



SUPPLIER'S GUIDE

Revision 2

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REVISION 2**

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1. INTRODUCTION

AC S.A. is a modern and innovative automotive company which manufactures and sells components and units of LPG/CNG auto gas systems, manufactures and distributes automotive electronics, and distributes car parts. It enjoys more than 50% share in the domestic market. For the last 30 years, its experience and constant development of the offer have placed the Company in the position of leader and pioneer of changes in the field of auto gas systems. AC is also one of the largest employers in the north-east Poland.

The undisputed position of leader in environmentally-friendly solutions in the field of alternative motor vehicle powering systems stems from the natural synergy of long-term experience of the company and know-how of its employees. The Company has its own AC S.A. Research and Development Centre where, apart from works on the prototypes of new products, projects are completed to improve the production processes of the Company and the quality of existing products.

We wish that each of our suppliers follows similar rules and values and, primarily, understands cooperation with AC S.A. in the same way. This document specifies the requirements that should be met by the supplier of AC S.A.

2. GENERAL REQUIREMENTS

2.1. TERMINOLOGY

New supplier - a company which has never cooperated with AC S.A. or has not supplied any product/service in the course of the last three years. Before introduction, every new supplier must be qualified in accordance with the rules applicable at AC S.A.

Qualification of a new supplier - Process of introduction of a new supplier to the list of (major and other) approved AC S.A. suppliers through the analysis of the supplier's abilities in relation to the requirements of AC S.A. included in the Supplier's Guide.

Confidentiality – all operations with individual suppliers of AC S.A. are considered confidential and covered with professional secret.

2.1.2. ABBREVIATIONS

Term	Explanation
PPAP	Approval of components for production on the basis of provided final samples of components
PSW	Part Submission Warrant; When issuing a PSW, the supplier officially accepts all of the client's requirements and guarantees that their product meets such requirements. The signing of PSW by the client is officially considered as the end of the PPAP process
FMEA	Failure mode and effects analysis for the process or product
AAR	Appearance Approval Report
VDA	Standards of the German Association of the Automotive Industry
ROHS	EU Directive on Restriction of Hazardous Substances (2002/95/EC)



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REACH	Regulation of the European Parliament on the Registration, Evaluation and Authorisation of Chemicals
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2.2. IDENTIFICATION OF SUPPLIERS

2.1.1. General requirements

All General requirements of AC S.A. are included in this Supplier's Guide.

Every new supplier should complete the Supplier's Survey in order to confirm that they meet the requirements specified in the Supplier's Guide. The completed document should be sent to the following address: purchasing@ac.com.pl and its original should be sent by regular mail to the registered address of the company.

It needs to be remembered that all required data in the fields concerning the supplier should be completed. Any gaps in the completed documents will result in the rejection of the supplier. Every supplier must confirm that they have read and acknowledged the requirements included in the "Non-Disclosure Agreement", sign and send it to the following address: purchasing@ac.com.pl and send its original by regular post to the registered address of the company.

2.1.2. Data collection and analysis

Data analysis starts with the verification of correctness and reliability of completion of the documents that should be provided (Supplier's Survey and "Non-Disclosure Agreement"). The above allows for the identification of suppliers that can meet the requirements imposed by AC S.A.

2.3. QUALIFICATION OF THE SUPPLIER

2.3.1. Analysis of the supplier's potential

The supplier's potential is analysed by the review of the sent price proposals, and other information from the supplier. At this stage all suppliers are considered. AC S.A. compares its needs with the capacity of a potential supplier. On the basis of data that are analysed the decision is made with regard to further stages of the procedure.

2.3.2. Verification of the supplier

The next stage of admitting the supplier is to complete the self-assessment survey. After its analysis, the decision is made whether a supplier can be approved on its basis or a supplier's audit needs to be conducted.

2.3.3. Supplier's audit

In a situation when the supplier's audit is required, upon prior agreement with the supplier, it is conducted by AC S.A.'s interdisciplinary team comprised of the representative of the Quality Assurance Department, Purchasing Department and the representative of the technical or technological department, if necessary.



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2.3.4. Addition of a new supplier to the List of Approved Suppliers

When the supplier's qualification is successful, such supplier is entered to the list of approved suppliers. Every approved supplier must use the current version of the "Supplier's Guide" that is available at the website: www.ac.com.pl in the tab on "Company Policy."

2.4. APPROVAL OF THE SUPPLIER

Every supplier that is approved and included in the list of main suppliers and is interested in cooperation with AC S.A. is obliged to conclude a written cooperation agreement in accordance with the specimen applicable at AC S.A.

2.5. PROVISION OF INFORMATION

Every supplier should respond to the questions asked within 48 hours. In the case of any problems, also with the execution of deliveries, a person from the purchasing department responsible for a given supplier must be promptly informed.

After starting cooperation with AC S.A., the supplier should provide AC S.A. with the names of persons who should be contacted as part of cooperation with AC S.A. and who may undertake decisions binding for the supplier (within the scope of quality, finances and logistics) and implement actions necessary in a given situation.

