

AGRALE SUPPLIER Manual



www.portalagrale.com.br

BUSINESS

Motor vehicles and their components.

MISSION

Offer more than agile, creative, and competitive solutions in the automotive field, especially in commercial, defense and agricultural vehicles, in order to anticipate and differentiate its services from the competition in the specific market opportunities, with adequate quality to the needs of customers, providing a compatible return to all involved and respecting nature.

VISION

Be a company admired by its services and solutions.

PRINCIPLES

- CUSTOMERS satisfaction;
- QUALITY in all applications;
- COLLABORATORS, valorization and commitment;
- PROFITABILITY, guarantee of perpetuity;
- Focus on PARTNERSHIPS;
- ETHICAL behavior;
- Respect for the ENVIRONMENT;
- SOCIAL responsibility;
- SUPPLIER, indispensable link.

RULES OF CONDUCT

Objectivity and integrity govern the relationships of employees with their suppliers and partners. Any finding of active or passive corruption, solicitation or proposal suspected of third parties, must be immediately informed to the hierarchical superior. Employees should avoid any situation in which they may be, even if, momentarily, coerced by third parties, as well as any ambiguous situation, or similar allusion that originates from misunderstandings.

QUALITY POLICY

Seek satisfaction from internal and external customers through the excellence of our products and services.

MESSAGE TO THE SUPPLIER

Dear Supplier,

You are accessing Agrale Supplier Manual, which will guide you how we will relate to our supply chain.

In the first 56 years of Agrale's history, we consolidated and are recognized as a manufacturer of commercial vehicles, military and commercial vehicles, engines and agricultural tractors.

This successful submission is possible with the support of our business partners, who work with us with perseverance and a lot of dedication in creating each new product that Agrale launches in the market.

The word partnership has as one of its semantic definitions the "meeting of individuals to achieve a common goal." In addition to partners, Agrale suppliers are, for us, an integral part of our new product development process, our production process, our success and our growth over the years.

For the construction of the next 56-year experience, we must do more and better, strengthening the links of our partnership with our fundamental pillars of competitive strategy:

1. Deliveries on the agreed date;
2. Competitive prices with other *players* in the industry;
3. Assured quality;
4. Availability and speed in product development;
5. Constant innovation.

All these requirements are fundamental to have a competitive supply chain and enable our vision to compete globally, always growing with loyal customers to the brand Agrale.

We count on your support and always count on us.

Cleiton Galindo
Director of Purchases and Supplies

RECEIPT AND ACCEPTANCE CERTIFICATE OF AGRALE SUPPLIER MANUAL

Dear Supplier,

In view of the search for best practices and methodologies for the management of its supply chain, Agrale S.A. carried out the updates contained in this Manual, clearly informing the specific requirements for supplying productive items to the company.

Therefore, through this Manual, a critical analysis of the document and return of this signed certificate is requested, directed to the Buyer responsible for the contact with your company.

In the absence of formal pronouncement of your company, through this reply, within a period of up to 30 days counted from the notification, the acceptance of the terms expressed in the Manual shall be presumed.

The exception or deviation from full compliance with any requirement must be submitted in writing for analysis by Agrale S.A. and this must be confirmed and returned by Agrale S.A..

Supplier Name:

Supplier Address:

Valid for following Supplier's plants:

Responsible for acceptance:

Position:

Signature / Date:

Thank you for your business partnership.

Agrale S.A.

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1. PURPOSE OF THE MANUAL

The purpose of this manual is to present the procedures and requirements used to evaluate, plan and execute the development of suppliers of Agrale S.A., as part of the Quality Management System, seeking to make relations between Agrale and its suppliers more transparent and effective and services.

For Agrale S.A., suppliers are an integral part of their productive processes and active participants in the processes of improving quality and competitiveness standards.

Suppliers should be aware of this role and seek continuous improvement of their products, processes and services and should evaluate and take actions to fully meet the requirements of this manual.

The updated and official version of Agrale Supplier Manual can be accessed at www.portalagrle.com.br. The printed copies will be considered uncontrolled documents.

It is the supplier's responsibility to keep up-to-date with Agrale requirements through regular website visits.

2. ROLES & RESPONSIBILITIES

The proper functioning of the relations between Agrale and its suppliers goes through the clear definition of the links that form this relationship. On the part of Agrale:

- DCOM - Procurement Department;
- DLOG - Logistics Department;
- DEGQ - Quality Assurance Department;
- DEAF - Financial Department;
- DPAT - Technical Assistance Department;
- DEUC - Utilities and Trucks Engineering Department;
- DETC - Tractor and Chassis Engineering Department.

The supplier should define a representative of its company for commercial matters, a person in charge of the Quality Management System, with name, telephone and email.

3. QUALITY MANAGEMENT

The evaluation system described in this manual applies to all suppliers of products and services that interact directly in the performance of Agrale products.

