



# GENERAL PURCHASING CONDITIONS

SFRG-GPC

Rev. 4 dated  
16/03/2020

## REVISIONS HISTORY

REVISION NO.	DATE	MODIFIED §	MODIFICATION DESCRIPTION
1	24/03/2018	3.2.1	Updated OTD target
2	14/08/2019	7	Added clauses for calibration laboratories
3	10/10/2019	3.9	Non-conforming products management
4	16/03/2020	9	Added reference to the ethics code.

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### 1 SCOPE AND APPLICABILITY

The present document includes the general requirements for the purchases of Siderforgerossi Group SPA (hereafter "SFRG") and shall apply to all the SFRG purchase orders. These conditions shall be referred in all the SFRG purchase orders and shall be considered applicable until they are clearly revoked or replaced by new conditions.

These conditions shall be applied to the following purchasing categories:

- a) raw materials;
- b) conventional machining;
- c) heat treating;
- d) material testing laboratories;
- e) nondestructive testing;
- f) instruments calibration;
- g) equipment's;

Note 1. For purchasing related to Aviation, Space and Defense projects, please refer to the General Purchasing Conditions for ASD Supplies (SFRG-GPC-ASD).

### 2 PRICE, PAYMENT AND DELIVERY

If not otherwise stated on the purchase orders, all prices stated in the purchase order shall be considered:

- a) Incoterms® 2010 Delivered At Place (DAP) or Delivered Duty Paid (DDP) Siderforgerossi Group SPA works (if not otherwise stated in the purchase order);
- b) net amount (applicable taxes and/or dues excluded);
- c) shipping and dispatch costs included;

The payment conditions are mandatory and irrefutable. Any advanced payment shall be considered as down-payment. If manufacture and/or delivery of goods are affected by an act or omission of the supplier, SFRG shall notify the supplier of any additional costs which may be incurred as a result of such delay or variation. Such additional costs shall be for the supplier's account at actual costs. If not otherwise agreed a penalty for delayed delivery of -0,5% order price per week for a maximum of 5 weeks applies, except for any higher damage proved in court.

In case of changes notified by the supplier for orders already released, SFRG reserves the right to assess their feasibility and charge back all possible costs related to the modification and/or amendment.

The material referred to the order shall be delivered to the site mentioned in the purchase order, together with a transport document quoting the purchase order details and exactly describing the product with the same coding or description indicated therein (see specific clauses and requirements for different types of purchase in the following §§).

### 3 GENERAL CLAUSES AND REQUIREMENTS FOR ALL TYPES OF PURCHASE

#### 3.1 First qualification

The first qualification of a new supplier is carried out with the methods described by a specific SFRG quality system procedures QA110 and QA115, by a quality-technical audit and a the industrial validation of a first purchasing. In the cases where it is required by the type of purchase (in particular C, D, E and F purchases) the supplier is requested to forward to SFRG, just after or at the same time as the first qualification, the documents relating to external or internal validations or certifications of its own production processes (e.g. applicable heat treatment cycles, NDT instructions, calibration methods and similar) and of the personnel qualified to carry out the processes.

#### 3.2 Upkeep of the qualification

##### 3.2.1 Raw materials suppliers (category A)

At least once a year, the suppliers' performance is evaluated by the SFRG QA area in terms of respect for the clauses expressed in the present document, of conformity of the products/services purchased and of punctuality in deliveries. Such evaluations are used to assess the supplier risk with regard to SFRG customers and to decide whether or not to reconfirm the supplier for the following financial year. The obtained performance results and the targets for the next year shall be communicated by SFRG annually to all the suppliers that will be considered "critical" during the management review. Results and targets will be determined both in terms of on-quality (e.g. NC rate) and on-time (e.g. OTD). The expected target for these two indicators are the followings:

**NC rate ≤ 1 wt.%;**  
**OTD ≥ 94 wt.%;**

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In the case a qualified supplier has several production sites, it shall supply products/services only from the site(s) qualified by SFRG.

Moreover, the supplier is expected to notify SFRG about any relevant changes or modifications on its own quality system, on its third-party certifications, as well as on any renewals of validations or certifications of products, processes and personnel. In addition, the supplier shall notify SFRG about any modifications that may have a significant impact in the organization/administration structure and any changes in the corporate name.

In case of deviations from the above mentioned targets and requirements, SFRG reserves the right to exclude the supplier from the SFRG approved vendors list.

