

# Axtone Group Supplier Manual

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## 2.0 PURPOSE

The purpose of the document is to formally provide the Suppliers of Axtone Group with the requirements resulting from the requirements of supervisory and certifying authorities of Axtone Group, the requirements of the Customers of Axtone Group as well as the business standards of Axtone Group.

## 3.0 RESPONSIBILITY AND SCOPE OF APPLICATION

### 3.1 SCOPE OF APPLICATION:

The document applies to:

- Suppliers of Axtone Group
- Employees of Axtone Group

### 3.2 RESPONSIBILITY

- The Suppliers' Quality Engineer shall be responsible for preparing and updating the manual.
- The Supplier and employees of Axtone Group shall be responsible for following the manual.
- The Suppliers' Quality Engineer shall be responsible for training the employees of Axtone Group

## 4.0 RELATED DOCUMENTS

### 4.1 EXTERNAL STANDARDS

ISO/TS 22163:2017

ISO 9001

PN-EN 10204

### 4.2 APPENDIXES AND FORMS

OLF - Periodic supplier assessment sheet

OLF – 0007 Delivery non-compliance report

ZJF-2 - First article inspection report – FAIR

ZJF – 0007 Permission card

## 5.0 DEFINITIONS AND ABBREVIATIONS (OPTIONAL, IF USED IN THE PROCEDURE/MANUAL)

### 5.1 DEFINITIONS

<b>Supplier</b>	The organization (enterprise) delivering a product or service to Axtone Group.
<b>Special process</b>	A process used in manufacturing or maintenance where the conformity of the product obtained cannot be readily established without performing a destructive analysis before use.
<b>First Article Inspection</b>	A complete, independent and documented process of controlling physical and functional characteristics of the product to verify whether the described production methods result in a product that can be approved as specified in the technical documentation, purchase order and other design documentation.

### 5.2 ABBREVIATIONS

Abbreviation	Definition
FAI	First Article Inspection
QMS	Quality Management System

NOTE: The abbreviations of functions correspond to the valid organizational chart of the Company.

## 6.0 GENERAL REQUIREMENTS

### 6.1 QUALITY REQUIREMENTS

The suppliers of the Axtone Group are required to establish an QMS compliant with ISO/TS 22163, ISO 9001 or equivalent, respectively, depending on their categorization referred to in the OLI-4 Strategy, categorization and assessment of suppliers.

The Suppliers of Axtone Group shall be required to:

- have the QMS certified by an independent accredited certification body and demonstrate the compliance with the minimum Health and Safety and Environmental standards,
- define and monitor key indicators to ensure the quality of deliveries, timely performance, customer satisfaction and take corrective actions if those conditions are not met,
- perform controls and/or internal audits including the verification of the compliance with the requirements of Axtone Group during the execution of the purchase orders placed by Axtone Group ,

- conducted by trained and competent auditors, and close corrective actions within a maximum of 90 days (records required),
- d) ensure readability of the records related to the production for Axtone Group and ensure their availability on request within 24 hours,
  - e) keep the documentation and quality records for a minimum period of 15 years, and after that period, destroy or keep them in such a manner as to prevent their disclosure outside the Supplier's business activity resulting from the purchase order under execution,
  - f) appoint the personnel responsible for product quality (taking into account all production changes) and ensure that this personnel is adequately trained in quality requirements that apply to the execution of the purchase orders for Axtone Group (when working both directly and indirectly),
  - g) create a risk management area to ensure the continuity of supplies to Axtone Group,
  - h) preserve the traceability of products/services throughout the entire production process,
  - i) apply the 5S rules in the production area,
  - j) inspect the goods and/or services purchased by itself to execute the purchase orders placed by Axtone Group and keep the evidence of such inspections,
  - k) monitor its subcontractors by verifying the quality and times of deliveries (as a minimum)
  - l) define key machines and equipment used for production and develop an effective plan to maintain their reliability,
  - m) provide safe facilities for storing products, equipment, tools and materials,
  - n) communicate all requirements of Axtone Group to its sub-suppliers if its processes are outsourced.

