

## Quality Guideline for Suppliers

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### 1. THE VALIDITY:

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This Guideline shall be valid for Suppliers delivering material, semi-finished products and components including delivered services or cooperation to all companies within the Frauenthal Automotive, Business Unit Air Tank group, which have significant effect on quality of a final product.

The Supplier shall have on principal the liability for quality of purchased material, semi-finished products or components or supplied services within the scope of entire delivery, including specification of requirements or specifications thereof.

Requirements in this Quality Guideline should be transferred by all Suppliers to sub-suppliers.

Companies within the Group:

Frauenthal Automotive Hustopeče

Frauenthal Automotive Eleterlein

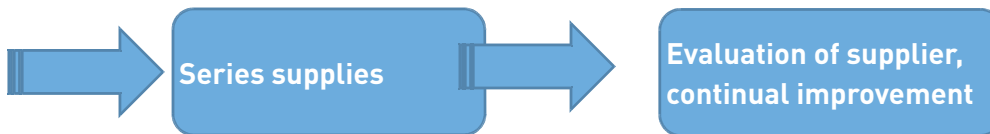
## 2. THE OBJECTIVE

This procedure was established due to the objective to realize requirements of high quality of our purchased material and components, so that our work has effect on fulfilment of Supplier 's quality parameters. This Guideline helps to our Suppliers to achieve their full quality potential. This procedure serves for mutual understanding necessary for successful cooperation of two companies.

The objective is to establish requirements of Frauenthal Automotive on the quality assurance system at Supplier, communicate this objective to our Suppliers, determine uniform and common means for assessment and evaluation of the ability to assure quality of a supplier 's base.

The quality system relating to the purchase department should ensure that purchased goods and services satisfy the specified requirements.





### **3. THE REQUIREMENTS FOR THE SUPPLIER'S QUALITY MANAGEMENT SYSTEM**

Frauenthal Automotive requires that the Supplier's Quality Management System satisfies as minimum requirements according to QSM ISO 9001.

Fulfilment of these requirements can be verified by auditing performed by authorized auditors of Frauenthal Automotive or with proving of supplier's certification.

### **4. THE APPROVAL OF SUPPLIER**

Purchase orders to be placed only with approved suppliers.

Approval of supplier can be based on records of previously proved ability, actual review of its quality management system, dispatched questionnaire, achievement of the ISO 9001 certificate or approval of supplier by a third party (approval by a customer).

The method of approval of supplier from Frauenthal Automotive depends on the characteristics of purchased goods or services. The "Technical Interview with Supplier" can serve as a support to supplier from Frauenthal Automotive before commencement of the phase of the production process planning at the supplier. Specific requirements imposed on quality, drawing documentation, critical characters of a product, purchase conditions etc. are mutually discussed and clarified during an interview.

### **5. THE APPROVAL OF INITIAL SAMPLES**

Initial samples serve to approve design of delivered product by Frauenthal Automotive to a Supplier. These samples represent products and material, which were produced through series technology. Verification of an initial sample has to provide a proof before commencement of series delivery that

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requirements imposed on the product parameters and its quality were satisfied.

- 5.1. Initial samples are to be approved by Frauenthal Automotive before commencement of series supplies.
- 5.2. Production of initial samples must run under the conditions of series production and with the use of series tools. All qualitative characters of supplied component and material given by the specification/drawing documentation are to be verified during sampling.
- 5.3. If more identical tools, moulds or multiple moulds are used, it is necessary and in particular sampling – 3 pieces as a minimum – for every tool, mould and/or every position of mould, unless determined otherwise.
- 5.4. Approving of initial samples is performed according to the PPAP-1/VDA2-1 methodology. Required stage of submitting – quantity of required samples including requirements imposed on documentation will be specified in a purchase order – see the “PPAP requirements” Annex.
- 5.5. The Supplier is obliged to inform and submit samples for approval in the following cases:
  - Commencement of supplies of a new component/material
  - Modification of a construction, specification or material (change in the drawing documentation)
  - Alternation of the production method or the production process, which can have effect on the product quality
  - Relocation of production, change in suppliers or sub-suppliers
  - In case of interruption of production/supplies longer than 1 year

An evaluated Sample Report will be sent back to the Supplier after evaluation of delivered samples. Sampled components will be deposited at the input inspection of Frauenthal Automotive and in case of need (for example inconsistency in framework of series supplies) they serve as reference samples.

