



Supplier Quality Manual

Indice

1. General	Errore. Il segnalibro non è definito.
2. Quality Management System Requirements	Errore. Il segnalibro non è definito.
3. Environment, health and safety	Errore. Il segnalibro non è definito.
4. Mandatory requirements and compliance.....	Errore. Il segnalibro non è definito.
5. Qualification of suppliers.....	Errore. Il segnalibro non è definito.
6. Valutazione periodica dei fornitori.....	Errore. Il segnalibro non è definito.
6.1 Assessment method.....	Errore. Il segnalibro non è definito.
7. Supplier Audit	Errore. Il segnalibro non è definito.
8. Sampling for product approval.....	Errore. Il segnalibro non è definito.
9. Product compliance / Certificate of Conformity	Errore. Il segnalibro non è definito.
10. Recording and retention of results and controls.....	Errore. Il segnalibro non è definito.
11. Measuring equipment	Errore. Il segnalibro non è definito.
12. Procedures for requesting a derogation	Errore. Il segnalibro non è definito.
13. Non compliant material management	Errore. Il segnalibro non è definito.
14. Packaging	Errore. Il segnalibro non è definito.
15. Change Management	Errore. Il segnalibro non è definito.

	SUPPLIER QUALITY MANUAL TARO PLAST GROUP	Modulo:	Q036 – Supplier Manual
		Rev:	00
		Pag:	3 di 9

1. General

This Manual integrates the General Conditions of Purchase of Taro Plast Group in defining the requirements governing the supply relationship between Taro Plast and its suppliers.

2. Quality Management System Requirements

A) Suppliers of raw materials for the automotive sector

Taro Plast suppliers who produce raw materials in the automotive sector are required to be certified according to ISO 9001 by an accredited third-party body. In addition, suppliers are required to structure their Quality Management System with the aim of complying with IATF 16949 through the following QMS development plan:

- 1) ISO 9001 certification through third-party audits; Unless otherwise specified, suppliers must demonstrate compliance with ISO 9001 by maintaining a third-party certification issued by a certification body, bearing the logo of the accreditation body of a recognized member IAF MLA (International Accreditation Forum Multilateral Recognition Arrangement), and where the main purpose of the accreditation body includes certifying management systems in accordance with the ISO/IEC 17021;
- 2) ISO 9001 certification with compliance with other customer-defined Quality Management System requirements (such as Minimum Automotive Quality Management System Requirements for subcontractors [MAQMSR] or equivalent), through second party audit;
- 3) ISO 9001 certification with compliance to IATF 16949 through second party audit;
- 4) IATF 16949 certification through third party audit (IATF 16949 certification from the supplier's third party, valid, issued by a certification body recognized by the IATF).

Suppliers not certified by a second-party inspection audit carried out with positive result by Taro Plast or by assessors and certification bodies recognized by Taro Plast are accepted as a temporary exception.

These suppliers are required to follow a path aimed at obtaining, in the shortest possible time, at least ISO 9001 certification - latest edition. In the event that the lack of certification persists over time, Taro Plast is entitled to remove the Supplier from the list of qualified suppliers.

All suppliers must meet and manage any specific mandatory requirements requested by Taro Plast and/or its customers.

The supplier shall immediately inform Taro Plast of any suspension or revocation of certification or complaints to a certification body by other customers.

B) Suppliers of products for other sectors (non-automotive) or packaging

The Supplier must ensure and maintain an active quality management system at least according to the current international standard UNI EN ISO 9001 - latest edition.

By way of derogation, non-certified suppliers are accepted following a second-party inspection audit carried out with a positive result by Taro Plast or by assessors and certification bodies recognised by Taro Plast.

All suppliers must meet and manage any specific mandatory requirements requested by Taro Plast and/or its customers.

The supplier shall immediately inform Taro Plast of any suspension or revocation of certification or complaints to a certification body by other customers.

C) Indirect service providers, maintenance services, equipment, machines, plants and materials

The Supplier is evaluated and entered in the list following a request made by the Taro Plast staff who take advantage of the relevant service.

Service providers must be in possession of the relevant certifications (ISO 9001, ISO/IEC 17025, etc.) depending on the services provided.

3. Environment, health and safety

Suppliers with an Environment/ Safety management system certified by a third party according to the following standards are considered preferential:

- ISO 14001 Environmental Management System

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- ISO 45001 Occupational health and safety management systems
- ISO 50001 Energy management systems

Suppliers are still required to:

- Carry out environmentally friendly activities and good environmental practices;
- Carry out activities that respect the health and safety of workers;
- Eliminate and/or reduce polluting production processes;
- Monitor and comply with environmental, health and safety legislation applicable in the producing and receiving country.

