



Quality Requirements for **PGO S.A.** Suppliers.

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1. SUBJECT

The purpose of this document is to promote good and ethical business and quality practices in the supply chain and lasting, positive relationships with contractors. It regulates the principles of cooperation, as well as defines the requirements for all materials and services purchased by the Company applicable to production and technological processes.

2. GENERAL CONDITIONS

- 2.1.** This document is public and available at the website: www.pgosa.pl.
- 2.2.** These Quality Requirements for Suppliers are effective until further notice.
- 2.3.** Any changes to the Quality Requirements shall be published via the website: www.pgosa.pl.
- 2.4.** If an order is accepted for execution, the Supplier shall be responsible for meeting all requirements specified in the Purchase Order and these Quality Requirements.
- 2.5.** The Supplier should carry out the feasibility study for the product in technical terms, taking into account all the requirements and characteristics of the product, and in logistics terms, e.g. material availability, equipment availability, lead time, etc.
- 2.6.** The Supplier agrees to provide PGO S.A. with honest and reliable information about the material, product or service sold. In the event of any doubt, discrepancy and/or threat to the execution of the order, the Supplier shall immediately contact the designated representative of the Ordering Party.
- 2.7.** The Supplier is obliged to continuously improve the processes and quality of the offered materials and services.
- 2.8.** The Supplier of materials and services for the automotive industry is required to implement and maintain a Quality Management System consistent with ISO 9001 and pursue IATF 16949 certification.
- 2.9.** The Supplier of materials and services for the railroad industry is required to implement and maintain a Quality Management System consistent with ISO 9001 and pursue ISO 22163:2023 (IRIS) certification.
- 2.10.** The Supplier agrees to communicate the requirements of PGO S.A. and its Customers to its own Suppliers and subcontractors.
- 2.11.** The Supplier is obliged to comply with international standards for the protection of human and labour rights.
- 2.12.** The Supplier agrees not to discriminate against employees on the basis of gender, origin, religion, race, sexual orientation, political opinion, social background, age and type of employment.
- 2.13.** The Supplier agrees to provide all employees with safe and healthy working conditions and regular occupational health and safety training. The Supplier agrees to minimize and eliminate potential risks to employees and the environment resulting from its business activities.
- 2.14.** The Supplier undertakes to conduct its operations in accordance with the applicable laws and regulations with respect to environmental protection, emissions of pollution and noise. The Supplier undertakes to monitor the amount of generated waste and manage it appropriately, at the same time it declares to systematically minimize the negative impact on the environment resulting from its business activities.

3. RELATED DOCUMENT

ISO 9001:2015 – Quality management system – Requirements.

ISO 14001:2015 – Environmental management system – Requirements and application guidelines.

ISO 45001:2018 (2024) – Occupational health and safety management system – Requirements and application guidelines.

IATF 16949:2016 – Automotive quality management system standard – Requirements for quality management systems for series production and service parts manufacturing in the automotive industry.

ISO 22163:2023 (IRIS rev. 04) – Railway quality management system – ISO 9001:2015 and specific requirements for use in the railroad sector.

4. DEFINITIONS

APQP – Advanced Product Quality Planning – The purpose of APQP is to prevent nonconformities instead of detecting them at the manufacturing stage. Quality planning must consider the areas of goods acceptance, production, final inspection, packaging and storage.

Audit – a systematic, independent and documented process of obtaining objective proof and its objective evaluation to determine the extent to which audit criteria are met. (...) Note 2 to the expression: External audits include the so-called second-party and third-party audits. Second-party audits are conducted by the organization's stakeholders, such as customers or other persons acting on their behalf.

Special characteristics – classification of product characteristics or manufacturing process parameter that may affect safety or compliance with the provisions of the law, requirements, fit, functionality, performance or further processing of the product.

Supplier – an organization that supplies the material, product or service.

Corrective actions – actions to eliminate the cause of nonconformity on a given item, e.g. visualization, design changes, change of instructions, etc.

Interim actions – correction – actions to eliminate the effects of nonconformity.

Preventive actions – actions aimed at eliminating the cause of nonconformity in a broader area including, for example, entire product group, all details produced on a particular device, changes in the Quality Management System, etc.

FAI – First Article Inspection – The purpose of conducting FAI is to ensure that: the Ordering Party's requirements are known and understood by the Supplier, the production process enables the production of conforming products within the current production environment, the Supplier's production process is capable of meeting the requirements of PGO S.A. at the required quality level, all characteristics have been taken into account and meet the drawing requirements.

FMEA – Failure mode and effects analysis – Analysis of potential causes and effects of defects – This method aims to prevent the effects of defects that may occur in the design phase and in the manufacturing phase.

FMECA – Analysis of potential causes and effects of defects and their criticality. This method is designed to determine the potential impact on the safety of the components used.

Identification – involves marking a product or batch of products in such a way that they can be distinguished from others, e.g. unique product number, production batch number, melt number.

Traceability – involves marking the product in such a way that it is possible to trace all the operations and activities it has undergone in its history.

