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LIST OF CHANGES	
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1 GENERAL

With reference to the most critical components, BERCO has identified a supply scenario defined as “Prime Contractor” to ensure the quality of the procured product and to optimise its management.

Two different cases apply:

- a) the Prime Contractor is responsible for the identification of the sub-suppliers;
- b) BERCO S.p.A. defines the sub-suppliers and identifies a Prime Contractor.

2 PURPOSE

To define the procedures to manage the Prime Contractor supply relationship.

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3 SCOPE OF APPLICATION

The rules set out in this OI (Operating Instruction) apply to all the suppliers involved in the Prime Contractor supply relationship (ref. sect. 6.1).

4 DEFINITION

- ✓ Prime Contractor: a company appointed to manage the supply of a component using sub-suppliers selected by BERCO S.p.A. or, in some cases, selected directly by the company.
- ✓ Sub-suppliers 1: companies supplying parts or services to the Prime Contractor who holds control over their specific activities, as defined in this OI, and for which BERCO S.p.A. has a limited management power.
- ✓ Sub-suppliers 2: companies qualified by BERCO S.p.A. supplying components to the Prime Contractor having minor functional relevance (e.g. screws, plugs, etc.), which BERCO S.p.A. DOES NOT have direct management.

5 RESPONSIBILITY

The Purchasing Dept. of BERCO S.p.A. (PSM) are responsible for the identification of the suppliers to be included in the Prime Contractor supply relationship, and they are required to draft, keep up to date, and approve the list of suppliers and the list of components under the Prime Contractor relationship (ref. form MOD_005_PSM).

The Supplier Quality entity of BERCO S.p.A. is responsible for the quality of all the suppliers, as disciplined in this OI.

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6 OPERATIONAL ASPECTS

6.1 IDENTIFICATION OF SUPPLIERS

The Purchasing Dept. of BERCO S.p.A. are responsible for suppliers' identification: they have to draft and keep up to date a list with the names of the Prime Contractor suppliers and all their sub-suppliers. The concerned part(s) and the start date of the Prime Contractor relationship must be specified for each supplier/sub-supplier (ref. form MOD_005_PSM).

Any special and additional requirements (specific requirements) to be followed for one or multiple supplier companies must be considered as supplementary to the requirements in this OI (ref. form MOD_005_PSM). Each Prime Contractor identified must receive from the Purchasing Dept. of BERCO S.p.A. the written list of the sub-suppliers it is intended to manage.

On their turn, the sub-suppliers shall be informed in writing by the Purchasing Dept. of BERCO S.p.A. about the commercial agreements in place and the supply terms.

The Purchasing Dept. of BERCO S.p.A. in collaboration with the Supplier Quality entity of BERCO S.p.A. shall illustrate the terms of the agreement to all the new Prime Contractors and their sub-suppliers, as well as organising a specific meeting, where required, to define any special and additional requirements.

A report shall be drafted during the meeting that all the concerned parties shall sign for acceptance. The report shall be filed by the Purchasing Dept. of BERCO S.p.A. together with form MOD_005_PSM.

The supply within the Prime Contractor relationship shall only start after the concerned parties have met the requirements specified in this OI.

6.2 APPLICABLE DOCUMENTATION

Prime Contractor

The Prime Contractor should to all intents be considered as a supplier of BERCO S.p.A., as a result of which all documents governing direct supply relationships is applicable. The purchase orders issued by BERCO S.p.A. shall reference both the drawing by BERCO S.p.A. and the standards applicable to BERCO S.p.A. supplies, this OI in particular.

Sub-supplier

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The following documents apply:

- Purchase Order issued by Prime Contractor;
- drawing by BERCO S.p.A.;
- General Purchase Conditions issued by the Prime Contractor, unless otherwise agreed;
- Technical Supply Specifications (TSS) issued by BERCO S.p.A.;
- Standard Procedures and/or any other documentation distributed by the Prime Contractor under controlled conditions.

The following rules apply to the documentation above.

- 1) The Purchase Order or the General Purchase Conditions issued by the Prime Contractor must reference both the drawing by BERCO S.p.A. and the statements of work applicable to BERCO S.p.A. supplies, this OI in particular.
- 2) The General Purchase Conditions issued by the Prime Contractor must not list clauses in contrast with the terms specified in the specifications of BERCO S.p.A., which the Prime Contractor must adhere to.
- 3) The guidelines in the documentation issued by the Prime Contractor must not be in contrast with the information provided in the other applicable documents.

