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SUPPLIER Manual

This document defines the requirements and general terms applicable to raw material / components suppliers




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1. Scope

- 1.1. The terms set forth in this SUPPLIER Manual (The “**Manual**”) shall apply to the purchase of raw material, components, stamping parts and packaging material to any ARKAL manufacturing facility made by ARKAL, or on behalf of ARKAL, from the SUPPLIER and shall constitute an integral part of any Purchase Order placed with SUPPLIER and/or any contract or agreement entered with the SUPPLIER. The fulfillment of Purchase Orders shall constitute unconditional acceptance of the terms set forth herein and waiver by the SUPPLIER of its general terms of sale. The terms set forth in this Manual shall not be modified by any of SUPPLIER’s conflicting terms of sale. Any modification to this Manual shall only take effect if made in writing and signed by both parties. Failure by ARKAL to object to provisions contained in any other communications from the SUPPLIER shall not be construed as waiver of any of the general terms set forth in this Manual or acceptance of any such provisions.
- 1.2. ARKAL is committed to providing on time, quality products and services that meet our customers' needs and requires a commitment from our SUPPLIERS to provide the same to us. Creating win/win relationships strengthened by success remains a cornerstone in meeting changing customer expectations.
- 1.3. Each SUPPLIER of ARKAL is required to maintain a position of leadership while demonstrating a commitment to sustained quality, highest levels of service and a strong focus on continuous improvement.
- 1.4. This Manual defines ARKAL's requirements from all of its SUPPLIERS, including SUPPLIERS **that were directed to ARKAL by OEM customer.**
- 1.5. The requirements included in this Manual are general. Specific requirements are detailed in each supply agreement and/or Purchase Orders, applicable drawings specifications and other ARKAL's official procedures and instructions for each purchased part or logistic services.
- 1.6. Suppliers of ARKAL are also expected to manage their sub-tier suppliers of products and services to ensure compliance with the requirements defined within this manual,

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2. Supplier Assessment, selection and Approval Process

2.1.1. Definitions:

"SUPPLIER" shall refer to the entity with whom ARKAL places the POs and purchases the goods from

For example, SUPPLIER can be an agent, a distributor or a global company that has Manufacturing Facilities worldwide from which the goods are supplied to ARKAL

2.1.2. "**MANUFACTURER**" or "**MANUFACTURING FACILITY**" shall refer to the specific manufacturing facility where the goods are produced and supplied to ARKAL from.

Note: MANUFACTURER/MANUFACTURING FACILITY is always a specific manufacturing location !

2.1.3. Note: all quality related aspects are managed on MANUFACTURER level. That means that certifications, audits, APQP / PPAPs, act are managed on MANUFACTURER level.

2.1.4. Note: the supplier is not allowed to move production from one manufacturing location to other without receiving a prior written confirmation from Arkai.


Any certification and PPAP is managed per manufacturing location, and if a request to change MANUFACTURER is made, a certification process for the new MANUFACTURER is needed, and re-PPAP is required.

2.2. Following are ARKAL's **basic requirements** from SUPPLIERS that are also considered as MANUFACTURERS of the goods for ARKAL. Such SUPPLIERS must ensure that their MANUFACTURING FACILITIES comply with all the requirements set forth below :

2.2.1. Manufacturer Quality Management System Certification:

2.2.1.1. QMS certification:

- Certification to IATF 16949 is a default requirement (refer to suppliers risk classification below)
- However, in some cases ARKAL will consider ISO 9001 certification as acceptable
- Only certification issued by a certification body bearing the accreditation mark of a recognized IAF MLA (International Accreditation Forum Multilateral Recognition Arrangement) member are considered as acceptable and valid

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2.2.1.2. Certification to ISO 14001 is requested*.

*In case that the supplier did not obtain the certification to ISO 14001, then the supplier expected to have a realistic plan to obtain it.

2.2.1.3. Only certifications from accredited certifying bodies will be accepted.

For IATF 16949 will be accepted only accredited certifying with certificate number from IATF.

2.2.1.4. It will be considered an advantage for MANUFACTURER that is familiar and comply with OEM CSR (e.g. – VDA 6.3 / GM BIQS / PSA QSB...) – refer to OEM CSR below in this manual).

2.2.1.5. It will be considered an advantage for MANUFACTURER that is familiar and comply with product safety requirements (VDA PI / PSCR / D-characteristics...)