3.1. QUALITY CERTIFICATION REQUIREMENTS

The minimum requirement for supplying items of Agrale S.A. is ISO 9001 Certification, preferred requirement is IATF Certification 16949 and ISO 14001.

In case the supplier is in implementation of the certification, the schedule should be sent to the Quality area of Agrale S.A.

In situations where the supplier does not have the required minimum certification, it will be subject to an audit by Agrale S.A.

It is the responsibility of the supplier to send the certification with valid date, the same should be sent to the Quality area of Agrale S.A. The control can be done via Agrale Supplier Portal.

Agrale reserves the right to request at any time the certification of the quality system of the registered suppliers.

Current suppliers that do not yet have the minimum required requirements should provide for their suitability. Non-adequacy in line with other factors may lead to the opening of a supplier disqualification process.

3.2. PRODUCTION PART APPROVAL PROCESS - PPAP

One of the steps for approving products and processes for supplying items in Agrale S.A. is based on the PPAP submission procedure and its complementary documents.

PPAP defines requirements for product approval by producing parts representative of the supplier's capacity, seeking to ensure compliance in accordance with the requirements specified by Agrale S.A. in its designs and drawings, using the resources planned for the serial production of the item.

The conditions established for a product submission are stipulated in the PPAP Manual, obtainable from the Automotive Quality Institute (IQA, *Instituto da Qualidade Automotiva*).

In case of doubts about completing and submitting the PPAP, contact the Quality area of Agrale S.A.

PPAP should be shipped with the product sample. The samples will be analyzed by Agrale Quality area after delivery of the documentation.

The delivery of samples must be considered when:

- New item or first order;
- When there is alteration or revision of drawings, requested by Agrale;
- Changing the process at the supplier.

The size of the lot to be manufactured for PPAP production must be defined together with Agrale's supply department.

In case of discrepancies, the supplier must provide new samples and documentation. The parts will only be approved with the formal approval of Agrale S.A.

It is the responsibility of the supplier to keep the documented history and inform Agrale when there are modifications of products or processes. Such information should be sent to the email: qualidade@agrle.com.br.

Note: Suppliers must use the standard PSW Agrale template, which is available in the suppliers portal, for other documents the supplier can use their forms.

The parts will only be approved through the formal communication of Agrale, and the delivery of the requested documentation is essential for the analysis of the samples. The documentation must be sent to the email: qualidade@agrle.com.br.

3.2.1 - SUBMISSION LEVEL

The submission level for supplied items should follow the following pattern:

Security items - PPAP level 3.

Other items - PPAP level 4, where the supplier must submit the following documents:

- Process flow;
- Rounded drawing;
- Dimensional report;
- Material report / Functional test / Surface protection;
- Appearance report (when applicable);
- Sample of the initial lot;
- PSW submission certificate;

Agrale guides its suppliers to register the raw material and its chemical composition in IMDS (International Material Data System - www.mdssystem.com). To send an IMDS registration, use Agrale ID No. 64609.

The submission of this requirement becomes part of the PPAP documentation and may be mandatory for its approval when requested by Agrale.

Note: If Agrale deems it necessary to submit a supplementary document, it may request the supplier.

3.3. PRODUCT QUALITY PLANNING

Critical analysis of specifications is fundamental to the process of developing new products. The supplier is responsible for evaluating the specifications received prior to delivery.

If changes are required, they must be requested from the Procurement and/or Development Department. Inappropriate processes can cause delays and quality problems, which may result in fines for the supplier company.

We use the DPAR - *Design, Process and Assembly Review* - as an auxiliary tool in the planning of product quality - a methodology that can be found in Agrale Supplier Portal.

3.4. SUPPLY OF SAFETY ITEMS AND OTHER COMPONENTS

The release to supply a product or service must be preceded by its homologation, according to procedures of Agrale S.A.

The supplier is responsible for ensuring product quality assured, repeatability of operation, through products and processes.

Agrale performs the batch inspection by sampling, that is, it will not be inspected the whole batch supplied, the supplier is responsible for the delivery according to Agrale project and maintaining its technical characteristics.

The release for supplying a security or non-security item and/or service will only be approved when in accordance with Agrale S.A.'s internal procedures, in the event of non-compliance with the requirements, the supplier must provide new samples and documentation in the shortest term possible.

3.4.1. SAFETY ITEM

Safety item is any component whose failure or loss of functional characteristics endangers the physical integrity of users of Agrale products.

All special features are identified according to the internal standard Agrale PD 0021, available on Agrale Supplier Portal. The safety items are identified in Agrale's technical drawing and its delivery guidelines must be respected.

The development of security items follows the Production Part Approval Process (PPAP) with submission level 3 (three) of the current edition, or level 5 (five), when applicable.

