# Supplier

## Quality Manual

# Supplier Quality Manual
# TUBACEX Group

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# 1.- INTRODUCTION

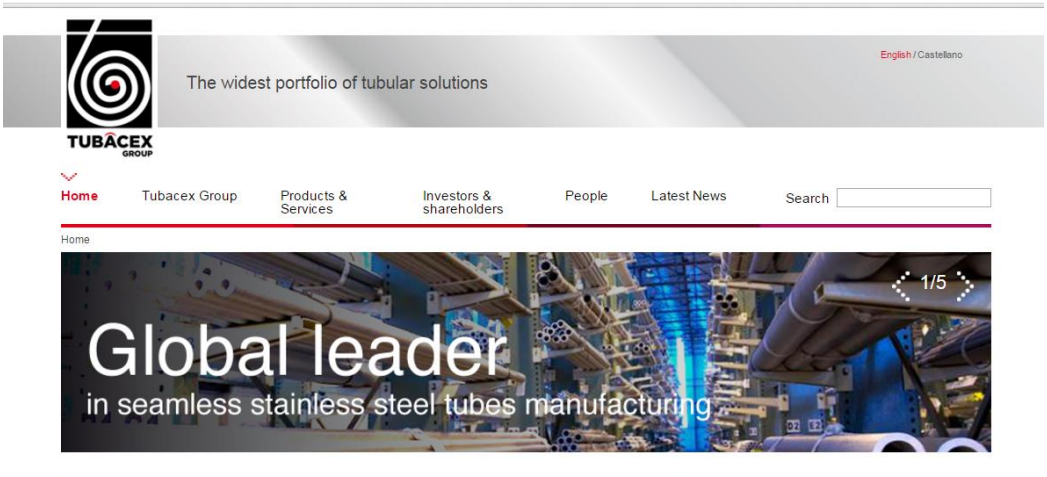
The purpose of this Tubacex Group Supplier Quality Manual is to specify and explain the procedures and requirements that affect the cooperation between the Tubacex Group and its production suppliers (raw materials, components) as well as key suppliers (maintenance and sub-contractors) in order to ensure the excellent quality of products manufactured for our customers throughout the entire supply chain.

This manual describes the minimum requirements for entering into commercial relations with the Tubacex Group.

Any additional requirements will be communicated for each individual case or will be addressed in other documents related to the commercial activity. The assigned supplier quality assurance engineer will review and handle all communication, notifications and questions regarding the procedures and requirements set out in this document.

The success of the Tubacex Group is based on supplying our customers with high quality and high-performance products at competitive prices. Tubacex Group suppliers are a key element to achieve and maintain this high level of performance.

This Manual and the contractual terms and conditions of the Tubacex Group are available at [www.tubacex.com](http://www.tubacex.com) . It is the Supplier's responsibility to regularly check the website to be aware of any updates.



## 1.1 Mission, Vision and Values

**VISION**

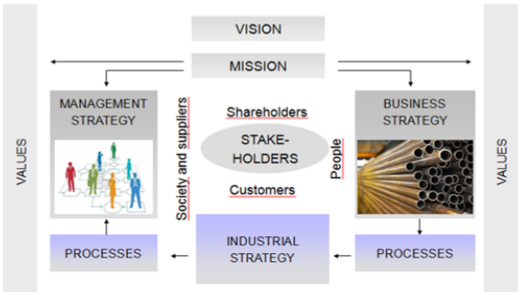
We aspire to be a global supplier and a benchmark in innovative tubular solutions in advanced materials, offering service and management excellence, fulfilling and exceeding customer expectations, whilst profitably sustainable and focused on people development.

**MISSION**

We are an innovative, multi-national industrial group in the global market of seamless stainless steel tubes.
We seek customer satisfaction through a portfolio of products and services that are constantly being developed.
We are a reliable company that fulfills its obligations with internal and external clients.
We grow in a profitable and sustainable way.
We undertake to effectively manage the return on all of our investments and to reward shareholders.
We seek excellence, through rigorous process management and the systematic application of ongoing improvement.
We undertake to constantly foster a safe and pleasant workplace, whilst respecting the environment.
We seek to contribute to the development of society and our suppliers, developing as professionals and people, working as a team and constantly measuring our results.

**VALUES**

- ✓Leadership
- ✓Focus on Achievement
- ✓Customer Satisfaction
- ✓Continuous Improvement
- ✓Creativity and Innovation
- ✓Teamwork
- ✓Creation of Value and Profitability
- ✓Diversity and Dignity in the Workplace
- ✓Corporate Ethics




## 1.2 Environmental Guidelines

The use and consumption of energy and raw materials shall be managed effectively within the Tubacex Group and its suppliers, respecting the environment and using energy, water and transport resources and other natural elements with a minimum of consumption. In order to carry out a quantitative assessment of resource efficiency throughout the life cycle, the following data will be taken into account as a continuous improvement indicator: water consumption, total energy consumption, etc. This data may be requested from the supplier in order to verify its effective management.

