



Supplier Quality Agreement

between

FREMACH MORAVA s.r.o.

and

Name and address of the supplier

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 for production material according to IATF 16949. Where IATF 16949 is not yet awarded, at least ISO 9001 certification is required together with a dated plan to achieve IATF 16949, agreed with Fremach in writing.
- The supplier shall maintain an environmental management system according to ISO 14001. Occupational health & safety ISO 45001 and information security (e.g., TISAX for development/data exchange) are recommended.
- The supplier must fulfil the legal and regulatory requirements of the countries to which it supplies its parts, and ensure conformity of products and labelling where applicable.
- For projects for the VW Group, the supplier must fulfil Customer Specific Requirements including VW Formel-Q Capability and the Formel-Q Capability Appendix, including their references to VDA 6.3 / VDA 6.5 and VW-10131 for capability evaluation. Control plans, audits and documentation shall meet those requirements.
- Philosophy of "zero-defects quality" and continuous improvement are obligatory for the supplier and in this sense, the supplier has to permanently optimize his output with 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 this agreement and applicable Customer Specific Requirements (CSR).
- The supplier shall cascade quality requirements to sub-suppliers and manage them based on risk; at minimum ISO 9001 is required, with the target of IATF 16949 for production material suppliers where applicable.
- Fremach Morava may require documentation proving the effectiveness of the sub-supplier's quality system. Alternatively, the supplier must ensure the quality of purchased product (service) by other appropriate actions, such as additional controls or approved alternative sources.
- Access for Fremach Morava and OEM auditors (e.g., VW Group) to sub-suppliers and outsourced processes shall be ensured for audits, reviews and problem analyses.

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.

- Supplier shall perform an on-site Supplier Self-Audit (VDA 6.3 based) at least once per 12 months for product groups delivered to Fremach; auditors must be appropriately qualified (e.g., Certified VDA 6.3 Process Auditor). Results and action plans shall be made available on request.
- Once per 12 months, the Supplier shall submit to Fremach Morava a completed self-assessment in accordance with **VW Formel-Q Capability**, including an action plan for any identified gaps. This requirement is in addition to the annual **VDA 6.3** self-audit.



- The customer (Fremach or OEM) may conduct on-site reviews at short notice (e.g., TRL, Process/Product Audit VDA 6.3/6.5). Denial of access, significant findings, or missing certifications can lead to downgrading and escalation per customer rules.

2.5 DOCUMENTS, INFORMATION & CHANGE MANAGEMENT

- 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. Documents related to parts with a safety mark (D/TLD) shall be archived 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 Fremach Morava immediately, including planned corrective actions.
- Before the change of manufacture process, material or supplied parts, replacing of manufacture workplace, changes of processes or inspection facilities, logistics routes/conditions, or sub-suppliers/outsourced steps, the supplier will notify Fremach Morava in advance and obtain written approval. Where applicable, re-submission (PPF/PPAP) is required per VDA 2 (VW BMG).
- Documented information and retention shall be managed in accordance with **VDA Volume 1 (Documentation and Archiving)**, in addition to customer-specific and statutory requirements. Where retention periods differ, the stricter requirement applies.
- All changes of product (service) or the changes important within the network of process must be evidenced and treated in the appropriate way in order to secure quality of deliveries.

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.

- APQP shall be planned and executed; for Volkswagen Group projects, Production Process and Product Approval (PPF per VDA 2) and VW BMG requirements apply. No change may be implemented without Fremach’s written approval and, where required, re-submission/PPF.
- Process FMEA shall be prepared using the harmonized AIAG–VDA 7-step approach. Action Priority (AP) shall be used for prioritization (not RPN). FMEA-MSR is required when



applicable. FMEA must be linked to process flow and Control Plan; re-evaluation is mandatory after changes, claims, capability loss, or special-characteristic issues.

- All customer-defined special characteristics (including VW D/TLD) must be identified in drawings, Control Plans, FMEAs, work instructions, gages and records. If different symbols are used internally, maintain a correlation matrix. Keep a live tracking list for all D/TLD parts and perform a documented annual D/TLD self-assessment. Ensure compliance of product labelling with applicable national/international regulations (e.g., ECE, DOT, CCC).

3.2 SERIAL PRODUCTION, CAPABILITY, IDENTIFICATION, ANNOUNCEMENT OF IMPERFECTIONS

- Proof of machine and process capability: $C_m/C_{mk} \geq 1.67$ (short-term); $P_p/P_{pk} \geq 1.67$ (preliminary); $C_p/C_{pk} \geq 1.33$ (long-term).
- **Commitment to improvement trend:** For special characteristics and key control characteristics, long-term capability shall improve from baseline **$C_p/C_{pk} \geq 1.33$ at SOP to $C_p/C_{pk} \geq 1.67$** during series production. The Supplier shall present **quarterly capability trends** (control charts and re-studies) and implement corrective actions where targets are not met.
- Suitability of measurement / inspection processes shall be demonstrated (e.g., per VDA Volume 5 unless otherwise agreed). For measurable characteristics, evaluate capability per VW-10131.
- Re-qualification tests: unless otherwise agreed, the respective requirements from IATF 16949 or the AIAG/VDA documents are valid. All products are subject to complete dimensional and functional tests, in accordance with the Control Plan, taking the customer's specifications 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, causes must be analyzed, actions set up and their effectiveness checked (plan-do-check-act). Where indices are not achieved, immediate reaction plans shall include enhanced controls/100% inspection, documented corrective actions and re-studies.
- Deviation approval: If it is necessary in an emergency to supply non-conforming products, the supplier must obtain written approval from Fremach Morava and immediately inform about any additionally found deviations.
- Traceability proportional to risk is required, including batch-to-batch linkage for special characteristics and safety/legally relevant items. Fremach Morava announces to the supplier the necessary data for backward tracing if additional to normal delivery quantity in volume and 3 years in time.