The traceability of the items must be constituted in such a way that it is possible to determine their date of manufacture, the supplier must be able to trace each batch supplied to the source of its raw material and its production sequence.

In cases of special characteristics of the security items, it is necessary to document the evidence of the stability of the process, through the systematic evaluation of the inspection results, using the Statistical Process Control (SPC) system.

3.5. GOVERNMENT REGULATIONS

All parts supplied to Agrale must be produced with materials that meet government requirements related to safety, toxic and hazardous materials, environment, electrical and electromagnetic, in compliance with Brazilian legislation and regulations.

Chemicals must be accompanied by their respective Material Safety Data Sheets (MSDS), properly packed, secured and transported by qualified personnel.

3.6. EVALUATION SYSTEM OF NEW SUPPLIERS

All new suppliers will be subject to a prior evaluation in order to obtain a supply authorization. This assessment is made up of the following criteria:

- Self-assessment questionnaire;
- Commercial viability of supply;
- Financial situation of the supplier;
- Evaluation of the supplier's quality management system;
- Form for process audit;
- Evaluation of samples;
- Acceptance of Agrale Supplier Manual.

The self-assessment questionnaire and the process audit form are available on Agrale Supplier Portal.

The evaluation of the supplier's quality management system will be carried out within the parameters set out in item 3.1 of this manual, in the provisions of ISO 9001 as a minimum requirement and ISO ITAF 16949 as a preferential requirement.

3.7. SUPPLIER MONITORING SYSTEM

Agrale's suppliers are evaluated monthly in their performance when meeting the five strategic pillars: Assured Quality, Punctuality in Deliveries, Competitive Prices, Agility of New Developments and Constant Innovation.

The monitoring of this performance is performed through Agrale Supplier Performance (PFA, Performance do Fornecedor Agrale) indicator, which is made available to the supply chain through Agrale Supplier Portal: <http://www.portalagrle.com.br>

When necessary Agrale generates action plans so that its suppliers take corrective actions of the index(es) that perform below the minimum specified. The deadline for return will be informed with the submission of the action plan.

It should be noted that monitoring through the PFA aims to define which suppliers offer the best technical / commercial potential to maintain quality levels, supply and develop new projects.

3.7.1.AGRALE SUPPLIER PERFORMANCE EVALUATION (PFA, PERFORMANCE DO FORNECEDOR AGRALE)

To achieve an acceptable PFA score, it is important that all indexes (Quality in Receiving, Supplier Service and Business Relationship) are within the indexable indices: GOOD, VERY GOOD, BENCHMARK.

CLASSIFICATION			
95 ≤	PFA	≤ 100	REFERENCE
85 ≤		< 95	VERY GOOD
75 ≤		< 85	GOOD
60 ≤		< 75	UNSATISFACTORY
0		< 60	CRITICAL

The supplier is classified by the PFA, where:

$$PFA = IRC + IQR + IAF$$

IRC = Commercial Relationship Index

IQR = Receiving Quality Index

IAF = Supplier Compliance Index

3.7.2.FORMULATION OF INDICATORS

IRC - Commercial Relationship Index (30 points)

The Commercial Relationship Index (IRC) is composed of three (03) indicators and scores:

- **Negotiation:** (10 points)
 - Negotiation of readjustments (5 points)
 - Return on quotes (2 points)
 - Payment term (3 points)

PAYMENT TERM	SCORE
≥ 45 days	100% - 3 points
≤ 28 days to < 45 days	70% - 2 points
≤ 21 days to < 28 days	50% - 1 point
< 21	0% - 0 point

- **Cooperation and Flexibility:** (10 points)
 - Suggest and participate in the development of new products and services; (3 points)
 - Acceptance of variations of the delivery plan; (5 points)

- Return in relation to the sending of plans; (2 points)

- **Quality Management:** (10 points)

Compliance with the quality system, according to item 3.1 of this manual (5 points) obeying the following criterion:

- Non Certified Supplier = 0 points
- ISO 9001 certified supplier = 3 points
- IATF 16949 certified supplier = 5 points

Return and accuracy of self-assessment questionnaire information. Responsibility, commitment and return of the action plans, referring to the nonconformities of parts and assemblies, registered in the receipt, assembly and field (5 points).

