Contractor's Handbook

KOVOLIS HEDVIKOV

Údolí zručnosti

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Date	15.9.2024	15.9.2024	15.9.2024

Contents

1 PURPOSE

This manual establishes the terms of cooperation between the supplier on the one hand and KH as the buyer on the other.
The supplier's handbook is a legally binding document that is part of the contractual relationship between the buyer - the company KOVOLIS HEDVIKOV as (hereinafter referred to as KH) on the one hand and the supplier on the other, and the conditions stated in it are already valid within the framework of pre-contractual negotiations on the conclusion of the contract (so-called . pre-contract stage of demand).

2 SCOPE OF APPLICABILITY

Applies to all suppliers and all interested employees who make a purchase at KH.

3 TERMS, DEFINITIONS, IN BRIEF

APQP ..... (Advanced product quality planning - Advanced Product Quality planning)
PPAP ..... (Production Part Approval process)
MSA (..... Measurement System Analysis - Measurement System analysis)
FMEA ..... (Possible Errors and Effects Analysis)
D ..... (security mark subject to mandatory documentation)
SC ..... (significant characteristic sign) - significant sign - mandatory SPC
IC ..... (significant characteristic) - significant sign - optional SPC
LAH ..... (Lastenheft - describes the performances, requirements, test and testing conditions that the product under development must meet)
IMDS ..... (Internet Protected Material Data System, see www.mdsystem.com)
PPAP ..... (First Sampling Protocol)

4 PURCHASING AND SUSTAINABILITY POLICY

The rapidly changing and increasing demands of customers on their suppliers also require our suppliers to be flexible and ready to contribute creatively and quickly to their solutions. The supplier's deliveries and services must meet all agreed and legal requirements in full.
Basic information about the supplier incl. of the questionnaire regarding the fulfillment of the requirements listed below are obtained from the supplier via the Supplier form Questionnare ESG , which is sent to the supplier before the start of the cooperation.
In the event that the supplier already supplies to KH and this document has not yet been filled out by him due to the absence of this document at the time of the start of cooperation, the supplier is invited to fill it out additionally by the purchasing department of KH.

4.1 Requirements for the supplier's quality management system

Suppliers undertake to build and maintain a quality management system according to IATF 16949 or VDA 6.1 (prerequisite for suppliers of components and production materials). Fulfillment of these requirements must be documented by the customer with a relevant valid certificate approved by the IATF (third party). Certification according to VDA 6.1 is recognized as an alternative.

In case suppliers do not have a certified management system according to IATF 16949, they must have a certified management system according to at least ISO 9001, with the ultimate goal of becoming certified according to IATF 16949.

If the decertification process starts, the supplier is obliged to notify the purchase department of KH within 5 working days from the start.

4.2 Zero error strategy

KH requires a zero-defect strategy. For its fulfillment, the consistent planning of all preventive and control mechanisms in all phases of the product's life is essential, and they will demand this within their supply chain as well.

4.3 Specific customer requirements

Suppliers undertake to fulfill the Specific Requirements of all customers at all levels of the supply chain that are relevant to the given product. At the same time, they are responsible for transferring these requirements also within their supply chain.

4.4 Cooperation

Strong business relationships are created by setting common goals and sharing values. We want to strengthen our partnership with suppliers through transparency, collaboration, innovation and a focus on excellence. We view every supplier relationship as an opportunity to grow our business and grow our business.

4.5 Respect and impartiality

The KH company tries to respect its partners in all areas and apply the principles of impartiality within the framework of its long-standing business. We encourage suppliers to adopt a similar approach and expect respectful, open, honest and timely communication.

4.6 Basic working conditions and human rights

KH expects suppliers and subcontractors to provide working conditions that comply with applicable country laws, focusing on the following requirements.

- the use of child labor is prohibited; relevant laws and regulations regarding the minimum age for work permits must be followed
- suppliers are prohibited from using forced labor in any form.
- suppliers must compensate their employees with wages and benefits that are fully compliant with the applicable laws of the country regarding minimum wages, overtime hours, regulation of hours worked and statutory compensation.
- discrimination measures to ensure equal treatment of individuals or groups regardless of their special characteristics, including sex, race, color, ethnic or social origin, genetic characteristics, language, religion or belief, political or any other opinion, belonging to a national minority, property, birth, disability, age or sexual orientation.
- suppliers must combat any form of harassment , by which is meant rough and inhumane treatment (or the threat of such treatment), including any sexual harassment, sexual abuse, corporal punishment, psychological or physical coercion, or verbal abuse of workers.
- suppliers must ensure that the right to peaceful assembly and freedom of association are exercised at all levels, which presupposes the right of everyone to form and join trade unions to protect their interests. This also includes collective bargaining, as a process of negotiations between employers and a group of employees, with the aim of reaching an agreement that regulates working conditions.
- suppliers are expected to set up processes that enable confidential and anonymous whistleblowing without repression.

