



ROMI

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Manual for Suppliers of ROMI Cast and Machined

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GLOSSARY

AIAG: Automotive Industry Action Group

APQP: Advanced Product Quality Planning

FMEA: Failure Mode and Effects Analysis

INDIRECT SUPPLIERS: Suppliers of products for internal use in our manufacturing unit, such as office supplies, computer supplies, uniforms, packaging, mechanical, electrical, electronic and civil construction materials, calibration services, transportation services, supplies, etc.

DIRECT SUPPLIERS: Suppliers of materials and/or services that after their processing are incorporated into the final product, such as processing services, Machining services, painting, deburring, heat/surface treatment, blasting and modeling.

SUPPLIES: These are products used to carry out Romi's manufacturing processes.

SQI: Supplier Qualification Index: Indicator used to monitor supplier performance on a monthly basis.

AUTOMOTIVE QUALITY CERTIFICATION: Certification according to technical standards that applies to organizations that produce automotive parts;

IMDS: International Materials Data System;

PPAP: Production Part Approval Process;

PRODUCT: Result of activities or processes that are marketed in the business segments of Indústrias Romi S.A. Generally the product may include services, parts, components, complete assemblies, processed materials, information, machines, etc.

PSW: Part Submission Warrant

PPM: Parts per Million: Indicator showing the rejection degree of the supplied products, obtained by calculating the amount of rejections divided by the total of pieces supplied times one million.

NCR: Non-conformity Report

INDÚSTRIAS ROMI S/A: It is understood as ROMI

Note: The definition of supplier category (indirect, direct or input) depends on analysis performed by Romi .

INTRODUCTION

This Manual was developed by Romi in order to guide all its suppliers regarding the minimum requirements necessary for the supply of items and/or services.

As an important channel of communication between Romi and its Suppliers, this Manual should be used by all companies, who wish to be or are already part of Romi's regular suppliers group, as a guideline for meeting the expected quality standards.

This Manual describes the supplier assessment system, the general conditions of supply and the methods used to monitor the performance of each supplier.

Romi's main quality objective is to guarantee the permanent satisfaction of its customers. And for this reason we want our suppliers to constantly seek continuous improvement to meet and exceed the expectations and requirements of this Manual.

OBJECTIVE

The main objective of this Manual is to define and regulate the requirements for the supply of Romi products. To meet Romi's requirements the suppliers must:

- a) Initiate appropriate systems and controls to ensure 100% timely delivery of products in conformity, free of defects;
- b) Manage its facilities, processes, quality systems and personnel so that, consistently and at fair cost, it can manufacture products and provide services that meet the needs of Romi and its customers;
- c) Develop and implement a documented Quality Management System based on the ISO 9001 standard;
- d) Also desirable for Suppliers of the Cast and Machined Unit the Automotive Quality Certification and ISO 14001;
- e) Provide objective evidence that all products and services meet international standards and customer requirements when requested; All products supplied to Romi S.A. must be produced with materials that meet government requirements related to safety, toxic and dangerous substances, environment, electrical and electromagnetic aspects, observing the regulations and legislation in force in Brazil. The supplier is responsible for knowing and applying the existing environmental regulations regarding its products, processes and waste both in Brazil and the final destination of its products.
- f) Use the appropriate statistical techniques to control and continually improve processes;
- g) Continuously improve processes, reducing their variation and eliminating all losses;

CONFIDENTIALITY

All matters dealt with suppliers must be considered as confidential, that is, under no circumstances should the matters addressed between Romi and the Supplier be brought to the attention of third parties without prior authorization from Romi.

The Supplier confirms this commitment upon receipt of the Supplier Quality Manual. Except in cases where Romi's Client requests the need to enter into a specific confidentiality agreement from a supplier.

Failure to comply with this requirement is subject to penalty and/or legal sanctions.

1. ASSESSMENT, REASSESSMENT AND SELECTION OF QUALITY SUPPLIERS

Romi reserves the right to assess, reassess, select and freely qualify its product suppliers within clear and standardized procedures.

