



Supplier handbook

Solaris Bus & Coach S.A.



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1. Introduction

The Purchasing Department of Solaris Bus & Coach S.A. (hereinafter as SBC) is the first point of contact for suppliers. The Department provides adequate support in production process and product quality, basing on the knowledge and skills of suppliers. SBC activities may help suppliers to meet quality requirements and improve product quality, but the responsibility for the quality of final delivery is always on the supplier.

1.1. Objective

This manual is designed to provide uniform quality standards that are required by our company from its suppliers. It defines general recommendations and describes procedures to be followed in order to be and remain a Qualified Supplier.

1.2. Scope

This document applies to all materials and finished parts ordered for the production needs of SBC.

This manual is a Quality Standard and requires from all SBC suppliers to create and maintain a documented, active and efficient quality system.

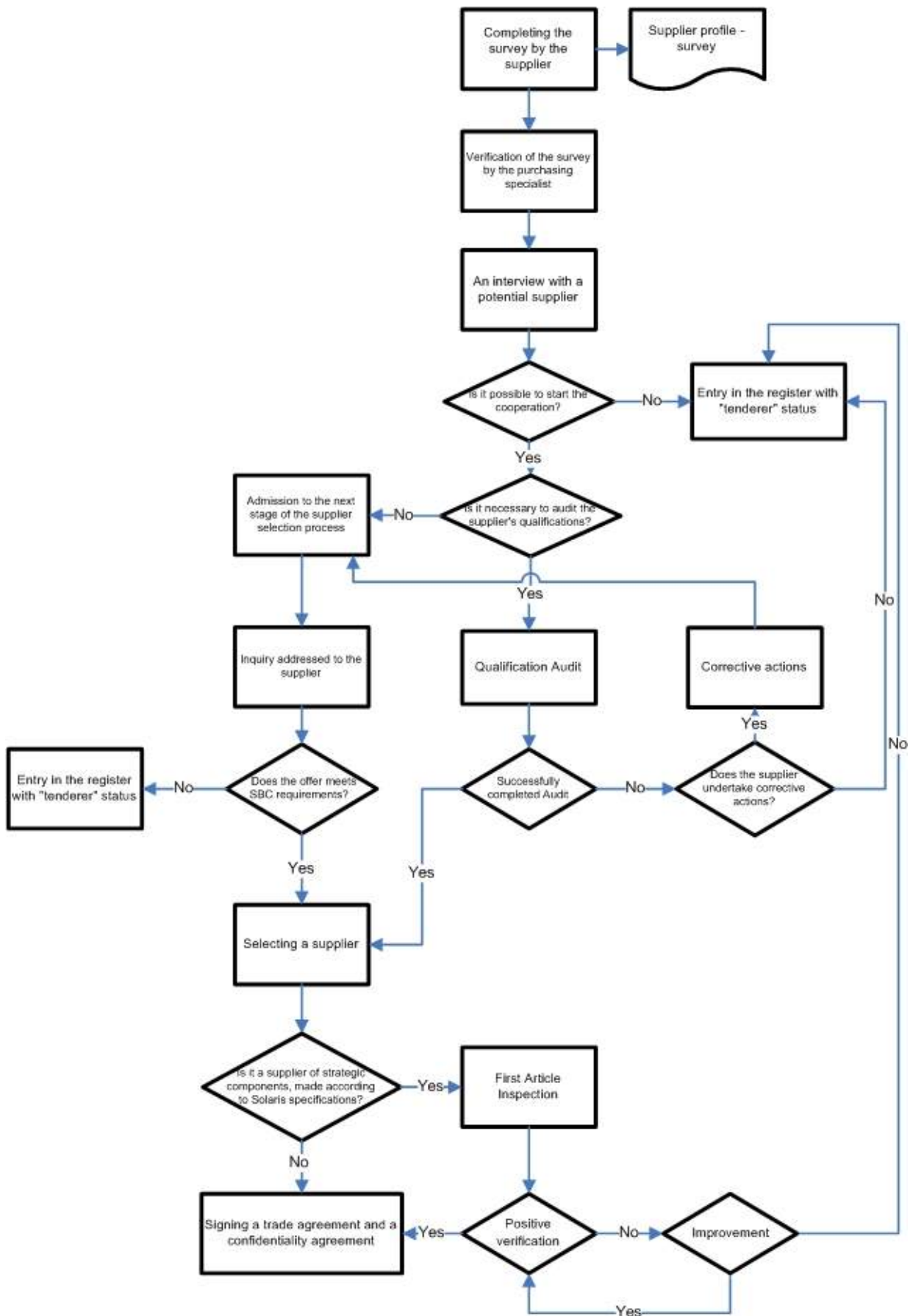
This Quality Standard specifies detailed minimum requirements. The tasks of the supplier include ensuring the reliability and consistency of the product.

