



Supplier Quality Agreement

between

FREMACH MORAVA s.r.o.

and

XXXXXXXXXXXXXXXXXXXX

About realization of the common management of quality with the objective to provide the quality of product – services within the whole cycle of their rising.

1. GOAL OF AGREEMENT

This agreement about the securing of quality is the contracting statement of technical and organisational frame conditions and processes between the company *Fremach Morava* and the supplier that are necessary for the achievement of the objectives of quality that we struggle for. It describes minimal requirements on the system of management of contracting parties with regards to secure the quality.

2. GENERAL CONVENTIONS

2.1 FIELD OF ACTIVITY, SUBJECT OF AGREEMENT

- This agreement manages the requirements on the quality of all the activities connected with the product (service) being provided for the contracting partner.
- This agreement, as well as the changes, requires written form.

2.2 QUALITY MANAGEMENT SYSTEM OF SUPPLIER

- The supplier's quality management system must be maintained and certified as a minimum in accordance with the requirements of ISO 9001 and developed to meet the requirements of the IATF 16949 automotive supplier standard.
- The supplier is obligated to gradual introduction and following permanent use of the environmental management system according to ISO 14001 and to its future development in order to gain certification according to ISO 14001.
- The advantage of the supplier is to maintain occupational health and safety management systems according to ISO 45001 as well as information security requirements according to TISAX
- The supplier must fulfill the legislative requirements of the country to which it supplies its parts
- For projects for the VW Group, the supplier must fulfill the requirements specified in the FORMEL-Q document
- Philosophy of “zero-defects quality” and continuous improvement are obligatory for the supplier and in this sense, he has to permanently optimize his output with the cost minimization
- If *Fremach Morava* supplies the supplier with production and inspection tools in connection with the delivery, the supplier must permanently mark the tools so that it is clear that they are the property of the customer and subsequently register them in its quality system. The supplier must take care of them in accordance with ISO 9001 and IATF 16949.
- In connection with the specific project, *Fremach Morava* will transfer the Customer Specific Requirements to the supplier. This does not relieve the responsibility of the supplier to actively monitor and implement these specific requirements into its quality management system.

2.3 QUALITY MANAGEMENT SYSTEM OF SUB-SUPPLIER

- The supplier will ensure that any chosen sub-supplier will adhere to the general principles of the contract with *Fremach Morava*. If the supplier is unable enforce the takeover of duties to the sub-supplier, he will inform *Fremach Morava* and the contracting partners will try to reach reasonable solution.
- *Fremach Morava* will at it's own discretion require the documentation that the appropriate steps were taken to ensure that the supplier has checked the efficiency of the quality management system at his sub-suppliers. Alternatively the supplier has to provide the quality of products (services) he buys from sub-supplier by the means of other appropriate actions.

2.4 QUALITY AUDIT AT SUPPLIER

Fremach Morava will by the means of site audit, check to ensure any actions towards the securing of quality will guarantee fulfillment of supply requirements of *Fremach Morava*. The audit can be implemented as an audit of system, procedure – advance, service or product. Any findings of the audit will be of a confidential nature and will be not disclosed to any third parties.

If problems of quality are caused by sub-suppliers, *Fremach Morava* has the right to audit the sub-supplier together with supplier to ensure quality of supplies.

The responsibility of any sub-supplier chosen remains at the supplier.

2.5 DOCUMENTS, INFORMATION

- All contractual and certifying documents must be archived for at least 10 years from the end of production (unless provided otherwise). Documents and records concerning the product (service) must be archived for five years after the end of production. On demand, the supplier is to enable the company *Fremach Morava* or the client of the company *Fremach Morava* to look into these documents or provide copy of these documents.
- Documents related to parts with a safety mark (D/TLD) the supplier is obliged to archive for up to 15 years from the end of production
- If it is obvious that supplier cannot keep the appropriate agreements with respect to delivered quality or supplied quantities the supplier is obliged to inform immediately to *Fremach Morava*.
- If the supplier discovers an increase in defects or reduction in supplier performance, he will inform the company *Fremach Morava* without delay, including the planned corrective actions.
- Before the change of the manufacture process, material or supplied parts for the products - service, before replacing of manufacture workplace, also before the changes of the processes or facilities for control or before other acquisitions for securing the quality, the supplier will inform the company *Fremach Morava* in such a degree and in a timely manner to enable a check whether the changes may affect product (service) quality.
- All changes of product (service) or the changes important within the network of process for a product (service) must be proved by the evidence and treated in the appropriate way in order to secure quality of distributions.