## **6.2 ADDITIONAL REQUIREMENTS**

The Supplier shall be required to inform the Buyer of Axtone Group in each case if:

- a) the certificates granted to it expire, and to send copies of certificates should they be renewed (in both cases within 2 days of the change in validity or renewal),
- b) any significant inconsistency is found by the Supplier or external auditors which may have an adverse effect on the products/services provided by the Supplier to Axtone Group,
- c) a material change is made in the Supplier's Quality Management System that may affect the execution of the purchase orders placed by Axtone Group ,
- d) a change is made in the production process which affects the quality/availability of the product/service.

If the provisions of this Manual are not equivalent to or are in conflict with the requirements of the purchase order (agreement or contract), the wording of the purchase order shall prevail.

If the revision of this Manual is changed, Axtone Group shall submit the current version to the Supplier. The Supplier shall be required to implement the new requirements within 14 days from the date of receipt of the new revision of the Manual from Axtone Group.

## **6.3 SPECIAL PROCESSES**

If the process carried out at the Supplier's has been specified as a special process in the purchase order, the Supplier shall be required to monitor and keep records of the process. It may be required to have the special processes approved by a representative of Axtone Group. The process may be approved on the basis of a process audit conducted by a representative of Axtone Group and/or the process documentation submitted by the Supplier. Any changes to the approved special process shall require a written notice and re-approval by Axtone Group. The processes identified as special are listed below:

- a) Heat treatment,
- b) Adhesive bonding and sealing,
- c) Foundry/moulding,
- d) Clamping,
- e) Pressing or heat bonding,
- f) Forging,

- g) Surface treatment (painting, shot blasting, coating, corrosion protection),
- h) Welding,
- i) Plastics processing,
- j) Riveting,
- k) Tightening torque.

The Supplier shall be required to provide all information regarding the process to the representative of Axtone Group. For each special process carried out by the Supplier of Axtone Group, a validation is required, the results and records of which must be presented to the representative of Axtone Group, if applicable. The Supplier shall validate and supervise every production process and service delivery process if the results of the process cannot be verified by monitoring or measurements and consequently errors are revealed only during the use of the product or after the service has been provided. The personnel carrying out special processes must be identifiable, trained and authorized.

NOTE: castings, forgings and welded elements are products of critical importance to Axtone's customers.

#### **6.4 AXTONE GROUP QUALITY AUDIT**

The audit may be performed to approve the Supplier, approve a special process, verify documentation (including quality records) in respect of the purchase orders placed by Axtone Group and executed by the Supplier, as well as to verify the conformity of products and processes. Axtone Group reserves for itself, its Customer and selected supervising authorities or entities the right to audit the Supplier and its sub-suppliers, depending on where the requirements of the purchase orders placed by Axtone Group are met.

If any sudden factors are identified (e.g. gross discrepancies, negative assessment of the audit conducted by the representative of Axtone Group or any other institution), Axtone Group has the right to suspend the supply and/or production at the Supplier's. Should this happen, Axtone Group reserves the right to conduct an additional audit of the Supplier. During the audits, the Supplier shall be required to provide unrestricted access to areas, documentation and data, which constitute the place and evidence of the fulfillment of the requirements of the purchase order placed by Axtone Group

If during the audit any inconsistencies or factors are identified which have an adverse effect on the product conformity, the Supplier shall be required to take immediate corrective actions in accordance with the schedule presented by the representative of Axtone Group and to report regularly on the progress of work.

#### **6.5 SURVEILLANCE OF A NON-CONFORMING PRODUCT**

The Supplier must specify the procedure to be followed in the event of any non-conformity identified in the process carried out for Axtone Group. The non-conforming products must be separated from the conforming products and stored in a specially designated place. The Supplier shall be required to take necessary measures to verify the impact of the non-conformity on other processes and/or products and take appropriate corrective actions. The Supplier shall be required to solve problems using the 8D methodology.