This manual describes the process of qualifying suppliers of components, products, systems, and services as SBC suppliers. The document is intended to generally describe and provide SBC quality requirements for suppliers and ensure that they understand the requirements to be met in order to become a qualified supplier.

The process includes an initial qualification of suppliers, allowing SBC to determine whether a new supplier meets the minimum requirements defined by SBC and it may be added to the List of Qualified Suppliers. The next step involves qualification of the processes (manufacturing, designing, subcontracting), which will be used to supply SBC with a specific component, system or service.

Suppliers are expected to meet the requirements set out in this document. These requirements do not supersede any of the requirements specified in contracts, purchase orders, technical drawings or specifications, nor release the supplier from applying own knowledge and skills in providing SBC with products and services.

2. Selecting and approving of the Supplier



2.1. Requirements for the supplier

Before ordering any products/services from the suppliers, they are required to have the management system conform to ISO 9001 and/or ISO/TS 16949 certified by an external accredited certification body. It is also allowed to submit orders to companies that plan such certification, provided that they produce a schedule for implementation of quality management standards.

2.2. Requirements for suppliers of parts and components of rail vehicles

It is recommended to implement the management system based on International Railway Industry Standard (IRIS), which is destined to the railway industry with the object of ensuring high-quality supply chain.

2.3. Qualification of the supplier

Each supplier, permanently cooperating with SBC, is subject to a cyclical assessment, known as Supplier Qualification Procedure.

The first Supplier Qualification Procedure is carried out not later than before the third delivery, counting from the beginning of cooperation.

As a result of the qualification process (in accordance with the Supplier Qualification Procedure), a Supplier may receive one of three statuses:

- 1) Q- qualified
- 2) D- admitted
- 3) ND – not admitted

Depending on the status, the next qualification procedure will take place:

- 1) Q- qualified– one year after the last qualification procedure
- 2) D- admitted - after 6 months from the last qualification procedure
- 3) ND- not admitted - after 3 months from the last qualification procedure

Each time after completing the qualification procedure, an employee from the Purchasing Department informs the Supplier about its results.

Status of the Supplier is updated in the Register of Suppliers and Tenderers. Basing on the Register a List of Qualified Suppliers is generated.

The Register includes also the date of the next qualification procedure of a given Supplier.

Employees of the Purchasing Department may purchase only from Suppliers present on the List of Qualified Suppliers (with "qualified" or "admitted" status).



2.4. Process audit at the supplier's premises

The audit process may be carried out at the premises of the supplier at the request of SBC when:

- the supplier is introduced as a new supplier
- the supplier failed to obtain a positive result during the Supplier Qualification Procedure
- quality problems were encountered
- the supplies were delayed or their continuity was interrupted
- there is a desire to develop a supplier
- any other problem occurred, which could result in interruptions of the production process in plants

Suppliers will always be informed about the scope and nature of the audit.

2.5. Summary of the audit

After the audit is completed, the supplier is provided with its results.

The supplier is required to define corrective actions for any identified deficiencies and implement within the agreed period.

In case of suppliers that failed to receive a positive result of the audit, SBC may decide to stop their progress. This will be done at the discretion of the Purchasing Department.

