This Supply Quality Manual (from this point forward referred to as the SQM) applies to all Purchase Orders (from this point forward referred to as the Purchase Order) issued by MIPOT S.p.A., with registered office in Via Corona 5, 34071 Cormons (GO), legally represented by ing. Ivo Emili in the role of Managing Director (hereafter referred to as MIPOT or the Client), to each and every Supplier (as defined below), unless expressly exempted by specific written agreements between the Parties (MIPOT and the Supplier).

This SQM is also applicable to Purchase Orders issued before the date of signature of this document, with the express acceptance of its retroactive application.

In this SQM, terms in capital letters are defined as follows:

Definitions:

Supply Contracts: these are contracts for the Supply (as defined below) of Products. This type of contract is agreed upon between MIPOT and the Supplier on a case-by-case basis;

Technical Documentation: this is the document mutually agreed upon between MIPOT and the Supplier. Technical Documentation defines the technical, functional, quality and reliability characteristics of a specific Product, such as but not limited to: technical data sheets, drawings, specific requests, standards and regulations (Annex SQM2);

Product Declaration of Conformity (DoC): this is the declaration of conformity with the Technical Documentation and the Current Applicable Regulations and Standards (as defined below). It is issued by the Supplier in compliance with the ISO 17050 - 1/2 standards;

Declaration of Conformity to the Current Applicable Regulations and Standards: this is the declaration of conformity referred to the Current Applicable Regulations and Standards (as specified in Annex SQM2) relating to each production batch of the Product. The supporting documentation (technical data sheets/migration analyses and any other evidence of Product conformity) must be made available to the Client upon request, no later than one day after the request has been submitted and in any case at least once a year;

Supplier: this term identifies the entity that signs this SQM and/or that is issued a Purchase Order by MIPOT and/or that is the party that has established an additional and specific Supply Agreement with MIPOT in relation to the Products;

Supply: this term defines, generally and depending on the specific context in which it is used, the Purchase Order, the specific Contract for the Supply of Products established between MIPOT and the Supplier, or the object and/or execution of these contracts;

Supply Quality Manual (SQM): this refers to this agreement between MIPOT and the Supplier, including all its annexes, which form an integral part of this agreement;

Raw Material (RM): is defined as the materials used in the manufacture of a Product;

Non-Conformity (NC): any failure to meet a technical/qualitative requirement and/or deviation in the characteristics of the Product with reference to the Technical Documentation and/or the provisions and specifications of an individual Purchase Order;

Current Applicable Regulations and Standards: these are the regulations and standards referred to in paragraph 3 below, in addition to any other regulations and standards which are in force and applicable in relation to the Product which is the subject of the Contract and/or which are in any way relevant to the purpose of the Supply;

Product: this term identifies all the goods that are the object of a Supply, which are listed in Annex SQM1;

Supplier Reports: this identifies any reports submitted by the Supplier relating to situations of Product quality risk in relation to the procurement requirements established by MIPOT; if these situations of quality risk are repeated, Non-Conformities have the potential of being generated;

Vendor List: this is the list of vendors or suppliers that supply goods and/or services to the Supplier. This is a list of entities that have been approved by MIPOT;

Vendor Rating: this is the processing and elaboration of performance and quality performance data of the Suppliers of MIPOT.

1. Introduction

1.1 The scope of this SQM is to define the general rules for the management of Product quality in the context of the relation between the Supplier and the Client, to achieve the objective of the sustained improvement of the Supply.

1.2 This SQM is applied in order to establish cooperation between the Client and the Supplier with regard to the Supply in the areas of technology, quality, responsibility and reaction times.

1.3 The Supplier must at all times demonstrate its commitment to sustained improvement; MIPOT may at any time request evidence of the measures that have been implemented to achieve this objective.

1.4 The Supplier is under the obligation of guaranteeing the quality of the Product in compliance with the Technical Documentation (Annex SQM2) through the use of the most advanced and state-of-the-art technology.

1.5 The Supplier is under the obligation of examining and evaluating the feasibility of the Supply of the Product, using the form in Annex SQM3, before submitting any quotation and/or executing any Purchase Order. The Supplier is also required to report any potential issues that may compromise the quality of the Product and/or the compliance of the Product with the Technical Documentation (Annex SQM2). If the documentation issued by MIPOT does not allow the Supplier a complete review of the feasibility of the Supply of the Product, the Supplier must immediately notify MIPOT and request the additional information required for this specific purpose.