3. THE AGREEMENTS ABOUT THE LIFE CYCLE OF THE PRODUCTS

3.1 ADVANCED QUALITY PLANNING

To ensure philosophy “zero-defects quality” in all phases of the cooperation, the SUPPLIER is obligated to draw up a binding advanced quality plan for prototypes, pre-serial samples and serial production deliveries, to document this in test sequence plans (Control Plan) and to coordinate it with FREMACH. The Control Plan is in accordance with the requirements of IATF 16949, annex A. It must be agreed in advance if the advance quality planning should meet the requirements of VDA, Volume 4, Part 3, or the AIAG documents (APQP/Advanced Product Quality Planning). The commitment to “zero-defect-quality” and therewith to defect prevention as well as to continuous improvement is an essential part of SUPPLIERS obligations and valid without any exception

3.2 SERIAL PRODUCTION, CAPABILITY, IDENTIFICATION, ANNOUNCEMENT OF IMPERFECTIONS

- Proof of machine and process capability
 - Short-term machine capability index Cm/Cmk: ≥ 1.67
 - Preliminary process capability index Pp/Ppk: ≥ 1.67
 - Long-term process capability index Cp/Cpk: ≥ 1.33

- Re-qualification tests
 - Unless otherwise agreed, the respective requirements from IATF 16949 or the AIAG documents are valid. All products are subject to a complete dimensional and functional test, in accordance with the Control Plan, taking the customer's specifications for material and function into account. The SUPPLIER provides Fremach with the regular re-qualification documentation within three working days on request.
- If a process failure or deviation in quality occurs, the causes must be analyzed, the step for improvement must be set up and their effectiveness must be checked. (plan- do-check-act)
- If it is necessary in an emergency situation to supply the products which do not match the specifications, supplier has to get written approval from *Fremach Morava*. *Fremach Morava* must be informed immediately regarding any deviations which are found additionally.
- The supplier pledges to secure the traceability of his supplied products (services) according to rating the risks. In case a deficiency is found, the traceability must enable localization of the amount of defective parts –products (services). *Fremach Morava* announces to the supplier the necessary data for backward tracing if additional to normal delivery quantity in volume and 3 year in time.
- The supplier guarantees that the goods will be supplied in correct quantities and on time according to orders. The supplier guarantees that the goods will be supplied in appropriate means of transports and properly packed, preventing any damaging or any other decreasing of quality (e.g. damaged packaging, polluting by chemical reaction, weather conditions, frozen paint etc. ...).
- If the road accident or another event occurs during the transport of goods secured by the supplier, the supplier must inform *Fremach Morava* immediately and take proper actions to secure deliveries.
- In the matter of marking of products, parts and packaging, it is necessary to keep agreements with *Fremach Morava* . Marking of packed products must be correct according to specification for certain product (each product has specific label), the labeling of boxes must be readable even during the transport and storing. Labels must be fixed to packaging properly in order to secure that it is not detached. Deviations from current obligations of labelling the products require a written agreement between the supplier and *Fremach Morava*. Any deviation from above is understood as a non conformity and claim is raised for the problem.

3.3 QUALITY TARGETS

Supplier appoints in his own responsibility the draft of control so that the agreed goals and specifications are realized. Both of contracting partners are obligated to the Philosophy of zero defects and continuous improvement. Supplier is regularly informed about his performance in ppm.

$(\text{Number of unusable delivered parts} / \text{Number of delivered parts}) \times 1.000.000$

In case of increasing trend of PPM *Fremach Morava* is qualified to ask supplier to do extra actions to improve his performance. (set up process parameters, implement process control, quality wall....).

Suppliers are divided into three groups according to the nature of the supplied products.

- | | |
|----------------------------------|---------|
| 1. Suppliers of decorative parts | PPM 800 |
| 2. Suppliers of materials | PPM 800 |
| 3. Suppliers of technical parts | PPM 50 |

3.4 CONTROLS, CLAIMS, CORRECTIVE AND PREVENTIVE ACTIONS

- The supplier and *Fremach Morava* should determine together the appropriate checking and measuring devices for important product (service) control points by reasons of alignment of standards.
- It is necessary that the supplier proves at all functionally important points the capability of the process with the assistance of appropriate steps, during the whole batch and for the whole time of production (e.g. statistic regulation of the process, or hand technique of regulating diagrams.)
- If the required process capability is not achieved, it is necessary to secure the quality by appropriate control methods. Production process needs to be optimized by appropriate methods so that the required capability will be achieved.

