

SUPPLY SPECIFICATIONS

1. PREFACE.

This document shall be part and parcel of the «Supply Framework Agreement» and shall concur in the definition of the relation between OCAP Italia srl [or *Ocap International s.r.l.*] (hereinafter referred to as OCAP) and the Supplier as regards the management of orders and supplies, the organizational requirements and the process and control methods the Supplier is called to achieve and adopt in order to satisfy the quality standards set forth in the contractual agreements, and the management of the Faulty Components.

2. QUALITY CERTIFICATION REQUIREMENTS.

The Supplier hereby declares to have adopted a Quality System certified UNI EN ISO 9001 [or *ISO TS 16949*] and/or UNI EN ISO 14001.

The Supplier hereby declares to have not yet adopted a certified Quality System.

The Supplier hereby undertakes to submit to OCAP its plan for the achievement of the Quality Certification _____ within specific deadlines to be agreed with OCAP.

The plan progress shall be subject to *audits* by the OCAP Quality Department in steps to be agreed with the Supplier.

3. ISSUE OF THE PURCHASE ORDERS.

3.1. Request for quotation.

OCAP Purchasing Department shall submit a request for quotation to the Supplier, with any data necessary to the formulation, such, by way of an example, drawings, specifications, samples, etc.

In case of incomplete documentation, the Supplier shall ask to the OCAP Purchasing Department for the integration.

The Supplier shall then submit its proposal to the OCAP Purchasing Department.

3.2 Proposal of Components with safety, critical or relevant characteristics.

The Supplier, in the preparing of its proposal, shall check on the drawings the possible presence of safety, critical or relevant characteristics and shall, accordingly, evaluate the feasibility.

The above said characteristics shall be highlighted on the Control Plan and on the PFMEA, and they shall be subject to capability studies according to the following indications:

Capability goal:

- Preliminary analysis on a sample > 50 pieces,
Pp & PpK $> 1,67$
- Process capability study
Cp & Cpk $> 1,33$

Such studies shall be provided during the sampling phase. Should the capabilities fail to achieve the values required, the Supplier shall set up appropriate devices to guarantee a 100% objectivated control and/or error-proofing systems (poka-yoke) able to guarantee the total compliance of the above mentioned characteristics.

As regards those characteristics for which the 100% objectivated control or the adoption of poka yoke cannot be applied, the Supplier shall indicate the alternative operating modalities (indirect control on Product characteristics and/or process parameters) able to provide an analogous level of guarantee.

3.3 Issue of the Purchase Order.

In case OPAC Purchasing Department should accept the Supplier's quotation, it shall issue the Purchase Order in compliance with the provisions of Article III of the Framework Agreement.

The Purchase Order shall specify the supply criticality level (OEM Auto – OEM – AM). In default of such a specification, the Supplier shall immediately contact the OCAP Purchasing Department for the necessary information.

4. SUPPLY OF COMPONENTS.

4.1 General Rules.

Within the supply scope, the Supplier undertakes to:

a) realize any Components free of faults, defects or non conformities according to the technical specifications and the quality standards reported in the drawings;

b) control, in phase of acceptance, the raw materials purchased from third parties, from OCAP, or those provided by OCAP as suspense account, to evaluate their conformity with the requirements set forth in the drawings and in the technical specifications. The results of such controls shall be retained and made available to OCAP at any time;

c) in case of raw materials provided by OCAP, perform the checks and, if necessary, the notices set forth in the Article 7.2 of the Framework Agreement;

d) before the delivery, perform the last check put on any lot containers the tag «Product Identification Card» (see Att. 1), or Supplier's equivalent form, duly filled in, and reporting the OCAP Product Code indicated in the Purchase Order, the lot number and the quantities;

e) guarantee the traceability of the Components, from the stock in hand of raw materials and/or semi-finished products, by applying the appropriate tag in any phases of the production process, on the finished Components and on the Faulty ones; furthermore, the Supplier shall arrange a traceability system to trace any Components and materials used and any process/control documentation thus allowing the easy identification, at any time, of any Faulty Component. The Supplier shall further guarantee to record the results of any controls performed;

f) retain the process and control documentation for at least 15 (fifteen) years. This documentation shall employ the same symbology used on OCAP drawings in relation to the characteristics of the Components;

g) when required in the Purchase Order and/or by the OCAP Quality Department, transmit to OCAP all the documentation relating to the controls performed on the production process and on the Components delivered, up to that moment;

h) supply any Component lots provided at least with the «Conformity Declaration», in compliance with the Standard ISO EN UNI 10204 – certification type 2.1. In case of Components with safety characteristic, provide them at least with the «Conformity Declaration» in compliance with the Standard ISO EN UNI 10204 – certification type 3.1.

i) modify not, in any way, neither the Component nor the process, without OCAP's written approval;

l) in case OCAP should require and/or authorize a modification on the Components and/or on the production process, indicate the modification on the «Product Identification Card» (or Supplier's equivalent form) of the first lot;

m) verify the technical and quality complete compliance of the Products purchased from Subcontractors or to these latter assigned for workings or treatments. The Supplier shall be the sole responsible towards OCAP for the performance of such checks and for the correctness of their results.