IQR - Receiving Quality Index (35 points)

The Receiving Quality Index is obtained based on the result of the calculation below:

IQR =	Total of approved parts	X 35
	Total of supplied parts	

For better understanding, let's consider an example of 1,000 parts received and 1 non-conforming part:

IQR =	Total of approved parts	X 35	999	X 35 =	34.965
	Total of supplied parts		1,000		

Note: If the supplier does not reach the IQR target established at the calculated index above, it is submitted to a degradation table, according to the goal established by the portfolio:

Table example:

IQR Degradation Percentages

Effectiveness	% Initial Rejection	% Final Rejection	% Grade
10/01/2018	0.00	0.03	100.00
10/01/2018	0.04	0.05	95.00
10/01/2018	0.06	0.08	90.00
10/01/2018	0.09	0.10	85.00
10/01/2018	0.11	0.15	80.00
10/01/2018	0.16	0.20	75.00
10/01/2018	0.21	0.30	65.00
10/01/2018	0.31	0.50	55.00
10/01/2018	0.51	1.00	50.00
10/01/2018	1.01	5.00	45.00
10/01/2018	5.01	15.00	40.00
10/01/2018	15.01	25.00	30.00
10/01/2018	25.01	35.00	20.00

Example for calculating IQR:

For 02 defective parts in 1,000 parts supplied, i.e., 2,000 PPM:

$$IQR = \frac{\text{Approved Parts}}{\text{Received Parts}} \times 35 = \frac{998}{1000} \times 35 = 34,93$$

If the supplier's PPM goal is equal to 1,000 PPM, the supplier is out of target and has its index degraded:

Considering 2,000 PPM or 0.2% rejection, we will note the following:

IQR Degradation Percentages

Effectiveness	% Initial Rejection	% Final Rejection	% Grade
10/01/2018	0.00	0.03	100.00
10/01/2018	0.04	0.05	95.00
10/01/2018	0.06	0.08	90.00
10/01/2018	0.09	0.10	85.00
10/01/2018	0.11	0.15	80.00
10/01/2018	0.16	0.20	75.00
10/01/2018	0.21	0.30	65.00
10/01/2018	0.31	0.50	55.00

$$IQR = 34,93 \times 0,75 = 29,20$$

IAF - Supplier Compliance Index (35 points)

The IAF score is obtained based on the fulfillment of the delivery date, described in the delivery plan sent by Agrale, which establishes when the goods should be invoiced and be available for collection.

The Supplier Compliance Index is obtained based on the result of the calculation below:

IAF =	Total of parts delivered on time	X 35
	Total of scheduled parts	

It is important to remember that parts delivered in advance penalizes as much as parts delivered with delay, the date of delivery when not possible the fulfillment of the delivery plan should be negotiated with the *Follow up* responsible for your company.

The table below exemplifies in percentages (%) the penalties received from deliveries in advance and with delays, see:

TOLERANCE OF ADVANCES		TOLERANCE OF DELAYS	
Number of days	% to penalize	Number of days	% to penalize
0	0	0	0
1	0	1	10
2	5	2	20
3	15	3	30
4	30	4	50
5	100	5	100

For a better understanding, consider the following example as a calculation basis:

Example:

Total of parts in the delivery plan = 100
 Date of delivery = 12/01/2018
 Total of parts with delay = 0

Total of parts with 1-day delay = 85
 Total of parts with 5-day delay = 15

Calculation: (85-10%) + (15-100%) = 76.50

IAF =	Total of parts delivered on time	X 35	76.5	X 35 =	34.965
	Total of scheduled parts		100		

3.8. SUPPLIER AUDIT

It is the systematic and independent examination carried out by Agrale Professional, with the objective of evaluating the supplier's quality system, processes, implementation of corrective actions or improvements and effectiveness thereof, in order to provide products and services that meet the needs of technical quality sought by Agrale.

The supplier audit is a procedure adopted by Agrale in the following situations:

- Approval of new suppliers;
- Evaluation of active suppliers;
- Implementation follow-up and verification of effectiveness of corrective actions.

3.9. NON-CONFORMITIES

The nonconformities are communicated through Agrale Supplier Portal and the supplier is responsible for containing and making corrective actions in order to avoid recurrence of shipment of parts.

The nonconformities should be consulted periodically in the Suppliers Portal, in addition to being sent by the Procurement, Quality and Technical Assistance Departments via email, when necessary. They are divided into three categories:

Conditional Approved – Sample PPAP: they are the nonconformities related to conditional approval of the item, either by non-compliance with specifications, inadequate documentation or non-delivery of documentation (PPAP).

Zero Km nonconformities: they are the nonconformities found at the receipt or on the assembly line.

Field nonconformities: the nonconformities found in the use of the products by the customers are reported by the Technical Assistance Department and the treatments for this type of nonconformity occur according to item 3.13, Parts under Warranty;

In case of batch rejection by Agrale, or recurrences, the supplier has up to 48 hours, after being informed of the rejection, to communicate the corrective action to be applied and provide immediate delivery of a new batch according to specifications.

If there is no manifestation by the supplier company, within 48 hours, Agrale will make the RETURN OF THE PURCHASE.

Supplier should inform the carrier of its preference to return the material, if it is not informed within the stipulated period, the Logistics area of Agrale will dispatch the material by a carrier homologated for deliveries in the region, with costs reverted to the supplier base.