# 2.- NEW SUPPLIER

The approval process for suppliers of materials and components and those considered to be key consists of the following phases.

In the first phase, Supplier Qualification and registration on our supplier panel is necessary to be able to assign any materials or components to this supplier.

All production plants and key suppliers must comply with the following requirements before commencing the Production Part Approval Process (PPAP) as described in Chapter 3.

## 2.1 Quality, Environmental and Safety Management Systems

**2.1.1- ISO 9001:2008.** The Tubacex Group's objective is for all suppliers of materials and/or services affecting the quality of the end product to prove compliance with the guidelines set out in ISO 9001. Unless otherwise specified, conformity with this standard must be proven with third party certification. Alternatively, QS-9000, VDA certification, ISO/TS 16949 or EAQF or API Q1 can be accepted.

**2.1.2.- ISO 14001:2004.** In order to ensure the application of the environmental policy throughout its supply chain, Tubacex requires all of its suppliers to participate actively in environmental management. This includes the implementation and certification of an environmental management system, as per ISO 14001, or other equivalent standards. Suppliers included in the ERS "Environmental Risk Suppliers" list must have obtained this certificate or alternatively present a plan to obtain ISO 14001 certification within 24 months, which will be periodically updated.

**2.1.3.- STANDARD OHSAS 18001.** The Tubacex Group's management model is based on the EFQM and aims to achieve operational excellence. Safety is one of the Tubacex Group's most important objectives. This target extends to all of our subcontracted suppliers (maintenance and internal works) which, in addition to fulfilling the prevailing Tubacex Group safety standards, must also obtain OHSAS 18001 certification or alternatively, present a plan to obtain OHSAS 18001 certification within 24 months.

**2.1.4.- Qualification Audit**

Those suppliers which do not hold ISO 9001 certification or any other that certifies their quality level, but whose product/process is essential for the Tubacex Group will be assessed in accordance with the Tubacex Group Supplier Assessment System and their product/process will be validated. However, the Supplier must submit a plan for adaptation to the ISO 9001 standard and those required by the Tubacex Group.

During supplier selection and assessment, the Tubacex Group will perform various audits to confirm supplier capability, beyond the certification level. Suppliers that initially do not obtain an acceptable qualification should develop action plans and monitoring to correct any deficiencies and then request a re-audit to verify implementation of these actions.

## 2.2.- Environmental Compliance

### 2.2.1.- REACH Regulation

The European Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) entered into force in June 2007.

Suppliers shall comply with all applicable REACH requirements that affect the products they supply to the Tubacex Group.

Suppliers should, in turn, ensure that sub-suppliers of the Tubacex Group fulfill the applicable aspects of the REACH regulation.

This applies to suppliers that only provide substances in preparations or in articles. To find out how to comply with this requirement and obtain further information, consult the following website: http://www.echa.europa.eu.

### 2.2.2.- Environmental Regulations

The Supplier must have processes that ensure compliance with all the provisions in the prevailing environmental regulations, in terms of the generation and handling of waste, discharges, atmospheric emissions, radioactivity, noise and the prevention of soil pollution. All products and/or services supplied must fulfill the applicable regulatory, documentation and safety requirements.

The Tubacex Group may request a copy of those documents which prove the proper handling of waste generated (agreements with waste managers, authorizations and delivery registers, etc.).

The Supplier shall regularly remind all of its employees of the environmental obligations which, either through legal obligation or at the Customer's express request, are assumed under the Contract.

## 2.2.3.-Protection, Occupational Health and Safety

The supplier will strictly comply with:

- Law 31/1995 of 8th November on Occupational Safety and Hygiene, as well as any local, regional and national laws applicable in the areas in which the supplier acts.
- General Work Regulation for Industry, not allowing the use of child labor or forced compulsory work for any supplier producing a product or service for companies of the Tubacex Group.
- Safety Regulation for Tubacex Group CONTRACTORS.
- Any other Legal Regulation, that is promoted or accepted by Spanish and/or regional bodies or Authorities, and which affect the safety of staff working for the Tubacex Group.

Suppliers may not be involved in any form of discrimination for any reason (race, gender, color, religion, military affiliation etc.). The supplier should foster an environment that allows for an easy flow of communication from the work force to the Management without fear of reprisal or persecution.

The supplier will comply with all applicable work force safety regulations, including but not limited to, proper protective equipment, training and safety equipment.

The Supplier will adapt and comply with the Occupational Health and Safety and Environmental Policy of 2nd December 2013 established for the Tubacex Group.