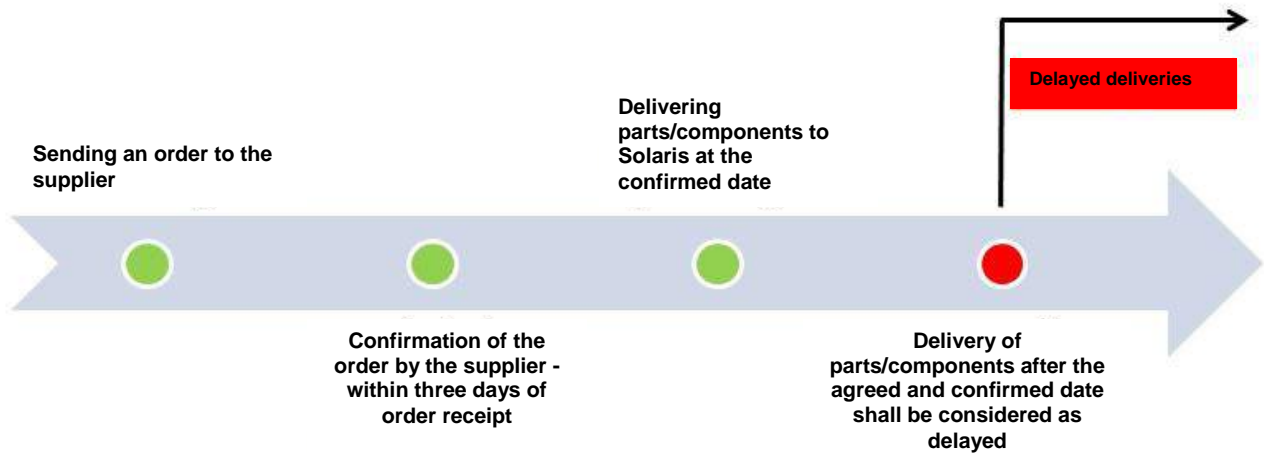
The cooperation may be suspended pending a positive result.

3. Orders

Purchase orders to suppliers are provided by e-mail. The supplier shall confirm the order in writing within 3 days of its receipt, unless stated otherwise in an individual contract with the supplier. The supplier shall guarantee complete and timely deliveries.

The supplier shall immediately notify the Department of Logistics and Purchasing Department of any downtime (holiday breaks, etc.) that could affect the schedule of shipments. Such notifications shall be provided in advance sufficient to ensure continuity of the production in SBC. Deliveries supplied too early may be rejected and returned at the expense of the supplier.

Diagram of the ordering process



4. Drawings and Specifications

The Supplier shall keep the latest versions of SBC drawings and specifications as a part of quality documentation. Any technical changes and/or adjustments shall be documented, with a clear definition of introduced changes, dates of their introduction, amendments etc.

The Supplier shall be fully responsible for delivering products in accordance with SBC documentation. Any discrepancies between SBC technical documentation and components produced by the Supplier shall be reported at the bidding stage, but no later than before confirming the order.

The effect of the order confirmation is unconditional acceptance of all conditions specified in the order and technical documentation. Any discrepancies shall be interpreted to the detriment of the Supplier, which in turn shall result in charging the costs of the complaint proceedings to the Supplier.

In case of receiving an order, for which technical doubts arise, the following actions shall be implemented:

- inform the person submitting the order that it cannot be accepted
- inform the person submitting the order and the Purchasing Department that the order is not accepted
- confirm the order only after removing all the ambiguities and amending the technical documentation or after obtaining the written consent of an employee of SBC Purchasing Department in which discrepancies are accepted



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5. Quality Assurance Plan

Quality Assurance Plan is a document that summarizes the methods used by the supplier to provide continuous compliance with SBC requirements. It provides suppliers with an efficient way of preparing and documenting quality inspections of products and testing changes introduced after starting the production. This plan should be submitted to SBC and approved.

IMPORTANT NOTE:

