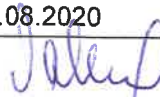


QUALITY MANUAL

Regulations for Suppliers
PFS a.s. Brezová pod Bradlom

The Quality Assurance of Purchased Materials

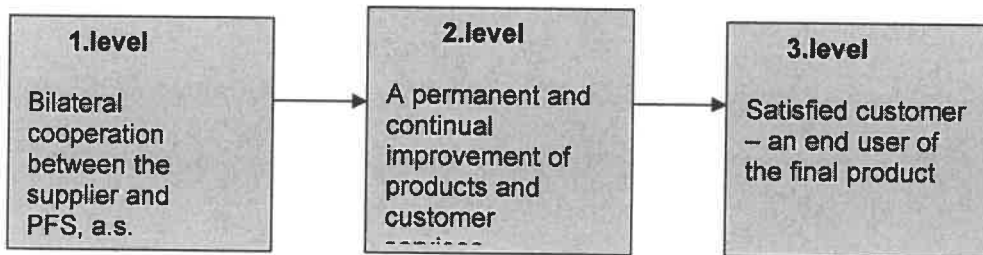
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Date:	13.08.2020	14.08.2020	14.08.2020
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1. INTRODUCTION

This document of the Quality Assurance for suppliers has described and defined requirements for suppliers. It serves as „Quality Agreement“ closed between PFS, a.s. and suppliers. These rules have to be considered as an inseparable part of the Purchasing Contract.

The common aim of the supplier and PFS, a.s is a continual increasement of quality followed by reliability of the products. This aim is possible to achieve only by the bilateral cooperation between each level of the processes.



An ever closer cooperation between the supplier and the purchaser is a prerequisite of being competitive on the market,

PFS, a.s. expects an intensive cooperation focused on a prevention and a quality assurance in each phase of the process from his suppliers, mainly in the planning phase of implementation the product and the proces's development.

2. The Quality Aims

PFS a.s. Brezová pod Bradlom needs the suppliers whose technological processes will guarantee the long-lasting quality, without a formation of the anticoincident products.

* The required state of the quality has to be guaranteed before the production is opened. This is ensured by the analysis of the potential risks and establishment of the corrective steps in the production planning.

* The series production has to show the stable parameters and has to fulfill the zero errors requirements.

* The suppliers of PFS a.s. Brezová pod Bradlom have to accept the unlimited responsibility for the quality requirement. We have to be sure about the high quality and stability, based on mentioned, we can omit the incoming checking (certificated supported suppliers).

* The deliveries of parts have to be monitored as a part of the production process.

The way of packing and marking: it exercises an influence on the next handling in an income of PFS. The correct packing and identification of each separate packing in delivery (by exact marking) ensures our material flow.

PFS a.s. Brezová wants to supply the market only with the high quality products, in future too. This strategy can be reached only with the help of suppliers who provide correct deliveries.

3. The Supplier's Quality Planning

A supplier has an obligation (on his own responsibility) to plan, organize and realize the production process and quality assurance to be sure that all requirements for material's quality are fulfilled.

This part includes the list of requirements of PFS, a.s. for his suppliers, the fulfillment of mentioned requirements must be planned, documented and evaluated.

CONTACT PERSONS

To assume the successful cooperation based on the trust between the supplier and the purchaser is naming the contact person in following areas:

- AREA OF QUALITY- solving a question about quality establishment
- AREA OF LOGISTICS- solving a question connected with the given project

STRATEGY „ZERO DEFECT“

The strategy „Zero defect“ /strategy of zero errors/ is a general strategy for reaching zero defect which is required from the supplier.

LEVEL „ppm“

If there is no agreement in different way, PFS, a.s. asks for level ppm = max. 50.

PROCESS CAPABILITY

If there is not written otherwise, PFS,a.s. requires to establish such technological solutions to reach the process capability cp, cpk $\geq 1,33$ for dimensional parameters, unless otherwise specified.____

4. The Quality Assurance by the Supplier

To be able to work the production processes properly, it is necessary to transform the responsibility for the quality with the requirements from customers to the suppliers of the purchased material.

1. PHASE – DEMAND AND SUPPLIER SELECTION

All potential suppliers are addressed during this phase. The result is a selection of the supplier and his inclusion (or his not-inclusion) into the list of approved suppliers. An inseparable part of the list of suppliers is the suppliers' rating during the last rated period.

A supplier is chosen according to an agreement in following areas:

Quality – Price - Logistics

REQUIREMENTS FOR SUPPLIER'S SYSTEM QUALITY

PFS, a.s. asks from suppliers to install the system of quality management.