2.2.2. MANUFACTURER with good experience in production for the automotive industry.

2.2.3. High-level production equipment and technology.

2.2.4. In house capabilities – tools shop, engineering support, logistic services, laboratory and test capabilities.

2.2.5. Geographic location and supply lead time fitting to ARKAL's definitions.

2.2.6. IT capabilities.


2.2.7. Communication in English.

2.2.8. Demonstrated financial stability.

2.2.9. Competitiveness based on quotation for intended project.

2.3. Confidentiality & Data security:

2.3.1. NDA - The SUPPLIER is required to sign a Non-Disclosure Agreement between ARKAL (as the disclosing party) and the SUPPLIER (as the receiving party) already from the RFQ.

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2.3.2. Suppliers will respect the confidentiality of all information received from Arkal, and will not divulge this to a third party without a written permission. The supplier will be responsible towards Arkal for enforcing this clause in respect to any third or subsequent party.

2.3.3. The supplier will be responsible to manage Information Security process in all activities connected to Arkal products.


2.4. The supplier shall agree and sign on Suppliers Sustainability Procedure AI-PR-001

2.5. The SUPPLIER, at ARKAL's request, shall provide objective evidence for compliance by MANUFACTURER with the above-mentioned basic requirements. Thereafter, ARKAL will make an internal evaluation and will select potential MANUFACTURERS.

2.6. Potential MANUFACTURERS shall undergo an **Assessment and Approval Process** by ARKAL. The potential MANUFACTURER will cover its own expenses incurred in this process.

2.6.1. Each Vendor will be categorized according the below criteria.

Supplier Category	Criteria				Assessment scheme			
	Area of supply	QMS development target	Global / Local	Team decision	VDA 6.3 POT Prerequisite to nomination	VDA 6.3 P5-P6 Prerequisite to nomination	VDA 6.3 P5-P7 Production launch phase	APQP & R@R audit
A Critical	Critical Metal and metal sheet parts per Arkal drawing	IATF certification, if not – 2 nd party IATF compliance audit	Global supply	Based on risk evaluation by the team (project risk, past experience, type of product...)	V		V	V
B Medium	Raw Material Standard components (metal or others)	IATF certification, if not – ISO 9001 can be accepted	Global supply			V		
C Low	Raw Material Standard components (metal or others)	IATF certification, if not – ISO 9001 can be accepted	Local supply			V		

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2.7. The assessment and approval process is carried out through the following steps, according to the nature of MANUFACTURER and the goods supplied:

2.7.1. Manufacturing Facility survey and ARKAL's initial evaluation (Survey AI-538).

2.7.2. On-site Audit VDA 6.3:

According to initial evaluation, and level of Manufacturing Facility compliance with the criteria as listed in paragraph 2.1 above, it will be decided on on-site audit type to perform by ARKAL.

The audit is based on VDA 6.3 / POT methodology and includes verification of the quality system and processes effectiveness, suitable technology, in house lab tests capabilities, production capacity and measurement means.

The results of the Audit classified the MANUFACTURING FACILITY to A, B, C grades.

Table A1 describes the meaning of the different Grades.


Table A1 – Risk levels Grades for MANUFACTURING FACILITY Audit (VDA 6.3)

VDA 6.3 POT	VDA 6.3 P5-P7	Grade	Grading of the processes
Max. 7 yellows No reds	Score >=90%	A	Released.
Max. 14 yellows No red	80%<= score <90	B	Released with risk, corrective action plan is a must.
More than 14 yellows or at least 1 red	Score <80% >=90%	C	Not released

2.7.3. MANUFACTURING FACILITY Approval based on results from above audit and the other criteria's evaluation.

2.7.4. MANUFACTURING FACILITY entered process: ARKAL will nominate the MANUFACTURING FACILITY for a project (i.e. Supply Agreement, Letter of Intent, Blanket Purchase Order, etc.)

2.8. **Project validation management:**

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2.8.1. BULK (Raw material)

For each material the MANUFACTURING FACILITY shall carry out validation process according to ARKAL requirements.

2.8.2. Parts / Components

For each part / component the MANUFACTURING FACILITY shall submit PPAP / PPA samples and reports according to PPAP / PPA check list from ARKAL.

2.8.3. Approval:


2.8.3.1. Approval for serial production (PPAP / PPA approval) is a signed PSW / Cover Sheet.

2.8.3.2. Serial production without PPAP / PPA approval is not allowed.

In case of an objective problem the Manufacturing Facility needs to submit to ARKAL a PPAP / PPA Worksheet (interim approval request).

