

Procurement guideline for suppliers
of the
AQUAERO Group

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Procurement guideline for suppliers

1. General

This procurement guideline describes the requirements to the security of the quality of parts, materials and services by the suppliers of the companies of the AQUAERO Group. Insofar as reference is made hereinafter to the company „concerned“ of the AQUAERO Group it refers to the company with which the supplier has entered into a contract.

A very high value is granted to the quality, which we regard as sum of all achievements such as delivering on time, product and logistics quality, QM-System, information security, reliability and co-operation.

Our thinking and acting is orientated on a ZERO-ERROR STRATEGY. The principle of the constant improvement with application of all quality-assurance measures is avowed company target. We are convinced that we secure thereby the future of your and our enterprise.

This procurement guideline applies – each separately – for the following companies, hereinafter also referred to as AQUAERO Group companies:

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1.1. Conditions

With consistent measures in the quality specification and the production control with the emphasis on error avoidance as well as process and product improvement, this

ZERO-ERROR STRATEGY

has to be promoted and converted.

The application of the ZERO-ERROR STRATEGY has practical consequences for all phases of the production. Therefore, the thought of the preventing, error avoiding quality management steps into the foreground. For the conversion of the ZERO-ERROR STRATEGY as well as the quality of its products and services generally the supplier is responsible.

In order to achieve this goal, it is necessary that the supplier has an up-to-date and effective QM-System on the basis of DIN EN ISO 9000 ff., DIN EN 9100 ff., QSF or a comparable international standard.

In exceptional cases, the supplier also can be certified for subordinated products of the company concerned of the AQUAERO Group without QM-System. This does not presuppose that the supplier is audited every 5 years, no own material procurement is made; only work steps described by the AQUAERO Group are processed and no finished products are supplied. Furthermore, it must be ensured, that only in accordance with the defaults (forms, work instructions etc.) of the AQUAERO Group will be worked.

The supplier is aware of the importance of information security and maintains an information security management system. The only exceptions are suppliers for which no relevant influence on information security can be identified.

The supplier is responsible for compliance with data protection regulations within its area of activity.

The absolute minimum for co-operation with the companies of the AQUAERO Group is the fulfilment of the available procurement guideline.

1.2. Co-operation

From our suppliers we expect:

- A continuously, the surrounding field adopting advancement of the QM-System.
- An active cooperation and self initiative around fixed operational sequence, processes or testing methods to be able to replace them by more suitable, more economical and/or more effective ones.
- The readiness to use and increase according to the principle of the constant improvement constantly the existing knowledge for our products.
- All persons involved in the manufacture of the products or the provision of the services are aware of their responsibility for the contribution they make to product or service conformity and to product safety, and to handle and protect information in accordance with established security requirements. The suppliers / service providers and their supplier chain are aware of the importance of ethical behavior.

1.3. Ethics, environmental and safety aspects

We are committed to supporting the core values of human rights, labour rights, environmental protection and anti-corruption, and expect our contractors to fully comply with the applicable laws and regulations of the countries in which they conduct business or provide services.

We expect our suppliers to apply these principles across their own supply chain and, beyond compliance with laws, regulations and contractual terms, to motivate their employees to act in an ethical, value-based business manner.

1.3.1 Compliance with Laws

We expect our suppliers to comply with all applicable laws and regulations of the countries in which operations are managed or services provided.

1.3.2 Human Rights

Our suppliers must ensure that they treat others with respect and dignity, promote diversity, accept different opinions, support equal opportunities for all and promote an inclusive and ethical corporate culture in accordance with the relevant International Labour Organization (ILO) conventions. This relates in particular to ensuring that no illegal child labour or indentured labour is used in the provision of the service.

1.3.3 Employment Practices

We expect our suppliers to ensure that their employees are not subjected to physical, psychological or verbal harassment or other abusive behaviour in the workplace.

Employees must be paid at least the local legal minimum wage and provided with all legally required fringe benefits. Deduction from wages as a disciplinary measure should not be permitted.

1.3.4 Anti-Corruption

Suppliers must comply with the anti-corruption laws, rules and regulations of the country in which they conduct business.

Suppliers must not offer or accept illegal payments from their customers, suppliers, agents, representatives or other persons. This prohibition applies even in locations where such activity does not violate applicable local law.

Suppliers shall not obtain any advantage by fraudulent act, deception or false pretences, or permit any other person to do so. This includes fraud or theft from companies, customers or third parties, and any misappropriation of property.