4.7 Health and safety

KH expects suppliers to promote the health and safety of their workers and their property. Suppliers must ensure that policies and training are in place to help individuals protect themselves and surrounding property to prevent accidents and injuries. Our commitment to safe practices extends

throughout our supply chain. All products and services provided by the suppliers will be safe and reliable and will also comply with all applicable government laws, regulations and standards relating to motor vehicle safety.

Certification to ISO 45001, Occupational Health and Safety System Standard, is encouraged but not yet generally required. For some projects, however, it may be a condition for nomination, as some end customers have applied this requirement to their specific customer requirements.

4.8 Environment

KH believes that a sustainable future and the protection of our environment can only be achieved through the joint efforts of industry, government and society. We are committed to environmental responsibility that leads to sustainability.

To ensure that our products and processes are environmentally sustainable, we expect our suppliers to:

- compliance with all environmental laws and regulations
- application of the following procedures to all production and non-production activities:
    - Reducing CO2 emissions
    - Energy saving
    - Use of energy from renewable sources to the maximum extent
    - Water management, its quality and consumption
    - Air quality monitoring in connection with the supplier's production and non-production processes
    - Responsible work with chemicals
    - Sustainable resource management
    - Waste reduction
    - Recycling and reuse
    - Protection of endangered species
    - Biodiversity, land use and deforestation
    - Soil quality monitoring
    - Monitoring of noise emissions

A higher score in the evaluation of the supplier can be achieved if the supplier manages the environmental area in accordance with the ISO 14001 standard and has this documented by a certificate. This certificate may be a condition for nomination for some projects, as some end customers have applied this requirement to their specific customer requirements.

4.9 Conflict minerals

KH requires suppliers to comply with all laws regarding the responsible sourcing of conflict minerals. This is a restriction on trade in minerals from areas of war conflicts, which are used to finance these conflicts. These are mainly sources of tin, tungsten, tantalum and gold. Suppliers are required to review their supply chain and report the use of conflict minerals.
The supplier must declare the status of conflict minerals using the Common Conflict Mineral Reporting Template (CMRT). The latest version of the CMRT is available at: www.conflictfreesourcing.org/conflict-minerals-reporting-template/ . Only the current version of the

CMRT, which must be completed in its entirety, listing all smelters in the supply chain, will be accepted.
Suppliers will also contractually require its supply chain to comply with these obligations.

4.10 Use of chemicals and prohibited substances

KH requires suppliers to take all appropriate measures to safely manufacture, process, transport, use and dispose of chemicals that may pollute the environment or cause health and property hazards.
The registration, assessment and authorization of chemical substances must be carried out in accordance with the REACH Regulation EC No. 1907/2006. Suppliers must provide all required chemical data, including all safety data sheets. When updating them, they must send them without prompting to KH's purchasing department
Suppliers must ensure that all materials and raw materials that are used in the supply chain comply with the legal requirements as well as the requirements of KH's end customers. This is mainly in the area of the restriction of hazardous and prohibited substances (EU Directive 2000/53/EG, 2002 /525/EG, 2005/63/EG, national laws, EU Directive 2002/95/EG, Global Automotive Declarable Substance List (GADSL)). The suppliers undertake to enter the data on the materials that are part of the delivered goods into the IMDS (Internationales-Material-Daten-System , see www.mdsystem.com) at the latest within the 1st sampling and guarantee the correctness of the entry.

4.11 Protection of confidential information

Suppliers must comply with all applicable data protection and consumer protection laws. All information and documents, or products provided by employees of KH, in connection with the fulfillment of the subject of the contractual relationship must be treated as confidential information.
Confidential is not only information, knowledge or materials that the contracting parties have explicitly designated as such, but also such information, knowledge or materials, the announcement of which - especially their publication - could have negative effects.
This obligation to maintain confidentiality does not apply to such information, knowledge or materials that were already publicly known at the time of their transfer, or were already known at least to the receiving party, or became common knowledge after their transfer without fault of the receiving party, or were published by a third party in a lawful manner, and without confidentiality restrictions.
The submitted or processed material must be stored in a secured place. It may not even be made available for inspection by a third party. Employees who participate in the preparation of the subject of orders must be bound by confidentiality.
If the supplier engages subcontractors in the performance of its contractual obligations in an authorized manner, it shall bind such subcontractors in accordance with the above-mentioned provisions on secrecy and confidentiality, namely in writing.

ISO 27001 Information Security Management or TISAX certification is supported, but not yet generally required. For some projects, however, it may be a condition for nomination, as some end customers have applied this requirement to their specific customer requirements.

4.12 Business ethics

The KH company applies the principle of compliance with the rules of economic competition and expects this from its suppliers as well.

KH requires its suppliers to:

- complied with all relevant anti -corruption laws and regulations. Anti-corruption laws require them to meet prescribed accounting and internal control standards and impose severe penalties. Suppliers may not use their company assets in the form of a bribe to obtain new business, retain existing business or obtain any improper advantage to any private person (including but not limited to any KH employee);
- minimized the risk of using counterfeit parts and materials in the delivered goods. They are also expected to establish effective processes to detect counterfeit parts and materials and, when detected, secure and notify the original manufacturer (OEM) customer of such materials and/or initiate law enforcement where appropriate,
- complied with applicable laws in the field of intellectual property,
- conflicts of interest within their activities, when an individual or legal entity is in a position to use their professional or official means for personal or corporate enrichment.