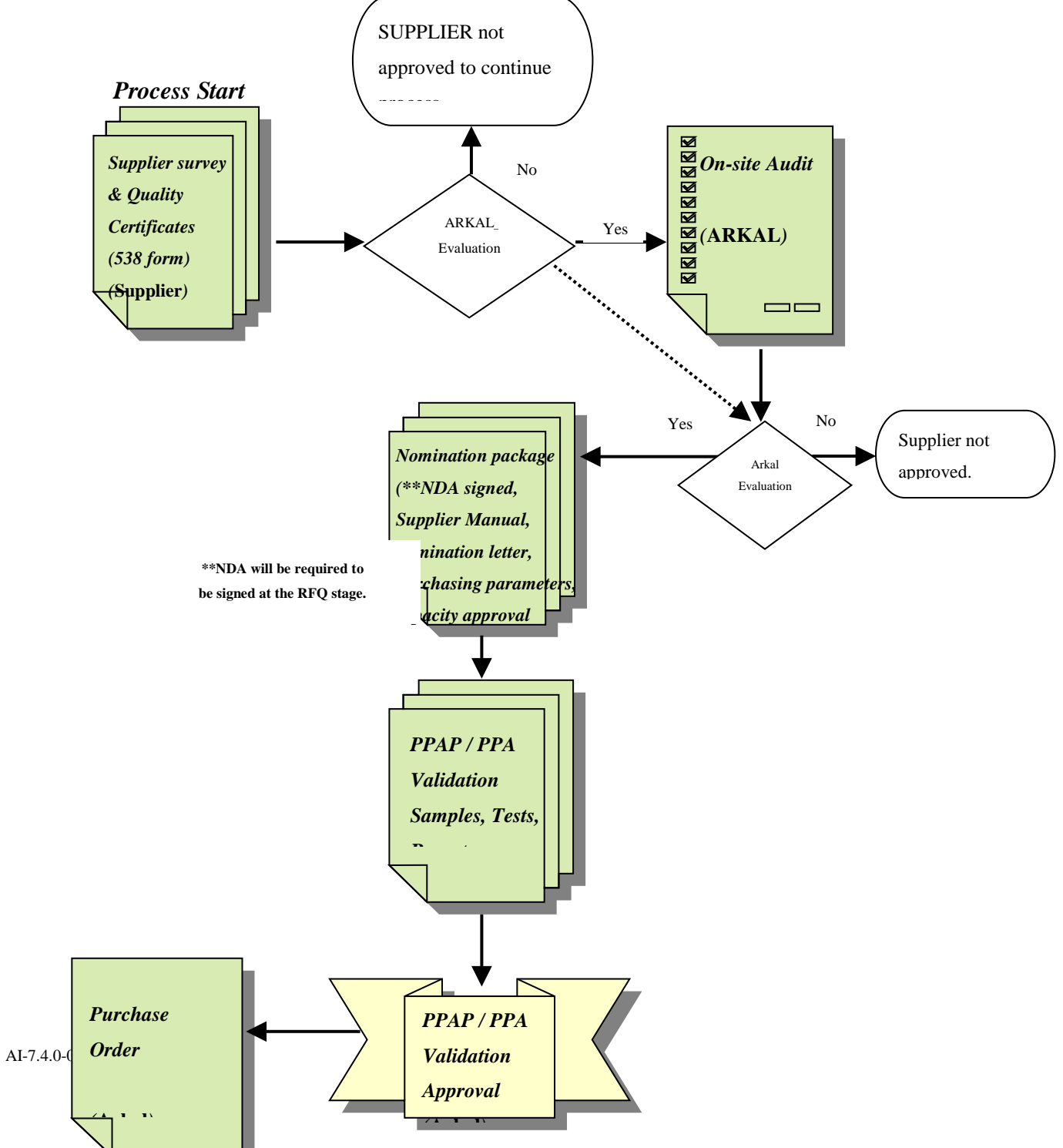
2.8.4. For material or parts samples shipments before validation or PPAP / PPA approval, a special label is required (see item 6.5).


All MANUFACTURING FACILITYS must submit IMDS to ARKAL for each material/component.