### **7.0 EXECUTION OF THE PURCHASE ORDER**

#### **7.1 COMMUNICATION BETWEEN AXTONE GROUP AND THE SUPPLIER**

Any communication between Axtone Group and the Supplier shall take place through the Buyer of Axtone Group, and if it is necessary to establish any specific structural, technical or quality details, the Buyer shall indicate a competent employee of Axtone Group, authorized to clarify the required issues.

All arrangements concerning the execution of the purchase order shall be made in writing, any e-mails shall be treated as written correspondence. Verbal arrangements shall not serve as basis for any claims.

#### **7.2 VERIFICATION OF THE ACCEPTANCE OF A PURCHASE ORDER BY THE SUPPLIER**

Before the execution of the purchase order is confirmed, the Supplier shall be required to review each and every purchase order and check whether the specifications and drawings referred to in the purchase order

are valid. It is required to check the availability of raw materials, machines, production equipment as well as processing and production capacity necessary to execute the purchase order. The Supplier shall also be required to obtain all relevant information necessary to execute the purchase order.

Axtone Group may make technical drawings and its own manuals available to the Supplier if they are required for the execution of the purchase order, provided that they have signed a non-disclosure agreement. The Supplier shall obtain any additional required documentation (standards, specifications, etc.) available in the internal and international trade and to ensure that only the most recent revision of this documentation is used (unless otherwise specified in the requirements).

If the standard or specification mentioned in the purchase order is withdrawn or replaced with a more recent release or other document, it is required to apply the document that replaces the standard or specification referred to in the purchase order.

Axtone Group shall inform the Supplier about the requirements for the product/service, its properties and, possibly, the method for performing specific operations through the purchase order. The additional information regarding the product/service shall be provided in the documentation referred to in the purchase order and/or in written correspondence. Any inaccuracies concerning the requirements shall be reported to Axtone Group by the Supplier and clarified before the start of execution of the purchase order.

### **7.3 PLANNING THE EXECUTION OF THE PURCHASE ORDER**

As part of the execution of the purchase order the Supplier shall systematically plan the required actions for each new and changed product. The planning shall apply to the components manufactured by the Supplier as well as parts purchased and services.

For the purpose of execution of the purchase order it may be necessary or helpful for the Supplier to use the material provided by Axtone Group. The Supplier shall be responsible for the property of Axtone Group while it is under the Supplier's control or used by the Supplier. It applies in particular to the preservation of full traceability of the material/instrumentation entrusted as well as the verification, protection and safeguarding of the property of Axtone Group provided for the purpose of execution of the purchase order.

The best practice is to inspect the material at the time of acceptance, prior to commencing the production at the Supplier's. If any non-conformity is detected in the material provided by Axtone Group which may affect the characteristics of the finished product, the detected non-conformity shall be immediately reported to the Buyer of Axtone Group (in writing). The non-conformity must be reported before the material is processed. It is recommended to suspend the production until instructions are received. It applies also in the situation when the property of Axtone Group is lost, damaged or otherwise deemed unusable. The Buyer of Axtone Group in turn shall be required to obtain information from authorized and competent employees of Axtone Group and to inform the Supplier how to handle the non-conforming product.

### **7.4 PURCHASE ORDER AND ITS EXECUTION**

The Supplier shall be required to immediately confirm the purchase order placed by the Buyer of Axtone Group within 3 working days of receipt of the purchase order.

Axtone Group shall inform the Supplier about the completion date by indicating this information in the purchase order. At the individual request of Axtone Group the Supplier shall prepare a detailed report on the progress of the execution of the purchase order. The report shall include the agreed wording and completion dates. Axtone Group reserves the right to verify the progress of the execution of the purchase order and the project at the Supplier's in the form of an audit conducted at the headquarters of the Supplier.

#### **7.4.1 Batch production approval procedure – FAI**

The Supplier shall be required to carry out FAI on a new product from the first production batch (the first product or group of products manufactured as a result of the planned process developed as a normal production process of these products to be used in the future) or if any significant change is made to the product/service delivered so far, as a result of which the previous results of the FAI are deemed invalid. A significant change shall mean the change of production location, disrupted production for over 1 year, change of the release and/or change of the drawing, change of the manufacturing method (if it may affect the results of the processes performed), changes in the special process (if approved by Axtone Group),

change of the requirements included in the purchase order which affects the production process of the Supplier. The Supplier shall be also required to carry out FAI at the express request of Axtone Group.