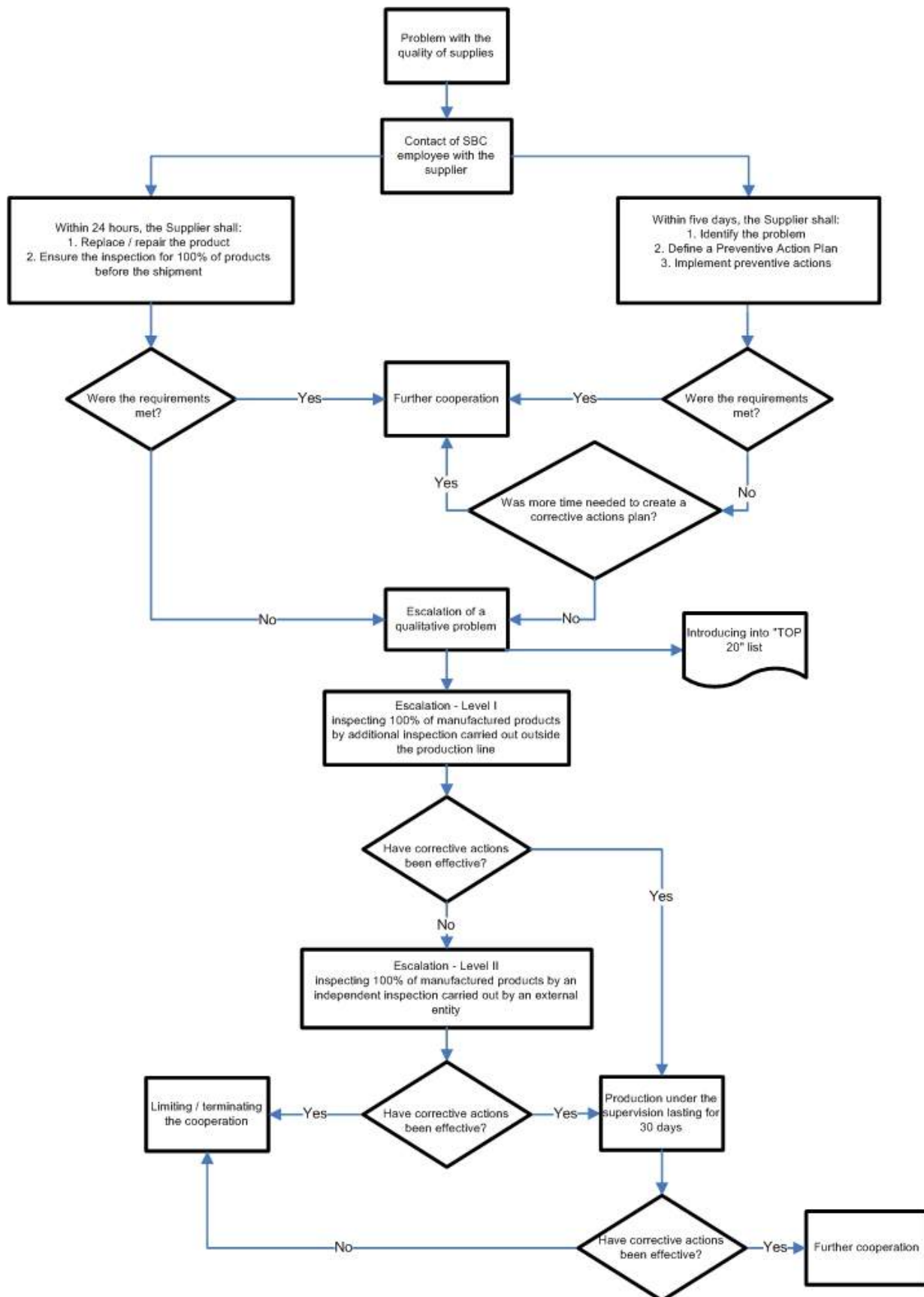
The supplier shall be an expert in the manufacturing process and in product quality assurance. The Supplier shall be fully responsible for the quality of the product.

The suppliers shall maintain a system of corrective actions for the cases of quality problems. The system shall include a methodology for problem solving and subsequent evaluation of the efficiency of implemented corrective actions.

Any quality problems attributable to supplier and found in Solaris SBC or at SBC customer shall be formally directed to the supplier plant in the form of a complaint report.

All responses in the form of supplier corrective actions shall be submitted to SBC in the format of 8D Report (8D report specimen is presented at www.solarisbus.com in "Company" tab, under "Suppliers" link.

6. Required corrective actions in case of a qualitative problem





7. The batch size

Batches provided by the supplier shall include the amount of product manufactured in similar conditions, in order to ensure that a product from one batch is homogeneous in terms of all the relevant features. If a material/drawing revision or raw material is changed during the production process, it will be necessary to assign a new batch number to ensure its easy identification. Any deviations shall be discussed with the person who placed the order with the supplier.

8. Batch traceability

For all its products the supplier shall establish and maintain traceability procedures to identify product in all manufacturing stages. The supplier may deliver more than one batch on a pallet, but each container on the pallet shall contain components only from one batch, unless the components are individually and separately marked with a serial number. Each batch of products shall have a unique supplier batch number to ensure its traceability.