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Figure A – Manufacturing Facility Assessment and Approval Process:




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3. Purchase Orders

- 3.1. For each material/component Form AI-710 (Arkal purchasing parameters form) will be filled in according to agreed definitions for general and commercial terms. For example: delivery terms, payment terms, lead time, prices and other. Form AI-710 needs to be signed by the SUPPLIER and ARKAL. If the material/component is to be purchased directly by ARKAL's sub-contractor, then AI-Form AI-710 will be signed also by third party (sub-contractor).
- 3.2. The Purchase Order or the Blanket Purchase Order ("**PO**") is a formal and obligating document between ARKAL and the SUPPLIER. The PO shall include various business terms such as Parts numbers to be manufactured, specifications of the raw material required, Parts description, the quantity of Parts or raw material, unit price, delivery terms etc.
- 3.3. The SUPPLIER shall review and assess all PO requirements, and shall approve its ability to provide the said PO in writing to the attention of Arkal's purchasing department. In the event the Supplier is not capable of manufacturing and/or providing the goods requested in a certain PO, the SUPPLIER shall immediately inform ARKAL in writing, within one (1) business day after receiving the PO that it is not capable of supplying the goods requested.
- 3.4. The SUPPLIER is obligated to immediately inform ARKAL about any foreseeable delays of the delivery date and/or other performance obligations.
- 3.5. The delivery date and terms as defined in the PO are binding. Any disagreement should be addressed to ARKAL'S purchasing dept. prior to the PO approval by the SUPPLIER
- 3.6. The SUPPLIER shall be responsible to supply the required quantity on required delivery date in the PO. Any additional costs that arise due to SUPPLIER'S non-compliance shall be borne by SUPPLIER.
- 3.7. Typical PO will consist of the following conditions:
 - 3.7.1. Name of the SUPPLIER
 - 3.7.2. Name of MANUFACTURER (for orders from dealers / representatives).

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3.7.3. For each purchased part:

- ARKAL part description and number.
- SUPPLIER Part number (if any).
- Quantity to be supplied
- Price & terms of payment
- Mention of Drawing number and revision.
- Mention of Engineering Specification number and revision
- Mention of any other applicable specifications / requirements

3.7.4. Regulative requirements (if any)

3.7.5. Traceability and identification requirements

3.7.6. Requirement for quality (Tests and measurements) reports – COA/COT

3.7.7. Special requirements and conditions for packaging, labeling and delivery (if any).


3.8. The SUPPLIER shall not be allowed to forward ARKAL'S order to other MANUFACTURER or to any other third party, without the explicitly written consent of ARKAL'S purchasing dept.

3.9. Any changes to existing PO shall be coordinated between ARKAL and the SUPPLIER, its modified terms to be agreed only in writing.

4. Lab capabilities, Layout Inspection and Testing

4.1. Lab capabilities:

- 4.1.1. It is expected from the MANUFACTURER to have all applicable lab testing capabilities that will cover product testing requirements.
- 4.1.2. In case of need for external lab testing measurements, the lab shall be certified to ISO 17025, with a scope that covers the intend testing.
- 4.1.3. In case of OEM customer requirement for testing at specific certified laboratories, the supplier is responsible for all the entails (test performance and cover the cost)

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e.g Daimler WEB2020 requires that test classified as A level will be conducted at Daimler certified lab.

4.1.4. Additional requirements may be defined by ARKAL according to specific project needs.

4.2. Layout Inspection and Testing

4.2.1. The purpose of the Layout Inspection and Testing (according to IATF16949 clause 8.6.2) is to re-qualify, in a pre-defined frequency, that all the product's properties (geometrical, material, performance, etc.) fully meet the customer's specifications.

4.2.2. The MANUFACTURER is responsible to perform full Layout Inspection and Testing (Layout audits) for all produced ARKAL parts, at the cost of the MANUFACTURER.

4.2.3. The MANUFACTURER will retain the full Layout Inspection and Testing Reports for ARKAL'S review upon request.


4.2.4. The default frequency for Layout inspection and Testing is once a year, unless otherwise defined in the specific part's Control Plan.

5. Safety Stock

The SUPPLIER shall maintain a safety stock of ready to be delivered raw material / goods according to latest forecast from ARKAL Purchasing Department. The safety stock level is determined and agreed in the annual capacity approval, or be one month supplies unless otherwise agreed in writing between the SUPPLIER and ARKAL.

6. Capacity requirements

Material forecasting information will be communicated to the SUPPLIER by ARKAL through capacity approval on annual basis. The SUPPLIER is responsible to meet the forecasted quantity with the ability to support increase in demands.

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7. Spare parts

The SUPPLIER is obliged to ensure continuous supply of the goods over a period of 15 years commencing at the end of the delivery of serial parts to ARKAL.