The results of FAI must be recorded according to the document ZJF-2 "FAI Report".

The results of the inspection of structural properties shall be expressed in a quantitative form (variables) if a given structural property is defined as a numerical limit value. The results shall be recorded in units specified in the drawings or in the technical specifications, unless otherwise agreed.

The property attribute (e.g. conforming / non-conforming) may be used if no assessment technique can provide a value for the variable. It is permitted to use the property attribute if the structural property is not defined as a numerical limit value (e.g. to blunt sharp edges). It is also acceptable when qualified instrumentation is used for the inspection.

If the purchase order does not contain other information, Axtone Group expects complete delivery in accordance with the quality documentation attached to the purchase order, including the FAI report. Axtone Group reserves the right to approve the process or product at the Supplier's. If any non-conformity with the requirements of Axtone Group is identified, the Supplier shall immediately adapt the production process to the customer's requirements.

### **7.5 EXECUTION OF THE DELIVERY TO AXTONE GROUP**

Axtone Group reserves the right to perform a full or random inspection of incoming materials, including the quantity of items delivered, quality requirements (the conformity in terms of dimensions, appearance and performance, documentation), the quality of packaging (including the level of protection against damage) and/or other requirements specified in the purchase order.

The Supplier shall secure the product during internal processing and delivery to the place of destination to comply with the requirements. Where applicable, the security measures taken with regard to the product shall include identification, packaging, storage and protection. The security measures shall be taken with regard to the product components. The security measures taken with regard to the product shall also account for the following in accordance with product specifications and/or relevant laws and regulations.

### **7.6 DOCUMENTATION OF THE DELIVERY TO AXTONE GROUP**

For every completed delivery the Supplier shall provide documentation in accordance with the requirements contained in the purchase order placed by Axtone Group, secured against loss or damage. Any missing or incomplete documentation shall serve as the basis for the initiation of a complaint procedure.

Every delivery documentation must contain a document confirming that the product or service has been delivered in accordance with the requirements set out in the purchase order. The document shall comply with EN 10204. As a minimum, a declaration of conformity 2.1 is required unless another document is specified in the purchase order.

The entity issuing the conformity document shall ensure that it contains information sufficient to enable Axtone Group to identify clearly all features of the supplier and the product batch.

The document confirming the conformity of the delivery shall include (depending on the type of document):

- a) A clear identification of the document (its number, type, standard number),
- b) The name and contact address of the supplier,
- c) The identification characteristics of the product or service delivered (e.g. all permanent markings on the product, name, batch/heat number, type, date of manufacture or model number of the product, summary description of the process, person or body and/or other relevant supplementary information). The description must comply with the naming of documents at AXTONE GROUP,
- d) The declaration of the product's or service's conformity with the requirements of the documentation,
- e) Full and clear list of standards or other specified requirements, as well as selected options, if any have been established,
- f) Results of all required checks and tests,
- g) Date and place of issuing the declaration,
- h) Signature (or an equivalent approval mark), name and title of the person authorized and acting on behalf of the supplier,
- i) All limitations of the validity of the declaration of conformity.

If the product is supplied by a subcontractor or an agent, they shall also provide the entire manufacturer's documentation prepared in accordance with the PN-EN 10204 standard, without any changes. If the subcontractor or agent has changed the condition or dimensions of the product in any way, they shall provide an additional document confirming these new characteristics of the product. Inspection documents shall be signed or affixed with a stamp of the person responsible for their acknowledgment.