1.6 The Supplier is also under the obligation of performing all the necessary inspections to guarantee the conformity of the Product with the Technical Documentation and to guarantee the safe use of the Product. It is not the policy of MIPOT to carry out functional, dimensional and other inspections on the Product. The Supplier is therefore required to perform its work under self-certification and to issue a Product Declaration of Conformity for each shipment/delivery in addition to any other document requested by the Client in order to certify the inspections that have been performed.

1.7 In the case of custom Products, MIPOT is required to approve the Production Flow Chart, the Quality Plan and the Production/Manufacturing Control Plan that the Supplier has designed for each product, without prejudice to the full responsibility of the Supplier to guarantee the quality of the Product and total compliance with the requirements of MIPOT as specified in the Technical Documentation (SQM2) if these requirements are requested by MIPOT from the Supplier. The Supplier must submit a written request to MIPOT and receive written approval before proceeding with any change to what has been planned and approved in the Production Plan and/or the Production Control Plan.

2. Costs and responsibilities of Non-Conformities

2.1 Whenever the Client verifies an NC, whether at material acceptance, on the production line or at the premises of the end customer, this will be notified to the Supplier using the 8D report form (Annex SQM4). The Supplier is always charged EUR 150 (one hundred and fifty euros) for the cost of processing and managing an NC.

2.2 The Supplier is under the obligation to provide MIPOT with a written response within twenty (20) hours from the receipt of the NC notification, filling in the fields provided in the specific NC form (Annex SQM4) and indicating the containment measure that is going to be implemented. The Supplier must report the identification of the root cause of the NC and the corresponding corrective measure within six (6) days of the NC notification unless the Client specifies other requirements in the same form that require different response times in order not to jeopardise the continuity of production.

2.3 The Supplier is required to implement the corrective measure in the shortest possible time and in any event not later than one month after the corrective measure has been defined in compliance with the preceding paragraph. It is agreed that Product Supplies made during this period must be guaranteed by an effective containment measure that has been approved as an effective containment measure by the Client. Any deviation from the time of implementation must be authorised in writing by the Client.

2.4 Once the implementation of the corrective measure has been determined, the Supplier undertakes to guarantee the effectiveness of the corrective measure with the necessary inspections by submitting the relevant reports (e.g. dimensional reports, functional inspections, etc.). The Client reserves the right to verify the effectiveness of the corrective measure implemented by the Supplier on the first five (5) delivery batches following the implementation of the corrective measure by the Supplier.

2.5 If the corrective actions introduced by the Supplier prove to be ineffective, the Customer is entitled, at its sole discretion, to implement the following procedures:

a) require additional corrective actions until the problem is definitely resolved

b) cancel the Purchase Order in whole or in part;

c) reclassify the Supplier, possibly suspend the Supplier and/or exclude the Supplier from the MIPOT list of qualified suppliers;

d) withdraw from the Contract for the Supply of Products.

2.6 The costs of managing Non-Conformities, including sorting costs, return costs, any downtime costs and any other direct or indirect costs resulting from the NC, are charged to the Supplier (Annex SQM5), without prejudice to compensation for any greater damage that is sustained directly and/or indirectly.

2.7 The Escalation Process

MIPOT reserves the right to implement, at its sole and undisputed discretion, the following Escalation Process, in any situation that may create a situation of quality risk for the Product:

CSL1

MIPOT may enforce this process when the Supplier has received multiple and recurring NCs/deviations/warnings.

The supplier is required to select all the goods that MIPOT considers critical (quality to be certified), irrespective of the location of the goods, for a period of time that guarantees the quality required by MIPOT.

CSL2

MIPOT may apply this process if the Supplier continues to supply batches of Products affected by an NC, irrespective of the selection made by the staff of the Supplier.

MIPOT imposes selection by an external/third party approved by MIPOT on the Supplier.

CSL3

MIPOT may apply this process when, despite the selections, quality problems persist, thus jeopardising the continuity of production to the end customer of MIPOT.

An external consultant chosen by MIPOT (whose fees are borne by the Supplier) is imposed on the Supplier for a period of time that allows the Supplier to comply with the quality/delivery parameters required by MIPOT.

It is understood that it is at the discretion of MIPOT to apply an Escalation Process and/or terminate the Contract for the Supply of Products, based on a reasonable assessment of the seriousness of the consequences generated by an NC.

3. Compliance with Current Applicable Regulations and Standards

3.1 The Supplier is under the obligation of updating the supplied Product(s) to the latest revision and integration of the Current Applicable Regulations and Standards that are applicable at the time of delivery, also from the point of view of the safety and quality of the Product(s) as well as in terms of environmental and health protection.