Suppliers classified as DIRECT shall be subject to the Assessment, Reassessment and Selection criteria specified herein.

INDIRECT suppliers and *SUPPLIES* may be exempted from these procedures.

1.1 Assessment of Quality Suppliers

The Assessment procedure is designed to verify that suppliers are able to meet the requirements specified by Romi.

The Supplier who holds ISO 9001 certification must send a copy of the certificate to Romi whenever it is renewed. The monitoring will be carried out through the expiration date of the certificate;

If the Supplier does not have ISO 9001 certification, the company will be submitted to an assessment process as follows:

- Audits at company facilities made by Romi through an assessment form, and/or VDA Audit, requesting certifications and documents proving compliance with the minimum requirements necessary to be a Romi supplier or;
- Self-assessment, situation where the supplier is responsible for completing the form and sending;

The main requirements required by Romi for suppliers are those described in environmental legislation and ISO 9001 standard, highlighting:

- a) The supplier shall establish, document, implement and maintain a Quality Management System, continuously improving its effectiveness in accordance with ISO 9001.
- b) Autonomous Quality Area;
- c) Corrective action process implemented based on 8-step technique or equivalent;
- d) Procedures for process control;
- e) Procedures for identification of raw material, stock and parts in process;
- f) Process management by indicators.
- g) Accredited suppliers that have not supplied for more than 1 year should be submitted reassessment.

1.2 Reassessment of Suppliers

The Reassessment of suppliers will be carried out according to the criterion described below:

The Supplier who holds ISO 9001 certification must send a copy of the certificate to Romi whenever it is renewed. The expiration date of the certificate will be monitored.

The Supplier that does not have ISO 9001 certificate will be reassessed according to item 1.1.

Note: It is the responsibility of the supplier to keep Romi informed about the updates in the certifications its Quality, Safety and Environmental System. After the expiration date of the certificates, if we have not received the updated certificates, it will be considered invalid which, depending on the impact of the product supplied in the Romi final product, will prevent the material from being acquired.

1.3 Classification and Selection of Suppliers

The Self-assessment, Assessment or Reassessment forms are divided into groups of Requirements, based on the standards defined by ISO 9001. After the application of the forms with the suppliers, the results of the assessment must be analyzed and the pertinent actions taken, as per table below:

Score of Requirement	Attendance Level of Requirement	Classification of Requirement	Supplier Action
80 to 100%	Requirement met	Green	Send evidence that proves the score
50 to 79.99%	Partially met requirement	Yellow	Determine action plan or monitor supplier
0 to 49.99%	Requirement not met	Red	Set and execute action plan

The supplier must perform the actions defined in the above table within a schedule to be agreed upon with Romi.

Romi reserves the right to follow through with visits and/or audits the manufacture of the items or the performance of the services ordered by Romi.

Note: Suppliers deemed unsatisfactory may be used, through a supplier assessment meeting, in which it is approved by the participants because of specific characteristics or particularities that justify business with the same.

a) **With ISO 9001 certificate**

The expiration date of the certification will be monitored, however, in the development of new products and/or other activities, it will be required to present all the documentation according to Romi requirements and specific requirements of Romi clients when requested.

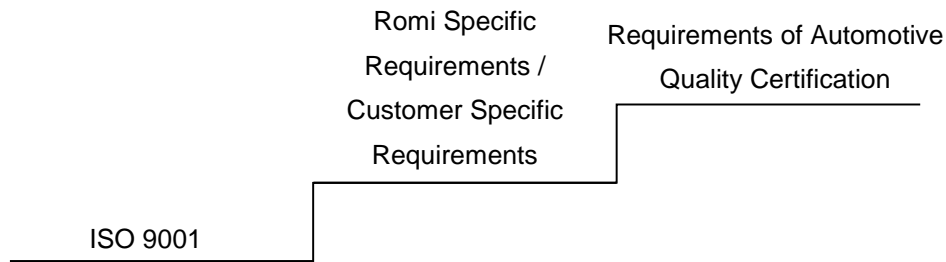
b) **With Automotive Quality Certification**

The expiration date of the certification will be monitored.

c) **Without Quality System Certification**

The schedule for the implementation of the quality system will be monitored and the products supplied to Romi may only be used by way of exemption from the customer.