Customer – a person or organization that could receive or receives a product or service from PGO S.A. that is intended for or required by that person or organization.

NCR – Non-Conformance Report – a document used to inform the Ordering Party about the occurrence of non-conformances during the process at the Supplier's. The report should describe the non-conformance, its cause and a proposal of actions so that the problem would be resolved and would not occur in the future.

PPAP – Production Part Approval Process – The purpose of PPAP is for the Supplier to provide proofs to the customer/ ordering party that it has correctly understood all specification requirements and that the production process has the potential to produce a product that consistently meets those requirements.

Project Management – planning, organizing, monitoring, overseeing and reporting on all aspects of the project, and motivating all those involved in achieving the project goals.

RAMS – Reliability (R), Availability (A), Maintainability (M), Safety (S) analysis – a set of analytical activities to ensure the safe and reliable operation of railroad products.

8D Report – A method used to identify the problem (e.g. with the 5W2H method), analyze the problem (e.g. 5WHY, Ishikawa Diagram, Brainstorming, Pareto Analysis) and, in further steps, eliminate the effects, causes and improve.

Ordering Party – PGO S.A.

5. ORDER

5.1. The Supplier is responsible for meeting all requirements related to the order. If the Supplier is unable to meet these requirements, it should immediately notify the employee of the organizational unit responsible for purchasing and cooperation.

5.2. The order should be confirmed within a maximum of 5 working days after the receipt of the order by email. The confirmation is tantamount to the Supplier's acceptance of the order in accordance with the agreed terms specified in the order (e.g. price, quantity, deadline, quality requirements). The Suppliers should inform the Ordering Party in advance of any potential quality or delivery date problems.

6. IDENTIFICATION AND TRACEABILITY

6.1. The Supplier is required to maintain the identification assigned by PGO S.A. or its Customer throughout the process carried out at its premises and it must be associated with the applicable documentation.

6.2. The identification assigned by PGO S.A. must be transferred to collective packaging tags, quality statuses and/or details. The minimum method of identification is given in Table 1.

7. PACKAGING

7.1. The details should be packed in a way that protects them from damage during transport and from environmental influences. PGO S.A. reserves the right to specify and require individual packaging conditions.

7.2. The product should be protected against corrosion for the storage period, not less than 6 months. Exceptions are items for which the order or the co-op sheet says otherwise.

7.3. Every batch/ package should be marked with a collective tag containing at least: production batch number assigned by PGO S.A., the number of conforming pieces and the number of nonconforming pieces marked accordingly (if any).

8. QUALITY CONTROL AND DOCUMENTATION

8.1. PGO S.A.'s strategy is to limit the quality control performed on materials and services supplied, and the responsibility for providing materials that conform with the requirements and specifications rests with the Supplier. The Supplier is expected to perform the inspections and tests required to document compliance with the applicable co-op sheets, drawings and specifications.

8.2. The Supplier shall implement and maintain a system to ensure that only current drawings and specifications are used. The Ordering Party shall always include a current drawing with the purchase order and it is the responsibility of the Supplier to ensure that the product is completed in accordance with the enclosed agreed drawing.

8.3. Unless specified otherwise in the purchase order or co-op sheet, documentation as presented in Table 1 is required from the Supplier. A set of documentation should be delivered to PGO S.A. no later than on the date of receipt of the ordered materials and/or services.

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8.4. In the case of details ordered with the acceptance of the selected Qualification Society or Customer, it is necessary to organize the acceptance and prepare the certificate 3.2. All necessary information is included in the order, and, if necessary, the Supplier should contact the Quality Assurance Department of PGO S.A.

8.5. If the required quality documentation is missing, the Quality Assurance Department of PGO S.A. is not able to carry out the Inspection of Deliveries or Acceptance of Co-operation, therefore, the date of delivery to the Ordering Party shall be considered as the date of delivery of the ordered goods with complete documentation.

	Products for the automotive industry	Products for the railroad industry	Other products / materials
FAI	NO	YES	As agreed with the Supplier
PPAP	YES	NO	NO
Measurement cards	min. 10% of the delivered batch (to be agreed with the Supplier)	min. 10% of the delivered batch (to be agreed with the Supplier)	min. 10% of the delivered batch (to be agreed with the Supplier)
Identification	Tags / quality statuses on packages	Tags / quality statuses on packages	Tags / quality statuses on packages
Certificate of quality according to ISO 10204	For every batch ordered: Attestation / Certificate 3.1	For every batch ordered: Attestation / Certificate 3.	As agreed with the Supplier
APQP/ Project Management	YES	YES	As agreed with the Supplier
SPC	YES – for critical characteristics	NO	NO
FMEA	YES	As agreed with the supplier	As agreed with the Supplier
FMECA	NO	As agreed with the supplier	NO
Period of documentation storage	15 years	15 years	5 years

Table 1 Identification and documentation requirements

9. CHANGES IN THE PRODUCTION PROCESS

9.1. In the case of changes in the production process, machinery park or change in the location of the production hall, the Supplier is obliged to inform the Ordering Party.