1.3.5 Information Protection

Suppliers agree to handle sensitive information properly, including confidential, proprietary and personal information. Information may not be used for purposes (e.g., advertising, publicity, etc.) other than the original business purpose unless prior permission has been granted by the owner of the information. Suppliers must comply with all applicable intellectual property laws. This includes patents, copyrights, trademarks, and protection from disclosure.

Suppliers shall protect third party confidential and proprietary information and their personal data from unauthorized access, destruction, use, modification and disclosure through appropriate physical and electronic security procedures. Suppliers shall comply with applicable data protection laws.

1.3.6 Environment, Health and Safety

All suppliers are expected to strive for an appropriate management system for occupational safety, environmental protection and health protection. Suppliers are also expected to actively manage risk, conserve natural resources and protect the environment in the regions in which they operate. Suppliers must protect the health, safety and welfare of their employees, business partners, visitors and those who may be affected by their activities.

1.3.7 Global Trade Compliance

Suppliers must ensure that their business practices comply with all applicable laws, instructions and regulations governing the import or export of parts, components and technical data. Suppliers agree to provide truthful and accurate information and to obtain any export licenses or permits that may be required.

Suppliers must comply with applicable laws and regulations regarding conflict minerals which include tin, tungsten, tantalum and gold. Additionally, suppliers should establish a policy to reasonably assure that the tin, tungsten, tantalum and gold which may be contained in the products they manufacture do not directly or indirectly finance or benefit armed groups that are perpetrators of serious human rights abuses. Suppliers should exercise, as may be directed by law, due diligence on the source and chain of custody of these minerals and therefore at a minimum require the same from their next tier suppliers.

Suppliers are expected to develop, implement, and maintain effective methods and processes appropriate to their products to minimize the risk of introducing counterfeit parts and materials into deliverable products. In addition, suppliers shall provide notification to recipients of counterfeit product(s) when warranted, and exclude them from the delivered product.

1.4. Area of application

The available guideline applies to all suppliers of the AQUAERO Group companies, which supply raw material, semi-manufactured products and products, and/or change products by worth-drawing processes (e.g. surface and thermal treatments).

The procurement guideline is a component of the contract documents with the supplier.

All instructions and requirements in drawings, specifications, manufacturing and inspection flow charts as well as quality agreements are to be assured by the supplier.

2. Minimum requirements to the QM-Organization and information security

For the quality and/or worth-drawing changes of the products, which are delivered the supplier, is responsible. The supplier must make those in the following defined process steps. Thus, the minimum requirements of the process security are ensured from order acceptance to delivery to the companies of the AQUAERO Group.

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2.1. Contract examination

2.1.1. Treatment of inquiries

Among this process we understand the fundamental clarification of the feasibility by consideration of all given technical and qualitative requirements. Necessary technical information is provided. It is expected that each inquiry is followed by a statement (in writing if necessary telephone) within the indicated period.

2.1.2. Order, placing of order, confirmation of order

The supplier receives necessary and up-to-date valid technical information with the order. With assigned services, this takes place with the delivery of the products for external treatment. With the confirmation of order, the supplier explains himself in agreement with the purchasing conditions of the companies of the AQUAERO Group. These purchasing conditions can be called up in the Internet under:

- www.sacs.aero,
- www.xbag.aero.

2.1.3. Changes through the AQUAERO Group companies

It is to be guaranteed that any wish for improvement from the AQUAERO Group is submitted to a feasibility examination by the supplier and the result is communicated immediately to the concerning company of the AQUAERO Group.

2.1.4. Changes by the supplier

The supplier without written agreement of the respective companies of the AQUAERO Group may make neither product changes nor changes concerning processes. Especially this concerns the kind and composition of the raw material, the construction, the manufacturing methods, the form-bound tools and the manufacturing location. Any planned change requires prior the written release by the concerning company of the AQUAERO Group.

2.1.5. Consideration of information security

The supplier confirms that information security is of high importance in the company. In particular, security incidents affecting the data of AQUAERO Group companies must be reported immediately to respective company of the AQUAERO Group. Should a regular exchange of sensitive information take place, a secure platform must be provided for this communication. For this purpose, SACS Aerospace GmbH provides a portal.

2.2. Order documents

The requirements for the materials, which have to be supplied, products and/or for the assigned services are defined in the following documents:

- Orders / Delivery Notes
- Drawings
- Specifications
- Working papers and/or route cards (if necessary)
- Test provisions (if necessary)
- Packing and delivery regulations (if necessary)
- Other generally valid standards

All of the companies of the AQUAERO Group provided technical information are part of the order.