We point out that after the definition of the carrier, the collection period of the parts is up to 03 days.

For the cases of impact in the assembly line that may affect product safety and recurrence of problems, the supplier is required to respond to a Corrective Action Request - 8D on Agrale

Supplier Portal. The same must be filled in completely by the supplier and sent to Agrale within the specified period. Agrale Quality Auditor, based on the recurrence of nonconformities or for evidence the corrective actions implemented, evaluates the need to perform an audit with the supplier.

If the need for an audit is confirmed, a date should be scheduled for completion. This audit aims at demonstrating the performance and effectiveness of the actions proposed by the supplier in 8D.

3.10. NON-QUALITY COSTS

The nonconformities found in the receipt, the assembly line or the evaluation of samples generate internal costs, whether measurable or not, which generate a value and can be charged through an open report, informed by the Quality department, through correspondence formalized by Agrale.

For non-conformities in the field, the costs are charged by Agrale's Technical Assistance area, according to the Warranty Poicy described in this manual.

3.11. CONTROLLED SHIPPING

In the event of nonconformity, Agrale will follow the controlled shipping procedures when applicable:

Level 1 (Proactive Containment): It must be carried out by the supplier, guaranteeing the technical assistance of Agrale product characteristics.

Level 2 (Reactive Containment): This is carried out within Agrale's premises or within the supplier's plant, by a third party company specialized in this activity and funded by the supplier.

The two modalities aim to guarantee the conformity of the delivered components.

The supplier is formally informed of the criteria for the application of such procedures as well as the duration of such measures.

3.12. APPROVAL OF ENGINEERING DEVIATIONS

If there is a need for deviations, in relation to the one specified in the technical documentation, it is necessary to obtain a formal approval of such deviation from Agrale Engineering.

The deviation document must be sent by the supplier before delivery of the affected parts, so that there is no impact of additional costs to Agrale and no quality reports are generated that impact the performance of the supplier. The model is available on the suppliers' portal.

3.13. PARTS UNDER WARRANTY

After a preliminary analysis, Agrale presents to its suppliers the list of returned parts of its network of distributors with the warranty request.

These must be analyzed by the supplier, formally informing the acceptance or not of the causes presented for the guarantees of the parts.

In the case of parts in which the guarantee is considered unfounded, the supplier shall issue an opinion, formally in the supplier's known / usual format, with the reasons or justifications for its conclusion.

In cases where the guarantees are appropriate, it is necessary the immediate presentation of an action plan for Agrale, aiming at eliminating the problem. After verifying the effectiveness of the action plan, Agrale should be informed of the batch number or the date of implementation of the corrective actions, for verification and proof of effectiveness.

3.13.1. AGRALE WARRANTY POLICY

a) **Warranty period:** 12 months warranty from the date of delivery of the product to the final customer.

b) **Indemnity of parts under warranty:** The supplier will reimburse Agrale, the updated value of damaged parts (purchase price from the supplier, including ICMS and IPI), multiplied by the factor of 1.35.

c) **Labor indemnity:** In the value reimbursed in letter "b" will be added the value of the labor force, according to the current table, corresponding to the service performed to exchange the piece, according to Agrale standard times table used in the Network of Distributors.

When **travel expenses** for warranty service occur in the field, the corresponding value will be passed on to the supplier, according to the policy of incentive of displacement practiced by Agrale with the Network of Distributors.

d) **Analysis of the defective parts:** The supplier must analyze the parts in Agrale's premises, according to a pre-defined schedule of visits in common agreement, with a maximum bimonthly periodicity or as agreed with Agrale.

If requested, the parts can be sent to the supplier for analysis, and the costs will be borne by the supplier.

In order to analyze the guarantees of the Foreign Market, due to the necessity of permanence of the physical part in the country of destination, and due to the complexity of tax and distances, the supplier undertakes to analyze the processes based on the warranty request submitted by Agrale.

Note 1: The deadline for the return of the detailed technical report of the parts that have requested analysis made by Agrale to the supplier will be 30 days from the date of its availability for analysis at the headquarters of Agrale, or the date of issue of the invoice of shipment of parts when requested by the supplier.

Note 2: In case the supplier does not manifest in the period established above, Agrale shall consider the guarantees as being appropriate and shall collect.

e) **Method of payment:** Agrale will issue a debit note against the supplier, in which way the accounts will be settled, through deduction of duplicates, of the invoices opened with the supplier.

If the supplier does not have outstanding invoices, the supplier must make a deposit in Agrale's account.

Note 3: If the payment does not occur, Agrale will issue an invoice for the collection.

f) **Campaigns (field action):** The supplier undertakes to bear all costs necessary to carry out campaigns by Agrale with its customers, in order to correct potential defects in the products supplied by the supplier.