The Supplier also guarantees and declares that, if the Products are manufactured in a foreign country, the Products have been duly released for free circulation and made available on the market and that they are in all cases in compliance (also from the scope of packaging, documentation, marking and information obligations) to be released for sale in Italy and the market of the European Union, in compliance with all the Current Regulations and Standards in force at the time of purchase (customs, fiscal, technical and, more in general, any and all other Rules governing the entry of goods on the EU and Italian markets).

3.2 The Supplier is therefore required to provide a Declaration of Conformity with the Current Applicable Regulations and Standards, including compliance with the applicable Laws for each Product batch: this Declaration must certify the fulfilment of these requirements (included in Annex SQM2).

3.3 The Supplier undertakes to indemnify the Client against any liability and burden, direct or indirect, resulting from any failure to comply with Current Applicable Regulations and Standards or any other obligation specified in this SQM and Annex SQM2.

3.4 Any amendment or variation to the Current Applicable Regulations and Standards that requires a modification of the Product, obliges the Supplier to immediately update its production and/or manufacturing cycles and to inform the Client of any modification of the Product. In any case, the Supplier is liable for any formal and/or substantial defects in the supplied Product and for any breaches or infringement of the Current Applicable Regulations and Standards specified above.

3.5 Any direct and/or indirect damage caused to MIPOT as a result of non-compliance with the provisions of this paragraph 3 is the direct responsibility and at the full expense of the Supplier, without prejudice to any greater damage.

3.6 The Products must be supplied with the required certifications, the appropriate instructions, manuals and/or warnings for use and installation, the labels and all the information necessary or appropriate to be provided to the Client and the end user, all of which must be in the Italian language.

3.7 If Products with defects that have the potential of causing damage to property and/or persons are identified, the Supplier is under the obligation to immediately execute, under its own responsibility and at its own expense, all the necessary inspections and to take all the required measures/actions to verify and ensure the safety of the Products included in the same series delivered or to be delivered to the Client, and to immediately notify and inform the Client and, if necessary, the competent Authorities of the results of all these inspections and measures/actions.

4. Production site inspection visits

4.1 The Client and each of its customers and external consultants are entitled to be present at every stage of the manufacture of the Product. For this reason, the Client and each of its customers and external consultants have the right, at their discretion, to carry out inspections of the production process and to take samples and carry out checks at all stages of production and sale: on the finished Product, on the raw materials and the production sites. The Client has the right to request from the Supplier, free of charge, any samples of the Product necessary for the purpose of checking and inspecting the Product and all the processes described above.

4.2 The Client is entitled to carry out, on its own account, with the aid of external consultants and/or with its own customers, inspections and/or audits, giving advance notice of 15 working days to the Supplier, in compliance with the scheme described in Annex SQM6 and/or any other regulatory scheme (e.g. VDA 6.3), as specified in the request for an inspection visit. If the request for an inspection visit is the result of an NC, MIPOT is entitled to carry out the inspection with less than 15 working days' notice and the Supplier undertakes to make the visit accessible unless there are serious reasons which make it impossible for MIPOT and/or its End Customer to complete the inspection within the requested time frame.

4.3 The Supplier undertakes to ensure the presence of the managers responsible for each of the relevant areas during the inspection visits. These staff members are obliged to provide the necessary information in relation to their areas of responsibility as well as any assistance during the inspection visit. The duration of the inspection visit will be proportionate to the time required to inspect all the required areas, including the review and examination of documents and interviews with managers, up to a maximum of one working day. Following the inspection, a qualification score is established based on the findings and information gathered. The Supplier is also informed of any improvement measures/actions which are necessary in order to achieve compliance with the required and requested standards.

5. Homologations of New Products

5.1 Products must pass the approval tests specified in Annex SQM7 (List of Product Approval Tests) before they are released into a production cycle. The delivery of the samples for approval must be supported by dimensional measurements performed on at least 30 (thirty) parts: all the dimensions specified in the drawing and the dimensions identified by the Supplier as critical for its process must be recorded. Records of all measurements must be kept by the Supplier for at least ten (10) years and must be submitted to MIPOT within one (1) day of receiving a request for these records.

5.2 The timeframe for final approval depends on the types of tests according to SQM7 (List of Product Approval Tests).

5.3 If specified, MIPOT is entitled to require that the batch delivered by the Supplier for the homologation of a new Product is supported by an FAI (First Article Inspection), in compliance with the EN9102 standard, or by a Production

Part Approval Process, in accordance with the latest revision of the Automotive Industry Action Group (AIAG) Manual, including the level of approval required.