4.13 Import and export area

KH expects suppliers to comply with all applicable international trade laws, including but not limited to import and export control regulations and compliance with sanctions and anti-boycott laws in any country in which they do business.

5 SELECTION , EVALUATION OF SUPPLIERS AND THEIR DEVELOPMENT

When choosing a supplier, the certification of the quality management system, experience in the Automotive field and references, financial stability, required technologies, capacity for design and development, production capacity, logistics processes, and already implemented cooperation with the KH company are taken into account.
When selecting suppliers for a new product/material, suppliers can be selected

- from the list of approved suppliers (who supply or have supplied a given group of products to KH),
- from the list of potential suppliers (who have already been qualified as possible suppliers of the given group of products based on filling out the Supplier document Questionnaire (ESG) and initial verification of the data in this document, e.g. in the form of a visit or potential analysis or another form),
- completely new suppliers, if they are not suitable in the above lists (the supplier then fills out the Supplier document Questionnaire (ESG) and then verification of the data in this document will take place, e.g. in the form of a visit or potential analysis or another form).

The selection does not take place if the selected supplier is nominated as a customer of KH. However, even in this case, the supplier is invited to fill out the Supplier document Questionnaire (ESG) and subsequently KH may verify the data in this document, e.g. in the form of a visit or potential analysis or in another form. This KH supplier must be developed and evaluated in the same way as suppliers selected through a standard tender process.
However, for all the above-mentioned cases, all relevant requirements stated in this Supplier's Handbook and related documents are binding without distinction.

In case of non-fulfillment of binding requirements, the supplier may be excluded from the list of approved or potential suppliers in accordance with point 8 Escalation procedure.

5.1 Supplier demand

In the event that the supplier has been preselected as a participant in the selection procedure for a supplier for serial deliveries, a Confidentiality Agreement is first concluded with him.
The supplier is then sent a Request Form incl. any attachments (e.g. drawing, data,...), the supplier is expected to carry out a review of feasibility and manufacturability in accordance with IATF 16949 and communicate any negative findings with the purchasing department of KH.
On the basis of the tender process carried out at KH, suppliers are informed of its result by the purchasing department.

5.2 Selecting a new vendor for item type Q

When choosing a supplier, quality management system certification is taken into an account, at least ISO 9001 or IATF 16949 and the company KH requires, the supplier must ensure secure communication of protected information, ISO 27001 or TISAX is an advantage.
It is necessary to meet the specification of demand, quality and business conditions. After a positive evaluation of the delivery, it will be released to the List of Qualified Suppliers.
In case of identical offers, KH will give preference to suppliers with ISO 14001 certification.

5.3 Selection of new supplier for item type S and N

When choosing a supplier, it is necessary to meet demand, quality and business conditions.

5.4 Eligible Q supplier

- meets the specifications of demand, quality and business conditions
- for Q - the necessity of ISO standards - at least ISO 9001 or IATF 16949
- for Q – release to the List of Qualified Suppliers will take place after a positive evaluation of the delivery
- ensures secure communication of protected information

5.5 Contractual relationship and nomination of suppliers

With suppliers with whom a framework purchase agreement has not yet been concluded, if the supplier is selected for serial deliveries, this is concluded. If the framework purchase contract is not concluded, it is replaced by the sent order and its confirmation.

A necessary part of the nomination in both cases is the conclusion of the following documents:

- Agreement on quality requirements for the purchased part or material

Before the SOP, the following documents are concluded with the supplier (if they are relevant for the given part/material:

- Contract for work
- Tool rental agreement
- The sales department creates the packaging prescription, if needed by agreement

6 REQUIREMENTS FOR PROTOTYPE, PRE-SERIES AND SERIES SUPPLY

(only points 5.10 of Chapter 5 are relevant for material suppliers, 5.14, 5.15, 5.18, 5.19)
Product or process development must be scheduled and implemented in cooperation with the project team of KH according to the relevant requirements of end customers (APQP methodology (AIAG) or RG Stages of Maturity (VDA)).
On their side, the suppliers will provide a cross-sectional project team corresponding to the scope of the given project. The composition of the project team, including contacts, is sent to KH's purchasing department after nomination.
On the basis of the main milestones entered by KH, the supplier will prepare a time schedule for the project, which will be agreed with the project manager of KH.
In the event of any change that would have an impact on the milestones set by KH, the supplier is obliged to include this in the revision of the term plan and to have the project manager on the KH side agree.