8. Delivery, Traceability, Identification, Packaging

- 8.1. The SUPPLIER is required to establish or to cause the MANUFACTURER to establish, as applicable, a batch Traceability system that tracks parts from raw material through production/inspection and test operation, including rework and subcontractors operations.
- 8.2. The batch size, batch definition and coding method shall be coordinated with ARKAL quality dept.
- 8.3. Labeling on packaging will be coordinated with ARKAL Purchasing Department:
- 8.4. If no other specifications given, each package should have a label indicating at least:
- Part ID number
 - Part description
 - Quantity in the package
 - package # of ## packages
 - ARKAL PO number
 - MANUFACTURER batch number
 - manufacturing / packaging date.
 - QC approval
- 8.5. For sample deliveries a special label is required, per the following status:
- 8.5.1. Raw material: "Raw material before validation approval".
- 8.5.2. Components: "Parts before PPAP approval".
- 8.5.3. It is the SUPPLIERS responsibility to use or to cause the MANUFACTURER to use, as applicable, packaging methods that ensure proper protection from damage due to weather conditions, handling and transportation.

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8.6. SUPPLIER shall ensure that, for each lot supplied, the MANUFACTURER shall provide COA (certificate of analysis for the raw material) and COT (certificate of test).

9. Engineering Change

9.1. In case of Engineering change ARKAL'S Engineering Department will send written requirements.

9.2. Each Engineering change requires full validation or PPAP.

9.3. The Break Point should be coordinated with ARKAL Purchasing Department.

9.4. ARKAL will not accept any part delivered from old version after the Break Point without prior coordination with ARKAL.

9.5. The SUPPLIER and/or MANUFACTURER shall be not allowed to change the product (including any changes to its specifications, design and/or materials), the production processes and/or the production location without prior written approval from ARKAL.

After receiving of Arkal written confirmation for the change, Arkal will instruct the supplier on the requirement for the validation of the change. As a default – A re-PPAP will be required


10. Customer Complaints, Non-conformances and Defective Products

10.1. Customer complaints and non-conformances will be handled by the SUPPLIER according to the 8D methodology, and according to the procedure herein.

10.2. ARKAL is responsible to communicate with the end customer (e.g. General Motors, Brose, or others) and to give the customer all replies (containment, final 8D, etc.).

10.3. Customer complaints or non-conformances will be sent by ARKAL to the SUPPLIER by email, including 8D form (Form - **280 - Problem Solving - Customer Complaint - 8D**) which includes the description of the problem with all references.

10.4. As first step, the SUPPLIER is required to do immediate actions in order to contain the problem, to assure the continuous production at the auto assembly plants and to minimize damages or incurring costs to all parties.

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This may include arranging sorting/rework, special delivery, immediate tool correction or other actions. All inventory of relevant material/part must be taken into account (for example: in logistic warehouse, at the manufacturing plant, or other).

10.5. At the same time, the SUPPLIER is required to give **fast response**, coordinate with ARKAL any special requirements and communicate quickly the breakpoint information or other information as would be requested by ARKAL.

10.6. In the next steps, the SUPPLIER is required to conduct a deep investigation of the problem, using wide approach, in order to identify root causes and to implement effective corrective actions.

10.7. The SUPPLIER is required to send the filled 8D form, taking into account the following key points:

10.7.1. Drill Deep.

Use "5 Why's" technique to identify how the problem occurred and why it was not detected.

10.7.2. Wide Approach.

In parallel to a specific problem's corrective actions, map similar parts, processes, tools or procedures, and implement the corrective actions for all of them, as preventive measures

10.7.3. Verify Effectiveness

The SUPPLIER needs to define a method to monitor the effectiveness of the permanent corrective action that is being implemented.


10.8. Only after the corrective actions are implemented adequately and following ARKAL'S Quality Department approval, then the non-conformance will be closed.

10.9. In case of Rejection of materials, the SUPPLIER will give instructions to ARKAL if to return the parts / material, or scrap at ARKAL'S assigned location or at ARKAL'S customer plant.

In this case all the expenses will be addressed to the SUPPLIER.

10.10. In case of rejection or internal non-conformance - in case of Sorting / Rework by ARKAL'S assigned outsourcing location – all the expenses will be addressed to the SUPPLIER.

10.11. The SUPPLIER is completely responsible for any non-conformity that caused from its processes. All the expenses due to non-conformity from the SUPPLIER will be addressed to the SUPPLIER

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and it shall reimburse ARKAL for any and all expenses caused to ARKAL arising from such incompatibility, including administration fees of 100 Euro.

