Dimensional reports
- Functional and mechanical tests (when required)
- In case forgings are in question: declaration stating the 100% magnetoscopic inspection has been carried out
- Heat treatment test reports
- Raw material certificates
- Capability studies (Pp, Ppk) for critical characteristics (when required)
- R&R studies on critical characteristics (when required)
- Control plan
- PFMEA analysis (when required)
- Declaration of conformity for safety and environmental standards for country of production and sales area
- All further documents required in the purchase order

The Supplier is explicitly requested to submit the regulatory compliance as well as PPAP documents; please note that all standards listed are indicative only, as it is the Supplier's responsibility to supplement and update the list.

Parts do not have to be shipped until PPAP approval, after PPAP approval, the supplier is authorised to release series production.

3.12 Series production: product identification

Supplier identification methods are accepted when they include the following information:

- Supplier's name or logo
- Product Description
- Drawing/Code number (if applicable)
- Lot Number

- Date
- Test Report No. (if applicable)

3.13 Series production: product / in-process controls by suppliers on production parts

Suppliers shall apply all preventive and improvement actions to ensure product conformity to all Arcoprofil srl and its Customers' requirements; to this end, the application of ISO 9001 and IATF standards or similar methods are highly recommended. In all cases all items shall be checked by the supplier using the control plans submitted during initial production/PPAP.

The supplier must include the necessary controls along the production process flow in order to ensure the effectiveness of the process.

The correct application of the control plans does not relieve Suppliers of their responsibility to produce parts according to design.

In case forgings are in question, the following is to highlight:

- Automotive Suppliers shall evaluate the need of a magnetoscopic inspection based on a technical risk assessment (FMEA), including frequency and any other detail; if that inspection is derived as unnecessary based on a FMEA judged as inadequate by Arcoprofil srl, the Supplier shall proceed to observe the rule below for non Automotive Suppliers, as a minimum
- non-automotive suppliers are required to magnetoscopically inspect the first 10 pieces of each batch; if at least 1 forged NOK is detected, the supplier is required to magnetoscopically inspect 100% of the batch

REMARKS: rules described above shall be always applied in case no forging Specifications are available from Arcoprofil's Customer; if so, Arcoprofil srl will care of communicating any eventual applicable Customer's Specification.

Proof of the correct application of the controls came from:

- Certificate No. (or report No. where results were recorded)
- Measurement template provided by Arcoprofil srl

Certificates or test report must be recorded, filed, and sent to Arcoprofil srl when requested.

3.14 Series production: non-conformity management

If non-conformities are identified during the in-process or production process that relate to the Supplier's responsibility, Arcoprofil srl's Quality Department will open an official complaint (8D report) to contain and resolve the quality problem.

The Supplier shall provide all support to reduce and resolve the deviation.

The purchasing department will charge all associated costs, including when necessary:

- Costs of the sorting activity performed on Arcoprofil's plant
- Raw material and all processing costs performed on the part prior to NC detection
- Transport costs for the return of parts
- Management costs related to the field recall activity

Note for outsourcing management: Where appropriate, the Supplier shall use the NC parts supplied by Arcoprofil srl during its machine set-up phases; if necessary, the supplier shall agree with Arcoprofil srl on a certain quantity of good parts to be used/consumed for this specific step.

3.15 Series production: Waivers/Concessions

If the supplier identifies NC material during production, it must immediately inform the Arcoprofil srl quality department.

This request must be formalised by means of the specific derogation request form MO.4.04, which includes:

- Product code
- Detailed description of the NC
- Main cause
- Corrective action planning
- Deviated product quantity and/or application period

After assessing the Supplier's deviation request, Arcoprofil srl will share the results with its Suppliers (ACCEPTED - ACCEPTED UNDER CONDITION - REJECTED).

Based on the results, the supplier must comply with the following:

- - If 'ACCEPTED': each box must include the deviation request document (copy of the form completed and signed by Arcoprofil srl). Delivery notes must include the part number, quantity and ref. of the relevant accepted diversion request.
- - If 'ACCEPTED UNDER CONDITION': as above, but Arcoprofil Srl reserves the right to check the material.
- - If 'REJECTED': NOK materials must NOT be delivered to Arcoprofil Srl; the purchasing office will inform the Supplier of the relevant costs

3.16 Series production: process changes

The Supplier must NOT change any part of the product, material, heat treatment, process or equipment without prior written approval from Arcoprofil Srl and, when required, with appropriate first production/PPAP approval.

3.17 Supplier's Audit, follow-up and evaluation

Arcoprofil srl establishes a supplier audit programme, including a self-audit, with the aim of:

- obtain information regarding:
 - the conditions of the production process (process audit)
 - the state of conformity of the product (product audit)
- assess the risk
- follow-up of previous audits
- to develop the supplier's quality system.