4. Mandatory requirements and compliance

Suppliers of raw materials are required to meet the following requirements:

- Supply of technical sheet and product specification
- Supply of safety data sheet (SDS) in Italian
- Compliance with the IMDS
- Compliance with REACH
- Residual shelf life not less than 2/3 of the total useful life of the material

5. Qualification of suppliers

The initial selection of suppliers by Taro Plast takes place through a preliminary assessment of the information obtained from:

- Analysis of the capacity and availability to supply products/ services corresponding to the needs of Taro Plast
- Risk analysis (Q023 - Supplier Risk Assessment) for compliance and supply continuity;
- Any visit/inspection at the supplier
- Qualification of the product by sampling
- System or product certifications (required via Annex 2 of PQ 9_1)

These activities lead to the assessment of several factors:

- Production capacity in terms of available resources and quality
- Quality system
- Product certifications
- Prices, payment methods
- Flexibility and delivery times
- Financial stability

6. Periodic evaluation of suppliers

The main element of supplier evaluation and monitoring is the Vendor Rating, issued by Quality and Management Purchases, with annual frequency and managed by the Quality Office.

6.1 Method of assessment

The vendor rating calculation is carried out annually on all suppliers of the Taro Plast group according to the following indices, as per procedure PO 014 - Vendor Rating Calculation Method:

Type of supplier	Indices
RAW MATERIALS and PACKAGING	ON TIME DELIVERY (OTD)
	QUALITY' (Q)
	PRICE (Pr)
	PORTFOLIO (Po)
	QUALITY SYSTEM (SQ)

Drafting: Quality	Approval: Management	Date: May 2025
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SERVICES	PRICE (Pr)
	PORTFOLIO (Po)
	QUALITY SYSTEM (SQ)

The processing of the OTD, Q and SQ score is carried out by the Quality Office, while the Pr and Po scores are evaluated by the Purchasing Office for the relevant suppliers.

The final score is subtracted 5 points for any event related to:

- discontinuities at customer plants (field stops, shipment blocks)
- responsibility for additional delivery costs

The overall score is associated with a range corresponding to 5 levels of acceptability and related actions:

VR Score	Evaluation	Actions
100 ÷ 95	Excellent (AA)	No action required against the supplier, preferred supplier
<95÷85	Reliable (A)	Communication to the supplier of points of improvement to achieve the result of Excellence
<85÷70	Acceptable (B)	Communication to the supplier of the request for reaching level A by the following year
<70÷50	Critical (C)	Communication to the supplier of targets for the year next with request for improvement plan documented within 60 days in relation to the assigned objectives
< 50	Unacceptable (D)	Request to remove supplier

Actions resulting from the evaluation of suppliers in class A and B are requested at the discretion of the quality office and purchasing office and mainly in case of suppliers belonging to automotive supply chain. If the result of the Vendor Rating should show an "UNACCEPTABLE" or "CRITICAL" assessment, it is up to Taro Plast to call upon the supplier in order to jointly discuss the improvement actions to be implemented or request availability for an audit.

7. Supplier audits

Annually, for suppliers of raw materials or packaging, an audit plan is drawn up based on the risk analysis (Q023 - Risk Assessment suppliers) carried out on suppliers defined as critical (in particular automotive sector) and the annual evaluation of suppliers. Audits may be planned in case of qualification of a new supplier, repeated non-conformities or problems with delivery dates, or in view of development of the quality management system for the supplier.

The risk assessment criteria are described in the following table:

		Score			Weight
		100	30	10	
Annual score	Supplier Class C	Supplier Class B - no evaluated	Supplier Class AA-A		20%
Audit result	Red	Yellow - unaudited	Green		10%
Certification	Uncertified	ISO 9001	IATF 16949		10%
Risk	New supplier - new	New supplier - MP already in	Supplier already		20%
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general	product	use Supplier already approved - new MP	approved and MP already in use	
Situation financial	Severa	Moderate	Acceptable	20%
Area geographical	High risk area: socio-political context, atmospheric agents, CSR	Medium risk area: socio-political context, atmospheric agents, CSR	Low risk area: social context political, agents atmospheric, CSR	10%

Suppliers with higher RPN are given priority in audit planning. Generally, it is considered that you do not need to fit into the supplier audit plan with an RPN <19.

Product or process audits may be scheduled depending on the assessments and any requests from customers.

8. Sampling for product approval

Sampling for approval may be requested:

- To a supplier already qualified, to approve a new product;
- To a supplier undergoing qualification

The shipment of samples from Suppliers not yet included in the list of qualified suppliers is authorized, subject to agreements with the Purchasing Office, Technical Office or Taro Plast Laboratory.