10.12. SUPPLIER request for deviation from specification – Arkai form AI-305:

10.12.1. Any request for deviation from specification – will be sent to ARKAL'S Quality Dept. with relevant documentation attached (pictures, reports, PUS/Delivery documentation copies, etc.). Only written requests will be treated.

10.12.2. ARKAL'S quality dept. will evaluate the request, and will decide whether to accept or reject the request.

10.12.3. If a positive decision will be taken – a formal deviation approval document will be sent to the SUPPLIER. The deviation approval document will include the following elements:

- A specific description of the approved deviation.
- Validity and conditions of the document (for how many parts / material quantities / deliveries the deviation verifies).

10.12.4. If a negative decision will be taken – ARKAL will send to the SUPPLIER relevant instructions in writing.


10.12.5. It is the SUPPLIER'S responsibility to follow the deviation approval document conditions, and to send only the approved quantity under the deviation approval document conditions.

10.12.6. The SUPPLIER must keep clear traceability records regarding materials that will be supplied under deviation approval document conditions, with clear information regarding the supplies quantities, dates and references, indicating the deviation approval document number and date.

10.13. Escalation process

In case of risk to project timeline, quality compliance or delivery to Arkai, the following escalation levels apply

Note: all costs that occur due to supplier issue and escalation actions – will be charged to the supplier

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Risk Level	Escalation level	Entering Criteria	Typical optional scenario	Typical Actions	De-escalation Exit criteria	Exit approval by	Risk Level
Low	0	Standard Mode of Work, no specific risk detected	<ul style="list-style-type: none"> Sporadic quality, delivery, project timeline or compliance to requirements issues Actions verified as effective Supplier is capable to resolve the issues and improve 	<ol style="list-style-type: none"> Containment actions RC analysis 8D process Effectiveness verification 			Low
Medium	1	Risk to project timeline, quality compliance or delivery to Arkal, does not affect OEM customer	<ul style="list-style-type: none"> Repeated quality, delivery, project timeline or compliance to requirements issues Actions are not effective Supplier action plan to recover the situation needs monitoring 	<ol style="list-style-type: none"> Supplier to prepare recovery and improvement plan – to be confirmed by Arkal Supplier to monitor and report on improvement and recovery progress 	<ol style="list-style-type: none"> Issue was fully recovered Actions verified effective Acceptable performance level (Green) Acceptable audit result (Green) 	Project manager / Quality Engineer / Purchasing buyer	Medium
High	2	Risk to project timeline, quality compliance or delivery to Arkal, may affect OEM customer	<ul style="list-style-type: none"> Repeated quality, delivery, project timeline or compliance to requirements issues Actions are not effective Supplier is not successful to recover the situation on realistic time frame Or - Supplier audit result RED 	<ol style="list-style-type: none"> Supplier to assign 3rd party support on site Arkal on-site audit, preparation of action plan Supplier to monitor and report on improvement and recovery progress 	<ol style="list-style-type: none"> Issue was fully recovered Actions verified effective Acceptable performance level (Yellow) Acceptable audit result (Yellow) 	VP level (operations / quality / supply chain)	High
Critical	3	Immediate sever risk to project timeline, quality compliance or delivery to Arkal, directly affect OEM customer	<ul style="list-style-type: none"> Sever and repeated quality, delivery, project timeline or compliance to requirements issues Actions are not effective, Supplier is not capable to resolve the problems Or - Supplier performance evaluation RED Or - Supplier Audit result RED 	<ol style="list-style-type: none"> Arkal to assign 3rd party support on site Arkal on-site audit, preparation of action plan Arkal or 3rd party to monitor and report on improvement and recovery progress 	<ol style="list-style-type: none"> Issue was fully recovered Actions verified effective Acceptable performance level (Yellow) Acceptable audit result (Yellow) 	VP level (operations / quality / supply chain)	Critical

11. OEM CSR (Customer Specific Requirements)

OEM CSR shall be implemented by the SUPPLIER and Manufacturer as applicable.

This includes, for example:

11.1. CSR (Customer Specific Requirements)

11.1.1. All OEM's – IATF16949 CSR

11.1.2. VW Formel – Q capability

11.1.3. PSA – QSB+ certification

11.2. German customers


11.2.1. VDA 6.3 audits by certified auditor

11.2.2. D-safety product requirements – the requirements as defined in Arkal policy AI-7.5-03 apply

11.2.3. VDA-PI (Product Integrity) and PSCR qualifications.

11.3. Human rights policy

11.4. Code of conduct

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11.5. Sustainability Standards

- 11.6. Applicable CQI (e.g CQI-9, CQI-11, CQI-12, CQI-23)
- 11.7. Confidentiality and data security
- 11.8. Environmental and materials requirements (e.g. REACH, conflict minerals, etc.)