Result of sampling can be as follows:

- **APPROVED** – fully compliance with the criteria and the Supplier can supply components. Release from the sampling procedure does not release the Supplier from his liability for the quality of delivered products. Deviations from requirements, which were not discovered during the course of the sampling procedure, can

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be the subject-matter of the complaint procedure or complaints also later.

- **APPROVED CONDITIONALLY** – the Supplier can supply a verification series according to the approved documentation and orders. However he must submit together with the verification series also a realization plan of remedial measures with respect to defects discovered during sampling to be approved. In case when the realization plan is not submitted or realized, the supplier must not provide supplies unless he satisfies all the required criteria.
- **DISAPPROVED** – samples submitted by the Supplier did not comply with during use or possibly product function in important parameters did not comply with. Incomplete filling in this report and incomplete supporting documents submitted lead automatically to refusal of the sampling procedure. The Supplier will be informed and he will be required to perform new sampling.

## 6. THE QUALITY ASSURANCE AT THE PRODUCTION PROCESS

### 6.1. In General:

The Frauenthal Automotive requires from the Supplier in framework of the series production fulfilment of the production quality parameters, other conditions and activities. This is to be proved by the Supplier on the basis of a requirement from Frauenthal Automotive by means of keeping-records responsibly.

The Supplier must perform during the series production corresponding tests and inspections, so that a qualitative level is achieved for the products delivered as expected from Frauenthal Automotive. Unless required otherwise, the quality assurance and the test management system is according to experiences from the Supplier.

Unless agreed otherwise, the Supplier must prepare and submit inspection plans and product management for the system, sub-system, components and/or material including the production process plan of material in bulk as

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well as components and establish inspection and management plans for the verification series and series production with it that outputs from the constructional and FMEA are considered.

The inspection and management plans must be reviewed and updated in case of any change having effect on the product, production process, measuring, logistics, supplier's resources or FMEA.

### 6.2. Process capacity/machine capacity

Frauenthal Automotive can require at the Supplier before commencement of series supplies or during the course of series production on the basis of qualitative issues to submit the machine capacity and process capacity proving. These controlled characters of a product are specified in the drawing documentation or in the "Quality Agreement" submitted to the Supplier for every delivered component.

The following limits apply to proving of process capacity:

Short-term capacity	$Cmk \geq 1.67$
Preliminary process capacity	$Ppk \geq 1.33$
Long-term capacity	$Cpk \geq 1.33$

Proving of the process capacity must be ensured free of charge and issued "while you wait" to the Frauenthal Automotive company. If the required values of the process capacity are not achieved, the relevant special product characters must be subject to 100% inspection and results are to be documented.

### 6.3. The Measuring and Monitoring Equipment

Adequate measuring and testing equipment with higher resolution than the measured tolerances must be used for the measuring and testing. The Supplier must ensure calibration and checking of the used measuring and testing equipment during the specified intervals. The Supplier must prove capacity of the measuring and testing equipment – MSA with respect to

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significant product characters as determined in the drawing documentation or in the “Quality Agreement”.

### **6.4. The Quality Record-keeping Maintenance and the Quality System Documentation**

The Supplier is responsible for arranging, maintaining and archiving of the quality system documentation.

Archiving for 5 years is required with respect to all documents and quality records. The liability of archiving for 15 years applies to documented components or characters by law.

The Supplier is obliged to submit and enable on request the review of these documents and records by Frauenthal Automotive.

### **6.5. The Ensuring of Traceability of Production**

The Supplier must ensure that the material, semi-finished products, components and final products are visibly marked and stored in order to prevent against their confusion or mixing and to ensure their traceability.

### **6.6. The Deviation Management**

In case when the Supplier discovers product inconsistency with the valid specification during his inspection activities, he must immediately communicate it to the relevant purchasing department of Frauenthal Automotive. Approving of an exception for a supply of components/material not complying with the specifications can be realized only on the basis of a written approval of a Supplier´s filed request for deviation by Frauenthal Automotive.

Approving of deviations is on principal limited to a certain quantity of components/material or to a certain time period of supplies. The Supplier must ensure visible marking of all supplies realized to Frauenthal Automotive in framework of the given deviation and with a method as previously agreed.

### **6.7. The Change Management**

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The Supplier is obliged to maintain the “Curriculum Vitae” of delivered products, document them and send it on request to Frauenthal Automotive. The “Curriculum Vitae” must contain a list of all changes (designation, number, and marking of a component/product, reason of change and date of launching into the series production).