The approval process of new materials involves a laboratory check on internal and/or supply specifications and, in case of positive result, a test on the finished product.

The sampling must be accompanied by the documentation listed in Annex 2 to PQ 9/1 and in particular by:

- Technical data sheet
- Supply specification
- Safety data sheet
- REACH Declaration
- Material shelf life declaration
- Certificate of analysis of the sampled batch

In the case of approval of raw material intended for the automotive sector, the formalization of the PPAP documentation will be required, consisting of:

- PWS (Part Submission Warrant, on Taro Plast or supplier's forms)
- Production process flow chart (if required)
- Analysis of possible process failure modes (Process F.M.E.A.) (if required)
- Control plan (if required)
- Verification of the capacity of production processes (if required)

In the event that the Supplier has several production units or social reasons capable of supplying the products subject to approval, it is necessary that sampling and documentation be prepared for each operating unit/company name.

All the above-mentioned documentation is mandatory for both new and modified products as well as in case of changes in the production process of the Supplier.

The Supplier shall also re-sample the product in case of relocation of the relevant production lines. The relocation of production must be communicated in advance by the Supplier and shared with Taro Plast Spa.

In the event that the Supplier has to rely on Sub-Suppliers for the production of the product or part of it, it is mandatory that he makes written communication to Taro Plast Spa, which reserves the right to approve.

9. Product Compliance/ Certificate of Conformity

The Supplier shall establish and maintain documented procedures to ensure that the product supplied complies with the requirements.

Drafting: Quality	Approval: Management	Date: May 2025
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To prove the Product Conformity, the Supplier undertakes to present/send together with each supply and in electronic form the Certificate of Analysis (CoA). The CoA shall record:

- Name of product
- Number and date of the accompanying D.D.T.
- Quantity delivered
- Production batch
- Maximum and minimum limits and indication of the values measured for each characteristic, together with reference to the specifications and test standards carried out
- Production date and/or sell-by date based on the stated shelf life

For all products supplied to Taro Plast Spa, the supplier must ensure traceability at every stage of its production process.

10. Recording and retention of results and controls

The Supplier must maintain an adequate system for recording the results of checks, in relation to specific test cycles, relating to its own production and that of any Sub-Supplier.

These records must be available at the request of Taro Plast Spa and kept for at least 5 years.

11. Measuring equipment

The Supplier must have adequate means of control to ensure the correct measurement of the characteristics provided for in the technical documentation. These means must be periodically checked for performance and calibration according to a documented calibration and maintenance program (in-house or at accredited laboratories).

12. Procedures for requesting a derogation

If the Supplier during testing finds deviations from the delivery specifications, it may request authorization to produce/supply by way of derogation from the Taro Plast Purchasing Office, which, after appropriate internal checks, may issue the authorization.

The Supplier must specify at the time of request for derogation:

- product code and description covered by the derogation
- the nature and characteristic of the deviation
- the validity of the derogation (quantitative or temporal)

Taro Plast reserves the right to request samples of the material for which a derogation is requested for process testing or verification.

Every package containing products delivered under derogation must be clearly and visibly identified with a sign indicating:

- that it is a product delivered under derogation
- that is material intended for the attention of the Taro Plast Laboratory
- the reference of the authorization issued by Taro Plast
- the duration of the derogation (in time - expiry) or in quantity (delivered and authorised pieces)

13. Not compliant material management

Taro Plast, based on the checks carried out, will, in case of non-compliance, communicate it to the Supplier, evaluating its treatment (acceptance as a derogation, selection, integration, return) with a request for analysis of the causes of the anomaly (using problem-solving techniques) and the definition of corrective actions and improvement (module 8D).

Following a defect in the product or process attributable to it, the Supplier is obliged to notify within 24 hours of taking charge of the issued report and to send form 8D filled out with containment actions (3D) within 48 hours, with root cause analysis (5D) within 2 weeks from the receipt of the sample and completion of the module with verification of the effectiveness of corrective actions taken within the following 2 months. Deliveries following the complaint must be accompanied by a reinforced control report consistent with the reported defect until the effective verification with a

Drafting: Quality	Approval: Management	Date: May 2025
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positive result of the actions taken.

14. Packaging

The supplier must place the products in packaging suitable to ensure the integrity and conservation of the product during transport, handling and storage.

15. Change management

The supplier is required to inform Taro Plast promptly of any change in its corporate name and other significant changes at the company/financial/production level. Any changes concerning:

- Production site
- Production lines
- Production process
- Packaging/shipping method or type

must be communicated to Taro Plast with at least 6 months' notice.

If the supplied material has undergone formal PPAP, any request to modify the production process will necessitate the submission of samples for material re-approval.