4.2 Sampling.

4.2.1 The Supplier shall perform the sampling.

As a general rule, the Supplier shall perform the sampling in case of:

- a) a new Component;
- b) a Component modified consequently to modifications to drawings or specifications, requested and/or authorized by OCAP;
- c) following OCAP's request to suspend the delivery for the persistence of non conformities;
- d) tendential deterioration of the Component quality;
- e) periodical re-qualifications of the Component and/or the process;
- f) re-sampling in case of non approval;
- g) production with new, modified or renewed Equipment or devices;
- h) following any modifications in the process or in the production method requested and/or authorized by OCAP, also in the event part of the production should be entrusted to a subcontractor, or if a subcontractor should be replaced and/or in case of process modification introduced by the subcontractor;
- i) Products reproduced after 24 (twenty-four) months or more of Equipment inactivity.

The Supplier shall immediately notice to OCAP the persistence of any of the above listed cases which, pursuant to the previous points, make a new sampling necessary.

OCAP and/or the End User shall have the right to perform *audits* by the Supplier's Premises at any time during the supply, announcing them in advance.

4.2.2. Sampling requirements.

In the sampling, the Supplier shall comply with the following requirements:

- a) the initial sampling shall be performed with final Equipment and shall comply with OCAP specifications;
- b) the samples shall be numbered;
- c) the samples shall be delivered in appropriate containers/packages as set forth in the Packaging Technical Specifications CTI001 herewith attached;

d) the containers shall be identified with the samples' code and quantity and shall be marked as «SAMPLING FOR APPROVAL»;

e) the samples shall be delivered to OCAP provided with the following documentation (see the Table below):

TABLE – Submission Requirements

Item	Requirements	“OEM Auto” “OEM” Supplies PPAP Level 3	“AM” Supplies PPAP Level 2	“auxiliary material” Supplies PPAP Level 1
01	Product drawings (approved by Ocap)	X	X	X
02	Documents concerning technical modifications, if existing	X		
03	Process flowcharts	X		
04	Process FMEA	X		
05	Tests results, according to the product specifications (including aesthetic tests, if applicable)	X	X	
06	Studies on process capability (Pp,Ppk, Cp, Cpk)	X		
07	Studies on measurement systems (R&R)	X		
08	Control plans: pre-series/ series	X		
09	PSW (Sampling presentation)	X	X	X
10	Product samples	X	X	X
11	Customer's additional requests	X	X	
12	Technical data sheet and Safety/Risk data sheet, if applicable	X	X	X
13	IMDS	X		
14	Approved suppliers list and bill of material (including Test Labs)	X	X	
15	Run rate production	X		
16	Packaging data sheet	X	X	

The Supplier, through an *audit*, shall self-assess the validation of its production process in order to verify its production capability. The Supplier, in case of OCAP's request, shall adopt some specific product/process validation methods (i.e. PCPA). In this event, OCAP shall support the Supplier in the implementation of such methods.

The results of the *audit* shall be recorded and sent to OCAP.

4.2.3. *Sampling approval.*

The OCAP Quality Department shall check the completeness of the documentation delivered with the samples and the correspondence between the results and the technical specifications and drawings.

According to these results, the OCAP Quality Department shall approve or not the sampling or, in case of incomplete documentation, it shall bind the approval to the integration of the missing documents.

The approval shall be formalized on a specific form (OCAP's or Supplier's) by the OCAP Quality Department which shall then send a copy of it to the Supplier.

In case of sampling approval, the Supplier shall be hold suitable for the series production, to be then implemented only in case of issue of the Purchase Order, in compliance with the Article III of the Framework Agreement.

It is understood that the sampling approval shall not cancel nor diminish the Supplier's liability for any defects, non conformities or faults of the Components, neither shall it diminish the guarantees that the Supplier shall have to give OCAP.

In case of sampling non approval, OCAP shall charge a debit note to the Supplier for the sampling price, an amount of € 32000 (three hundred and twenty), as a reimbursement of the expenses for the activity of its Quality Department, and an amount of € 100,00 (one hundred), as a reimbursement for the administrative expenses.

The Supplier shall pay the above said sum within 5 (five) days of the receipt of the debit note.