#### **7.7 NON-CONFORMITY IDENTIFIED IN THE PRODUCT/SERVICE DURING THE PRODUCTION PROCESS AT THE SUPPLIER'S**

If any non-conformity to the requirements specified by Axtone Group is identified, the Supplier shall, at the time of identification, report every such non-conformity to the Buyer of Axtone Group, and may request that Axtone Group accept the derogation by sending a request for derogation – ZJF-0007 "Derogation Sheet". The Supplier shall have the right to make the delivery only after receiving an official confirmation of the possibility to deliver the parts covered by the request for derogation. The Supplier shall be required in each case to propose corrective actions in the request for derogation. The Supplier shall also be required to assess the effectiveness of the actions taken and report the result to the Suppliers' Quality Engineer of Axtone Group.

Axtone Group reserves the right to instruct the Supplier to carry out an additional obligatory inspection of the characteristics of the material ordered, confirmed by a measurement report. Axtone Group reserves the right to verify the effectiveness of the actions taken at the Supplier's. In addition, the non-conformities reported by the Suppliers shall affect the periodical assessment of the Supplier if they are attributable to the Supplier.

#### **7.8 NON-CONFORMITY IDENTIFIED IN THE PRODUCT/SERVICE DURING THE PRODUCTION PROCESS AT AXTONE GROUP**

If any non-conformity is identified in the goods/services delivered by the Supplier, the representative of Axtone Group shall notify the Supplier accordingly by sending an OLF-0007 "Delivery Non-Conformity Report", in which the Supplier will be informed in detail about the decisions of Axtone Group with respect to the goods/services complained about and the required methods of handling the complaint, i.e:

- immediate replacement of the defective product by the Supplier,
- repair of the defective product by the Supplier,
- repair of the defective product by Axtone Group at the Supplier's expense,
- reimbursement of the costs incurred by Axtone Group,
- other solution agreed with Axtone Group

The Supplier shall respond to the Non-Conformity Report within 24 hours of receiving it. The Supplier shall also be required to prepare corrective actions in the form of a structured troubleshooting procedure. The corrective actions and complaint handling procedure must be completed within 14 days of the date of making the complaint, unless otherwise agreed. If there is any defect, Axtone Group reserves the right to have the inventory of articles from a given Supplier already in the warehouse of Axtone Group inspected by an external service company on site, or have the defect corrected – the costs of operations shall be charged to the Supplier. The above-mentioned actions shall be taken to avoid costs that may arise in connection with delayed delivery to the customer of Axtone Group, disrupted production at Axtone Group, etc. After receiving the notification, the Supplier shall carry out an inspection of the next delivery in the quantity of 100% of the inspection confirmed by the measurement report.

The information about the costs charged shall be in each case indicated in the Delivery Non-Conformity Report. The costs presented in the above-mentioned document shall be settled in accordance with the information included in the Delivery Non-Conformity Report. The amount of the charge shall be determined by Axtone Group on a case-by-case basis and it depends on the need to adjust the production processes performed by Axtone Group so that the impact of any deviations on the features of critical importance for the quality of the finished product can be minimized, if possible.

Axtone Group shall have the right to suspend deliveries from the Supplier in the event of reservations as to the quality, timely completion of deliveries or lack of response to the recommendations made by Axtone

Group In the above situations, the Supplier shall not be entitled to make any claim due to the suspension or return of goods/services that do not meet the requirements.

## 8.0 ASSESSMENT OF THE SUPPLIERS

Axtone Group' Suppliers are subject to ongoing assessment in accordance with the OLI-4 Instruction Strategy, categorization and assessment of suppliers.

## 9.0 DOCUMENT HISTORY

### 9.1 DOCUMENT HISTORY TABLE

Version	Date	Change description
01	04/2015	Instructions created
02	08/2019	Entire document
03	10/2019	Delete point 4.2 (Attachments and forms) Adding item h) to item 6.1 Clarification of point 7.6 regarding requirements of delivery documents.
04	06/2020	Introduction of the cancellation of the OLI-4 Instruction Strategy, categorization and assessment of suppliers in point 6.1. Change of "Axtone" to "Axtone Group" in the text of the entire document. Change point 8.0
05	12/2020	Added in point 6.3 of the note: castings, forgings and welded elements are products of critical importance for Axtone's customers.