



M+S SUPPLY POLICY

The aim of the supply policy of M+S Hydraulic PLC is to clarify the general expectations from our suppliers and be relevant to the current business conditions. Our priority is to build a strong and long-term partnership with suppliers who have the right technology and maintain high quality at competitive prices.

1. BEHAVIOR MODELS

M+S Hydraulic PLC is a leading manufacturer of low speed, high torque, orbital hydraulic motors, axial piston hydraulic motors and pumps, hydrostatic steering units, valves, brakes and accessories.

M+S Hydraulic PLC is the first company in Bulgaria certified under ISO 9001 in order to ensure product quality, its high reliability and manufacturability. The company strives to be the market leader in terms of environmental protection and ensure healthy and safe working conditions. We are certified under the relevant standards ISO 14001:2015 and ISO 45001:2018. The main goal of our company is to meet customer requirements with the highest quality at competitive prices, offering the best possible service. We are confident that using this effective way of meeting the needs of customers and exceeding their expectations through proactive measures, we will be able to provide our team members and our suppliers with a long-term platform for growth and development.

2. QUALITY

One objective of the policy is to ensure the supply of high quality and reliable materials, products and tools. We perform strict incoming control. We have developed a scoring system for assessing suppliers, a key indicator in which **are** the results of the incoming control. Deliveries must be accompanied with a certificate of quality and origin, their originals. In terms of quality must comply with the following standard requirements:

- The supplier must deliver materials, products and tools that are suitable for use with a certificate and without defects and deviations from the documentation.

- The supplier must react immediately in the event of a quality problem. Our Supply Chain Department personnel are key contact / please see Appendix A /.

If the discrepancy is found by the provider itself, it is imperative that:

- ✓ the provider reports the discrepancy as quickly as possible so that they can work together in order to minimize the impact and related costs.

If the discrepancy is found by M+S Hydraulic PLC, the supplier must:

- ✓ Examine the content of the signal immediately to make sure that there is no risk of defects and abnormalities associated with incoming deliveries.
 - ✓ Develop short-term countermeasures depending on the situation and the needs of M+S Hydraulic PLC (e.g. provide additional quantities without deviations, sorting, completion etc.) and report them in writing to the respective M+S Hydraulic PLC Supply Chain Department personnel within twenty-four (24) hours of the occurrence.
 - ✓ Develop long-term plans to prevent such deviations and defects and report them in writing to the respective M+S Hydraulic PLC Supply Chain Department personnel within seven (7) calendar days of the occurrence.
- M+S Hydraulic PLC is entitled to impose a penalty to cover the financial losses ensuing from the costs for detection and removal of defects, correction or recovery of production that is not in accordance with the technical requirements.
 - Special circumstances (such as production line stoppage as a result of noncompliance) are the basis for charging additional costs to the supplier, which, depending on the specific issue, could be between 40 and 200€ per hour. All charges are agreed in advance (in writing) with the respective supplier.

3. **PRICES**

Our business is located in an extremely competitive environment in which the market and customers define sales prices. One of the supply policy's primary objectives is achieving high efficiency in terms of price control.

- Suppliers are expected to be competitive and to strive to reduce prices by improving production efficiency and by implementing new technologies.
- Partnership and transparency (regarding the price structure of the provided material) are expected from the suppliers.
- In order to achieve the lowest possible prices, we allow our suppliers to influence the way we work and / or to allow us to influence theirs.
- Usually our suppliers specialize in the design and operation of the components used in our products. We expect each supplier to be actively involved in the engineering process by providing progressive ideas, in order to reduce costs and improve quality.

4. **DELIVERY TERMS. QUANTITIES**

The production of M+S Hydraulic PLC depends on the controlled, scheduled delivery of high-quality materials, products and tools, at the right time and in the right quantity.

- The delivery of materials, products and tools must be carried out within a specific time interval and must be accompanied by the necessary documents in order to provide accurate and timely receipt, distribution and payment.
- M+S Hydraulic PLC connects the supply of materials, products and tools from suppliers to warehouses of the company with actual customer demand.
- The delivery requests by M+S Hydraulic PLC are in written form and all the details (deadlines and quantities) are confirmed beforehand by the respective supplier.
- The delivery must be in accordance with the type and terms of the shipment, specified in the respective master service agreement or in accordance with the established conditions in the contract itself. All suppliers are expected to be able to meet the projected demand. In case of material shortage, suppliers must first notify the respective Supply Chain Department personnel, so that they can work together in order to minimize its impact and related costs.
- Special circumstances (such as production line stoppage as a result of late delivery) are the basis for charging additional costs to the supplier, which, depending on the specific issue, could be between 40 and 200 € per hour. All charges are agreed upon in advance (in writing) with the respective supplier.