4. CHECKLIST OF SUPPLY

For supply to Agrale, the supplier must comply with the following criteria:

4.1. QUOTATION

To send a commercial proposal, the supplier must follow the standard form of Agrale Quotation Form and fill in all fields highlighted in the document. This is available on Agrale Supplier Portal.

4.2. TOOLING

When there is a need to develop a tooling, it should be negotiated between Agrale and the supplier.

The supplier must inform deadlines for tooling, samples and 1st production batch. Tooling paid by Agrale, either directly or through amortization, is owned by it and cannot be used for supply to others.

4.3. DELIVERY

The supplier must, from the date of acceptance of the schedule sent, deliver the quantity and scheduled dates, being responsible for the damages caused by assembly line shutdown, caused by the delay of the regular deliveries, except delays arising from situations that are outside of the supplier's domain, as in cases of force majeure.

Delays not negotiated in advance, are subject to fines due to the assembly line shutdown.

In case of batch rejection by Agrale or recurrence, the supplier must follow the procedure described in item 3.9, Nonconformities.

4.4. TRANSPORTATION

When Agrale pays the freight, a carrier authorized by Agrale must be used.

4.5. AFTERMARKET

Regarding the parts with Agrale project, the supplier cannot supply directly to the aftermarket and/or for any other purposes.

4.6. CONFIDENTIAL INFORMATION

The supplier undertakes not to disclose to third parties, under any hypothesis, the confidential information regarding the quoted products and their applications, business information, marketing plans or drawings.

The supplier must take the necessary measures to avoid the risk of disclosure or misuse of confidential information, to all its employees, consultants and/or agents, regarding the confidential nature.

In cases where Agrale feels injured by the disclosure of its products or commercialization in parallel markets, the supplier will be subject to fines, due to breach of commercial agreement.

4.7. DRAWING

When necessary, the supplier should send the drawings, preferably in electronic 3D extension system. STEP, 2D PDF, DXF or DWG extension.

The drawings available for the group of registered suppliers are available on Agrale Supplier Portal and the supplier is responsible for controlling and requesting the last technical revision, as informed in the delivery plan, the request for a new revision, if any, should be made to the responsible buyer.

4.8. ADJUSTMENT

Any price adjustment request must be requested 30 days in advance, accompanied by the *Cost Breakdown* form.

The readjustment process will only be opened and analyzed when the basic *cost breakdown* requirements are available for analysis.

The new prices should only be applied after negotiation and approval of Agrale, which reserves the right to debit the differences, whenever the invoice is higher than the current price.

4.9. CONTINUOUS IMPROVEMENT

The supplier must maintain constant program of cost reduction / productivity gain and carry out evaluations of the designs sent to budget. If there are proposals for improvements and cost reductions, these should be formally submitted to Agrale's procurement department for evaluation.

5. DELIVERY PLAN

The delivery plan is a document sent to the supplier on a weekly basis, with the purchase needs of Agrale and translates actual demand to be consumed in the manufacturing and assembly lines. In this way, it is essential to be punctual in delivery and the quality of the products supplied, avoiding assembly line shutdown, process being subject to fine.

The supplier has 48 hours to contest: delivery dates (postponement or anticipation), quantities or other necessary change. The non-manifest will be considered as accepted the order made, under the conditions presented.

In the delivery plan you can see:

- Place of delivery and city of payment;
- Delivery date;
- Scheduled quantity;
- Invoice Number: last recorded invoice, with the purpose of not duplicating deliveries;
- Date of technical revision of the drawing;
- Need to send PPAP documentation;
- Supplier's reference code.
- Buyer

Any supplier linked to Agrale via EDI must issue the invoice mirror (xml and pdf) at nfe@agrle.com.br

5.1. PLACE AND CITY OF PAYMENT:

We consider PLACE, the manufacturing unit that should be destined to the good, carefully analyzing the CNPJ and address to be destined the material. The packaging as well as the billing should be separated.

The city of payment is a manufacturing unit that should be destined for a collection invoice.

- Unit 1: CNPJ: 88610324/0001-92 - Est. Federal BR 116, Km 145, nº 15104, São Ciro - Caxias do Sul – RS
- Unit 2: CNPJ: 88610324/0016-79 - RST 453 nº 3940, Acesso Oeste, Distrito Industrial – Caxias do Sul – RS
- Unit 3: CNPJ: 88610324/0020-55 - Est. Federal BR 116, Km 141, nº 10505, São Cristóvão – Caxias do Sul – RS
- Unit 4: CNPJ: 88610324/0005-16 - Rod. Gov. Mario Covas, S/N, Km 67/68 - São Mateus – ES
- Argentina Unit: Mercedes – Prov. Buenos Aires – Argentina

It will not be accepted and will be subject to returns and fines for recurrence of the fact, grouped deliveries, without previous agreement with the logistic responsible of Agrale.