An evidence of fulfillment that request is at least **certificate ISO 9001**.

In special cases, the audit made by PFS, a.s. is possible to do instead of certification according to ISO 9001 for limited time.

A certificated quality system (or audit made by PFS, a.s. and rating min. AB), this is the basic requirement for an inclusion into the „ List of approved suppliers of PFS, a.s.“

2. PHASE – CONCLUSION OF THE AGREEMENT WITH SUPPLIER

In this phase, following agreements are concluded and agreed with a supplier:

Quality agreement –it defines contact persons, describes contact signs of the products where the documentation is necessary (tests, certificates, competences). It is defined by PFS, a.s. where it is necessary to provide evidence and results gained from monitoring.

Samples acceptance – first samples must be accepted before the series deliveries into PFS, a.s. are starting.

Agreement about packing – the way of packing, type of covering, term of workability of packing, all these conditions are specified in the Purchase Contract as agreement of a supplier and a purchaser, or the conditions are specified separately in each order.

Supplier's obligation is to show and name all not clear of mistaken points in given materials (drawings, norms, rules...)

3. PHASE – FIRST SAMPLES

- A. The first samples – standard materials and parts – their specification is according to norms EN, STN, ČSN, DIN, ASM etc.

Rendering the first samples is done according to PFS, a.s. requirements.

The approval of samples from the supplier is implemented, if not written otherwise, according to VDA 2 to the extent agreed with the supplier within the agreement on the PPF procedure. At least within the scope of the documents listed in Table 1 of the VDA 2.6 or PPAP level 4.

Examination of the first samples is needed in following cases:

- a/ new product
- b/ change of a supplier or change of a supplier's production place
- c/ parameters changes or dimensions given in the documentation
- d/ changes in production which should influence the parameters given in the documentation
- e/ a new tool or repaired tool
- f/ a long-lasting stop in production (more than 3 years)
- g/ specific agreement with the supplier /e.g. requalification...

The samples are first series of products which are produced from the material using the technology, tool and production arrangement for series production.

Samples marking must include following:

- the supplier's name
- the marking „sample“
- a grade of the material
- a dimension of the material

Documentation necessary to approve the samples:

A supplier will send, together with samples, also the filled-in form Cover sheet of PPF administration, resp. PSW with information about samples added. There is necessity to write the exact purpose why the samples are sent (for example, reparation of samples because of the previous refusal, or correction of some information – he will write which information are changed – different material etc.).

A Supplier is obligatory to send a documentation according to VDA 2 to the extent agreed with the supplier within the agreement on the PPF procedure. At least within the scope of the documents listed in Table 1 of the VDA 2.6 or PPAP level 4 for approval the samples delivered.

If there are standardly used materials and parts, according to the norms, the preparation of the first samples is possible to arrange in the first delivery of the material or the part.

B. The first samples – materials and parts which are not defined according to norms. In this case:

1. The supplier must fulfill the requirements fixed in regulations and norms for strategy 0 errors (zero defect)
2. The supplier must create the project team with named supervisor who is responsible for the project
3. The supplier has to create a process with minimal necessary information:
 - a/ the list of team members, with named responsibilities (which part of the project), with the address, telephone, fax and email address
 - b/ Q plan (e.g. Formel Q- konkret)
 - c/ a term plan
 - d/ a capacity study
 - e/ a qualification program
4. The supplier needs to have agreed the critical signs and the places for monitoring SPC
5. The supplier needs to negotiate the construction of control and measuring devices
6. The supplier has to make samples according to VDA 2. The first samples submitted and the related documentation must be assessed by the customer as „suitable for customer and series production“.
7. Deliveries in set must be delivered according to following conditions:

Process stability Cp and Cpk
Short term for critical location $cpk \geq 1,67$
Long term for the whole part $cpk \geq 1,33$

Announcement to samples

After the approving process is finished, a copy of filled-in report is going to be sent to your company together with the statement if the sample is approved or not. If not, there will be written a reason.

A decision to render samples, it could include some comments, for example, time limit, a condition, description of divergences, tasks which are required to be fulfilled according and others.

To render a sample does not mean that the supplier has no responsibility, on the contrary, the supplier is responsible for quality of delivered products.

If the report is incorrect or incomplete, or not good filled-in, it automatically leads to refuse the sample process.