The planning criteria always consider the level of risk. The Supplier shall allow Arcoprofil srl personnel to perform audits at its sites or perform requested self-audits, respecting the shared schedule.

Arcoprofil srl regularly monitors its Suppliers using appropriate KPIs (Key Performance Indicators) that consider various issues, such as the quality of products supplied and on-time deliveries.

Specifically, Arcoprofil srl measures and assesses the performance of its Suppliers on a quarterly basis; therefore, the Supplier may be informed of this and, when necessary, may be required to draw up a specific action plan to improve performance

4. Payment conditions

Unless otherwise specified, all prices are considered net. If no special conditions have been agreed upon, the standard payment condition is bank receipt 60 days at the end of the month indicated on the invoice.

5. Sustainability

Arcoprofil s.r.l. aims to operate in full compliance with current regulations, particularly on Health and Safety, and the Environment. This is why compliance with these aspects is considered during the supplier selection process.

But Arcoprofil s.r.l. needs to go further with Suppliers, encouraging them to move towards Sustainability, with the aim of achieving compliance with the standards of the reference market. Therefore, Suppliers are required to read **Appendix A**, where all Sustainability requirements are listed, and to provide both an initial status statement and a status update upon request, by submitting a completed Sustainability Questionnaire to Arcoprofil s.r.l. (see MS.4.04.07).

Suppliers are required to cascade their sustainability requirements and approach to their supply chain.

Suppliers are also required to expressly accept the Code of Ethics of Arcoprofil srl, attached to this document, thereby undertaking to comply with it and to promptly inform Arcoprofil srl in the event of any violation.

In the absence of express acceptance, or failure to inform Arcoprofil srl promptly in the event of a violation, the relationship with the Supplier may be seriously compromised, going as far as termination in serious cases.

It is to notice Arcoprofil srl has started applying Sustainability concepts both to Suppliers' selection and Supplier's performance evaluation.

C. TERMS AND DEFINITIONS

- **REQUEST OF DEROGATION:** it is a written request made by the Supplier to Arcoprofil srl for acceptance/delivery of non-conforming material
- **CONTROL PLAN:** document describing the sequence of product controls, acceptance criteria, severity level, equipment used to measure/assess requirements, responsibility for controls, recording methods, etc

D. REFERENCES

- PPAP Form of Arcoprofil Srl

- Form MO.4.02.01 Introduzione all'articolo di garanzia/ Introduction to the warranty article
- Form MO.4.02.02 Rapporto sui risultati dimensionali, test materiali e funzionali/ Report on dimensional, material and functional test results
- Form MO.4.04.04 Richiesta di deviazione / Deviation request
- Form MO.4.04.05 Identificazione dei campioni PPAP / PPAP samples identification
- Form Dichiarazione di conformità normativa / Regulatory compliance statement
- Form MS.4.04.07 Sustainability Questionnaire
- Document CodE Code of Ethics of Arcoprofil srl
- Procedure P-002 “Grievance Mechanism and Whistleblowing” (including its Appendix)

APPENDIX A

-- Sustainability --

1. SUSTAINIBILITY QUESTIONNAIRE

The automotive industry has increasingly introduced the need for suppliers to operate sustainably and has developed specific questionnaires to periodically assess the status of suppliers. Continued progress towards sustainability is demanded by all major OEM customers, but important non-automotive customers are also moving rapidly in the same direction, as the perception of sustainability is becoming increasingly important to global consumers.

The Questionnaires that concern Arcoprofil srl are the "NQC SAQ 5.0" and "Ecovadis" (see reference standards in the title); consequently, Arcoprofil srl has developed its own Questionnaire for Suppliers (see Form MS.4.04.07), whose requirements are taken from the former (see list below). In reality, the sustainability view of the reference standards is broader and includes more topics; the selection shown below represents only what is considered essential for the Supplier to start thinking about and then implement.

The Questionnaire will be sent

- to Suppliers already partners of Arcoprofil srl (see List of Approved Suppliers):
 - o a first time, with the aim of taking a snapshot of the initial situation (zero point)
 - o periodically, together with a request to declare their legislative compliance
 - o when contacted for a new business opportunity
- potential new Suppliers, when contacted for a possible start of a commercial collaboration. Once the business assignment has been obtained, the Supplier is added to the Approved Supplier List, and then the above applies

Suppliers are required to complete the Questionnaire and then return it to Arcoprofil srl Purchasing: its contents will be reviewed.