### 3.2.2 Non-raw materials suppliers (categories B-C-D-E-F)

The suppliers' performances are continuously monitored by the SFRG QA area in terms of respect for the clauses expressed in the present document, of conformity of the products/services purchased and of punctuality in deliveries. In the case where a qualified supplier has several production sites, it undertakes to supply products/services coming from the site (or sites) qualified by SFRG.

Moreover, the supplier is expected to notify SFRG about any relevant changes or modifications on its own quality system, on its third-party certifications, as well as on any renewals of validations or certifications of products, processes and personnel. In addition, the supplier undertakes to notify SFRG about any modifications that may have a significant impact in the organization/administration structure and any changes in the corporate name.

In case of deviations from the above mentioned targets and requirements, SFRG reserves the right to exclude the supplier from the SFRG approved vendors list.

### 3.3 Upkeep of the qualification

For each order (or frame contract) received, the supplier is expected to send SFRG a prompt regular confirmation of order for acceptance. The SFRG order shall quote the present general purchasing conditions. Alternatively, equal to confirmation of order, the supplier can send a confirmation of reception of the order. If none order confirmation or written acceptance from the supplier within 14 calendar days of its issuing date, execution of said order by the supplier will be intended, in any case, as acceptance of the terms in the order and these general conditions. In case of deviations between the purchase order and the order confirmation without a formal SFRG approval, the order conditions shall prevail.

The supplier is expected to respect punctually whatever is explicitly stated in the purchase orders and, in case of material supplied as account of manufacture, in the transport documents; in particular concerning the quantity, delivery times and dates, and any necessary documents/certifications pertaining to the supply. Such documents/certifications shall be delivered at the same time as the material.

In case of the purchase order contemplates any preliminary samples, such samples shall be delivered separately by means of a dedicated transport document specifying the particular type of delivery. The supply is only to be deemed authorized after documented and explicit approval issued by the SFRG quality department. Reference to such samples shall be made with appropriate internal documentation. The sample procedure shall be repeated after each modification made to the product as requested by SFRG.

All the supply of materials and services shall be checked at the incoming stage according by SFRG according the procedures QA120a and QA121. Special focus will be payed to prevent the use of counterfeit parts.

### 3.4 Intellectual property rights

Supplier shall provide the supply/service in a way that by the supply/service itself of its use by the purchaser or its customer any intellectual property rights or copyrights of third parties are not injured.

Supplier shall transfer all rights of use needed for the use of the supplies/service by the purchaser or third parties taking into consideration patents, supplementary protection certificates, brands, registered designs.

### 3.5 Supply of chemical substances and products

As far as applicable, the products and substances purchased shall be provided with technical toxicological-safety sheets, declaring that the product or substance supplied conforms to the current European community directives (REACH regulations).

Through the performance of the order, the supplier guarantees to the purchaser the compliance of the supply with the regulations and standards in force in the country where the product or service, subject of the supply, is delivered or rendered to the purchaser and in any other country where the supplier has been informed that the supply will be used.

For this purpose, the supplier shall hand over upon delivery or undertake to hand over at first demand by the purchaser, the certificates required by the applicable regulations and relating to the supply.

In addition, the supplier shall:



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- a) implement all necessary measures for the implementation of its supply systems relating to the following minerals:
  - 1) tantalum;
  - 2) tin;
  - 3) tungsten;
  - 4) gold;
- b) so as to ensure that such minerals originate from conflict free sources, and provide, upon request, information regarding said supply systems on a platform determined by the final customer.

Irrespective of the place in which the Supply is produced or rendered, the supplier also warrants that the supply will comply with applicable legal provisions and regulations to quality requirements and standards, including health, hygiene, safety, traceability of products and protection of the environment.

### 3.6 Acceptance inspections and management of cases of non-conformity

SFRG reserves the right to conduct inspections on the incoming products and services, aimed to assess the conformity of product and/or service provided. In case of these inspections reveal any non-conformity against what was ordered, either in the course of use or following any SFRG customer complaint, SFRG shall issue a specific documented notification and the supplier shall reply within 24 hours from the reception of the notification to confirm that the complaint has been started to analyze and it shall be provided evidence with regard to:

- a) the methods used to deal with non-conformity (such as replacement, repair, reworking and similar) and respective times needed;
- b) the causes that have originated the claimed non-conformity;
- c) the corrective actions that have been issued for eliminate the cause of the actual non-conformity and the timeframe for the effectiveness verification.

In the most relevant cases, SFRG reserves the right to carry out extraordinary audits with the purpose of renewing or suspending the qualification previously assigned to the supplier. The qualification scope may be reconsidered also audit-less, as immediate or permanent corrective action.