Romi will carry out the development of quality management system its suppliers with the goal of complying with the Automotive Quality certification and the specific requirements of its customers. Compliance with ISO 9001 in its latest revision is the first step towards achieving this goal.



Note: Supplier is expected to have Environmental Preservation practices. In this sense the certification in ISO 14001 is recommended.

1.4 Financial Assessment

It will be eventually carried out in order to check the supplier financial condition.

2. GENERAL CONDITIONS FOR THE SUPPLY OF PRODUCTS AND SERVICES

The **GENERAL CONDITIONS FOR THE SUPPLY OF PRODUCTS AND SERVICES** are available on Romi's website (<http://www.romi.com/>).

3. QUALITY MANAGEMENT SYSTEM

- a) For samples, when requested, the supplier must send the respective PPAP with the submission level informed by Romi, according to the criticality of item.
- b) Upon request, Romi requires its suppliers to conduct the development processes in accordance with the requirements of the Automotive Quality Certification and the said AIAG manuals and in their current revisions, for new products and services. This item is applied when PPAP is required in item development.
- c) After the approved process with Romi no technical alteration is allowed without the prior consent of Romi. The supplier must communicate previously any change of the item/process, such as: code, design, technical characteristics, material/labor used, change or repair of tooling or equipment, Layout change, sub-supplier change of the subcontracted parts, materials or services (the supplier must ensure that its sub-suppliers take the necessary measures to fulfill the obligations assumed by it), use of inactive tooling, testing and measurement method change, new source of raw material. After notification of the proposed change, Romi sets the need (or not) for the submission of the PPAP, as well as the level and the reason for the submission to be applied to each case.
- d) Only after approval of the changes by Romi, the item may be provided. OBS: If necessary, Romi must request an exemption to the customer due to changes in products purchased.
- e) Supplier products shall not contain and/or use any substances which are prohibited or in excess of or subject to method restrictions as defined by specific customer requirements and/or regulatory agency regulations, including the Registration program, Assessment, Authorization and Restriction of Chemicals (REACH) listed in the REACH Applicants List, Declaration on Conflict Zone Minerals and IMDS.
- f) When requested the supplier must inform the PPAP and register on the website, www.mdsystem.com the information regarding REACH, IMDS and the declaration on conflict zone minerals.
- g) Romi establishes a goal in the index of the NCRs issued, aiming at the performance assessment of the deliveries of each supplier, which must meet this goal by delivering quality products free of non-conformity.
- h) Any supplier who is performing poorly on deliveries may not participate in new developments and be placed at the level of reassessment or disqualification.

- i) Suppliers who submit non-conformities will be liable to bear the non-quality costs incurred by Romi. The criteria used for the recovery of these costs are detailed in the General Conditions for the Supply of Products and Services, a document available on Romi's website (<http://www.romi.com/>).
- j) Suppliers of the Cast and Machined units must designate in their companies the person responsible for the Civil Liability for the Product and make this communication annually to Romi or when the responsible person changes.
- k) Every batch delivered in the Cast and Machined units of Romi must be accompanied by the Certificates inherent to the service performed (i.e. Certificates of Chemical, Physical, Dimensional/Visual analysis, etc.), with information on material, dimensional/visual and surface treatment, etc. (if applicable).
- l) The Supplier shall arrange and provide all necessary updates to the written prescriptions concerning the guarantee of the quality and reliability requirements of the products and services destined to Romi, in order to comply with the stated, unreported and regulatory requirements.

Such prescriptions must be available for verification when requested by Romi's competent departments.

3.1. Process Audits

The supplier classified as Direct will be audited periodically at intervals determined by Romi. Therefore, the supplier must allow Romi access on its premises and that of its sub-suppliers to verify that the product complies with the specified requirements, as well as to access information relevant to the processes impacting Romi products.

Romi will be able to perform system, process and/or product audits when necessary, applying the Self-Assessment, Check List or VDA models.