What Arcoprofil srl expects from Suppliers, is a progressive adoption of Sustainability principles and practices, and the diffusion of the same within its Supply Chain

The essential requirements of Sustainability are the following:

WORK CONDITIONS AND HUMAN RIGHTS

Human rights expectations require suppliers and their supply chain to maintain and protect human rights. A human rights policy and specific training for the entire workforce is required. Evidence of this is also required and should be attached to the questionnaire. The following topics must be included, as a minimum:

- Child labour and young workers
- Wages and benefits
- Working hours
- Modern slavery (i.e. slavery, servitude and forced or compulsory labour and human trafficking)
- Ethical personnel selection process
- Freedom of association, including collective bargaining
- Harassment and non-discrimination
- Women's rights
- Diversity, equity and inclusion
- Rights of children and indigenous peoples
- Rights to land, forests and water, and forced displacement

- Use of private or public security services

HEALTH & SAFETY

Health and safety expectations require suppliers and their supply chain to comply with regulations by maintaining safe working environments. A health and safety policy and specific training for the entire workforce is required. Evidence of this is also required and should be attached to the Questionnaire.

The following topics must be included, as a minimum:

- Personal protective equipment (PPE)
- Machinery safety
- Preparation for emergency management
- Accident and near-miss management
- Workplace ergonomics
- Management of chemical or biological substances
- Fire protection

BUSINESS ETHICS

Business ethics expectations require suppliers and their supply chain to be transparent, accountable and ethically compliant in their activities. A corporate ethics policy and specific training for the entire workforce is required. Evidence of this is also required and should be attached to the Questionnaire.

The following topics must be included, as a minimum:

- Bribery, extortion and bribery
- Privacy and data protection
- Fair competition and antitrust
- Conflicts of interest
- Whistleblowing and protection against retaliation

ENVIRONMENT

Environmental expectations require suppliers and their supply chain to be responsible and take into account their environmental impact. An environmental policy and specific training for the entire workforce is required. Evidence of this is also required and should be attached to the Questionnaire.

The following topics must be included, as a minimum:

- Greenhouse gas emissions (including related reporting), energy efficiency and renewable energy
- Decarbonisation
- Water quality and consumption
- Air quality
- Sustainable resource management and waste reduction
- Responsible management of chemicals
- Reuse and recycling
- Animal welfare
- Biodiversity, land use and deforestation
- Soil quality
- External noise emissions

If other areas are covered by Suppliers, it is necessary to specify which ones

We strongly recommend the adoption of your own Grievance Mechanism and Whistleblowing, and a corporate Anti-Corruption Procedure

2. ARCOPROFIL GRIVANCE MECHANISM AND WHISTLEBLOWING

Arcoprofil srl has adopted a Procedure on the Grievance Mechanism and Whistleblowing, to ensure its proper functioning and application. The aim is to ensure that company activities are conducted in a correct, transparent and socially responsible manner, and in particular, in compliance with Legislative Decree 24/2023. The procedure in question is P-002 "Grievance Mechanism and Whistleblowing" (including its Appendix) attached to this document.

3. ARCOPROFIL ANTICORRUPTION PROCEDURE

Arcoprofil srl has adopted an Anticorruption Procedure in order to avoid internal crimes of corruption and bribery, or any 'inappropriate conduct' towards or by 'private' external Partners (even if only potentially so), aimed at obtaining advantages for themselves or their Company. External "private" Partners also include Suppliers. Below is what is laid down for relations with the latter.

The rules of conduct in force stipulate the following:

- No Employee is authorised to offer or propose Gifts, even of minimal value, to "private" external Partners, unless previously authorised by Arcoprofil srl Management
- About Gifts that the Employee is offered by "private" external Partners, the Employee must
 - inform the Head of Human Resources of any offer received
 - observe the rules of the scheme below (distinction between Acceptable, Doubtful and Unacceptable Gifts):

<u>UNACCEPTABLE</u> gifts	Money, ALWAYS (any currency or amount) Bonds and similar assets, ALWAYS (any typology or value) Valuables, ALWAYS (any value) WITHIN THE YEAR: the 4th «acceptable» gift and any gift whose value is «UNacceptable» («acceptable»: valorized 50 Euro max)
DOUBTFUL gifts	For any doubt on the gift we are dealing with, contact the Top Management (e.g. in case of doubts on the gift valorization)
ACCEPTABLE gifts	WITHIN THE YEAR : max 3 «acceptable» gifts («acceptable»: valorized 50 Euro max)

In case of any doubt, the Supplier is recommended to contact the Human Resources Manager or Arcoprofil srl Top Management directly for clarification and support.

Any behaviour observed in violation of the above can (must) be reported (see procedure P-002 "Grievance Mechanism and Whistleblowing" attached)