Batch traceability system shall consider the following situations:

- Option of precise identifying a suspicious product, basing on its batch number
- Identifying causes of qualitative problems and initiating corrective actions at minimal costs incurred by the supplier and Solaris
- Ensuring traceability for batch numbers of components and for production data / quality features of a specific batch number marked on the container

9. Handling, storage and delivery of products

The guidelines specified below present basic requirements for SBC suppliers. They are used to ensure quality of products and related services, defined in the product offer. The guidelines concern systematic planning, implementation and verification of undertaken activities aimed at continuous improvement of quality, particularly in order to ensure correct quality of deliveries (so-called zero-error strategy) and continuous improvement of services.

- The Supplier shall handle the product with care to prevent any damage or deterioration in its condition during or after the production process
- The Supplier shall use secure storage locations to avoid damage and deterioration of the product from the time of preparing the product to the moment of its delivery.
- The supplier shall ensure optimum quality of the product from the moment of producing it to the moment of delivering it to SBC and shall be responsible for good quality packing and safe transport

Products delivered by the supplier shall strictly comply with the following criteria:

- items shall be properly placed on a pallet:
 - stable, without the possibility of sliding down from it
 - in a way preventing any damage due to contact with other items
 - not extending behind the pallet



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- not preventing the unloading
- depending on the product range, items shall be packed in accordance with the "Packaging standards for details supplied to Solaris Bus & Coach S.A."
- prototype item - subject to First Article Inspection:
 - it shall not be mixed with other materials
 - it shall be packed separately and clearly identified (yellow label)
- group of items forming a set (marked with one SBC index):
 - it shall be packed and completed in one logistics package (one set = one logistics package)

10. Prototype / pre-manufacturing product

All prototypes or pre-production products delivered to SBC shall be in full compliance with the relevant drawings, specifications and requirements specified in the order submitted by SBC

All new parts included in the assortment of processed metal parts, plastic parts and windscreens are subject to First Article Inspection procedure, which describes all the duties of the supplier of such prototypes. If the supplier for some reason fails to meet these requirements, the supplier shall inform SBC about this fact when submitting its offer, but not later than at the date of ordering. A non-compliant product delivered without a written approval of SBC shall be rejected/returned and the costs incurred by SBC as result of the non-compliance may be charged to the Supplier (negative test results, impact on the customer, costs, etc.).

10.1. Returning costs for non-compliant product

The Supplier shall cover all costs resulting from the delivery of non-compliant product, as incurred or established by SBC. These costs include, but are not limited to the costs of: disassembling and re-assembling of the product, express transport (inbound and outbound), scrapping, returning of material, labour (sorting, alterations, repairs, demolition, overtime, downtime), tests beyond standard requirements, communication with customer, site visits, customs duties and charges of the end user.

Before issuing a debit note, the Supplier shall receive a written notification. Confirmation from the supplier/answer contesting the return charges imposed by SBC shall be provided within 2 working days of the notification. If the supplier disputes the charges, it shall support its claim by providing actual reasons justifying the statement that the supplier is not liable for the return charges or their part. If the supplier fails to immediately react to the notification, it may result in the return charges imposed on the supplier and the product return (depending on circumstances).

11. Changes initiated by the supplier

SBC supports improvements in material, design or the process in order to improve the quality and reduce costs. However, all changes require prior approval by SBC before implementing them in the Supplier's plant(s). All these changes shall be communicated to



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SBC and the communication shall include their reasons. The final approval of changes shall be issued after successful validation and approval of changes in the process of "First Article Inspection" carried out by SBC.

The first step to obtain such approval is to contact the Purchasing Department of SBC and presentation of the proposed change. After analysis, the Purchasing Department accepts the costs of the proposed change(s), and then, in cooperation with the technical department, it determines any additional requirements related to the proposed changes.

The next step is a positive assessment of the product in "First Article Inspection" procedure. In some cases, SBC may require testing of the product. After successful completion of the "First Article Inspection", the supplier will be able to start production, taking into account the introduced change(s). The schedule for introducing change(s) shall be agreed with SBC before starting the deliveries.

Important Note: Failure to obtain the approval for change(s) prior to shipment will result in the rejection of the product and the financial responsibility for all stocks of raw materials, products, work in progress and finished products of SBC, which are affected.

12. The supplier's application for approving deviations from the requirements

SBC requires suppliers to provide products 100% compatible with the documentation.

If at any time the supplier wants to ship a product that is not in accordance with SBC documentation, the product shall be approved by Solaris before the shipment. The approval is issued by SBC after receiving a form of application for approving deviations from the requirements. Rules for submitting the application for approving deviations from the requirements are described in the "First Article Inspection" procedure. Specimen of application forms and instructions for their filing are presented at SBC website. Oral guidelines, discussions and/or approval of SBC shall not be valid without a fully approved deviation report.