12. SUPPLIER Risk & Performance level Evaluation

12.1. The SUPPLIER risk & performance level is evaluated by ARKAL on a quarterly basis. The quarterly evaluation report rates all ARKAL related activities in the SUPPLIER'S MANUFACTURING FACILITY according to the following sections:

12.1.1. Shipments according the PO: It shows the differences in quantities or delays in dispatch dates and the percentage of those from the requested quantities or dates in the PO's from current quarter.

Targets: Quantity conform = 100%, Delivery on time = 100%.

12.1.2. Non conformities - total non-conformities that issued by ARKAL:

- Quality - refers to non-conformance that arises mainly from ARKAL manufacturing sites and/or sub-contractors.

- Management –Non-conformance of communication, service or others


- Logistic - refers to non-conformance such as: wrong packaging/labeling, problems with production planning, supplies schedules

Target: Non-conformances = 0

Target PPM = < 25, stretching to 0

Any non-conformance reduces the quarterly weighted score.

Category	Weight in evaluation
NC - Logistic	15.0%
NC - Management	25.0%
NC - Parts	20.0%
POGrv-Qty	15.0%

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POGrv-Date	15.0%
Certificate	10.0%

12.1.3. Performance Evaluation:

The defined weight for each parameter and the total evaluation scoring for the evaluated quarter. The score for each element evaluate on a scale of 0-100.

Then, the Suppliers are classified to the following groups:

Table B – SUPPLIER performance evaluation

Item	Weighted score
Low risk , approval of Supplier is valid	90≤ Score≤100
Acceptable risk level , improvement is expected for next period, improvement plan may required	80≤Score <90
High risk level , New business on hold, further evaluation by multi-disciplinary team.	Score<80

12.1.4. Note:


- The quarterly evaluation report will also show the average score for the last 4 quarters.
- In addition, Arkal HQs managing a performance evaluation on annual basis – to global level suppliers (suppliers that supply to some Arkal sites) – in order to have global view of the performance and initiate any actions required

12.1.5. When the score is below 80 then the SUPPLIER may require to submit to ARKAL an improvement action plan.

12.1.6. A score lower than 80 shall entitle ARKAL with the automatic right to terminate the agreement with the SUPPLIER, at ARKAL's sole discretion.

12.2. ARKAL will conduct at SUPPLIER'S MANUFACTURING FACILITY re-audits according to the following criteria:

- ARKAL representative will visit on site as a default frequency of 2-5 years, to review activity and discuss any open issues.

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- ARKAL quality department will conduct an audit on site in case the performance indicators are at a negative trend or at an unacceptable level, e.g. evaluation score under 80, high risk or repeated complaints, etc.
- Supplier that have got score B in last audit will be re-audited within 2-5 years, with the target to upgrade to A grade
- Suppliers that are certified to ISO9001 will considered for re- audited within 2-5 year as well (upon decision).

12.2.1. The audit will be performed on the SUPPLIER'S premises. The SUPPLIER will bear own expenses for the audits.


12.2.2. ARKAL will send to the SUPPLIER the audit report. Accordingly the SUPPLIER will develop corrective actions plan.

12.2.3. The SUPPLIER shall track corrective actions implementation and effectiveness. The SUPPLIER will send to ARKAL updates on a regular basis.

13. ARKAL Owned Tooling / Gauges / Equipment/ Returnable Containers / Property

13.1. The SUPPLIER shall ensure the proper use of tools, gauges, fixtures, equipment, returnable containers and any other items that are the property of ARKAL, which ARKAL is lending to the SUPPLIER (hereinafter: "**Arkal's Tooling**"). ARKAL retains all and any applicable proprietary and intellectual property rights and interests in and to ARKAL'S Tooling and the lending thereof to SUPPLIER shall neither constitute any transfer or assignment of rights thereto to the SUPPLIER nor shall it vest SUPPLIER with any intellectual rights or interests in and to ARKAL'S Tooling. SUPPLIER shall be liable and shall indemnify and hold ARKAL harmless for and against any infringement of ARKAL'S intellectual property rights thereof.

13.2. Until the return of ARKAL'S tooling to ARKAL - in the same condition as received by SUPPLIER, except for normal wear and tear- the SUPPLIER shall, at its own cost and expense, safeguard and protect ARKAL'S tooling. The SUPPLIER shall advise ARKAL immediately in the case that any of ARKAL'S tooling suffers damage. This is to establish a recovery plan, both for the tools and for the supply of production material.