5.4 MIPOT requires its Suppliers of Custom Products to be able to demonstrate (through Gage Repeatability and Reproducibility - R&R) the availability of the necessary production capacity to meet the requirements of MIPOT in terms of quantity and process repeatability (Process Capability Index: CpK >= 1.33 for all Product characteristics, except for characteristics marked as critical and for which the threshold of CpK >= 1.67 is required).

5.5 MIPOT requires its custom Product suppliers to deliver their own Production and Control Plan and their own Quality Plan.

5.6 MIPOT requires Suppliers to have their own Risk Assessment Plans to ensure business continuity. MIPOT is entitled to inspect and review the Plans and must be informed of any amendments to the Plans within 10 working days of any such modifications.

6. Documents required at Delivery and Traceability

6.1 The Supplier is required to ensure the traceability of the supplied Product and the Raw Materials used to manufacture the Product. In addition: if a test/inspection is requested on a delivered batch, the Supplier is under the obligation to provide proof of the applicability and functionality of the tracking system within 8 hours of the request.

6.2 The Supplier is under the obligation to submit the following documents with each delivery of Products to MIPOT: Certificates of Conformity (CoC) in compliance with the ISO 17050 - 1/2 standards. These documents must be sent one day before the delivery date, by sending an e-mail to quality@mipot.com. If the requested documents are not received on time, MIPOT is entitled, at its sole discretion, to accept or reject the delivery.

6.3 The Supplier is under the obligation to store all the CoCs and the relevant records of the inspections as well as the quality assessment documents agreed with MIPOT for 15 (fifteen) years and to submit these documents to MIPOT no later than one day after a request by MIPOT.

6.4 Upon request and where specifically requested by MIPOT, the Supplier is under the obligation to enter Product data into the International Material Data System (IMDS) system.

6.5 For the delivery of a Printed Circuit Board (PCB), a corresponding CoC is required for each delivery.

The CoC must report:

- a 100% electrical test;
- a dimensional inspection and verification certificate;
- a trace clearance certificate;
- metallographic test specimen (where specified).

A maximum deviation is also allowed: each panel must not contain more than 20% of individual waste PCBs.

The number of panels containing one or more scrap PCBs must not exceed 20% of the total.

Scrap must be visibly and identifiably marked from the pick and place stage and throughout the Surface Mounting Device (SMD) process.

Quantities indicated on Purchase Orders are subject to a tolerance threshold ranging from 0 (zero) to +1% (one per cent).

Acceptable quantities are therefore only those quantities which are within this tolerance threshold rounded up to the nearest multiple of the panel.

Any Printed Circuit Board (PCB) delivered to Mipot in execution of the Supply must strictly have been produced no later than 12 calendar weeks prior to the delivery date.

7. The management of modifications to the Product

7.1 The Supplier is prohibited from modifying the Product or the production process without written authorisation from MIPOT.

7.2 Any Product modifications or process changes required by the Supplier must be notified to MIPOT at least 6 (six) months in advance unless otherwise authorised in writing by MIPOT, in order to allow the necessary testing to validate the modifications and/or replace the Product.

7.3 If the changes to the product or process requested by the Supplier jeopardise the MIPOT homologation process, MIPOT is entitled, at its sole and unquestionable discretion, to take any of the following:

- issue a last buy order;

- cancel all or part of the order and/or contract for the Product and any related contracts or Products.

7.4 If the modifications to the Product or the process required by the Supplier result in costs for the Client (whether direct or indirect), these costs are entirely at the expense of the Supplier.

8. The self-monitoring system and the verification of critical points (the Quality System of the Supplier)

8.1 The Supplier is required to guarantee that production is executed in accordance with good manufacturing practice, which includes ensuring production hygiene, monitoring of critical points in the processes, document management, and/or any quality system certifications (for example, ISO 9001, IATF16949, EN9100, etc.). The Suppliers must be ISO 9001 certified as a minimum requirement. The Supplier must also be prepared to undertake the process for IATF 16949/EN 9100 certification if this is considered necessary by MIPOT.

8.2 The Supplier must guarantee the cleanliness and hygiene of the packaging and its conformity and suitability for transport and storage. Where specified, The Supplier is required to strictly adhere to the packaging specifications prescribed by MIPOT.