- The supplier guarantees on-time delivery, correct quantities and appropriate transport/packaging preventing any damage or quality decrease (e.g., weather conditions, climate control for paints, etc.). Transport incidents must be reported to Fremach immediately with recovery actions.
- Labelling: keep agreements with Fremach Morava. Labels must be readable during transport and storage; deviations require written agreement.

3.3 QUALITY TARGETS

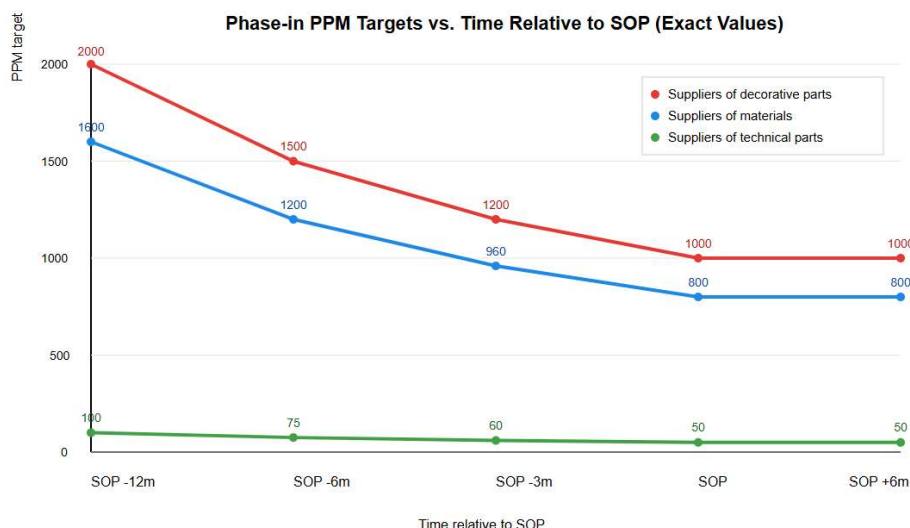
Supplier appoints in his own responsibility the draft of control so that the agreed goals and specifications are realized. Both contracting partners are obligated to the Philosophy of zero defects and continuous improvement. Supplier is regularly informed about his performance in ppm.

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:

- Suppliers of decorative parts PPM 1000
- Suppliers of materials PPM 800
- Suppliers of technical parts PPM 50

The above PPM targets apply without relaxation from SOP through SOP + 3 months. During pre-series the interim targets ramp as follows: at SOP – 12 months the target is baseline PPM + 100% ($\times 2$); at SOP – 6 months the target is baseline PPM + 50% ($\times 1.5$); at SOP – 3 months the target is baseline PPM + 20% ($\times 1.2$). This applies per category





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 for alignment of standards.
- The supplier must prove capability at functionally important points during the whole batch and for the whole time of production (e.g., SPC). If required capability is not achieved, quality shall be secured by appropriate controls while the process is optimized to achieve capability.
- Fremach Morava checks the products delivered in terms of amount and identity, as well as obvious damages; otherwise Fremach Morava is exempt from obligations to examine and reproach a product (service).
- Fremach Morava informs the supplier immediately about divergences in supply. In case of a quality claim, the supplier is obligated to do 100% control of related product groups (from moulding till assembly if related to the claimed defect) for the claimed defect for the next 3 deliveries; these shall be specially labelled.
- If non-conforming deliveries are supplied, the supplier is obligated to take care of 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, costs of 100 EUR will be charged.

8D deadlines (unless customer-specific requirements apply): 3D – 24 hrs; 5D – 10 working days; 8D – 20 working days.

3.5 GUARANTEE OF DELIVERIES AND SAFETY STOCKS

- 100% shipment reliability is required, including both quality and quantities.
- The supplier is obligated to have 2 weeks safety stock. Fremach Morava can require up to 6 weeks for transfers of production or activities that could affect quality and regular shipments.

3.6 QUALIFICATION PROGRAMS WITH SUPPLIERS

The supplier will be evaluated by Fremach Morava at regular intervals. Depending on the needs for development, a specific development program/improvement plan may be 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 related tasks per IATF 16949 and VDA Product Integrity. The PSCR must have proven training; escalation and incident reporting rules, recall/field action support and knowledge of product function in vehicle must be ensured.

5. AGREEMENT VALIDITY

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

6. APPENDIX

Company Fremach Morava reserves all rights for every project to specify the quality of supplied parts in more detail and the quality goals for 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

Kroměříž

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/hour
 - 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