### 3.7 Traceability and records retaining period

The supplier is expected to provide documentary evidence of all the inspections carried out during the manufacture of products or the supply of services, and if necessary any FAI reports, and also adequately manage the configuration relating to the manufacture and inspection of the product referred to the supply.

The certificates of the tests and examinations carried out, as well as any certifications from subordinate suppliers, shall be related to the product/service referred to the order and shall be kept according the table here below and submitted to SFRG, or to its customers, in case it will be required before or with the supplied product/service.

All the hard records (i.e. non electronic) shall be written by ink (preferably black or blue) or other permanent method. Corrections to these records shall be dated, signed by in ink and with the original data still clearly readable, whitebait is not admitted. All electronic records shall be controlled, maintained and traceable, respecting the same requirements specified for paper records.

The minimum records retaining period is stated in the following table. This period may be increased up to be permanent, this shall be stated in SFRG order.

Document	Minimum retention period (if not otherwise stated in the order)
Product configuration docs (e.g. contract review, drawings, specifications)	13 years
Product manufacturing documents (manufacturing cycles, jobsheets, work orders and information related to the jobsheets) and documents containing the results of every type of controls, traceability, test and inspection carried out at the reception during the manufacturing and at the final acceptance, request of changing, laboratory tests	13 years
Material test pin	2 years

### 3.8 Right of access

With the order acceptance, the supplier agrees that SFRG representatives, SFRG customers and regulatory authorities can have access to the applicable areas of facilities and to applicable documented information, at any level of the supply



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chain, with the purpose of carrying out control of the orders progress as well as periodical or extraordinary auditing. The visits to the supplier head office shall be prearranged and agreed beforehand.

### 3.9 Derogations and concessions

Any derogation in terms of time or specific concession for the purchase order shall be previously and formally requested of to the competent purchasing department. The positive feedback shall be sent in writing thru the order updating or by a formal email.

The supplier is in no case allowed to ship non-conforming products without authorization.

### 3.10 Claims under liability for defects and product liability

Supplier guarantees that his supplies or services exhibit the agreed properties and fulfill the intended purpose. In case of the supplier undergoes a foreclosure, it shall ensure that the supplies is free from any lean. In the event that SFRG incurs costs such as transport/travel, working and material costs or contractual penalties as a consequence of defective supplies/services (including services applied on materials owned by Siderforgerossi and processed by third-party), the supplier shall bear said costs. Supplier is liable for measures to prevent failures and damages (e.g. recall or service action) and other field activities. This measure is based on the inadequacy of the delivery and scope of services of supplier or any other breach of duty by the supplier.

Any deviation and/or non-conformity from the order will be reported in writing by email to the supplier within 30 (thirty) days from their discovery. The limitation period for defect claims shall begin with the full supply or performance of the scope of supply or service; the limitation period ends 36 months after the shipment to SFRG customer of products involving the supplies. In case that supplier is proved to be liable for field failures or recall actions, it shall be considered liable for the all the costs sustained by SFRG and SFRG customers.

The supplier shall be liable of all the damages due to faulty equipment and for the machine downtime. SFRG reserves the right to charge such costs the equipment manufacturer.

### 3.11 Credit transfer

The credit granted to SFRG is not transferable, unless express consent of the transferee.

### 3.12 Controversy

The courts of Vicenza have exclusive jurisdiction to settle any dispute (a "Dispute"), arising from or connected with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) or the consequences of its nullity. The Italian law and Italian language shall be applied.

## 4 SPECIFIC CLAUSES AND REQUIREMENTS FOR "A TYPE" PURCHASES

The supplier is expected to:

- a) purchase all the necessary raw materials and services for the performance of the order from sources certified by the SFRG customer or by SFRG or by the supplier following approval by the purchaser of the supplier's certification procedure. The supplier shall make available to the purchaser all documents certifying the quantity, origin, quality, the controls and the backup measures it has made or which have been made by certified organizations upon its request in connection with such stock. Approval by the purchaser in no way exonerates the supplier from abiding by its obligations under the contractual documents;
- b) provide original conformity, analysis or tests certificates at the time when the material is delivered, enclosed with the delivery document and/or previously sent by email;
- c) avoid mixing the heats; in the case of different heats, the material shall be clearly and unmistakably marked for each of the heats;
- d) identify each billet/bar/ingot and package clearly and with marking not subject to deterioration within the scope of supply;
- e) indicate in the transport document our reference order number, and the material grade, type, dimension and heat number;
- f) avoid forwarding partial deliveries and/or delivering the material before the date indicated in the order without prior authorization from the SFRG raw material purchase department. Deliveries shall be completed according to the order schedule.