The supplier must guarantee that:

- The available order papers in accordance with the order are complete and understood, and the product production in the agreed upon quality is guaranteed,
- The manufacturing and examination of the parts is done after the last valid and available product specifications, drawings and all available order documents,

- All generally valid or publicly available standards and specifications which are used by the supplier are available in current version,
- All documents are treated with absolute privacy.

2.3. Sampling

The following definitions for sample parts are used with the AQUAERO Group companies:

- Prototype

These are samples, which were not manufactured with series tools and/or on series conditions; however geometry correspond with the final state and the samples conditionally fulfil the function requirements.

- First samples

These are parts, which were manufactured completely with series tools and under standard conditions.

The first sample examination serves the release of the series production, whereby all isometric, material and functional criteria, which were agreed upon according to the order papers with the supplier are to be fulfilled.

If it results in the case of the first sample examination by the manufacturer, that the parts do not correspond to the drawing and/or the specifications, the manufacturer is committed to inform immediately the company concerned of the AQUAERO Group about the deviation. In arrangement with the department Design/development it will be decided whether the manufacturing process is to be corrected, or the drawing or the specification have to be changed. All arrangements made hereby, require the written form and are to be indicated and marked in the respective first sample test report.

The first sample examination takes place based on the DIN EN 9102 (equivalent AS 9102) or in exceptional cases after VDA volume 2. There have to be used the last valid forms of the first sample test reports according to DIN EN 9102 or VDA, consisting of the first page, the inspection result sheet etc.. The manufacturer's certificates according to DIN EN 10204 3.1 for the material as well as the proofs of the heat treatment and/or surface treatment are to be attached to the first sample documentation.

The first samples are delivered in the agreed upon quantity and particularly marked.

The AQUAERO Group company concerned examine the first samples inspection again. The result of the examination is communicated to the supplier in writing.

2.4. Quality-assurance measures in the manufacturing

2.4.1. Examinations

The supplier has to guarantee by systematic QM measures that all products correspond to the requirements of the order agreement pursuant to figure 2.2.

2.4.2. Control of Inspection-, measuring and test-equipment

All assigned inspection devices are to be registered and have to be calibrated at application adapted intervals however latest after 24 months from an authorized company. Any not longer approved inspection devices are not certified for the product examination.

2.4.3. Steering from not conform parts and processes

If errors should arise despite the constant efforts for error avoidance, the supplier must guarantee that these are identified surely and fast in all process steps and that the incorrect parts are excluded from the further processing, distribution or use (also refer to 3.4).

2.4.4. Special processes

Special processes are processes, whose results cannot be verified at the product or only at a later time. These processes have to be qualified.

The supplier must for this define the product characteristics, the specific process parameters and expirations. At least one procedure for the examination of the fixed process must be defined and effectively converted.

Specific, additional demands are designated from the AQUAERO Group companies in the case of order.

2.5. Quality recordings

Quality recordings are to be archived in accordance with legal requirements for at least 40 years or for the periods specified in DIN EN 9130. The archiving of records can take place in the form of paper, film or electronic media. All documents must be fully legible, traceable, kept reloadable and at places at which they are protected against destruction.

2.6. Traceability

The traceability is a central point in the production of products and/or services.

All products must be traceable at any time, also after distribution to the customers. The supplier has to use for this an appropriate marking procedure, which guarantees that in all stages of the treatment the products are identified, the test status is ensured and the traceability of the assigned raw materials and manufacturing processes is guaranteed.

2.7. Tools

If the supplier uses tools belonging to the companies of the AQUAERO Group for the production of parts, he commits himself to mark and keep these as follows.

- Tool number in accordance with tool list of the supplier
- separate storage/keeping

The supplier is responsible for the maintenance and care of the tools and bears all resulting cost of maintenance and/or repair. If in the special case (e.g. with changes of standard, tool extensions) costs result, these are to be coordinated before execution with the relevant company of the AQUAERO Group. If tools are so old, the fact that it would be unprofitable to accomplish repairs this has to be indicated to the relevant company of the AQUAERO Group immediately.

3. Terms of delivery

3.1. General

3.1.1. Delivery volume

If not otherwise agreed upon in the order, the order quantity is equal to the delivery volume. The supplier has however, the possibility of deviating with the delivery volume up to $\pm 10\%$ from the order quantity. This quantity clearance gives the supplier the possibility to control its production in relation to the order without remaining quantity optimally. Quantities beside this range are permissible only after consultation with the purchase department.

With accomplished surface/thermal treatments as well as external working on parts, the supplier has to return the quantity of goods provided completely.

3.1.2. Partial deliveries

The AQUAERO Group companies do not accept any partial deliveries of an order. If complete delivery of an order should not be possible by the supplier, the purchase department of the relevant company of the AQUAERO Group has

to be informed about it. This department decides whether a partial delivery has to be accomplished, or the date of delivery for the complete supply might be shifted.

3.1.3. Date of delivery

The supplier has the possibility of delivering the commodity up to 4 working-days in advance. Deliveries outside of this period have to be agreed upon with the purchase department.

3.1.4. Invoice transfer

We expect our supplier to provide us with his invoice in electronic form, preferably in PDF/A format. The email inbox invoice@sacs.aero is to be used for this purpose.

3.1.5. Service-Level

If a contract exists for certain service levels, the supplier is expected to adhere to it.

3.2. Packing, marking and storage

3.2.1. Packing

The commodity has to be packed in such a way, that during transport and by the storage no damages can occur. Special requirements over the type of packing, size and amounts of one package have to be taken from the order.

3.2.2. Marking

Each packing unit of the delivered commodity must be characterized identifiable and traceable. If the order should not detail a special inscription of the packing by the AQUAERO Group companies, the kind of the inscription lies in the discretion of the supplier. The inscription, however, must contain the following minimum data:

- material description (with raw material)
- article number of the AQUAERO Group company and/or standard number
- description
- number of items
- batch number
- expiration date (e.g. with elastomeric parts)
- date

3.2.3. Storage

The storage rooms of the supplier must ensure a defined and damage-free storekeeping.

In the case, the supplier commits himself to materials submitted by one or all companies of the AQUAERO Group, the supplier has to store this material in such a way that mixing with other material is impossible.

3.3. Delivery documents – inspections certificates

To each supply a delivery note, containing the following minimum data has to be attached:

- delivery note number
- order number of the ordering company of the AQUAERO Group
- article number of the ordering company of the AQUAERO Group and/or standard number
- article indication of the ordering company of the AQUAERO Group and/or standard description
- drawing number with amendment index of the ordering company of the AQUAERO Group (if a component of the order)
- batch number of the ordering company of the AQUAERO Group (with external suppliers)
- delivery volume

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The following test certificates in accordance with DIN EN 10204 must be enclosed free of charge with the delivery bill for each delivery:

- Material certificate

For the supplied raw material and/or for the material used for the production of the products an inspection certificate per DIN EN 10204 3.1 is necessary. In exceptional cases, a test report per DIN EN 10204 2.2 with indication of the chemical and mechanical characteristics can be attached according to an agreement with the purchasing department.

- Surface- and thermal treatments

For these processes, test reports (inspection certificate per DIN EN 10204 3.1 or test report per DIN EN 10204 2.2) with the required target values and the measured actual values must be enclosed with the deliveries. If no transmission of the characteristic values is required for service processes, the executed processes must in any case be confirmed in accordance with the order documents by means of a declaration of compliance with the order per DIN EN 10204 2.1.

- Other treatments

In these cases the signing of the delivery note of the ordering company of the AQUAERO Group inclusive manufacturing date is sufficient as certificate. In special cases, a characteristic certifying can be necessary. This is defined in writing however with placing of orders.

3.4. Deviations – discrepancy permission

If deviations from specified characteristic values arise, such products may be only delivered, if the supplier received an appropriate written release for construction divergence (concession) from the concerning company of the AQUAERO Group.

The supplier must therefore request in time when recognizing the deviation with the ordering company of the AQUAERO Group a construction divergence in written form.

In the case of supplying, it has to be guaranteed by the supplier, that the commodity supplied with an authorized construction divergence is marked with a note to this authorized construction divergence in the packing units and on the delivery note.

If the supplier determines deviations from specified characteristic values after distribution of the products, the supplier is obligated immediately to inform the purchase and the quality management of the AQUAERO Group company concerned in written form about circumstances in order to be able to introduce appropriate measures.

In the further, the supplier has to introduce and prove actions, in order to guarantee that at expiration of the limited approved construction divergence specification-fair products are supplied again. Recordings over the entire procedure (malfunction detection, cause identification, corrective measures and examination of the effectiveness) are to be led from the supplier and have to be submitted upon the requests of the AQUAERO Group companies.

All proposed amendments asked by the supplier, which have to be accepted by the company concerned of the AQUAERO Group, are examined internally and necessary resulting changes or additions of the specification documents are specified and/or introduced.

Changes of process may be realized in no case without inquiry and written release by the concerning company of the AQUAERO Group.

Should there be any changes in the field of information security with regard to responsibilities or security standards, the Supplier is obliged to inform AQUAERO Group companies immediately.

3.5. Treatment of complaints

The supplier gets with each complaint an inspection report and has to answer by means of a written statement within the given period to the quality management.

Depending upon the complaint the supplier can be informed by the purchase department or by the quality management first by telephone, by fax or E-Mail. In addition, the supplier gets appropriate samples if these samples are available.

With each complaint, the additional costs for one of the companies of the AQUAERO Group are charged to the supplier.

For this purpose, a standard deduction of 10 % of the order value up to a maximum of 250.00 EUR is generally fixed per complaint. We charge 60.00 EUR/hour for screening inspection to be carried out by us. Furthermore, the supplier will be invoiced for all costs incurred by our customers or us due to the processing and rectification of the non-conformity.

All deviations from agreed upon definitions and/or specifications, which lead to a complaint, are to be analyzed from the supplier. Beyond that, the manufacturing and the existing stock have to be examined for possible errors.

The supplier has to undertake everything, in order to avoid damages and to hold up the ability to deliver. Across all activities, the supplier leads appropriate recordings.

3.6. Subcontractors

If a subcontractor for the production of the products must be assigned, the AQUAERO Group company concerned has to be informed first.

In each case, the subcontractor must fulfil the requirements from figure 1.1.

The AQUAERO Group companies have the right, after consultation with the supplier to visit the subcontractor, the production areas and processes that are relevant for the quality of our products.

This does not relieve the supplier however of the responsibility to manufacture in accordance with this procurement guideline and the valid order agreements according to figure 2.2. The supplier carries the full responsibility for the products further processed manufactured at subcontractors.

4. Evaluation of the quality ability

The products procured by suppliers, as well as products changed by external suppliers with adding value to the products affect in high, partial crucial measure their quality and the image of the AQUAERO Group companies.

With the evaluation of the quality ability of our suppliers we want to achieve the following goals:

- selection of the most suitable supplier concerning manners of technique, quality, delivery date and the price
- proof of the quality ability
- proof of information security

4.1. Kinds of evaluation

- a) Periodic evaluation
- b) Evaluation by means of audit

The quality management of the AQUAERO Group companies determines the valuation type, which applies out of the possible kinds of evaluation, in arrangement with the purchase department. The appropriate kind of evaluation is communicated to the supplier in the personal discussion or in written form.

4.2. Periodic evaluation

Here we evaluate the price worthiness, product and logistics quality, based on the examination with delivery, further processing as well as possible objections of customers of the AQUAERO Group companies.

The following classifications can result from it:

- A Perfect fulfilment of the requirements ⇒ approved for order.
- B Fulfilment of the requirements, however with weaknesses, that make improvements necessary ⇒ approved for order.
The quality management will discuss with the supplier concerned causes and measures and after successful conversion and examination of the effectiveness the supplier will be classified as a A-supplier.
- C Not fulfilling the requirements ⇒ blocked for orders.
Orders can be transacted only after arrangement with the quality management and as first samples deliveries, as long as no return to the classification A or B takes place. The quality management will discuss the causes together with the supplier concerned and will compile improvement measures.

4.3. Evaluation by means of audit

Auditing of suppliers takes place based on the EN 9101 (based on ISO 9001).

Here we differentiate after:

- a) Audit before selection and definition of a supplier
- b) Audit for the monitoring of the process control
- c) Product audit

Audit result

This is discussed locally with the supplier. Positive points and weak points are discussed with him and possible corrective measures are specified.

The result with the reached level, the weak points, the measures and dates is transferred to the supplier in written form.

We expect that the measures are converted with first priority and are examined for their effectiveness.

4.4. Evaluations by customers of the AQUAERO Group and responsible authorities

The customers of the AQUAERO Group companies and responsible authorities have the possibility of convincing themselves by a plant visit with the supplier from their quality ability. This includes the right of access to the areas required for the manufacture of the products or services and the documented information at each level of the supply chain.

The range of the plant visit is co-ordinated with the supplier prior to the visit.

5. Severability clause

In the case of the inefficacy of individual regulations of this procurement guideline, the remaining regulations remain obligatory. In such a case the parties will strive around a valid regulation, which comes as close as possible to the desired contents of the invalid regulation.

6. Other

All changes and additions of this procurement guideline require writing to its effectiveness.