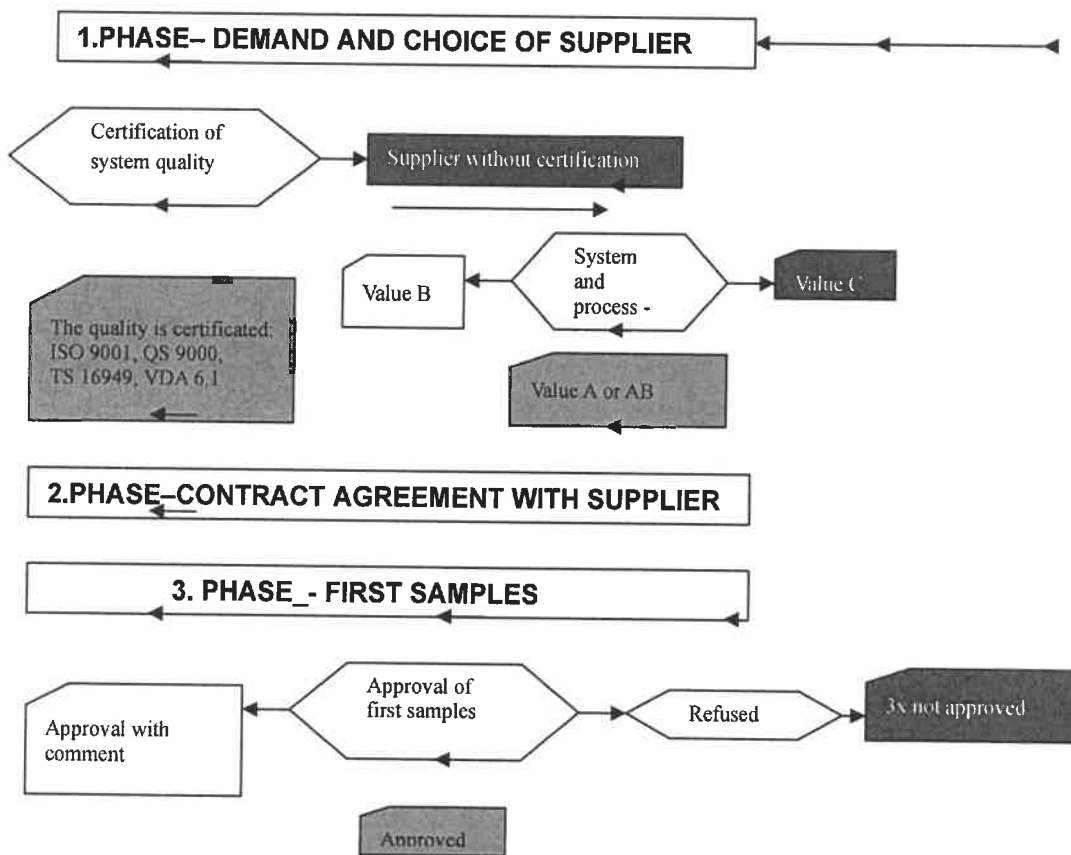
Data in IMDS

A supplier is obligatory to provide information regarding access to data entry – data about materials in system IMDS, or if there is a PFS, a.s. requirement, a supplier has to ensure the data. If he is not able to provide and ensure this activity, his obligation is to give necessary information to PFS, a.s. and PFS, a.s. will gain data from IMDS.

4. PHASE - DELIVERIES

The supplier must declare the quality of delivered material according to inspection certificate 3.1 based on STN EN 10204.

Supplier quality arrangement - diagram



5. The Marking and Keeping the Safety Parts /D,A TLD, CC parts/ - here as CC parts only

1. If there is a notice in an order ,, The material is intended for safety part,, and there is no marking of critical signs, it means the material is entering into safety part /CC part/. There is the obligation to mark that kind of part as CC part, this needs to be marked also in inspection and duly certificate and on a delivery note. The obligation is to archive the documentation for 15 years.
2. If there is marked a critical parameter in the order /diameter of the wire, strenght.../, the supplier is obliged to arrange the cp, cpk $\geq 1,67$ /process capability/. If the supplier cannot arrange mentioned /monitoring, technological solution does not allow it/, he is obliged to arrange the 100% inspection for this parameter.
3. All CC-parts are subject to the supplier's obligation to carry out 1. sampling and subsequent retraining tests once a year according to PFS requirements . For other materials, the frequency of retraining tests is valid once every 3 years. All suppliers of CC-parts are obliged to perform PFS self-audit according VDA 6.3 and product audit according to VDA 6.5.
4. Information about requests for reliable production security of CC part is postponed from supplier to his suppliers, including the obligation to archive it and do the self-audit according to VDA 6.3.
5. If there is marked as critical parameter the whole material, PFS, a.s. may require for sampling a larger range of submitted documents within sampling /agreed within the agreement on the PPF procedure/.