8.3 The Supplier undertakes to guarantee the integrity of the packaging for the safety of all operators during handling.

8.4 All hazardous materials must be clearly identified and marked in compliance with the Laws and Current Applicable Regulations and Standards in force at the time of delivery.

9. Vendor Rating

9.1 MIPOT undertakes to communicate the quality targets for the Supplier once a year and to inform the Supplier of the progressive value of the Vendor Rating every four months. The Vendor Rating is calculated according to the criteria defined in Annex SQM8.

10. Applicable Law and Court of Jurisdiction

10.1 This SQM is governed by Italian law, with the exclusion of the provisions contained in the Regulations on private international law/conflict of laws and international conventions relating to the international sale of goods.

10.2 Any dispute or litigation of any type whatsoever relating to, resulting from or in any way connected or subordinate to the provisions of this SQM is assigned and subject to the exclusive jurisdiction of the Court of Milan, in Italy.

11. Annexes

SQM1 List of the Products that are the object of the Supply

SQM2 Technical Documentation and Current Applicable Regulations and Standards

SQM3 Non-conformity report - Management of the 8D module

SQM4 Inspection visit form

SQM5 Homologation Test

SQM6 Vendor rating

[Signatures]

MIPOT S.p.A.

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Name: Ivo Emili

Qualification: Managing Director

The Supplier

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Name: _____

Qualification: _____

Pursuant to article 1341, paragraph 2 of the Italian Civil Code, the Supplier declares that it has carefully and accurately read and understood the content of this SQM and expressly accepts the clauses contained in the following Articles: 2. Costs and Responsibilities of Non-Conformities; 3. Compliance with Current Applicable Regulations and Standards; 4. Production Site Inspection Visits; 7. The management of modifications to the Product; 10. Applicable Law and Court of Jurisdiction.

The Supplier

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Name: _____

Qualification: _____

Annex SQM1: List of Products

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Annex SQM2: Technical Documentation and Current Applicable Regulations and Standards

The Products are subject to the following Regulations and Standards (if applicable):

Regulation/Standard	Products	Notes	Exceptions
ISO IEC EN 80079-34	Components reported as EX in the following Products:		
ISO 14001	The Certification of the Environmental Management System of the Supplier (preferred)		
ISO 9001	The Certification of the Quality System of the Supplier.	This is a minimum requirement. The IATF 16949 certification is a requirement.	
SAE AS9102 FAI	List of Products		
AQAP 2110	List of Products		
UNI 2859	List of Products		
REACH	All the Products		
ROHS	All the Products		
CONFLICT MINERALS	All the Products		
TSCA			
POPs			
EU Battery Directive			
ISO 17050 -1/2			
ANSI/ASQC Z1.4 (0.15%)	List of Products		

The Products are subject to (if applicable) the following regulations and standards:

SQM3 Non-Conformity Report - Management of the 8D module

D1	GRUPPO DI LAVORO / WORK TEAM	
#	Nome e cognome / Name and surname	Reparto / Department
Team Leader		
1		
2		

D2	NON CONFORMITA' / NO CONFORMITY
	Descrizione / Description

D3	AZIONI DI CONTENIMENTO/ CONTAINEMENT ACTIONS		
Nr.	Descrizione / Description	Responsabile/Owner	Data/date

D4	ANALISI CAUSA PRINCIPALE / ROOT CAUSE ANALYSIS
	Descrizione / Description

D5	AZIONI CORRETTIVE / CORRECTIVE ACTIONS		
Nr.	Descrizione / Description	Responsabile/Owner	Data/date

D6	VERIFICA EFFICACIA AZIONI CORRETTIVE / EFFECTIVINESS OF CORRECTIVE ACTIONS		
Nr.	Descrizione / Description	Responsabile/Owner	Data/date

D7	AZIONI PREVENTIVE / PREVENTIVE ACTION		
Nr.	Descrizione / Description	Responsabile/Owner	Data/date

D8	RIUNIONE CONCLUSIVA / CLOSING MEETING	
Descrizione / Description	Responsabile/Owner	Data/date

SQM4 Inspection visit form

The assessment parameters of an inspection visit are as outlined below:

Technical documentation (Documentazione tecnica)
Completeness/Updating/Availability (Completezza/aggiornamento/disponibilità)
Customer requirements vs Product requirements (Requisiti cliente vs Requisiti Prodotto)
Classification of Characteristic (Classificazione delle caratteristiche)
Link/Interface for production planning (Link/Interfaccia per la pianificazione della produzione)
Certification QSA (Certificazione Qualità Sicurezza Ambiente)
IMDS