2.6. SUPPLIER'S ASSESSMENT

The main suppliers are assessed every quarter, while other suppliers are assessed once a year.

The (main) supplier is assessed with the following criteria:

- quality of the supplied product
- timely order execution
- compliance with the order
- competitiveness and support (time of reaction to AC's queries)
- cost and cost initiatives

The criteria with the maximum score that may be achieved are specified below.

	Assessment criteria	Max score	Elements of assessment
Objective	Quality	30	number of defective details/ complaints complaints about the quality of components
	Ontime execution	20	timely order execution and its compliance
	Compliance with the order	20	compliance with the order in terms of quantity completeness of the order
Subjective	Competitiveness and support	15	execution time
			constant development
			waiting time for the supplier's response
Cost	15	total cost	
		price ratio	
	Max score that a supplier may achieve	100	



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The suppliers with the score of 85+ meet the expectations of AC S.A. (green status). The suppliers with the score of 85-65 must make some corrections in the assessment field that requires it (yellow status). The suppliers with the score below 65 do not meet the expectations of AC S.A. and, if they repeatedly achieve low scores (in three subsequent months), they may be replaced with other Suppliers (red status). A supplier with the red status should promptly implement corrective measures and inform, via email, the representative of AC S.A. with whom they are in direct contact about such measures.

The quality points are granted on the basis of the comparison of the number of complaints and the number of deliveries. The manner of granting points is presented below:

Points	Percentage range of quality-compliant deliveries
30	100%
25	83%-99%
20	67%-82%
15	50%-66%
10	33%-49%
0	0%-32%

NOTE: The supplier that receives less than 15 points (half) in the Quality field is automatically assigned with the red status, regardless of other elements of assessment.

The remaining (non-major) suppliers are assessed in terms of timeliness and quality of deliveries.

3. PRODUCTION PART APPROVAL PROCESS

Catalogue components are approved by relevant technical departments of AC S.A. Dedicated components are approved by the Quality Assurance Department.

Dedicated components that do not affect the quality of the product (e.g. packaging elements) are admitted in line with the same principle as the catalogue components. Optionally: there may be conducted a quality verification of the Quality Assurance Department at the first delivery.

The approval of production components is required in the following situations:

- initial provision;
- technological change;
- transfer, replacement or scrapping of instrumentation;
- removal of irregularities in the previously supplied component;
- instrumentation not active for more than a year;
- change to optional structure or material;
- change of supplier or source of material;
- production with the use of new or modified tools (with the exception of fast-wearing tools);
- components manufactured at an additional location;



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- change of the source of parts purchased by the supplier;
- at the client's request, upon the suspension of deliveries due to quality reservations.

The provision of PPAP documents may have 5 different levels of approval:

Level 1	Provision of the client only with PSW (and appearance approval report for indicated components).
Level 2	Provision of the client with PSW with samples of components and limited confirmation data.
Level 3	Provision of the client with PSW with samples of components and full confirmation data.
Level 4	Provision of PSW with samples of components in accordance with other requirements set forth by the client.
Level 5	Provision of the client with PSW with samples of the product and corrected complete confirmation data at the production branch of the organisation.

The default approval level is level 4.

Scope of required documentation:

- approved drawing,
- measurement results,
- control plan,
- PSW,
- Samples of the product,
- Benchmarks.

Table of requirements for approval levels

	Requirement	Level 1	Level 2	Level 3	Level 4	Level 5
1	Records of the product design	R	S	S	*	R
	- regarding Restricted ingredients/ details	R	R	R	*	R
	- regarding All other ingredients/ details	R	S	S	*	R
2	Documents regarding Technical changes, if there are any	R	S	S	*	R
3	Technical approvals by the client, if required	R	R	S	*	R
4	FMEA of the Project	R	R	S	*	R
5	Schemes of the course of the process	R	R	R	*	R
6	FMEA of the Process	R	R	S	*	R
7	Measurement results	R	S	S	*	R
8	Test results for material, performance	R	S	S	*	R
9	Preliminary tests regarding the process	R	R	S	*	R
10	Tests regarding the Measurement System Analysis	R	R	S	*	R



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11	Documentation regarding Accredited Laboratory	R	S	S	*	R
12	Control plan	R	R	S	*	R
13	Part Submission Warrant (PSW)	S	S	S	S	R
14	Appearance Approval Report (AAR), if applicable	S	S	S	*	R
15	Control list regarding Mass Materials (only PPAP for mass materials)	R	R	R	*	R
16	Sample of the product	R	S	S	*	R
17	Benchmark	R	R	R	*	R
18	Auxiliary control measures	R	R	R	*	R
19	Records regarding compliance with the client's requirements	R	R	S	*	R

S = The supplier must provide in the indicated client section for product approval and keep a copy of records or positions from documentation in the right locations, with consideration given to production.
R = The Supplier will keep them in relevant locations, with consideration given to production, and will cause that they will be easily available for the representative of the client when they demand them.
***** = The supplier will keep them in the right locations and present them to the client at the client's request.