6.1 Specifications / drawings

The suppliers undertake to:

- obtain and comply with legal regulations, all specifications, technical requirements and standards as amended,
- procure and fulfill technical requirements,
- establish special features and necessary parameters for process capability (after mutual agreement with the customer's quality department following the requirements of the end customer),
- draw attention to missing information (e.g. specifications, standards),
- notify KH's purchasing department of the incompleteness of the documentation

6.2 Flow chart of the process

At the request of KH, the supplier in the early phase must plan in detail the material flow up to the final product incl. of all production and control steps and map this procedure in the form of a flow diagram = process flow .

6.3 FMEA

FMEA (Analysis of possible ways and consequences of failures) is a team method used to minimize the risks of development and planned processes and requires the cooperation of individual departments.
Its goal is to identify and evaluate a possible product or process defect and its consequences. Subsequently, determine measures that could limit the probability of a given defect and document the entire procedure.
Suppliers are required to submit upon request:

- only in case of responsibility for the development of the Design FMEA. Its necessity must be approved by a representative of the KH company,
- process FMEA for individual steps defined in the process flowchart,

A harmonized FMEA methodology is required from suppliers. The FMEA must be a living document and must be
updated at regular intervals or based on a quality incident or in the event of a product or process change.
The KH company reserves the right to inspect the FMEA or send defects with the most serious evaluation incl. measure.

6.4 Traceability

From the beginning of the project, the supplier is obliged to plan all the steps associated with the request for feedback
traceability.

6.5 Planning tests and controls in the prototype and pre-series phase

The supplier shall submit samples before starting mass production. Part of this submission must include protocols from already performed tests and examinations, which must contain all the prescribed requirements, incl. the decision passed - did not pass. Tests and examinations that the suppliers cannot perform in-house (or in cases where external testing is exclusively required by KH's customer) will be performed externally, and only in accredited laboratories and testing facilities or in laboratories and testing facilities approved by the customer.
The delivered products are of course subjected to further tests - tests of complete sets carried out by the company KH or its customers. In the event that these tests are unsatisfactory due to the poor quality of the delivered product, the supplier must implement corrective measures, deliver optimized products and subsequently cover all costs associated with repeating the test.
The supplier also pays all additional costs in the event that he does not deliver the required products for testing by
to KH in accordance with the required deadline.

6.6 Production control and management plan (Control schedule)

An inspection plan and management of all product inspection steps will be provided upon request. And it will conform to IATF 16949. Control and control plans need to be created for the prototype phase (if applicable), pre-production and production phase.
The special characteristics defined at the beginning of the project and defined in the FMEA must be transferred to this plan.

6.7 Evidence of eligibility

The capability study expressed by the following parameters is used to evaluate whether key features, processes, equipment and gauges are capable of meeting the requirements.
The following limits apply to proving individual competences, unless otherwise specified at the beginning of the project:

Způsobilost stroje (zařízení) – min 50 hodnot	**Cmk >1,67**
Předběžná procesní způsobilost (SC znaky)	Ppk >1,67
Předběžná procesní způsobilost (Bezpečnostní znaky)	Ppk >2,00
Dlouhodobá procesní způsobilost (SC znaky)	Cpk >1,33
Dlouhodobá procesní způsobilost (Bezpečnostní znaky)	Cpk >1,67
Způsobilost měřidla	Cgk >1,67

Proof of eligibility must be provided to the customer free of charge and issued upon request.
If the above qualification requirements are not met, the supplier must contact KH's quality department and draw attention to this negative trend and at the same time take appropriate steps to achieve the requirements.
Manufactured products (if the required qualification values were not achieved) must be 100% checked for the given characteristic and the results documented.

Machine (Equipment) Eligibility – min 50 values, is required if the eligibility issues are procedural.

6.8 Product and process changes

For all products that are the subject of a contractual relationship between the supplier and the KH company, suppliers must keep an overview of product and process changes, in which all changes to products and production processes will be documented. These biographies are kept from the beginning of the project until the EOP.
The content of the product overview must contain at least:

- drawing number,
- product name,
- index or change number,
- the reason for the change,
- the effective date of the change,
- date of first delivery to KH

6.9 Marking of parts after change

After the implementation of changes to pre-series and series products, in the case of pre-series parts, updated documentation must be sent, and in the case of series parts, it is always necessary to have an approved patterning by KH for the given change, at least with an evaluation, conditionally released before the first delivery of parts after the change.
At the same time, it is necessary to visibly mark the first 3 deliveries on the packaging with yellow labels of min. A6 size "Parts after change" indicating the index status of the part.

6.10 Sampling

This is the release of the production process and the product, the goal of which is to verify the readiness to meet the requirements of the KH company in terms of quality and quantity in the period before the SOP (sampling) and during changes in serial production (resampling).
As part of the sampling, documentation in the defined range and samples are submitted.
Sampling takes place according to the VDA2 or PPAP methodology according to the final customer's request. The sampling methodology and scope are defined in the Quality Agreement. The contact person is the relevant entry control employee.
The production of samples for sampling must take place under the conditions of serial production, with serial machines, jigs, gauges and in premises designated for serial production. If more of the same tools or molds or multiple molds (nests) will be used, it is necessary to measure and separately sample min. 3 from each mold or each machining slot position, unless otherwise specified. Samples must be marked and properly described (part name, part number, drawing status, date, supplier name, mold number, etc.)