If the supplier is deemed to have breached any of the applicable laws, the Tubacex Group will terminate commercial activity with the supplier as soon as possible. The supplier will also lose the capacity to tender and be awarded commercial bids in the future.
The Tubacex Group will only select those suppliers that not only prove the desired combination of quality, commercial competitiveness and innovation, but also, more importantly, those suppliers that do so in strict compliance with the applicable laws and fostering a positive, safe and ethical workplace.
The Tubacex Group plants that are located in other countries must comply with the general regulations set out in this manual and the specific regulations for each country in terms of Occupational Protection and Health and Safety regulations.

# 3.- PRODUCTION PART APPROVAL PROCESS
**(First Samples Products)**

The objectives of this Production Part Approval Process are:

- To make sure that the process is well defined and fulfills the Tubacex Group's requirements and specifications.
- To ensure stability in the process, which will allow for the consistent supply of quality products throughout the product's useful life.
- To provide objective facts and evidence that demonstrate the capability and robustness of the process.
- The first samples will be applied for the approval of new or modified products or processes, whereby no changes can be made to the process without the express authorization of the Tubacex Group's Quality Department. For example:
- Production of a new product.
- Implementation of changes in the process.
- Transfer of existing processes to new production sites.
- Implementation of modifications in drawings, specifications or materials.
- Changes made by 2nd tier suppliers of subcontractors.

## 3.1.- Prior compliance requirements

The supplier must comply with all of the requirements defined by the Tubacex Group, in addition to the specific requirements of the plan and part design, if applicable.

Registers of controls performed on the first parts to be produced must be submitted electronically.

Prior to making the part available, all parts sent to the Group's premises must include:

1. Dimensional Control
2. Analysis and certificates of the material, if applicable.
3. Proof of compliance with the requested requirements and registers.

The supplier of a product and/or service that affects customer satisfaction must ensure that all of its sub-suppliers also fulfill all of the Quality Assurance requirements.
Any modification to a part, process or facility after first samples must be communicated in writing to the Tubacex Group Quality Department.

## 3.2.- Process Definition

The supplier must issue the Tubacex Group with a manufacturing process flowchart that should include all phases, from raw material reception to finished product shipment. During serial production this process flow cannot be modified without the prior consent of the Head of SQA.

### 3.3.- Control Plan

The supplier must provide a control plan to the Tubacex Group that shows that the process is under control in all of the phases defined in the manufacturing process flowchart
This control plan shall include the specific values of Key Product Characteristics with their tolerances and the method to ensure 100% compliance.

### 3.3.- Process Validation

During this phase, the supplier must show the capability of its process to manufacture according to the specifications.

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### 3.3.2.-Process Audit

The Tubacex Group may evaluate the performance of the supplier regarding its manufacturing processes and aptitude to supply components to the Tubacex Group through an on site audit of the processes.

# 4 Serial Production

## 4.1 Product / Process Change Management

### 4.1.1.- Supplier Request for Change

To make any change to the processes or products, suppliers are required to submit process change request to the SQA and obtain approval prior to its implementation.

Verbal requests are not accepted and changes will not be implemented without the written approval of the Tubacex Group.

This includes any changes to sub-suppliers of critical components throughout the supply chain.

The consequences of non-communicated or unauthorized changes in the supplier or sub-supplier process may result in any or all of following actions:

1. Issue of a Severe Deviation report.
2. Implementation of immediate third party containment measures.

All costs generated by a non-communicated or unauthorized process change will be invoiced to the supplier.

### 4.1.2 Deviation Management

On receiving Tubacex Group notification of any quality deviation, suppliers must implement containment action within 24 hours. Within 10 working days, the supplier must submit a corrective action plan.
Deviations are classified as significant and marginal. On receiving notification of a significant deviation from the Tubacex Group, suppliers must prepare a detailed 8D report, in which the containment measures, analysis of the root cause and elimination of this root cause are identified.
When the supplier suspects that a non-conformity product has been delivered, the supplier must notify the Tubacex Group of the possible defect. Notification should be addressed to SQA and the Purchasing Lead Buyer.

### 4.1.3.- Non-Quality Costs

Suppliers are responsible for all costs and expenses generated by any deviation or defect of the material supplied in any Tubacex subsidiary or customer

## 4.2 Continuous Improvement

### 4.2.1 Quality Audits

SQA of the Tubacex Group reserves the right to periodically evaluate the supplier quality to verify that the conditions established during the PPAP process are still being implemented in all areas involved in component or material production. Whenever required, the Tubacex Group may be accompanied by the customer in this kind of audit.