6. The Supplier's Rating

The supplier's rating is executed according to internal methodical rules of PFS, a.s. This is made annually and it is saved in internal database of PFS, a.s. The supplier's rating covers an appraisal of delivery and payment conditions.

The supplier is informed about the result of his rating.

7. Supplier's Activity During Complaint

If there is an anticoincidence of delivered product, PFS, a.s. will inform the supplier immediately. The supplier must take such action to avoid the threaten of production and its fluency (or expedition to customer).

The supplier is obligatory to apply corrective steps to avoid the identical defect. These steps are arranged as 8D REPORT form.

We ask to fill the following columns in:

„4. A reason of anticoincidence – to define a reason why the defect or fault happened on claimed material.

„5. Immediate corrective steps – to define the way how the claim has been solved (for example: 100% rejection of bad material, change of bad material and so on)

„6. Corrective steps to avoid future anticoincidence - to define permanent corrective steps (for example: periodical controls to check the discovered fault or defect)

„7. Preventative arrangement – to define preventive arrangements which will confirm if the permanent corrections and arrangements are adequate in practice.

Supplier is asked to send us corrective steps and arrangements in form of 8D report, at least till 40 days. The 3D reaction is required to be delivered till 24 hours and 5D reaction till 7 working days.

If the claim is repeated, PFS, a.s. is obliged to placet he supplier into an escalation mode

Level 1 – the supplier is obliged to arrange the 100% control, under his own costs. The corrective action must be agreed with PFS, a.s., the evidence of taken corrective actions are given to PFS, a.s.

Level 2 – the supplier is obliged to arrange also the next independent control, except the 100% control which has been done. The next independent control by the institution of PFS, a.s. is at the supplier's costs. The results of control are possible to gain from PFS, a.s.

Level 3 – the supplier is blocked for the new orders, PFS, a.s. will inform the certification commision of supplier and will ask for audit in the supplier's place, at supplier's costs. The auditor's report is available in PFS, a.s.

8. The Supplier's Responsibility

PFS, a.s. takes the full responsibility for faults, defects caused on final product during using the product. 24 months warranty is provided by a supplier (from commissioning), or 36 months from the date of delivery (if there is no other agreement bound in a contract) which should be caused by faults and defects on material delivered.

All suppliers of PFS, a.s. are under the valid law and rules (for example, protection of the environment, electricity or electromagnetics) which are valid in producing and selling country.

All suppliers of PFS, a.s. are committed to fulfill all norms and requirements regarding health protection and safety when working, which are valid in producing and selling country.

All suppliers of PFS, a.s. commit themselves:

- To fulfill the requirements of norms IATF 16949 in the area of quality, environment, safety and health protection
- To arrange the absence of banned substances /Cr VI, Hg, Cd, Pb.../ the regulation of EU 2000/53/ES- disposal of old vehicles
- To arrange the absence of banned substances including bromine combustion burners PBB and PBDE, regulation EU RoHS 3 from 22.7.2019 - The ban on the use of hazardous substances in consumer and technological products
- To arrange the requests „ Conflict minerals,,
- To arrange the activities with the obligation for registration in „REACH,, and following fulfillment, if there is this duty for supplier
- To arrange to fulfill the other requirements which need to be done under the regulation of EU and national rules /including the automotive industry requirements/ in the field of protection the environment, safety and health protection, legal employment etc.
- Under Human Rights Record, the suppliers declare that they do not support the employment of children and they follow this list
- The suppliers postpone the requests of PFS, a.s. to their suppliers.
- The suppliers will enable the audits of PFS,a.s. with second side.

9 .Deliveries in Sets and The Initial Control in PFS, a.s.

Parameters will be checked or measured according to examinational rules of PFS, a.s. If there is a divergence, the POV will be issued.

Except qualitative parameters, marking and packing will be checked – according to the requirements of PFS, a.s., including the marking of deliveries with special characteristics /safety part etc/

10. Delivery and Payment Conditions (if not agreed in other way)

- Delivery terms:
- steel strip max. 8 weeks
 - special materials max. 10 weeks
 - wire and other standard materials max. 4 weeks

Date of due of invoices is min. 60 days. This condition is a part of long-term goal of PFS, a.s. business strategy to be nearby 90 days, and it is up to a supplier how he adapts this condition. This condition is one of the criteria when a supplier is rated.