The components may be approved only on the basis of samples completed on the final tools, in the target place of manufacturing and according to the assumed production process.

Apart from the requirements included in the above-mentioned points, the supplier is obliged, at the request of AC S.A. to present data (reports, test results) to confirm that the client-specific requirements are met.

Regardless of the level of submission, the supplier must have at their premises and present all documents necessary for line validation upon request.

4. PLACE OF DELIVERY

Every delivery made to AC S.A. should be agreed with the Purchasing Specialist responsible for individual suppliers. The supplier supplies the ordered elements at their own cost or on conditions previously agreed with the Ordering Party on the basis of Incoterms 2010.

The warehouses of AC S.A. operate on working days at the locations and times indicated at the website: www.ac.com.pl in the tab on "Contact."

4.1. DOCUMENTS ATTACHED TO DELIVERY

Every delivery always requires the issuance and release of a stock issue confirmation and/or a VAT invoice together with the goods. Documents should refer to a specific number of the order. The number of supplied elements must be consistent with the quantities included in the order. During the acceptance, we only check the quantity and quality of collective packages.



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4.2. MANNER OF PACKING AND TRANSPORT

The supplier is responsible for proper labelling of supplies in a way that ensures their identification and traceability of the batch. Every collective package must be marked with the order number/ date of production and at least the following basic data:

- Index/ AC part number
- Supplier's symbol
- Name of the detail
- Name of the manufacturer
- Quantity

The manner of packing the components should be appropriate for a given type of details so as to protect them against any damage. It is recommended to mark the shipment with a VDA 4902 label.

The confirmation of delivery/ acceptance is the receipt acknowledgement on the bill of lading by an authorised representative of the Ordering Party (also confirmation of receipt on documents of a potential carrier).

The supplier is responsible for meeting the date of delivery. All dates included in the order and confirmed by the supplier should be understood as dates of delivery to the registered office of AC S.A., unless the order states otherwise. If the supplier fails to make the delivery at the date they agreed and confirmed, the Ordering Party reserves the right to charge the supplier with the costs related to the production downtime and the liquidated damages in the amount of 50% of the net value of a given order.

4.3. ADDITIONAL REQUIREMENTS

All used materials should comply with the requirements stipulated in the provisions of the law, current technical standards, and have necessary certificates whose copies should be provided by the supplier upon the request of AC S.A.

5. MATERIAL DECLARATIONS

The suppliers are obliged to provide a document confirming the compliance with the ROHS and REACH declaration, as well as declaration of origin, before the first delivery.

6. SPECIAL REQUIREMENTS FOR THE SUBCONTRACTORS

The products supplied by subcontractors and documentation related thereto should meet the legal requirements regarding environmental protection and, if applicable, a relevant documentation should be provided (e.g. material data sheet).

The main criteria for the selection of subcontractors are compliance with documentation and price quotation. The subcontractors are subject to yearly assessment. The main criteria of assessment are ontime execution and quality (rate of complaints) for the delivered products after processing.



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7. COMPLAINT PROCESS

If defects are found in the elements, the supplier is obliged to promptly replace them. If elements that do not meet quality conditions are found at the assembly line, such elements shall be set aside, counted and replaced with correct ones. The supplier should provide materials for replacement free of charge. We reserve the right to charge the supplier with the costs of potential consequences. The supplier shall consider the quality complaints within 7 (seven) days, starting from the date of filing them. When it is not possible to remove the defect or the circumstances indicate that the supplier is not able to remove them on time, AC S.A. may withdraw from the agreement or demand the reduction of remuneration at an appropriate rate. The same applies to the situation when the supplier does not remove the defects within the deadline set by AC S.A. If AC incurs the costs related to the handling of complaints, they may charge the costs of handling to the Contractor. The supplier may be charged with the costs of the whole product (work in progress) if the supplied goods have hidden defects and it is not possible to remove them or if other components installed in a given final product are damaged due to the use of a faulty component.

Quantity complaints:

- in collective packages should be reported to the supplier within 7 days from the date of delivery/ acceptance of the work;
- in unit packages should be reported within 7 days from their discovery.

8. INVOICES/ PAYMENTS

The invoices should be issued and provided in hard copy or in electronic form after the prior execution of documents allowing for the electronic invoice flow. Every invoice should include:

- type and number of the invoice and number of the order to which it pertains
- date
- name and address of the supplier and recipient, and their NIPs (tax identification numbers)
- number of the AC item and number of the supplier's/ manufacturer's item
- ordered quantity, measurement unit, price, currency, value
- terms of delivery
- date and method of payment
- Number of the order to which it pertains, if any

APPENDICES:

1. Z3-07_01_05 SUPPLIER'S SURVEY
2. Z4-07_01_05 POTENTIAL SURVEY