Important Note: Failure to obtain the approval, prior to shipment will result in the rejection of the product and the financial responsibility for all stocks of raw materials, products, work in progress and finished products of SBC, which are affected.

Shipments with the above deviations shall be marked by an appropriate number of "application for approving deviations" present on each box/container to ensure that the material is properly labelled when it is delivered to SBC plants.

13. Supplier evaluation system / performance indicator

The following indicator has been established to measure the supplier's performance:

- Indicator of the number of submitted complaint forms - justified complaints

The suppliers with the highest indicator of the number of submitted complaints are entered into "TOP 20" (to enable supplier's development)



14. Requirements for marking

The supplier shall mark the product with a shipping label (according to VDA 4902 standard). The label shall be resistant to weather conditions (rain, wind) and placed in a clearly visible part of the packaging/container. If a package contains more than one type of parts they must be labelled in a clear manner, in order to ensure easy identification.

Exemptions may be granted from the above procedure after approval granted by the logistics operator. However, regardless of the above, the label must include at least: SBC index, supplier index/number, batch number/date of manufacture and quantity. Failure to comply with the requirements regarding labelling of materials may result in rejection of the entire delivery.

15. Informing about organizational changes

Any changes in the supplier's organization, which may influence the quality and/or financial matters shall be notified in advance to SBC

16. Protection of proprietary information by Solaris Bus&Coach S.A. and its customers

All information provided by the supplier to SBC shall not be disclosed to third parties without the prior written consent of SBC. Proprietary information includes all types of electronic data, drawings, documentation as well as tools and materials

17. Service Requirements

Products provided by the supplier, and their installation in SBC vehicles shall become an integral part of items produced by the supplier. Therefore the supplier may be defined as Original Equipment Manufacturer/Supplier (OEM/OES) for SBC. This title is additionally reinforced by the market area in which SBC operates. Passenger transport, particularly in urban traffic, requires vehicles with the highest level of safety and reliability.

The high position of SBC suppliers in "Automotive" market is related to the need for continuous efforts to develop their products and best after-sales services.

Qualified Supplier (OEM/OES) for SBC shall (among others):

- transfer the knowledge about the product and its use
- transfer the rights to customers of SBC or SBC Authorized Service Centre (ASC)
- cooperate in solving technical problems
- cooperate in improving / modifying the products
- properly fulfil the guarantee obligations
- provide and constantly update the catalogue and price list of spare parts
- ensure continuous availability of spare parts
- timely complete the orders
- mark components in accordance with the recommendations of Solaris
- ensure the operation of service network



17.1. Transferring the knowledge about the product

The supplier shall transfer its knowledge and skills (know-how) related to the production, quality and performance of the product. Minimum requirements for keeping the documents obtained in this transfer are described in section 4

Knowledge transfer shall be carried out in the form of training. Trainings shall be provided to employees of SBC and every new customer or Authorized Service Centre (ASC) that will come into contact with the product.

When the product begins its functioning in SBC vehicle, the supplier shall provide at least three sets of diagnostic equipment and diagnostic software in required language, at the expense of the supplier with a lifetime license including free software upgrades.

17.2. Transfer of rights

SBC expects its suppliers to transfer the right to maintain and repair to products on SBC. The scope of rights shall enable efficient service and repair of products in the workshops owned by clients or in SBC Authorized Service Centre (ASC).

17.3. Cooperation in solving technical problems

To enable the full traceability of the product, the requirements for traceability of batches (section 8) shall apply to the same extent for the supply of products, components and spare parts.

In case of reporting a malfunction of the product in SBC vehicle, the supplier shall immediately take actions to resolve the reported problem.

The scope of activities includes:

- presenting proposed solution of the reported problem with the date of its implementation (within 24 hours of the notification). The duration of an effective repair, counted from the date of informing about the fault/defect, shall not be longer than 48 hours.
- providing technical support in a place and time specified by SBC, at the expense of the supplier
- identifying the causes of the problem (within 24 hours of the notification) and issuing accurate diagnosis, providing description and photo documentation.
- indicating products, suspicious batches may be affected by the defect, describing the method for identification
- preparing a plan to prevent the re-occurrence of failure/defects

If the reported problem is caused by the product delivered by the supplier, the supplier shall repair the defect at its own expense.