9.2. After the changes are introduced, a measurement report (with the changes described) must be submitted for the details affected by the change, showing the effect on the results obtained.

10. NON-CONFORMING PRODUCTS

10.1. Handling of non-conforming product at the Supplier's premises

10.1.1. It is the Supplier's responsibility to identify non-conforming products as quickly as possible, isolate them and ensure proper traceability. Suppliers are expected to notify PGO S.A. immediately upon detection of non-conforming material.

10.1.2. Non-conforming products should be marked with red paint/marker. If possible, the place of occurrence of non-conformity should be marked.

10.1.3. In the event of non-conformity detected at the Supplier's premises and attributable to the Ordering Party, the pieces should be isolated and the Logistics Department Employee should be informed of the incident.

10.2. Consent to derogation

10.2.1. If the Supplier has identified a non-conformity that does not affect the functionality of the product, before shipping the details or material, it should send the completed NCR form to the Ordering Party with full identification, description of the non-conformity, statement of the cause and proposal for corrective and preventive actions.

10.2.2. The submitted form shall be reviewed by the Interdisciplinary Team the composition of which shall be selected depending on the type and scale of non-conformity. The Supplier shall be informed of the potential approval or rejection of the request as soon as the decision is made.

10.2.3. Any discrepancies are grounds for re-negotiation of the price between the Ordering Party and the Supplier.

10.3. Complaints

10.3.1. The basis for a complaint about a product or service is non-conformity detected at the stage of Inspection of Deliveries or Acceptance of Co-operation, non-conformity detected during further stages of production that does not allow for further processing or operation, or non-conformity detected by the customer.

10.3.2. The complaint is sent to the Supplier in writing by the Ordering Party Employee.

10.3.3. For each complaint submitted by the Ordering Party, the Supplier should prepare an 8D Report (Appendix 1). The report should be sent to PGO S.A. within 10 working days of the receipt of the complaint.

10.3.4. The complaint is the basis for charging the Supplier with the costs of material and production activities already performed by the Ordering Party, as well as the costs resulting from the untimely execution of the order and operating costs.

11. AUDITS AND Supplier ASSESSMENT

11.1. The Supplier should provide the Ordering Party, its Customers and external institutions with the opportunity to conduct audits both at its premises and at the premises of its Suppliers and subcontractors.

11.2. If the Supplier is certified to IATF 16949:2016 and/or ISO 22163:2023 and/or AS/EN 9100, the Supplier is exempt from the Quality Management System audit. In such case, the audit is limited to the processes, locations and records pertaining to the orders executed for PGO S.A..

11.2.1. The audit of the Supplier that does not meet the conditions set forth in point 11.2 focuses on 11 areas: Quality Management Systems, Customer Orientation, Supplier Management, Production Process, Non-conformity Management, Tool Calibration and Adjustment, Maintenance, Warehousing, Environment, Occupational Health and Safety and 5S, HR, Operations Management.

11.2.2. The audit report should be sent to the Supplier within 2 weeks from the date of the audit, unless otherwise agreed during the audit. At that time, the date of implementation and verification of corrective and preventive actions to the identified non-conformities and suggestions is set.

11.3. The annual assessment of PGO S.A. Suppliers is carried out on the basis of strictly defined criteria, i.e. quality management system in place, quality, timeliness, price. On the basis of this assessment, the Supplier shall be qualified to the appropriate category of Suppliers or shall be removed from it if the qualification criteria are not met.

11.3.1. The Supplier may be reinstated to the appropriate category after the Supplier demonstrates the elimination of the reasons for its removal from the list and/or continuous process improvement.

11.3.2. The Supplier shall be informed of the results of the Supplier's assessment, qualification for a given list (A, B or C) or removal from the list and the reasons for this action each time (annually) by an employee of the Ordering Party.

11.4. PGO S.A.'s goal is to develop Suppliers, PGO reserves the right to propose and agree with the Supplier on improvement activities.

12. CUSTOMER'S PROPERTY

12.1. In the case of machining services, heat treatment, thermo-chemical treatment, electroplating, welding or other material (details) provided by the Ordering Party for use, the Supplier is obliged to secure, protect and maintain proper traceability throughout the process.

12.2. The materials provided by the Ordering Party may only be used for the execution of the order/ contract with PGO S.A.

13. CONFIDENTIALITY

13.1. All information, drawings and documentation provided to Suppliers by PGO S.A. should be treated as proprietary and confidential data.

13.2. The Supplier is obliged to ensure that all persons with access to documentation and information entrusted by PGO S.A. are bound by confidentiality principles.

13.3. It is prohibited to share commercial and technical information in whole or in part with any third parties without the written consent of the Ordering Party.

14. APPENDICES

Appendix No. 1 – Model 8D Report

15. CHANGES

Rev. No.	Date of change	Name	Description of the change
1	27 November 2024	Robert Dąbrowski	Creation of the document: „Quality Requirements for Suppliers.”