6.3 PURCHASING RULES

Commercial negotiations (definition of price list, quantities, allocated percentages, etc.) are held by the Purchasing Dept. of BERCO S.p.A. directly with the Prime Contractor and with the sub-suppliers (unless otherwise agreed).

Any request for changes in the pricing shall be submitted to the Prime Contractor by the sub-supplier.

Changes shall at all times be authorised by BERCO S.p.A.

6.4 SCHEDULING RULES

The planning/scheduling Entity of BERCO S.p.A. (Material Planner) is only responsible for managing the relationship with the Prime Contractor, not with the sub-supplier.

Based on the planning of BERCO S.p.A. and its own production planning, the Prime Contractor is responsible for correct management and definition of the purchase batches from the sub-suppliers.

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6.5 QUALITY RULES

6.5.1 QUALITY SYSTEM

In situations falling under supply condition type b) (ref. section 1), the Supplier Quality and Central Quality (QAM) entities of BERCO S.p.A. are responsible for checking that the requirements of the Quality System of the sub-suppliers are compliant with the requirements laid down in the Supplier Quality Manual of BERCO S.p.A., unless otherwise agreed.

The outcome of the first check, and of any further checks if needed, shall be notified to the Prime Contractor who shall use such information to keep the suppliers' file updated.

The corrective actions possibly defined after any issued recommendations shall be verified by the Supplier Quality entity of BERCO S.p.A.

In situations falling under supply relationship type a) (ref. section 1), the Prime Contractor is responsible for the verification of the sub-suppliers and for checking that the corrective actions defined based on recommendations or NCs are implemented.

The Prime Contractor - under both supply relationship type a) and type b) - may ask the sub-suppliers to comply with additional specific requirements that shall be notified beforehand to the Purchasing Dept. and the Supplier Quality entity of BERCO S.p.A..

6.5.2 AQP ACTIVITIES

Prime Contractor and Sub-suppliers 1 activities

With reference to AQP activities (Advanced Quality Product – Product Development), both the Prime Contractor and the sub-suppliers (in the situation under supply relationship type b) - ref. section 1) are required to comply with the requirements of BERCO S.p.A..

Where direct involvement of BERCO S.p.A. is required in AQP activities or the relevant monitoring, the Supplier Quality entity of BERCO S.p.A. shall perform these activities. BERCO S.p.A. shall decide whether to be involved or not, based on how critical the component, the project, the Prime Contractor, and the sub-supplier are.

If the Prime Contractor process is under verification, the Inspector from the Supplier Quality entity of BERCO S.p.A. may require, where deemed necessary, the sub-supplier to participate in it and/or other specific activities to be performed (e.g. process FMEA). On the other hand, if the sub-supplier's production process is

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under verification, the Inspector from BERCO S.p.A. may require the Prime Contractor to attend or to actively participate in specific activities (e.g. process FMEA).

As a general rule, the Prime Contractor is normally responsible for the PPAPs concerning the sub-supplied parts, unless otherwise preliminarily agreed.

With regard to the PPAPs falling under the responsibility of BERCO S.p.A. (PPAPs preliminarily agreed and intended for submission to BERCO S.p.A. by the sub-supplier – this is an exception to the general rule), the outcome shall be notified to both the Prime Contractor and the sub-supplier by the Supplier Quality entity of BERCO S.p.A.

In this case, the sample initially manufactured by the sub-supplier must be delivered to BERCO S.p.A. directly, following a purchase order issued by the Purchasing Dept. of BERCO S.p.A. (PSM).

The correcting actions resulting from an unsuitable PPAP shall be agreed directly between the Supplier Quality entity at BERCO S.p.A. and the sub-supplier - the Purchasing Dept. and the Prime Contractor shall be informed. The production process put in place at the sub-supplier's shall be approved by the Supplier Quality entity of BERCO S.p.A.. The outcome shall be notified to both the sub-supplier and the Prime Contractor.

Sub-suppliers 2 activities

The AQP activities that these suppliers (sub-suppliers 2) are required to perform are the same as in the previous item.

In this case, however, the Prime Contractor is responsible for

- issuing orders according to the PPAPs,
- checking the processes,
- approving the PPAPs.

BERCO S.p.A. shall be entitled to examine the relevant documentation, prior request, at any time.

6.5.3 PRIME CONTRACTOR QUALITY SYSTEM FOR GOODS ACCEPTANCE

The system should be aimed at minimising to the largest extent possible inspections upon inbound goods

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receiving so that the sub-suppliers can certify their product on their own.

The rules set forth by the Prime Contractor shall be verified by the Supplier Quality entity of BERCO S.p.A..