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- *Fremach Morava* checks the products delivered from supplier in terms of keeping the amount and the identity, as well as obvious damages.
- Otherwise *Fremach Morava* is exempt from obligations to examine and reproach a product (service).
- *Fremach Morava* is to tell the supplier immediately about divergences in supply as soon as they were found, according with scheduling or normal ordering. In this sense the supplier doesn't take into account any objection for delayed reclamation of shortage.
- In case of a quality claim, the supplier is obligated to do 100% control of all the products (related groups of products – from moulding till assembly if related to the claimed defect) for claimed defect. 100% controlled products must be marked with special label including accurate information concerning the claim on the packaging. This extra control must be done for the following next 3 deliveries and a secure method put in place to insure no further reoccurrence.
- *Fremach Morava* will provide defective parts to the supplier for analysis and describe in written form the defect as an opening statement of the 8D.
- If non conforming deliveries are supplied to *Fremach Morava*, the supplier is obligated to take care for replacement (spare supplies, sorting, extra work). Costs related to extra activities are charged to the supplier.
- In case of no or late response to 8D report from supplier costs of 100 EUR will be charged to the supplier.
- The supplier is obliged to comply with these standard deadlines for resolving complaints in the 8D report, unless other specific requirements given by the customer are transferred to the supplier
 - 3D 24hrs
 - 5D 10 working days
 - 8D 20 working days
 - These binding terms can only be changed if they are mutually agreed upon

3.5 GUARANTEE OF DELIVERIES AND SAFETY STOCKS

- The 100% shipment reliability is required from the supplier - including both quality and quantities.
- The supplier is obligated to have 2 weeks safety stock.
- *Fremach Morava* can require higher level of safety stock (up to 6 weeks) for cases of transfers of production or in cases of modifications or any other activity that could affect quality of the product and regular shipments to customers of *Fremach Morava*.

3.6 QUALIFICATION PROGRAMS WITH SUPPLIERS

The supplier will be evaluated by *Fremach Morava* at regular intervals according to standards that will be communicated to the supplier with evaluation. Depending on the needs for development of the supplier a specific development program/improvement plan maybe requested and any update of the quality system will be agreed to be completed within a particular term.

4. RESPONSIBILITY FOR PRODUCT

This quality agreement, the agreement on quality targets and the subsequent annexes are not intended to relieve the supplier of the customer's claims for guarantees and compensation for damages due to defects and their consequences during the transportation of products.

4.1 PSCR

The supplier must appoint a representative responsible for product safety & conformity (PSCR) with appropriate powers to be in charge of all related tasks described in IATF 16949 section 4.4.1.2.

5. AGREEMENT VALIDITY

This agreement is valid for the duration of 3years and will be automatically renewed if no comments are made by either party.



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6. APPENDIX

Company *Fremach Morava* reserves all rights for every project to specify the quality of supplied parts in more details and the quality goals for the particular periods of time. These detailed specifications are solved by the form of APPENDIX TO THE AGREEMENT ABOUT ASSURANCE OF THE QUALITY. These appendices must be mutually agreed in writing.

The supplier is obliged to study other general documents, such as the code of ethics, which are available on the company's website.

By signing this contract, the supplier also agrees to these general documents.

for Customer:

City, Date

Kroměříž,

Name, Function, Signature

Bohdan Paar, QM,

for Supplier:

City, Date

Name, Function, Signature

APPENDIX No. 1 TO THE AGREEMENT ABOUT ASSURANCE OF THE QUALITY

The customer *Fremach Morava* has agreed with the supplier the following points as an extension to the Supplier Quality Manual:

1. *Fremach Morava* is allowed to charge 100,- EUR for legitimate complaint administration fee and for each incomplete or delayed delivery
2. The supplier nominates an external sorting company, approved by the customer *Fremach Morava*, as part of the safe launch concept in order to ensure the stability of the supply of moulded parts. The costs will be borne by the supplier until 3 consecutive deliveries are completed within the agreed PPM value. In case of deviation from the agreed PPM value, this procedure will be renewed. The supplier must also present an action plan to address the root cause of the defective deliveries
3. *Fremach Morava* is entitled to charge the following fees in the event of:
 - a. line stop in case that the supplier fails to deliver material 150,-EUR/hour
 - b. delayed or uncompleted delivery 200,- EUR
 - c. undelivered or delayed 8D report 100,-EUR
 - d. sorting operation costs 25,-EUR/hour/person
 - i. increase during night shift or Saturday shift + 50%
 - ii. increase during Sunday shift or holidays + 100%
 - e. handling equipment costs 30,-EUR/hours
 - i. increase during night shift or Saturday shift + 50%
 - ii. increase during Sunday shift or holidays +100%
 - f. storage charge for non-conformity material 2,-EUR/pallet/day

for Customer:

City, Date
Kroměříž

Name, Function, Signature
Bohdan Paar, QM

for Supplier:

City, Date
Kroměříž

Name, Function, Signature