5.2. DELIVERY DATE

This is the date the product can be billed. Any impossibility to comply with it must be informed within 48 hours after receipt of the delivery plan, after this period the plan will be considered as accepted.

In case of delays in deliveries, Agrale reserves the right to impose a fine, as described below:

DIVERGING DAYS OF THE AGREEMENT	% BRL / ITEM
1	5
2	5
3	5
4	5
5	5
6 or more	10

For a better understanding, consider the following example as a calculation basis:

Example:

Qty. Delivery Plan: 100 parts

Cost of the Part: BRL 150.00

Date of Delivery: 12/15/2018

Delivered 85 parts with 1-day delay

Delivered 15 parts with 10-day delay

FINE =	(BRL 150.00 x 0.05) x 85	BRL 637.50
	(BRL 150.00 x 0.10) x 15	BRL 225.00
VALUE OF THE FINE		BRL 862.50

The NON-TIMELY delivery, whether delays or advances (without prior agreement), will cause a fine for the IAF (Supplier Compliance Index) index and defer the final score of the Supplier Performance.

5.3. SCHEDULED QUANTITY

The asterisk (*) in the delivery plan confirms the "firm" quantity of the item scheduled for the date described.

The remaining UNMARKED quantities signal a consumption forecast, which may vary according to future demands.

5.4. CODES AND REFERENCES

Agrale item code consists of thirteen (13) digits for direct items and eight (08) digits for indirect use items.

It is imperative that the supplier informs Agrale's procurement department of its reference code. Invoices deferred due to incorrect reference codes will be subject to return for failure to comply with this requirement in the manual.

5.5. LAST REVIEW OF THE DRAWINGS

The scheduled items must be delivered according to the review (date of the drawing) informed in the delivery plan.

The need to send drawings with the latest review must be requested from the responsible buyer.

6. PACKAGES

6.1. SUPPLIER LIABILITY

The supplier is responsible for delivering the purchased items, in accordance with the following instructions, ensuring the guarantee and integrity of the components supplied.

In case of batches of mixed parts, incorrect identification, volumes in disagreement with invoices of origin and/or improperly packaged, placed in packages outside the requested standards, the supplier will be notified, if the occurrence is recidivist, the opening of the Nonconformity Report may occur.

6.2. TYPES OF PACKAGES

Types of packages released and acceptable:

- **Disposable Packaging:** All pack sizes are discarded after use.
- **Recyclable Packaging:** The forms of recycling must be properly identified, according to the norms and standards of the recycling services;
- **Returnable Packaging:** All packaging is used up to full wear.

These packages may be third party or owned by Agrale.

The control of third party packaging will occur through the logo or name of the supplier company, which should be in an easy-to-view location and enable its complete emptying and easy sanitation.

The supplier is responsible for the collection and maintenance of returnable packaging, except prior agreement.

Agrale S.A. is not responsible for returns of packaging of third parties that do not have identification.

6.3. PACKING CRITERIA

Containers shall support and accommodate items, preventing them from being damaged during the handling, transportation and allocation flow.

Some criteria that should be considered:

- a) Avoid loose cargoes;
- b) Damaged packaging shall be withdrawn from circulation;
- c) Packaging should not be oversized;

- d) It must accommodate the parts and protect them against the weather;
- e) Avoid the use of materials that are difficult to dispose of and deteriorate, such as styrofoam, paper, bubble wrap, etc.
- f) Parts with risks of contamination, impurities and damages must be protected, it is important to emphasize that in the cases of the specific ones below, it is considered the following:
 - *Chemicals*: note the expiration dates of the products;
 - *Pipes, reservoirs, hoses, hydraulic pumps, fittings, steel coils and the like*: end shielding or individual packaging that protects parts against contamination;
- g) Items that have standard packaging coming from the supplier must support the handling and guarantee the integrity of the product until its use;
- h) Packaging with manual handling properties must comply with ergonomic requirements in accordance with Ordinance No. 3214/78 - NR 17;

Hazardous materials must be properly identified and labeled in accordance with Technical Standard NBR 7500, in conjunction with other governmental regulations;

6.4. QUANTITY PER PACKAGING

The quantities in the packages must be analyzed by the Logistics Department of Agrale S.A., which will consider the best way of handling and allocation in its warehouses, respecting manifolds and batches negotiated with Agrale's supplies and materials department.

6.5. IDENTIFICATION TAG

In order to ensure proper inventory checking and allocation, the identification labels must contain the following information:

1. Supplier name;
2. Supplier code;
3. Agrale code;
4. Item description;
5. Packing weight (KG)
6. Measure unit;
7. Invoice number;
8. Batch;
9. Issue date;
10. Quantity Per Packing.