If product/process audits are planned, they shall be conducted by the Prime Contractor.

The outcome of the audit(s) shall be notified to the Supplier Quality entity of BERCO S.p.A..

6.5.4 ASSESSMENT OF SUB-SUPPLIERS 1 PERFORMANCES

On a 4-month basis starting from 1st October each year and by the first week of the following months, the Prime Contractor shall give the Purchasing Dept. of BERCO S.p.A. a report specifying the following for each code supplied under the Prime Contractor relationship:

- ✓ no. of defects, expressed in PPM,
- ✓ no. of problems caused (divided by serious and non-serious defects).

6.5.5 DEFECT MANAGEMENT

The Prime Contractor is responsible for the identification of a system to classify defects caused by the sub-suppliers as "non-serious" and "serious".

Defect "type 1" (non-serious)

An isolated and evidently Nonconforming component (cracks, surface damage, etc.) - the fault does not affect critical features, safety features or statutory features, and does not cause production downtimes/delays.

The Prime Contractor shall check that all the rejected parts are examined by the sub-supplier and every defect is resolved, including with the help of the Problem Solving method.

Defect "type 2" (serious)

Nonconforming components having faults likely to cause production downtimes or nonconformities affecting critical features, safety features or statutory features.

When this type of defect is identified, the Prime Contractor has to immediately start the corrective actions under their area of competence to contain the defect (e.g. sorting, reworking, 100% checks) and shall immediately inform both BERCO and the sub-supplier about the event, illustrating the containment corrective actions taken to the former and asking the latter to open the Problem Solving Report (8D Report).

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Updates to the Problem Solving Report (8D Report) shall be delivered to both the Prime Contract and BERCO S.p.A., more specifically to the Purchasing Dept. and the Supplier Quality entity of BERCO S.p.A..

The Supplier Quality entity of BERCO S.p.A. is responsible for planning together with the Prime Contractor a verification that the defined corrective actions have been introduced and have been effective, and for scheduling joint visits to the sub-supplier' where necessary.

All the rejected components shall be charged to the Prime Contractor who, in turn, shall ascribe the rejected parts and their costs to the relevant sub-supplier, after appropriate root cause analysis.

All defects shall be recorded for statistical purposes and shall be used for the overall assessment of the Prime Contractor.

Defects caused by Sub-suppliers 2 shall be managed similarly as above, but the responsibility shall be fully vested with the Prime Contractor.

7 LIST OF ANNEXES

Annex 1: Responsibility summary table

Annex 2: Prime Contractor Supply Management Form (MOD_005_PSM)

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Annex 1

RESPONSIBILITY SUMMARY TABLE

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ATTIVITA'	BERCO con Capocommessa	BERCO con Subfornitore 1	BERCO con Subfornitore 2	Capocommessa con Subfornitore 1	Capocommessa con Subfornitore 2
Acquisti					
Definizione condizioni generali d'acquisto	R	R	R		
Trattative commerciali	R	R	R		
Programmazione	R				
Definizione dei lotti d'acquisto	R	R		R	R
Qualità	R				
Definizione requisiti Sistema Qualità e verifica applicazione	R	R	R		
Coinvolgimento diretto sulle attività AQP	R	R (1)			R
Monitoraggio delle attività AQP	R	R			R
Analisi di fattibilità	R (1)	R (1)	R (1)		
Definizione del packaging	R			R	R
Audit di processo	R (1)	R (1)		R (2)	R (2)
Verifica PPAP	R	R			R
Definizione regole accettazione e verifica prodotti acquistati	R			R	R
Verifica ed archiviazione registrazioni relative a caratteristiche Report	R (3)			R	
Monitoraggio qualità del prodotto	R	R		C	R
Monitoraggio della qualità del servizio	R	R		C	R
Definizione e verifica indicatori della qualità	R	R			R
Gestione difettosità TIPO 1				R	R
Gestione difettosità TIPO 2	C	C		R	R

KEY M = Manager; C = Collaborator

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Annex 2

PRIME CONTRACTOR SUPPLY MANAGEMENT FORM
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	Date:	----- --
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Supplied component: -----	Code:	----- --
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Supplier: ----- ---	Supplier code: -----
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List of components and sub-suppliers

Description	Code		Sub-supplier	PPAP Manager
	Temporary	Final		

SAMPLE FORM

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Supply start date:	----- --
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Supply agreements with Prime Contractor:	
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	Packaging:	
	Delivery terms:	
	Transport:	
	Production capacity:	
	Deliveries:	

Date:	Requesting entity:	Signed for PSM approval:
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MOD_005_PSM