If the repair was made by SBC, the supplier shall cover its costs.

If the malfunction of the product delivered by the supplier negatively affected the other vehicle systems, the supplier shall restore the original performance of the other systems, or cover the costs of such operation.



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The supplier shall implement and maintain the necessary inspection measures to ensure "fitness for use" and the reliability of its product throughout the product operational lifetime in SBC vehicle. The supplier shall have documented procedures in this regard with details concerning individual parts and components.

17.4. Cooperation in improving / modifying the products

The Supplier shall take its own initiative for on-going activities to develop the delivered products. These activities may include:

- adapting products to current legal requirements;
- implementing the measures to reduce the negative environmental impact, including:
 - lowering energy demand
 - noise reduction
 - reducing emissions of harmful substances into the environment
- adapting the product to new technologies
- efforts to reduce total cost of operating the final product of SBC
- anticipating customers' expectations related to the product

When Solaris expresses its expectations for the product, the supplier shall present options of implementing the desired changes, including:

- a cost analysis of the modification
- time needed for implementing the changes

With the supplier introduces a replacement or successor of the component/product, the supplier shall cover the costs of adapting this new item within the specified period of availability.

When the supplier is notified about the specific conditions in which the product will operate, the supplier shall be responsible for selecting proper components / parts for vehicle operating conditions.

17.5. Guarantee obligations

In case of a defect in its product, the supplier shall:

- restore vehicle technical efficiency within 24 hours of defect notification, at its own expense
- identify the cause of the defect (within 24 hours from delivering of the defective product to the supplier)
- at the discretion of SBC:
 - return the price of the defective product
 - provide a new product
 - repair the defective product
 - deliver other components of a value not less than the value of the

defective product

- indicating products, suspicious batches may be affected by the defect
- presenting a plan to prevent the re-occurrence of failure/defects

The supplier shall cover all costs related to the guarantee repair (including assembly, disassembly, diagnosis, transport, travel, consumables, auxiliary materials).

In case of any delay in the repair or delivery of parts/components the supplier shall accept specified penalties in the full amount.

The guarantee period shall cover three years or 300.000 km of mileage, counted from the date of part installation (without any extra charges), if the agreement does not provide otherwise.

17.6. Catalogue of Spare Parts

For the needs of the Department of Spare Parts, Maintenance, Documentation and Aftersales, the supplier shall submit complete catalogue of spare part specifying all components of the product in the required language. The catalogue shall be provided with the first product approved for the first assembly.

The catalogue / price list must include at least:

- SBC index (if assigned)
- overview drawings of individual parts
- product index No.
- product name
- unit of measure
- weight
- dimensions
- unit price with stated currency
- delivery time
- minimum order quantity
- operational lifetime of the product, expressed in mileage and/or time

The price list shall be annually updated for a period of 15 years from the last delivery of the products for the first assembly.

Updated prices shall be valid for the entire calendar year and shall be communicated to SBC by the end of November in the year preceding the price list validity.

17.7. Constant availability of spare parts

The supplier shall have a permanent display availability of parts supplied for the first assembly of products.

The minimum range of components constantly available from the supplier's stock shall include (among others):

- consumable parts



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- sub-assemblies subject to wear-and-tear
- parts and components subject to risk of damage during the operation
- the range of available parts and components shall correspond to the intended service life of individual products

The availability period of products and their components is 15 years from the date of delivering the last of the products for the first assembly.

17.8. Completing orders

The supplier shall confirm the order within 24 hours of its receipt.

When the order is specified as "urgent", the supplier shall provide the shortest possible time for its completion, but it shall not be longer than the date specified in the order.

When the product is to be delivered urgently to its final recipient, SBC expects its direct shipping to the location indicated by SBC.

17.9. Marking of components

In addition to the requirements set out in section 14, the supplier shall meet the requirements of SBC for labelling provided parts with SBC logo and index.

Marking the parts/components with SBC logo is designed to protect end users against uncertified substitutes, and to prevent unauthorized distribution of parts with SBC logo.

Logo and SBC index shall be placed both on elements provided for the first assembly, and for spare parts.

17.10. Service Network

SBC expects from the supplier to run a network of service/maintenance points in countries where the vehicles are operated. The services points shall provide repair services 24 h/day including holidays