## 5 SPECIFIC CLAUSES AND REQUIREMENTS FOR "B AND C TYPE" PURCHASES

- a) No sub-suppliers can be involved, unless explicitly authorized by the order;
- b) The supplier is expected to:



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- 1) carry out the machining or treatment operations requested, without making any type of modification or alteration which has not been expressly authorized or notified;
- 2) promptly notify the SFRG quality control department (or the reference contact) about any damage/defects found on the parts during the material receiving stage (i.e. before carrying out any required working operations);
- 3) promptly notify the SFRG quality control department (or the reference contact) about any damage or loss caused to the materials received for working; following any non-conformity due to working, and once liability has been proved, the supplier undertakes to indemnify the damage caused;
- 4) identify and manage with care any other SFRG properties supplied as account of manufacture or loan for use;
- 5) qualify any of the special processes used, qualify the respective personnel and entrust qualified personnel with appropriate individual stamps under supervision;
- 6) with each delivery, supply any inspection reports (e.g.: dimensional, hardness test etc.) and any final inspection certificates requested; all the required documents (e.g. certificates, diagrams) shall be supplied at the time when the worked material is returned.

### 6 SPECIFIC CLAUSES AND REQUIREMENTS FOR "D AND E TYPE" PURCHASES

- a) No sub-suppliers may be involved, unless explicitly authorised by the order;
- b) The supplier is expected to:
  - 1) conduct the tests requested in observance of the applicable standards quoted in the purchase order or outline contract or in the transport document enclosed;
  - 2) promptly notify the SFRG quality control department about any damage or loss caused to the materials received for conducting the tests required;
  - 3) validate or have any of the special processes in use qualified, furthermore qualify the respective personnel and entrust qualified personnel with appropriate individual stamps under supervision;
  - 4) on returning the material, submit the original note with which the material to be tested was delivered and always enclose all the documents provided at the time;
  - 5) deliver the test and analysis reports drawn up on standard formats and approved during the first qualification (ref. §3.1).

### 7 SPECIFIC CLAUSES AND REQUIREMENTS FOR "F TYPE" PURCHASES

- a) No sub-suppliers may be involved, unless explicitly authorised by the order;
- b) The supplier is expected to:
  - 1) carry out the requested calibration operations in observance of the applicable standards quoted in the purchase order or outline contract or in the transport document enclosed;
  - 2) promptly notify the SFRG quality control department about any damage or loss caused to the instruments received for carrying out the calibration operations requested;
  - 3) validate or have any of the calibration processes in use qualified, and qualify the respective personnel;
  - 4) on returning the material, submit the original note with which the instrument was delivered and always enclose all the documents provided at the time;
  - 5) deliver the test and analysis reports drawn up on standard formats and approved during the first qualification (ref. §3.1).
- c) If not otherwise agreed, the laboratory shall be accredited ISO/IEC 17025:2005. In this case, the following additional clauses apply:
  - 1) the service must be provided in accordance with the accredited ISO/IEC 17025:2005 program and scope of accreditation;
  - 2) the calibration certificate/report shall include identification of the laboratory equipment /standards used;
  - 3) the calibration certificate/report shall include as-found calibration data when calibrated items are to be found out-of-tolerance;
  - 4) Siderforgerossi must be notified of any condition that adversely impacts the laboratory's ability to maintain the scope of accreditation;

### 8 GPC UPDATING AND SHARING

Any deviation, without authorization, from even one of the present clauses may entail our refusal of the supply and regular payment. Any derogations may only be authorized by the SFRG quality control department personnel (or delegated representative) for A to F type purchases and new equipment's office for G type purchases..

The present document is issued by the SFRG QA, which keeps it updated in case of any modifications, changes or integrations.

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The purchase order issued by SFRG shall always quotes the details of the present document, which is made available to all suppliers in its latest edition on the SFRG web page [www.siderforgerossi.com](http://www.siderforgerossi.com).

## **9 ETHICAL CODE**

With reference to the ethic code adopted by Siderforgerossi Group and dated October 2018:

*"The supplier must adopt a Code of Ethics and Conduct, which aims to confirm and establish the principles of correctness, loyalty, integrity, transparency of behavior, the way of operating and conducting relationships internally and towards to third parties."*