Samples must be delivered on time and sent to KH's quality department. In case of failure to meet the deadlines due to the fault of the supplier, all costs incurred by KH and its customers will be borne by the supplier.
The parts and documents sent as part of the sampling are assessed by the input inspection staff, and then the assessment by the input inspection staff is sent to the supplier.

Release of sampling by KH does not release the supplier from responsibility for non-conforming products.
The reasons for first sampling and resampling are mainly:

- new parts,
- technical changes (changed parts, changed specifications),
- change of supplier's production location,
- changes in the production process (e.g. parameters, processes, procedures, layouts, etc.),
- a break in production longer than 12 months,
- retraining.

The supplier will provide sampling if the above situations occur, without prompting.
In case of unsuccessful sampling (repeatedly complies with reservations or does not comply), the supplier is obliged to carry out a new delivery of samples at his own expense.

Vzorování vyhovuje bez výhrad	Díly lze dodávat, další převzorkování bude prováděno pouze v případech uvedených v předchozím odstavci, či v rámci rekvalifikace.
Vzorování vyhovuje s výhradami (podmínečné uvolnění)	Díly lze dodávat, je třeba dalšího vzorování po optimalizaci v dohodnutém termínu (většinou do 3 měsíců).
Vzorování nevyhovuje	Díly není možné dodávat, nutné nastavit robustní akční plán a převzorovat v co nejkratším termínu.

6.11 Approval of the process before starting mass production

Fulfillment of all product and process requirements must be demonstrated within the process series. This measure should provide evidence that the supplier is able to fulfill the contracted requirements regarding product quality and quantity, process and product safety, and compliance with delivery dates.
This process approval will take place as follows: the supplier will perform an internal review, the results of which will be provided to the customer. Based on these results, an inspection by a KH employee will take place after mutual agreement.
In the event that production has not been released, the supplier develops an action plan and defines the term of the repeated process series.
In the event that the supplier's ability to ensure serial production is not proven before the SOP, it will bear supplier of all additional costs and penalties associated with non-fulfillment of the requirements of KH companies and their customers.

6.12 Marking and documentation for pre-series deliveries

In the case of pre-series deliveries, the delivery must be equipped with accompanying documentation.

6.13 Tools

For the procurement of tools, valid contractual arrangements between KH and the supplier apply. A contract for work is concluded with the supplier - part of the order in the ERP system, where milestones for the production and delivery of tools are also defined.
In the event of intentional or unintentional damage to these tools by the supplier, he bears full responsibility, including costs, in full and with consequences in the entire chain.

6.13.1 Design and manufacture of tools

Suppliers must use reasonable technical means for design, manufacture and complete dimensional tool inspection. When handing over to subcontractors, they must also fulfill the following under the responsibility of the supplier
requirements.
Tools that are the property of the customer of KH or KH's own tools must be clearly and visibly marked using the type plates supplied by KH.

6.13.2 Acceptance, approval of the instrument

The tool delivered to KH must correspond to the submitted drawing documentation, including the use of special types of materials prescribed in the drawings.
In the event of a deviation from the drawing documentation, it is necessary to send a report with complete information and a repair proposal to KH, KH will decide on a solution.
After sampling, the out-of-tolerance casting deviation points are listed in the control finding form (sampling evaluation). The manufacturer will first check these deviations measured on the casting directly on the tool according to the drawing documentation. If the dimensions of the tool (on the given deviation measured on the casting) correspond to the documentation, he sends the measurement report with a message to KH that the tool is in order and KH decides on the subsequent solution. If the dimensions of the tool (on the given deviation measured on the casting) do not correspond to the documentation, he sends the measurement report with the deviations on the tool and a proposal for the repair method to KH, and KH decides on the subsequent solution. The supplier must document in writing which points and how he corrected them during corrections after sampling.

6.13.3 Tool management

Suppliers must implement procedures for the management of tools owned by KH or its customers and take into account:

- records of the entire history of the implementation of the tool, including repairs and changes,
- ensuring a suitable storage system,
- preventive maintenance requests available on a shared folder on OneDrive,
- tool release when reused and after repair/modification.

6.13.4 Control devices, calipers, gauges

Control devices, calipers and gauges must be included by the supplier in the system of control of test equipment and must be marked accordingly.

The structure of control fixtures, gauges, gauges and measurement records must be agreed with the KH quality department. After receiving the preparations, it is subjected to an initial inspection and release by the quality department of the KH company.

6.14 Delivery and packaging

The detailed packaging procedure is specified and possibly optimized during the project and must always be approved
by the logistics department of KH. Final approval then takes place as part of the patterning process.
The supplier is responsible for the cleanliness of the supplied packaging units. In case of damage to the packaging unit, the customer reserves the right not to accept the delivery.
In case of non-fulfilment of requirements due to the fault of the supplier, these situations are handled by the KH company as a logistical claim against the supplier incl. of all penalties and additional costs.