5. **WARRANTY TERMS AND CONDITIONS**

M+S Hydraulic PLC provides maintenance and warranty service for its customers. We expect the same level of service from our suppliers. The warranty conditions of the supplied materials, products and tools must conform to the warranty terms, presented by M+S Hydraulic PLC. In general, these terms are as follows:

- cooling liquids and oils - 1 year;
- electric components and systems - 2 years;
- hydraulic components and systems – 3 years;
- structural components and systems - 5 years;

In case of different, specific requirements for the warranty terms of the goods, official information can be provided in writing to the respective Supply Chain Department personnel.

6. COMPETITIVENESS AND OPPORTUNITIES

Given the fact that we compete on a statutory basis, we conduct marketing researches, test the conditions of the market, look for new suppliers, optimize our products and delivery conditions, commit integrated expenditures (provided there is a suitable opportunity for their presentation) in order to stay competitive and guarantee our customers and investors that we provide a high level of profitability. We expect our suppliers to have sufficient capacity, to have additional quantities of the ordered materials, products and tools on stock, in order to be able to react (with very short lead time) in the event of increased demand for a particular product or in case of refunds (e.g. because of quality problems). We expect our suppliers to use adequate, up-to-date technologies and work on new technological projects.

7. OWNERSHIP OF EQUIPMENT

In many cases we require our suppliers to manufacture their products with equipment, owned by M+S Hydraulic PLC. In this case our expectations are:

- The equipment must be clearly labeled with an inventory number of M+S Hydraulic PLC, as well as with an alternative indication, in case constructive alteration is required.
- The supplier must keep the equipment in good working condition.
- Reworking of the equipment, without preceding written approval, is not allowed.
- M+S Hydraulic PLC must have access to the equipment for inspection, processing or transfer in case of a request.
- The equipment owned by M+S Hydraulic PLC is only used for the manufacture of products for M+S Hydraulic PLC. Using the equipment for other clients is allowed only in case of a written approval by M+S Hydraulic PLC.

8. SAFE WORKING CONDITIONS AND ENVIRONMENTAL PROTECTION

We consider high priority the security of all members of the team - our, your and our customers. We are certified and work in accordance with the requirements of ISO 45001:2018. We are also obliged to protect the environment by minimizing the adverse impact of our production activities, in accordance with ISO 14001:2015. In accordance with the above-mentioned, it is necessary that the suppliers of M+S Hydraulic PLC, to supply materials and provide services in compliance with the relevant ISO requirements.

9. **CODE OF ETHICS AND BUSINESS CONDUCT**

The Code of Ethical and Business Conduct of M+S Hydraulic Plc., and its subsidiaries, is our guide that shows us how the high values will sustain us as part of the global economy. It is guiding us on what is expected of each of us in our work to achieve our economic goals. We expect by your side to be aware with it, to understand and follow its principles in your daily work.

Compliance with the Code is mandatory. It ensures the application of the relevant standards for responsible behavior, which could serve as a guarantee that M+S Hydraulic PLC will continue to be valued and respected company by customers and society, and which we are proud to work for as well.

Deliveries are maintained according to the laws and regulations of the respective countries, where the Company is executing its main activity. Therefore, we expect by our suppliers to comply with the Code of Ethical and Business Conduct of M+S Hydraulic PLC.

In addition, the Company guarantees compliance with the Code of Ethical and Business Conduct by the suppliers, which is set as a go/no go criteria during the initial evaluation of the supplier.

The code of ethical and business conduct is published on the website of M+S Hydraulic PLC. /www.ms-hydraulic.com/.

10. **STRATEGY**

Suppliers, who consistently provide high quality products at competitive prices, at the right time and quantity, have the capacity and strive for development, will be sought after for long-term partnership and those who do not, will be replaced. In conclusion we would like to say, that for us, a true partnership is when the supplier perfectly understands the expectations of the other party and acts in a well-intentioned, professional manner in order to implement these expectations without exceptions.

APPENDIX A

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