4.2.4 *Sampling storage.*

The Supplier shall store by OCAP's Premises the samples of the Components with characteristics hard to convey or to be qualified in drawings (colour, aspect, etc...). Such samples shall be available in case of controversy; thus, they shall be replaced anytime the part should undergo modifications relating to the above said characteristics, and in the case of samples perishable or subject to ageing.

5. PERIODICAL QUALITY EVALUATION OF THE SUPPLIER'S PRODUCT AND PRODUCTION PROCESS.

5.1. Preface.

OCAP periodically evaluates its level of satisfaction with its Suppliers by means of the following parameters:

- Service Quality;
- Supply Quality (PPM);
- Quality System.

5.2. Quality Goals.

The OCAP Quality Department shall agree the Quality Goals with the Supplier annually, according to the results achieved in the previous year and in consideration of possible new supplies.

5.3. Service Quality.

The Service the Supplier delivers to OCAP shall be evaluated by means of three parameters:

- the presence and correctness of the documentation requested in the Purchase Order;
- the quality of the product packaging;
- the compliance with the deadlines set forth in the Purchase Order.

5.4 Product Quality.

The score (PQI) of the quality of the Products delivered shall be:

- awarded by the Quality Department calculating a quality index of the Components;
- expressed from 0 to 100.

5.5 Quality System.

The Supplier's Quality System and its organization shall be evaluated according to the following parameters:

- Quality System Certification (ISO 9000, ISO/TS 16949);
- *Audits* performed by OCAP;
- Supply historicity.

5.6 Supplier Overall Evaluation and Qualification.

The Supplier Classification is based on the SQGI (Supplier Quality General Index), which is a balanced calculation of the three subtotals (System, Product, Service), according to the following formula:

$$\text{SQGI} = (\text{PQI} \cdot 0,5) + (\text{SI} \cdot 0,3) + (\text{QS} \cdot 0,2)$$

The Supplier shall be classified into the following ranking, according to the SQGI obtained:

QUALIFICATION CLASS A :

The Supplier's Quality System, the Products supplied and the Services delivered achieve optimal quality levels.

QUALIFICATION CLASS B :

Though not wholly satisfying, the Supplier's reliability achieves acceptable results.

QUALIFICATION CLASS C :

The Supplier's quality is not satisfying.

Anyway, it is understood that, independently of the Qualification Class assigned to the Supplier (be it A, B or C), OCAP shall reserve the right to terminate the Framework Agreement for convenience, pursuant to the Article XVIII, or for default, pursuant to the Article XIX.

5.7 Periodical Re-qualification.

For the Products with safety or critical characteristics, the Supplier's process shall be periodically re-evaluated by the OPAC Quality Department *audits*.

6. FAULTY COMPONENTS.

6.1 General Rules.

In case the Supplier should deliver to OCAP Components with faults, defects or non conformities, the Article XI of the Framework Agreement shall apply.

In particular, OCAP shall have the right to act the procedures set forth in the Article 11.5 of the Framework Agreement.

6.2 Issue of the Setup Observation.

After the detection of faults, defects or non conformities on any Component, the OCAP Quality Department shall send the Supplier the «Setup Observation» with the description of the anomaly detected.

The Setup Observation of the Quality Department shall work, to all legal intents and purposes, as a notification of the faults, defects and non conformities, according with the Article 11.2 of the Framework Agreement.

6.3 Supplier Reply to the Setup Observation.

The Supplier shall immediately (and anyway within 24 hours, unless otherwise specified by OCAP) reply, in writing, to the Setup Observation, specifying:

- a) the causes of the faults, defects and/or non conformities;
- b) a containment plan (recovery of the Components within 24 hours and/or replacement within the next 24 hours);
- c) a corrective action plan to avoid the recurrence of such faults, defects and/or non conformities on the Components of any future productions.

In case the Supplier should not reply to the Setup Observation within the deadline set forth above, OCAP shall have the right to terminate the Agreement for default by means of a written notice.

Following the Supplier's reply, OCAP shall have the right to decide whether to act one of the procedures set forth in the Article 11.5 of the Framework Agreement or to, in case the conditions set forth in the Article 11.6 of the Framework Agreement should occur, communicate to the Supplier the termination of the Contract.

6.4 Components subject to control action.

All Components included in the lot under a Setup Observation, and those next to it, shall be subject to a 100% control.

The Supplier shall deliver any Component container provided with a tag indicating "100% controlled".

The end of the controlling process must be settled by a specific agreement with Ocap and it must be issued by the forwarder, through an official written request.

Should Ocap not reply to the forwarder's written request within 5 working days, the latter will be allowed to suspend the controlling process.