6.15 Special release - release of deviations

Deviations from the delivery specifications are not permitted. After agreement with the customer's quality department, in exceptional cases (there is no impact on the quality of the final product, or this is agreed by the customer of KH), based on a written request, time- or quantity-limited releases can be granted. Always in writing. The supplier is obliged to mark such deliveries visibly on the packaging with yellow stickers with text as agreed by the technical control department. In the event that KH incurs additional costs in connection with the approved deviation (e.g. increased labor, increased inspection requirements, etc.), the supplier is obliged to pay these costs based on the calculation, unless both parties agree otherwise.

6.16 Product audit and requalification tests of purchased parts (AV+PZ)

The submission of PPAP documentation is the initial proof of the satisfactory condition of the product . Its validity is 3 years. In this case, proof of the eligibility of the part is the execution of AV + PZ. The input inspection worker will check the condition of the AV+ PZ of the delivered parts of group Q every quarter. He will write the result into the requalification matrix on disk J. The required document is the completed PSW according to the specification stated in it.
In the event that the submitted PPAP documents are about to expire or have expired, the supplier will be asked to update the AV + PZ.
The supplier must carry out regular requalification of its delivered products to ensure quality. The KH company requires complete requalification according to the drawing documentation, depending on the end customer. In most cases, retraining takes place once every 3 years, unless the end customer requests otherwise.
For a specific product/material, the frequency is specified in the Agreement on quality requirements for the purchased part/material, and the scope and method of execution can be specified in the Requalification Test Plan, which is submitted as part of sampling.
This evidence must be provided to KH without prompting and without financial burden. If the results of the requalification tests are not delivered after the first emergency, an escalation procedure is initiated with the supplier.
The supplied products/materials are of course subjected to further requalification tests - tests
sets, which are carried out by the company KH or its customers. In the event that these tests are unsatisfactory due to the poor quality of the supplied product/material, the supplier shall cover all costs associated with the unsatisfactory result of the test (e.g. repeating the test, etc.).

In case of unsatisfactory results of requalification tests, the supplier is obliged to send an action plan incl. the deadline for re-documenting the requalification exams, without being prompted. At the same time, a complaint procedure can be initiated by the KH company against the supplier for parts that have been delivered by the supplier since the last satisfactory test.

6.17 Quality agreement for the purchased part or material

This agreement is concluded with the supplier for a specific product or project. It is an integral part of nomination documents.
The aim of this agreement is to clarify the requirements for the quality of the product/material and the method of documenting evidence of the achievement of quality indicators and other documents with regard to the specification of the supplied product/material.
An integral part of this agreement is also the definition of the scope of sampling for the given product/material and the determination of the objectives of the supply quality indicator - PPM.

6.18 Complaint

In the event that the supplier delivers products/materials that do not meet the requirements, a complaint procedure is initiated with the supplier. According to the nature of the defect, we divide defects into:
• Defects discovered as part of logistics acceptance at KH company - resolved by the logistics department of KH company
These are in particular the following defects – the shipping label from the supplier does not correspond to the approved packaging regulations, is in the wrong place, parts are damaged due to transport or weather effects, incorrect or missing delivery documentation, damaged or dirty packaging, incorrect quantity of packaging units, failure to deliver on time, etc.
• Defects discovered during qualitative incoming acceptance at KH, during processing at KH and at KH's customers – are resolved by the output control worker. These are visual and dimensional defects.
The suppliers are informed about the defect in the form of a Complaint Protocol. Immediate action is required from the suppliers within 24 hours to prevent the problem from escalating and the downtime of downstream processes in KH (production) was minimized and the risk of supplying defective parts to KH customers was minimized.
If the parts are unusable, a new satisfactory supply from the supplier is requested as soon as possible. For this replacement and the other two deliveries, it is required to indicate that a 100% inspection was carried out for the claimed defect incl. inspection dates and identification of the worker who performed the inspection.
If it is not possible to wait for a satisfactory delivery, because production at the customer's place would be stopped or the non-compliant material has already been partially processed, sometimes even delivered to the customer, etc., it is necessary to resolve the non-compliant delivery urgently.
1 - negotiate a deviation with the end customer
2 - start repair (rework), sorting, etc. in KH (negotiate the price of sorting with the supplier ASAP)
Subsequently, an analysis of the technical and systemic causes of the defect and non-detection of the defect is required. It is required to use 5x why and determine appropriate corrective and preventive measures in form 8D within 30 working days.
Subsequently, after the implementation of the measures, the supplier will send evidence of their implementation in the terms according to the 8D report. The supplier's 8D report is used to resolve the complaint.
All penalties and additional costs associated with the complaint procedure applied by KH and its customers are billed by suppliers in accordance with the Quality Agreement.