### 4.2.2.- Quality Improvement Plan

It is essential that both the Tubacex Group and its suppliers continuously improve their processes as a unique management model, seeking competitiveness of their products in order to improve the cost of the products purchased and produced. We therefore expect our suppliers to be proactive in proposing improvements to processes and products.

### 4.2.3 Process Improvements

Process improvements initiated by our suppliers will be positively evaluated.

### 4.2.4 Supplier Rating

In order to monitor the quality level of the supply of components or materials, the Tubacex Group will evaluate suppliers considered to be critical on a weekly basis using indicators (non-quality costs, deviations, 8Ds). Furthermore, the Quality Department (SQA) will establish the list of suppliers to be monitored, based on various criteria, such as size and importance of the product or service supplied, as well as the supplier's business volume with the Tubacex Group. Any supplier may be included upon request.

This Quality Rating is the average of the last four scores, resulting in A, B, C or D Rating; whereby A is the highest and D is the lowest.

| | |
|---|---|
| **90 – 100 A** | Excellent Supplier |
| **65 - 89 B** | Good Supplier |
| **50 - 64 C** | Supplier must improve; improvement plan to be presented |
| **< 50 D** | Supplier in urgent need of improvement. Present Action Plan immediately.The supplier will be eliminated of the supplier panel till don't reach the level B |

# 5.GENERAL ISSUES

## 5.1 TUBACEX Group Organization

The supplier will assign a person for the follow up and resolution of incidents in serial production. The supplier will be able to provide all communication and prepare documents in English.

Communication channels with the Tubacex Group during serial production are defined as follows:

***1 SQA***

- Point of contact for all incidents related to quality and technical questions.
- Technical implementation of changes in the process or product, including those proposed by the Supplier and those proposed by the Tubacex Group.
- Everything related to compliance with product specifications.
- Any event that has implications on the Quality of the product supplied. (shared with Purchasing Dept.)

***2 Purchasing***

- Negotiation of contractual terms and conditions.
- Financial issues regarding of the cost of non-quality.
- Everything related to the supply conditions, including renegotiation due to product changes.
- Improved quality of the supplier service. (shared with SQA)

**3 Technical**

- Feedback during product development (product changes during the series cycle) so as to ensure the ability to manufacture the product in accordance with the specifications.

## 5.2 Responsibilities

### 5.2.1.- Non-productive Supplier Quality Level

Sub-tier (non-productive) suppliers have a tremendous impact on the quality of the final component. Whether they supply raw materials, standard services or articles, their influence is so significant that it is essential for all of the Tubacex Group suppliers to have a supplier quality management system in place. This system shall include a function that reports and tracks the supplier base quality and delivery performance. Suppliers shall be able to demonstrate that they have a system implemented to manage supplier problems through documented

corrective measures and verification activities. When the Tubacex Group deems it necessary, it will audit the critical processes of the sub-tier suppliers to ensure the implementation of the proper controls throughout the entire supply chain.

## 5.3.-Associated Costs

### 5.3.1.- New Product Approval

The supplier is liable for all the costs of materials, initial samples, laboratory tests, contra-analysis, etc., that form part of the official approval and are required to verify compliance with the official approval requirements.

### 5.3.2.- Serial Production

The supplier is liable for the production of the manufactured products and therefore will assume all of the costs associated with controls included in the control plan or those costs that are relevant and necessary to guarantee the quality.

Under no circumstances will the Tubacex Group assume any costs corresponding to the resolution of any deviations generated by a supplier.

### 5.3.3 Standard Catalog Components

Standard purchasing of components and spare parts is defined as those specified by the Tubacex Group through its commercial brand name and the supplier's commercial name or reference. For example, resistors, contactors, standard switches, specific brand materials, tools, bearings, etc.

The supplier must comply with all aspects of this Tubacex Group Supplier Quality Manual, except for the Production Part Approval Process. Standard Catalog Components will not be subject to the PPAP and will be considered to be approved.

Regardless of the policies that the manufacturer may have, the Tubacex Group will not accept standard failure rates in any component. From this perspective, the components will be subjected to the procedures described in Chapter 4 of this Manual.

## 5.4.- Organization

**5.4.1.-** The Purchasing Department at the Tubacex Group is managed on two lines of action:

1. Commodities and Lead Buyer, purchasing managers for the product purchasing families and sub-families.
2. Plant Head of Purchasing; responsible for the implementation of Plant processes, purchases and provisioning.

### 5.4.2.- Tubacex Group Supplier Website

All documentation related to Purchasing management and relations is available for our suppliers on the Tubacex Group's WEBSITE.

- Purchasing Policy
- Supplier Quality Manual
- General Purchasing Terms and Conditions
- Quality Documents
- Environmental Requirements
- Other Documents

The supplier is responsible for keeping this documentation updated, whereby the necessary tools for its management must be available.