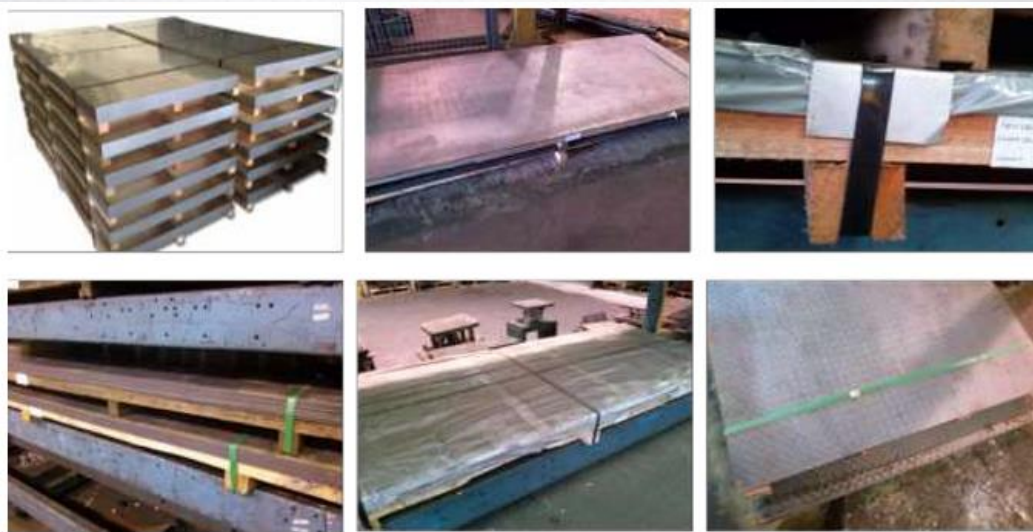
We suggest, if there is interest in standardizing in your shipping department, the template below that meets our identification information requirements. In case of items sent as CONSIGNMENT FOR TESTING, please use the template in yellow.

Fornecedor	Nota Fiscal	Lote	Fornecedor	Nota Fiscal	Lote
Código Item Agrale	Código Item Fornecedor		Código Item Agrale	Código Item Fornecedor	
Descrição do Item		Peso Embalagem (Kg)	Descrição do Item		Peso Embalagem (Kg)
N° de Embalagens	Quantidade por Embalagem		N° de Embalagens	Quantidade por Embalagem	
Unidade	Data de Emissão		Unidade	Data de Emissão	

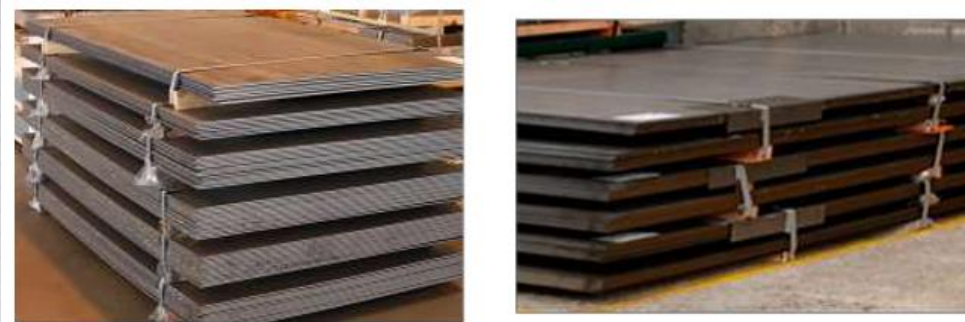
6.6. PACKAGING FOR FERROUS MATERIALS

For the raw materials, the material must come with a label that meets our requirements of identification information, Material Certificate attached to the Invoice, packed in pallets, wooden chocks and strapped, as illustrated below.

- Plates with thicknesses up to 12.5 mm: must be packed on pallets and strapped.



- Plates larger than 16.0 mm: should be supported by wooden chicks and strapped;



6.7. STANDARD SIZING OF PACKAGING

Taking into account the dimensions required in Resolution 210/06 of CONTRAN, the measures are as follows:

- Metal Rack:** Maximum dimensions: 1,200 mm x 2,400 mm
- Wood Pallet:** External dimensions: 1,000 x 1,000 mm and maximum stacking height: 1.30 m
- Detachable Wire Cage:** Maximum dimensions: 1,100 mm x 850 mm x 830 mm
- KLT Boxes:** The use of KLT plastic box for packaging materials should consider the following observations:

- Be returnable;
- Allow stacking between stipulated models;
- Support the weight of the material and the dynamic stacking of other boxes up to 1.30 in height;
- 16-kilo limit on full package weight;
- Provide pallet packaging when applicable;
- Volume closure with *stretch* plastic or polyester ribbons.

KLT boxes, owned by third parties, should have identification with name and/or logo, to facilitate the reverse logistics of the packaging. Dimensions accepted by Agrale S.A.