Controls and tests on Purchased Parts (Controlli e test sulle Parti Acquistate)
Identification and classification of eligible suppliers (Identificazione e classificazione dei fornitori idonei)
Recording of controls (Registrazione dei controlli)
Self-certified suppliers' declaration of conformity (Dichiarazione di conformità dei fornitori in autocertificazione)
Control cycles and approval of components (Cicli di controllo e approvazione componenti)
Personel qualification verification (Verifica della formazione del personale)
Management of non conforming Products (Gestione dei componenti non conformi)
Adequacy of packaging and storage (Adeguatezza dell'imballo e dell'imagazzinamento)
Identification of materials and of control status (Identificazione dei materiali e dello stato di controllo)
Verificaton of adequacy of control methods during the product audit (Verifica dell'adeguatezza dei metodi di controllo durante l'audit di prodotto)
Verificaton of personal training during the product audit (Verifica della formazione personale durante l'audit di prodotto)
Approval of suppliers components (Approvazione dei componenti dei fornitori)

Manufacturing
Production planning and preliminary verification (Pianificazione della produzione e verifica preliminare)
Machine capabilities (Capacità delle macchine)
Existance and adequacy of a flow chart and working cycle (Esistenza ed adeguatezza di un diagramma di flusso e ciclo di lavoro)
Detection of process parameters and process capabilities (Rilevamento e registrazione dei parametri di processo)
Production capacity - run&rate (Capacità produttiva) - run&rate
Set up and start up procedure and registration (Procedure di set up e start up e registrazione)
Personal qualification and training verification (Verifica della adeguatezza e training del personale)
Adequacy update of control Cycle and recording of control results (Aggiornamento dell'adeguatezza del ciclo di controllo e registrazione dei risultati dei controlli)
Management Reference Samples (Gestione dei campioni di riferimento)
Traceability of components and of control results (Tracciabilità dei componenti e dei risultati dei controlli)
Control/measurement equipment verification, adequacy etc (Verifica/adeguatezza, aggiornamento etc dei sistemi e strumenti di misura)
Scrap management (Gestioni scarti)
Reworks/touch up/Repair Management (Rilavorazioni/ritocchi/Gestione riparazioni)
Adequacy of packaging (Adeguatezza degli imballi)
Maintenance and cleanness of lines/machine/equipment (Manutenzione e pulizia delle linee/ macchinari/strumenti)
Verificaton of personal training during the product audit (Verifica della formazione personale durante l'audit di prodotto)

Finished product/Outgoing Quality
Identification of finished products (Identificazione del prodotto finito)
Traceability (Tracciabilità)
Packaging (Imballo)
Outgoing quality audit and controls (Audit sulla qualità in uscita e controlli)
Non conformity management (Gestione non conformità)
Verification on training and qualification of personell (Verifica del training e adeguatezza del personale)
Traceability of safety related components (Tracciabilità dei componenti legati alla sicurezza)
Verificaton of adequacy of control methods during the product audit (Verifica dell'adeguatezza dei metodi di controllo durante l'audit di prodotto)
Verificaton of personal training during the product audit (Verifica della formazione personale durante l'audit di prodotto)

SQM5 Homologation test

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SQM6 Vendor rating

The Vendor Rating (VR) is calculated and analysed every six months by QUA in cooperation with UA**.**

The overall Vendor Rating of each Supplier, which is expressed on a scale from 1 to 100 (in hundredths), is calculated as the average of the parameters of Quality (QUA) and Logistics (OTD), weighted by a demerit index, which is defined by the following formula:

VR= 0.50*QUA + 0.50*OTD - DI

DI - Demerit Index:

- -5% for up to 3 cases of missing and/or incomplete documentation in support of a delivery (CoC, material certificates, packing lists, etc.).
- -10 % for more than 3 cases of missing and/or incomplete documentation in support of a delivery (CoC, material certificates, packing lists, etc.).
- -10% for a delay in the correct management of an 8D report
- -5% for a delay in the receipt of proposals
- 20% for field recalls for causes/reasons attributable to the Supplier

The VR is processed by formulating an overall judgement as outlined below:

VR SCORE	JUDGMENT	MEASURE
From 91 to 100	Excellent	No corrective measure is required
From 80 to 90	Good	Suggested improvement
From 79 to 70	Satisfactory	Corrective Actions
From 0 to 69	Unsatisfactory	Audits, the possibility of implementing shock programmes (SQBP) and/or a New Business Hold (NBH)