6.19 Guarantee

KH points out that for products defective during the warranty period, suppliers will be burdened with the costs found from our joint customers (complaints from the service network) as part of their responsibility. Suppliers will be informed immediately after the costs attributable to them have been established, in the standard form of a complaint protocol.
When dealing with complaints from the service network, it depends on the standards applicable to individual end customers and related procedures.
The warranty period is 24 months. In the case of other deadlines, they must be the subject of the Quality Agreement.

6.20 Continuous improvement

Continuous improvement must be part of every supplier's quality strategy.
KH expects the active cooperation of suppliers in improving procedures, processes and products, with the aim of constantly improving the entire system. The results of continuous improvement must be demonstrated as cost savings or improvement in the quality of products and deliveries.

7 AUDITING SUPPLIERS

The supplier is obliged to carry out a procedural " self-audit " of its suppliers according to the VDA 6.3 methodology or according to the KH methodology and submit its results by the required deadline. If the A rating is not achieved, the supplier is obliged to send an action plan and a re-audit date with the aim of an A rating. Subsequently, the supplier is obliged to send the result of the re-audit. If the process audit results in a C rating or a repeated (2x) B rating, the supplier is placed in escalation mode.
Suppliers who deliver products with safety characteristics (D/TLD parts) and the end customer is the VW concern are obliged to perform a " self-audit " of keeping documentation of D/TLD parts according to the Formel Q methodology - eligibility and results to be sent to the KH purchasing department (including follow-up measures in case of, that 1 or more questions are rated "no"). If it is not a Category A supplier, KH requires a " selfaudit " every year no later than February 15th.
KH reserves the right to perform a customer audit in accordance with the requirements of ISO 9001, IATF 16949, VDA 6. 3. or. Formula Q

The occasion for such an audit may be in particular:

- selection / qualification of new suppliers (potential analysis),
- verification of the results of the supplier's " self-audits ",
- customer request of KH,
- problems with the quality of products or deliveries in serial production,
- unsatisfactory evaluation of the supplier by KH
- self-audit " result 2x in a row B or C,
- the result of the audit carried out by KH with a result of B or C.

The suppliers undertake to eliminate deviations from the audit in a timely manner and to inform the customer about the method, date and implementation of the elimination of deviations through an improvement program/action plan.

Audit result ≥ 90% grade A – qualitatively qualified
Audit result ≥ 80% to 89% grade B – conditionally qualitatively eligible
Audit result ‹ 80% grade C - qualitatively unfit

- an annual plan of audits is established (April 1), which can be changed quarterly
- the selection of evaluated suppliers is based on the results of the previous year
- notes and photo documentation should be part of the audit record
- in connection with the link to www.iatfglobaloversight.org article 8.4.2.4.1. FAQ "Audits performed by the other party" is allowed, after risk assessment, not to perform supplier audits for those that do not threaten the supply chain. These are the following cases:
  1) Suppliers with an "A" rating - according to the table "Risk assessment of Q suppliers"
  2) Suppliers determined by the customer and rated "B" - according to the table "Risk assessment Q of suppliers". In this case, the supplier and the relevant project manager are regularly informed about the evaluation, and it is possible to ask the customer for the result of the last audit with this supplier.
- in connection with the supplier's development and automotive requirements , a questionnaire is sent once a year, with the supplier's evaluation, for the areas viz. „ Supplier Questionnaire (ESG)' . Note If there have been no changes on either of the interested parties, this questionnaire is not filled out again.

8 EVALUATION OF SUPPLIERS

Suppliers who supply material/products that directly affect the final product are evaluated. Indicators from the departments of logistics, purchasing, development and quality are determined to evaluate suppliers. An assessment is made from the relevant sections, which is then combined into an overall grade and this assessment is sent to suppliers at regular intervals. In the case of ratings B and C, an action plan is requested from the supplier within 10 days of sending the rating. In case of non-delivery of the action plan after the first emergency, or 2 consecutive C ratings, an escalation procedure is initiated with the supplier

8.1 Evaluation of Q suppliers and their risks

8.1.1 Evaluation of suppliers

- Qualified suppliers are evaluated once a year, always by February 15 for the previous year.
- Further monitoring of suppliers takes place on a monthly basis via KPI parameters.
- Based on the results of the ongoing evaluation of the supplier, the supplier will be placed in the respective categories A, B, C, D, where for the category
  - A – takes no action,
  - B – the head of the SZ decides on the steps to improve – communicates the result of the evaluation in writing and requests an action plan for improvement to A
  - C – communicates the evaluation result in writing and requests an action plan for improvement by at least B
  - D – supplier replaced – written information to the supplier about termination of cooperation

- The result of the Annual Evaluation is taken from the ERP and will be based on the purchasing manager