The periodicity of audits is described in the following table:

Audit Note (%)	Audit Periodicity
Note between 90 and 100	Reassessment in loco every 3 years + Annual Self-Assessment
Note between 80 and 90	Reassessment in loco every 2 years + Annual Self-Assessment
Note less than 80	Reassessment in loco every 1 year + Annual Self-Assessment

The corrective action plan for Non-conformities detected in the audit should be sent within a **maximum period of 15 days** after receipt of the report. Failure to meet this deadline will result in demerit in the Supplier's Monthly Assessment.

Note: Indirect Suppliers follow the criteria of item 1.3.

3.2 Record retention

All records relating to the manufacture/processing of parts for Romi shall be stored as specified in the specific requirements of the customers and as of the date of creation.

3.3 Updating of specific standards and requirements

Suppliers must comply with the latest versions of Specific Standards and Requirements applicable in the processes, contacting the responsible Engineering or Quality departments of the Cast and Machined Unit.

3.4 Client Property

The supplier is responsible for maintaining the integrity and quality of any type of material, product and/or tools and/or devices of the Romi while they are under its control or are still in use. Supplier shall identify, verify, protect and safeguard any property of Romi that is provided for use or incorporation into the product. In any situation that this property is lost, damaged or considered inadequate, it must be informed immediately to Romi and records must be kept.

3.5 Product Preservation

The supplier shall preserve the conformity of the product during internal processing until delivery to the specified destination. This preservation shall include identification, handling, packaging, storage and batch protection. Preservation should also be applied to the parts that make up a product.

The supplier must have a system to ensure the stock turnover of Romi-owned parts that have been subjected to certain types of work, such as "first-come-first-out".

3.6 Measuring and monitoring of the supplier performance

The indicators will be periodically calculated and used to continuously monitor the performance of each supplier. With the application of these, it will be possible to identify faults and improvement points, with the aim of constantly improving the quality of deliveries. The low result in these indicators may lead to disqualification of the supplier.

Any supplier that is performing poorly on deliveries may not participate in new developments and be placed at the level of reassessment or disqualification.

Suppliers who present non-conformities will be liable to bear the non-quality costs incurred by Romi. The criteria used for the recovery of these costs are detailed in the General Conditions of Supply, a document available on Romi's website (<http://www.romi.com/>).

Romi's supplier is responsible for meeting all requirements within the Supply Chain of Processes. This also includes ensuring that your sub-suppliers must use a quality assurance system to ensure compliance with all of the specific requirements and standards required by Romi.

3.6.1. Quality: PPM Index

The measurement and monitoring of quality performance will only be for the suppliers of SUPPLIES and DIRECT. The calculation formula is as follows:

$$PPM = (TOTAL\ OF\ NON-CONFORMING\ PARTS / TOTAL\ OF\ SUPPLIED\ PARTS) \times 1,000,000$$

3.6.2. Monthly SQI: Earnings Release

The Supplier Quality Index (SQI) quantifies the suppliers' performance and must be published monthly, according to predefined requirements below:

- PI - On-time Delivery Index – 40%
- QSI - Quality System Index – 20%
- PPM - Part Per Million – 40%

Total composition of SQI: 100%

The rating will be according to the Assessment of existing suppliers in Romi:

- Satisfactory / Good = 80 to 100 – A
- Regular = 50 to 79 – B
- Unsatisfactory / Poor = 0 to 49 – C

3.6.3. Punctuality: Punctuality Index

The index will be measured by the percentage of timely deliveries made by the supplier in relation to the total deliveries made. The allowed tolerances for anticipations and delays in deliveries are defined annually in the Goal Management System, and the criterion for comparing the dates varies according to the market, as follows:

Internal Market: The promised date of delivery, mentioned in the Purchase Order, is compared with the actual date of delivery, defined by the stamp of the ordinance in the corresponding Invoice.

External Market: It is compared the shipment requested date, mentioned in the Purchase Order, and the date of the invoice of the supplier.

$$PI = (TOTAL\ ON-TIME\ DELIVERIES / TOTAL\ DELIVERIES) \times 100$$