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13.3. All of ARKAL'S Tooling must be clearly identified as property of ARKAL. Tools designed, perfected and/or manufactured pursuant to a Purchase Order may not be used, communicated, reproduced, modified, transferred or destroyed without ARKAL'S prior written authorization. No parts may be manufactured at any time by the SUPPLIER for a third party with the aid of ARKAL'S tooling.


13.4. The SUPPLIER shall be responsible for the maintenance, proper storage and safe-keeping of ARKAL'S Tooling and shall be personally liable for any loss they may cause or suffer, even as a result of inevitable accident or Force Majeure. The SUPPLIER undertakes to insure the same on behalf of ARKAL at the SUPPLIER'S expense, for their value, against the risk of fire, lightning, explosion, electrical damage, water damage, etc., with an express waiver by the insurer of all right of recourse against ARKAL.

13.5. The SUPPLIER shall not permit the removal of any of ARKAL'S Tooling from the SUPPLIER'S MANUFACTURING FACILITY, without the express prior written consent of ARKAL Supply Chain Department. At the end of the project or at ARKAL'S request, ARKAL'S Tooling shall be returned to ARKAL or destroyed, as will be instructed by ARKAL.

14. Insurance

14.1. The SUPPLIER shall, at all times, maintain insurance coverage with a reputable insurance company against all insurable liability under any Purchase Order and in particular against all SUPPLIER'S liabilities under its agreement with ARKAL. The SUPPLIER will provide all facilities, assistance and advice required by ARKAL or ARKAL'S insurers for the purpose of contesting or dealing with any action, claim or matter arising out of the supply of Goods by SUPPLIER.

14.2. The SUPPLIER shall take out and keep in force suitable product liability insurance against its liabilities under any Purchase Order and/or its agreement with ARKAL and shall demonstrate the same to ARKAL at all reasonable times. Such coverage shall be maintained for a period of fifteen (15) years after delivery of the last of Goods ordered by ARKAL from SUPPLIER.


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15. Warranty and Liability

15.1. The SUPPLIER shall indemnify and hold ARKAL harmless against any and all liability, loss, damages, claims, costs and expenses arising out of any claim in respect of latent or apparent defects or faults in the goods and/or parts supplied by it (the "**Goods**") resulting from faulty design (where the design is the responsibility of the SUPPLIER), materials, non-conformity or any malfunctions whatsoever. The SUPPLIER shall remain so liable even after approval and acceptance by ARKAL. The SUPPLIER further warrants that it will refund any defective Goods or replace them free of charge, and pay any and all costs and expenses incurred by ARKAL and/or ARKAL'S customer in connection therewith, A consignment or a part of a consignment that is repaired or replaced shall be guaranteed in the same terms. The SUPPLIER further accepts liability for all costs incurred by ARKAL in the event of recalls necessitated by a fault in the Goods supplied by the SUPPLIER.

15.2. The SUPPLIER shall indemnify ARKAL against all direct and indirect consequences of any liability which it may have relating to tangible or intangible loss or injury caused to third parties, ARKAL or its assigns as a result of performance or non-performance hereunder or any negligent and/or intentional acts by SUPPLIER and/or anyone on its behalf.

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16. Accounts Payable

- 16.1. The SUPPLIER should send to ARKAL by email scanned invoices copies.
- 16.2. ARKAL needs at least one week from receipt of invoice to process in ARKAL'S system in order to make the payment on time according to the agreed payment terms.
- 16.3. Invoices with errors or corrections will not be paid to the SUPPLIER.
- 16.4. ARKAL will only pay invoices that are invoiced with the current P.O., part number, correct unit price, ship date and ship reference.
- 16.5. When non-conformities are issued to a SUPPLIER with cost recoveries that the SUPPLIER responsible for (see paragraph 8), ARKAL will debit these costs from the payments to the SUPPLIER.

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SUPPLIER / MANUFACTURER Approval

We hereby confirm and acknowledge that we have reviewed and are in agreement with all the terms and conditions set forth in this "ARKAL supplier manual" 7.4-03 and undertake to fully comply therewith:

SUPPLIER _____ MANUFACTURER _____

Location of MANUFACTURING FACILITY _____

Name _____ Title _____

Signature _____ Date _____

E-mail _____ Phone _____

Please complete and return this acknowledgement via email