In case the lots of such Components should be already delivered, the Supplier shall perform the control in the place indicated by OCAP.

Anyway, OCAP reserves the right to perform the controls directly, or to have them performed on its behalf by third parties, charging (in both cases) the relating costs to the Supplier.

In case OCAP should intend to maintain the contractual relation with the Supplier, it shall define a date within which the Supplier shall send the 1^o (first) lot compliant and shall request evidence of the control performed by the Supplier. The first lot compliant shall be appropriately identified with the reference to the relating OCAP's Setup Observation.

It is understood that OCAP shall have the right to claim against the Supplier for all the damages resulting from the Faulty Components, including the costs of labour engaged to manage them and those deriving from any stops of the production.

6.5 Delivery of Components not fully compliant.

In case the Supplier should detect in any lot to be delivered, Components not compliant with OCAP's requirements, and the recovery should ask for deadlines inconsistent with the term of delivery agreed, the Supplier shall immediately send OCAP a written notice.

In such an event, the Supplier shall have the possibility to ask OCAP the authorization to the delivery, filling in the appropriate OCAP's form, specifying the drawing number, the non compliant characteristics, the lot number, the exact number of Components and proposing a corrective action.

OCAP shall evaluate the entity of the non conformity and, by agreement with its Technical Office, shall grant or not the delivery on the appropriate form.

In case the request of delivery should be accepted, the Supplier shall identify every container of the Components involved with the tag: "not fully compliant delivery N^oof the" or with a copy of the form granting the delivery.

The Price of such Components shall be reduced in proportion with the entity of the non conformity and, in any case, the reduction shall be not lower than the 10% of the Price contractually agreed.

6.6 Supplier's Notices.

In case the Supplier should detect a fault, a defect or a non conformity, or should it suspect that a lot delivered could present one or more anomalies, the Supplier shall immediately inform OCAP, providing all the data necessary to allow the precise identification of the supply in subject and stop it (no. of drawing code, quantity, no. of dispatch document, description of the anomaly).

7. DEBIT NOTES.

7.1 Debit Notes in Case of Supplier's Delayed Delivery.

Pursuant to the Article IX of the Framework Agreement, in case of Supplier's delayed delivery, OCAP shall have the faculty to charge a debit note to the Supplier for the costs consequent to the stop of production.

The amount of the debit note shall be quantified according with the costs of stop of machinery and labour, as set forth in the Table herewith attached (Att. 2).

The debit note shall expire on the same expiry day of the first invoice to be paid to the Supplier and, anyway, not later than 120 (one hundred and twenty) days after its issue.

7.2 Debit Note in Case of Faulty Components.

According with the Article XI of the Framework Agreement, in case the Components supplied should present faults, defects and/or non conformities, OCAP shall be entitled to charge a debit note to the Supplier, for an amount to be quantified as follows:

a) in case the Faulty Components should be recovered by a third party, the debit note shall be equal to the amount of the invoice issued by this third party, plus € 100,00 (one hundred) for the administrative expenses. The debit note shall expire on the same expiry day of the third party's invoice to OCAP;

b) in case the Faulty Components should be recovered by OCAP, the amount of the debit note shall be quantified in relation with the machine and labour costs per hour, as set forth in the Table herewith attached (Att. 2). The debit note shall expire on the same expiry day of the first invoice to be paid to the Supplier and, anyway, not later than 120 (one hundred and twenty) days after its issue.

c) in case the Faulty Components should be recovered or replaced by the Supplier, the debit note shall amount to € 100,00 (one hundred) for the administrative expenses. The debit note shall expire on the same expiry day of the first invoice to be paid to the Supplier and, anyway, not later than 120 (one hundred and twenty) days after its issue.

In case the Faulty Components should have caused delays in the agreed terms of delivery, OCAP shall have the right to include in the debit note also the costs set forth in the Article 7.1.

On behalf of OCAP's:

On behalf of the Supplier's:

The Parties mutually acknowledge, pursuant to and by effect of the Articles 1341 and 1342 of the Italian Civil Code, to be subject to approval in writing of the following clauses of these Supply Specifications:

Article 4.2.3, comma 5: with reference to the irrelevance of the sampling approval on the Supplier's responsibility for any faults, defects or non conformities of any Components.

Article 4.2.3, comma 6 and 7: with reference to the consequences of the sampling non approval.

Article 6.3: with reference to the Supplier's reply to the Setup Observation.

Article 6.4: with reference to the Components subject to control action.

Article 6.5: with reference to delivery of non fully compliant Components.

Article 7.1: with reference to debit notes in case of delayed delivery.

Article 7.2: with reference to debit notes in case of Faulty Components.

On behalf of OCAP's:



On behalf of the Supplier's: