

SDI Supplier Quality Manual

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1. PURPOSE

S.D.I. Automazione Industriale S.p.A. (hereafter referred to as SDI) is committed to achieving the highest levels of customer satisfaction by:

- Delivering products and services as agreed upon in the contract;
- Respecting the costs and budgets established during the offer phase;
- Guaranteeing the operational continuity, reliability, and performance of installed products throughout their lifecycle.

The achievement of these objectives depends as well on the strategic partnership with our suppliers. SDI values suppliers who meet stringent quality standards, adhere to delivery timelines, and demonstrate commitment to continuous improvement.

This Manual outlines the principles, requirements, and procedures for supplier engagement. It establishes the terms that govern the commercial, operational, and quality-related aspects of the relationships between SDI and its suppliers, ensuring mutual success and customer satisfaction.

It serves as a guideline for suppliers to understand SDI's expectations regarding quality, performance, compliance, and collaboration.

2. SCOPE OF APPLICATION

This Supplier Quality Manual governs the relationship between SDI and its suppliers. The Manual is published on SDI's company website, and the rules contained within constitute contractual obligations for the suppliers.

This Manual applies to:

- New suppliers;
- Existing suppliers with ongoing commercial relationships.

The document serves as a framework for ensuring that all suppliers align with SDI's quality, delivery, and operational standards. By adhering to the principles set forth in this Manual, suppliers commit to meeting the expectations outlined by SDI, fostering a productive and mutually beneficial partnership.

3. REQUIREMENTS AND EXPECTATIONS

3.1 Supplier Quality Management

Suppliers are required to have their own quality management system, which does not necessarily need to be certified by a third-party organization. However, it must provide reasonable assurance that supply requests will be adequately fulfilled in terms of product/service quality, timeliness, worker health and safety, and, where applicable, environmental protection and information security.

Suppliers must maintain appropriate process documentation and make it available to SDI upon request. Additionally, suppliers are responsible for managing their own supply chain. Therefore, they must implement proper controls to ensure that their suppliers comply with and are capable of meeting the specified requirements.

All other factors being equal, preference is given to suppliers with a certified management system (ISO 9001, ISO 14001, ISO 27001, ISO 45001).

3.2 Compliance

Purchased products and services must comply with the requirements specified in the Orders and any additional technical documents provided by SDI, such as drawings, assembly tables, instructions, technical specifications, and tender documents. Given the importance of clear communication, the Supplier is required to request any missing documentation referenced in the Orders but not provided by SDI, in order to ensure the correct interpretation of the requirements.

Purchased products and services must also conform to industry standards, even if not explicitly stated. Deliveries and services must meet the agreed-upon deadlines.

Electronic products must bear the CE mark, and where applicable, the UL mark. Suppliers must accompany the products and services provided with the agreed-upon documentation, such as various certificates or service reports.

Compliance with occupational health and safety laws and environmental protection regulations, even at the Supplier's own facilities, is a critical factor in SDI's assessment of its Suppliers.

3.3 Information

Suppliers must, upon request, provide SDI with any relevant information regarding the use or storage of the product.

If suppliers become aware of any situations that could negatively impact the quality of the products supplied to SDI, they must promptly inform SDI. Suppliers must have the resources and expertise to collaborate with SDI in the event of issues or non-conformities, participating in the analysis of root causes and the management of necessary corrective actions.

Suppliers with a certified Management System are required to immediately notify SDI if the third-party certification will not be renewed, has expired, or has been revoked.

3.4 Traceability

Electronic products must display their own serial number or code. The supplier or manufacturer (if the supplier is a distributor) must ensure the proper management of these unique codes internally to enable precise identification of each individual production unit. This traceability is crucial for quality control, recalls, and warranty purposes.

3.5 Packaging

The packaging must adequately protect the delivered product and comply with any specific requirements or agreements made with SDI. Proper packaging is essential to prevent damage during transportation and handling, ensuring that the product arrives in good condition.

3.6 Warranty

In most cases, the warranty for products purchased by SDI is one year from the date of delivery, as specified in the product documentation. This warranty typically covers defects in material or workmanship. If there is a need for further verification, the declared warranty for each individual product will be reviewed to ensure it meets the agreed-upon terms.

4. ETHICAL CODE

SDI requires its employees to adhere to a Code of Ethics that governs various aspects of interactions with suppliers. Acting with integrity towards suppliers means that orders are placed solely based on the quality, price, and reliability of the supplier. Every business transaction must be conducted in the interest of SDI, rather than for personal gain or the benefit of third parties.

The Code of Ethics also addresses the acceptance of corporate gifts from suppliers. SDI expects suppliers to be aware of and comply with these policies.

In interactions with customers, suppliers, political institutions, public administration, and generally with third parties, SDI employees must not promise, accept, or offer gifts, favors, benefits (both direct and indirect), or acts of courtesy or hospitality that exceed normal business practices, local customs, and ordinary courtesy. Such actions should not be intended to gain preferential treatment or other undue advantages in relation to SDI's business operations.

The company's Code of Ethics is available at the following link:

https://www.sdiautomazione.com/2022/assets/codice-etico_03_it.pdf

5. SUPPLIER SELECTION PROCESS

As outlined in the dedicated internal procedure, the supplier selection process includes various checks:

- **Preliminary Check 1:** Verify that the supplier does not have its legal headquarters in countries with restrictions.
- **Preliminary Check 2:** Ensure that the supplier does not raise concerns due to unusual administrative or accounting requests.
- **Preliminary Check 3:** Determine if the relationship with the supplier involves the transfer of confidential information. If so, request the signing of a confidentiality and/or non-compete agreement.
- **Initial Evaluation:** Identify the reasons for qualification. Depending on the criticality of the product or service (e.g., technological importance, order volumes), multiple selection criteria may be established.
- **Second Evaluation:** For expected purchases exceeding €30,000 per year, request the supplier to present a valid registration with the Chamber of Commerce (or equivalent for foreign suppliers).
- **Third Evaluation:** For expected purchases exceeding €30,000 per year, request a commitment to comply with SDI's Model 231.
- **Fourth Evaluation:** Additional verification in the case of subcontracting contracts.

For specific aspects related to subcontractors, refer to the following chapter.

If the supplier is deemed suitable, they will be added to the supplier registry. The Purchasing Department will issue purchase orders only to suppliers listed in this registry.

6. SUBCONTRACTORS

For commissioning activities, including the installation and configuration of SCADA systems, subcontractors may perform the work either at the client's site or at the subcontractor's own facility, depending on the specific circumstances. Additionally, if subcontractors are engaged in service activities, these may also be conducted at SDI's premises.

Subcontractors are required to meet stringent economic, technical, and operational criteria, in addition to the requirements imposed on other suppliers. SDI mandates that subcontractors utilize specific software programs provided by SDI for tracking work progress, task management, and reporting hours worked.

Subcontractor activities are always coordinated and supervised by SDI; subcontractors do not interact directly with the client. The progress and completion of tasks are managed by SDI to ensure quality and compliance.

Performance assessments for subcontractors are conducted by the Project Manager and are linked to the approval of the invoice, provided there are no issues that necessitate opening a non-conformance report.

This assessment focuses on the activities covered by the invoice and includes:

- Quality of work / Competence;
- Adherence to timelines / Resource availability;
- Provided documentation;
- Collaboration with SDI;
- Collaboration with the client;
- Cybersecurity compliance.

Periodic monitoring of subcontractor activities is conducted by analyzing feedback provided by Project Managers.

7. SUPPLIER MONITORING

The SDI representative involved in the selection of a supplier or responsible for interfacing with them is accountable for verifying that the supplier's performance aligns with the terms of the assignment. This representative must also approve the payment of received invoices.

The checks performed vary depending on the type of product or service provided. Generally, SDI personnel ensure that deliveries and services are carried out as per the agreed methods and timelines.

For products utilized in production, the company's information system supplies data on anticipated deliveries. The Warehouse Staff then cross-references this information with the incoming delivery notes (DDT). Verification of delivered products continues throughout subsequent stages of the production process, including the integration of various products and materials in the manufacturing of electronic devices and cabinets.

The punctuality of every delivery to SDI is monitored through the information system and assessed periodically. Delivery timeliness to customers, managed through shipping agents, is also monitored.

For specific aspects related to subcontractors, refer to the previous dedicated chapter.

8. SUPPLIER AUDIT

Suppliers involved in printed circuit board (PCB) manufacturing and SDI design board assembly are required to consent to quality, environmental and health and safety audits if they do not hold the relevant ISO certifications (e.g. ISO 9001, ISO 14001, ISO 45001). These audits are conducted to ensure regulatory compliance and are repeated periodically to maintain continuous compliance and improvement.

Other suppliers may also request audits if necessary. These audits serve to evaluate any adherence to SDI quality standards, cyber security or environmental policies and health and safety practices. The scope and frequency of such checks are determined based on the nature of the products or services provided and any risks or problems identified.

9. NON-CONFORMANCE MANAGEMENT

Non-conformance findings are subject to evaluation and commentary. This evaluation occurs primarily at the moment the anomaly is detected but can also arise from exceeding the acceptability levels of the Key Performance Indicators (KPIs) if deemed significant.

Non-conformance findings may lead to various business interventions. However, these issues do not necessarily jeopardize the supplier's qualification status.

A supplier's qualification may be suspended temporarily or permanently due to one or more of the following undesirable situations:

- A significant number of non-conformities in supplies, including issues with product quality and/or adherence to delivery schedules.
- The severity of non-conformities in supplies, such as product/service quality issues, missed delivery deadlines, or failure to comply with regulations or agreements.
- Any situation that raises doubts about the supplier's ability to successfully complete the required supplies (e.g., ongoing bankruptcy proceedings) or about the supplier's competitive capabilities in their market.
- Infringement of SDI's Intellectual Property rights resulting from breaches of confidentiality and non-compete clauses negotiated through Non-Disclosure Agreements (NDAs) or Non-Compete Agreements (NCAs).

The General Manager may be requested to approve either a temporary or permanent suspension of a supplier's qualification at any time by the designated monitoring staff.

A temporary suspension requires the supplier to undergo the qualification process again (after a suitable period following the suspension conditions) to reassess the validity of concerns regarding the supplier's ability to successfully complete the required supplies.

A permanent suspension prohibits the placement of orders with the suspended supplier.

10. PERIODIC SUPPLIER EVALUATION

SDI conducts continuous assessments of its suppliers following the completion of each order. When necessary, SDI may perform a thorough evaluation of a supplier's performance over a defined period or execute a comparative assessment of suppliers within a specific category.

Typically, if a supplier consistently meets SDI's standards for quality, timeliness, cost-effectiveness, and collaboration, and no superior alternatives are identified among other suppliers, SDI is inclined to maintain long-term business relationships with that supplier.

This evaluation process ensures that suppliers consistently deliver value and adhere to SDI's rigorous standards, fostering enduring partnerships that support mutual success and ongoing improvement.