8.1.2 Criteria for continuous evaluation of the supplier

- The IS SL form works with parameters

Table No. 1		
Criterion	Points	Requirements
Quality system	5	The supplier has a certificate according to IATF 16949 and ISO 27001/TISAX
	4	The supplier has a certificate according to IATF 16949
	3	The supplier has an ISO 9001 certificate
	1	Suppliers are being prepared for certification within 2 years
	0	The supplier is not certified, nor is it preparing for certification
Table No. 2		
Criterion	Points	Requirements
Quality of supplies	10	The number of delivered low-quality measuring units did not exceed 500 PPM
	8	The number of delivered low-quality measuring units did not exceed 1500 PPM
	4	The number of delivered low-quality measuring units did not exceed 5000 PPM
	0	The number of delivered low-quality measuring units is greater than 5000 PPM
Table No. 3		
Criterion	Points	Requirements
Meeting delivery dates	10	100% fulfillment of delivery dates
	8	Fulfillment of delivery dates at 90 - 99%
	3	Fulfillment of delivery dates at 80 - 89%
	0	Fulfillment of delivery dates less than 80%
Table no. 4		
Criterion	Points	Requirements
Price including transport costs	5	Lower bid price than market average
	3	Average current market price offered
	1	Offered a higher price than the current market
Table No. 5		
Criterion	Points	Requirements
Flexibility to respond to requests	5	The supplier responds flexibly to all requests
	3	The supplier partially responds to requests
	1	Serious communication problems
Table no. 6		

Criterion	Points	Requirements
Risk Management	5	Classification in category " A"
	3	Classification in category " B"
	1	Classification in category " C"
	0	Classification in category " D"
Table no. 7		
Criterion	Points	Requirements
Supplier audit	5	Classification in category " A"
	3	Classification in category " B"
	1	Classification in category " C"
	0	Classification in category " D"
Resulting interim evaluation:		
Category "A"	40 - 45 points	
Category "B"	30 - 39 points	
Category "C"	25 - 29 points	
Category "D"	0 - 24 points	
Conditions for inclusion in the category:		
"AND"	the minimum number of points in criterion no. 2 is 10 points	
	the minimum number of points in criterion no. 3 is 8 points	
"B"	the minimum number of points in criterion no. 2 is 6 points	
	the minimum number of points in criterion No. 3 is 6 points	
"C"	the supplier conditionally remains on the list and the SZ employee (cooperator) informs the supplier and requests to submit a list of corrective measures and information on their implementation.	
	In the case of repeated inclusion in category "C" during the subsequent evaluation, the supplier is removed from the list of suppliers.	
"D"	Removed from the list of qualified suppliers	
The minimum criteria for the release of a supplier is inclusion in category "A" (min. 40 points), "B" (min. 30 points) or "C" (min. 25 points) may only be once/year		
Minimum criteria:	Table No. 1	4 points
	Table No. 2	4 points
	Table No. 3	3 points
	Table No. 4	3 points
	Table No. 5	3 points
	Table No. 6	3 points
	Table No. 7	3 points

8.1.3 Criteria for continuous supplier risk assessment

see the Q Supplier Risk Assessment document

8.2 Development of Q suppliers

- in connection with the supplier's development and automotive requirements , a questionnaire is sent once a year, with the supplier's evaluation, for the areas viz. „ Supplier Questionnaire (ESG)' . If there have been no changes on either of the interested parties, this questionnaire is not filled out again.

9 ESCALATION PROCEDURE

The escalation procedure by KH is applied in case of fundamental non-fulfillment of requirements by the supplier and occurs in the following cases:

- 2 consecutive evaluations of the supplier by KH B or C,
- failure to send the following documents after the 1st emergency:
  - action plan for the result of the assessment of suppliers B or C,
  - action plan for process audit or potential analysis carried out by KH,
  - 8D report for complaints incl. partial steps, o a process self-audit report (including an action plan in the case of a B or C rating and the date of the repeated self-audit),
  - audit report of D/TLD parts documentation management (including action plan in case 1 or more questions are rated "no"),
  - report not received from repeated process self-audit,
  - the results of requalification exams (including an action plan in the event that one of the exams failed),
- there was no notification of changes that are necessary for resampling according to VDA 2 or PPAP,
- in sampling evaluation "rejected"
- in case of repeated unsatisfactory evaluation of the process series,
- withdrawal of certification,
- breach of trade secrets and ethics,
- failure to report serious facts (bankruptcy, insolvency, enforcement...).

All of the above-mentioned cases may exclude the supplier from the possibility of obtaining a new contract. In case of repeated escalations, this can serve as a reason to withdraw existing orders. In case of non-compliance with the above requirements, requirements for quality, timeliness and completeness of deliveries by the supplier, KH is entitled to apply additional costs and penalties incurred.

10 SUPPLIER CONSENT STATEMENT

This supplier manual is part of the contractual relationship between KH and the suppliers, without requiring the signature of this manual. The manual is already binding at the stage of demand /pre-contract negotiations/. The current text of the manual is located on the website https://kovolis-hedvikov.cz/ke-stazeni/

11 CHANGE MANAGEMENT

Index	Page	Description of the change
01	-	Document creation

12 DISTRIBUTOR

It is part of this CAQ Palstat module . If a copy is printed, it is labeled "Uncontrolled copy".

13 APPENDICES

Supplier Questionnaire (ESG)
Supplier audit questions
Q suppliers' risk form