### **6.8. The Auditing at the Supplier**

The auditing provides information on the Supplier’s qualitative and capacity capability of his processes and notifies of areas to be approved. The Supplier will allow for verification of his process capability the realization of process auditing by auditors authorized from Frauenthal Automotive or by auditors of a final consumer. Preparation of a plan of remedial measures with respect to deviations discovered during the auditing is expected from the Supplier, be specific until the deadline as stated in the auditing report at the latest.

## **7. THE SUPPLYING/PACKING**

Logistics forms an integral part of quality. The Supplier must provide packing in the manner so as deterioration of quality of delivered components/material does not occur during storing and transportation.

The Supplier must submit for approval from Frauenthal Automotive the packing specification for delivered products – packing instructions in framework of the phase of approving of samples, however before commencement of series supplies at the latest.

The packing instructions must contain as minimum:

- Specification of the transportation vessel (pallet, case, container, ...)
- List of used packing means
- Method of placing of products at the packing (photo, drawing)
- Sample of identification label

Each package with products/material must be visibly marked with the identification label containing the following minimum data:

- Designation of component/material
- Drawing number/product number/material number/change index
- Supplier’s trade name



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- Delivery note number
- Date
- Meltage number, if required

In case of inconsistencies in the logistics – non-observance with the delivery dates, inconsistencies in packing and identification – a supply will be deemed inconsistent and will be the subject-matter of the complaint procedure.

### 8. THE COMPLAINT PROCEDURE

If an qualitative or logistics inconsistency is identified with respect to delivered products/material, the Supplier will be immediately informed about this fact in form of a written complaint – “Protocol on Defects” (POV).

The Supplier must immediately ensure after receipt of a complaint the following matters:

#### 1. Immediate measures – within 24 hours

- Measures to remedy/remove occurred damage – 100% inspection, sorting of delivered products including products in the Supplier´s storage or products on transit, supplying of a substitute faultless supply etc....

#### 2. Remedial measures – within 5 working days

- Remedial measures to remove a cause of occurred inconsistency and to limit repeated inconsistencies at further supplies.

According to gravity of inconsistency it can be required to send remedial measures in form of 8D report.

The determined immediate and remedial measures with respect to a complaint must be returned back within 10 days to the relevant purchasing department of Frauenthal Automotive.

The requirements imposed on the measures and deadlines will be specified from Frauenthal Automotive in the complaint sent - the Protocol on Defects.

### 9. THE ENVIRONMENT, SAFETY, RECYCLING

Frauenthal Automotive has the objective to prevent against negative impact of its own and purchased products on the human being and the environment.

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Observance with the valid law and regulations therefore represents a minimum requirement imposed on the Supplier.

The used material and their substances content must comply with the statutory provisions with respect to the environment, safety and recycling or possibly with specifications of a customer agreed in written form or with drawing data.

### 10. THE ASSESSMENT OF SUPPLIER

The assessment of Supplier is realized according to an internal procedure of Frauenthal Automotive with respect to the following criteria:

- Quality of supplies
- Observance with delivery dates of supplies and quantity at supplies
- Cooperation in the area of communication, flexibility and development
- Condition of the supplier's system
- Price level of the supplier
- Overall Supplier's assessment

On the basis of point assessment of each mentioned criterion the Supplier achieves the final scoring (see the Annex).

#### OVERALL SUPPLIER'S ASSESSMENT:

On the basis of achieved points the Supplier is classified for one of the following criteria:

Point Scoring	Supplier's Assessment
90 – 100	A
80 – 90	AB
70 – 80	B
<70	C

**“A”** Supplier – qualified

**“AB”** Supplier – qualified with a possibility for improvement

**“B”** Supplier – qualified conditionally

**“C”** Supplier – disqualified

### **11. THE SUPPLIER ´S LIABILITY**

The Supplier bears primary liability for delivered components/material used in a final product, be specific from the view of quality and also from the view of safety. The Frauenthal Automotive company does not bear any liability for realization of the input inspection of delivered products/material.

The Supplier is obliged to compensate to the Frauenthal Automotive company for all costs of repair due to inconsistent supply.

Frauenthal Automotive expects from its suppliers that they will create such organizational and technical preconditions so as to ensure safety of delivered products/material and minimize the risks of product warranty.

### **12. THE STATEMENT OF SUPPLIER ´S CONSENT**

This Guideline is an integral part of contractual relations between the Frauenthal Automotive company and suppliers without the requirement of signing this Guideline. This Guideline is binding already at the state of demand.