

**QUALITY ASSURANCE AGREEMENT**

entered into by and between the following Parties:

**Senior Flexonics Czech s.r.o.**

based at Olomouc - Holic, Průmyslová 733/9, Zip Code 779 00,  
incorporated in the Companies Register in custody of the Regional Court of Ostrava,  
section C, file ref. 27098

Company Registration No.: 26421658

Tax Registration No.: CZ26421658

Bank Details: Československá obchodní banka a.s.  
309667233, bank code: 0300  
IBAN: CZ5503000000000309667233  
SWIFT code: CEKOCZPP

Represented by: Ing. Petr Matura, Company Executive and  
Ing. Luboš Švidrnoch, Company Executive

Authorized to sign: Ing. Jiří Gajdošík, Quality Director

(hereinafter referred to as the "Customer" or "Senior Flexonics Czech s.r.o.")

and

**XXXXX**

base at:

incorporated in the Companies Register

Company Registration No.:

Tax Registration No.:

Bank Details:

Represented by:

(hereinafter referred to as the "Supplier")

**on performance of joint quality management in order to assure quality of  
product - service throughout its production cycle**

## **PURPOSE OF AGREEMENT**

This Quality Assurance Agreement constitutes contractual arrangement of technical and organizational framework conditions and processes between Senior Flexonics Czech s.r.o. (Customer) and the Supplier which are required for achieving the quality objectives we jointly pursue.

It describes the minimum requirements for the management system of the Parties with respect to the quality assurance.

## **1 GENERAL PROVISIONS**

### **1.1 SCOPE AND SUBJECT OF AGREEMENT**

- This Agreement is governed by requirements for quality of all activities associated with the product - service to be provided - supplied to a contractual partner. Specific quality requirements arising from the individual projects are stated in the table of attributes and parameters which need to be documented in certain intervals and form an integral part of documentation of every specific project.
- The individual provisions of this Agreement shall not apply if they are inconsistent with the priority contracts, such as Contract of Work, Purchase Contract (nomination).
- This Agreement, as well as its amendments, requires a written form.

### **1.2 SUPPLIER'S QUALITY MANAGEMENT SYSTEM**

- The Supplier agrees to gradually implement and subsequently permanently use the quality management system according to EN ISO 9001 and further develop it in order to meet the requirements of procedures applicable to automotive industry suppliers ISO TS 16 949 and IATF 16949, alternatively VDA, EAQF, AVSQ, provided supply to them.
- The objective of "work free from defects" is obligatory for the supplier that needs to optimize its performance on a permanent basis while minimizing the costs. The PPM value for the specific product is determined in the Quality Assurance Agreement form.
- When Senior Flexonics Czech s.r.o. provides production and inspection fixtures to the supplier in connection with the supplies, the supplier must make a permanent identification on the parts, stating that it is the property of Senior Flexonics Czech s.r.o. or of the customer and incorporate them into its quality management system as its production and testing fixtures, unless agreed otherwise.

### **1.3 SUB-SUPPLIER'S QUALITY MANAGEMENT SYSTEM**

- The supplier shall endeavour to oblige its sub-suppliers to comply with the obligations assumed under this Agreement. Should the supplier fail to pursue assumption of the obligations

by the sub-suppliers, it shall inform Senior Flexonics Czech s.r.o. and the contractual partners shall attempt to achieve an acceptable solution.

- Senior Flexonics Czech s.r.o. may request the supplier to submit documented evidence that the supplier made certain of effectiveness of the quality management system of its sub-suppliers or ensured quality of the purchased products - services in another manner.

### **1.4 QUALITY AUDIT OF SUPPLIER**

Senior Flexonics Czech s.r.o. will perform quality audit (potential analysis) to identify whether the quality assurance measures implemented by the supplier guarantee compliance with the requirements of Senior Flexonics Czech s.r.o. and the end customer. The audit can be conducted as an inspection of system - procedure - process, service or product. It is required to take into account the audits conducted by certified companies and audits of major customers (such as VW Group, and second-party audits). Adequate limitations on the part of the supplier aimed at protecting its operational secret are acceptable.

- In case of quality issues caused by performance of or supplies from sub-suppliers, the supplier is authorized by Senior Flexonics Czech s.r.o. to clarify them by a joint audit of the sub-supplier.
- The supplier will enable a visit, inspection of products or audit by the customer of Senior Flexonics Czech s.r.o. in the supplier's premises. This provision applies to all audit types according to VDA 6.3 including a two-day production audit.

### **1.5 DOCUMENTATION, INFORMATION**

- The obligation to archive the tender and controlled documents lasts for a minimum of 3 years (unless stated otherwise) as of production completion and 15 years as of production completion in case of documents and records related to mandatorily documented parts (D/TLD parts). Upon request, the supplier must enable Senior Flexonics Czech s.r.o. or its customer to review such documents.
- The supplier must nominate a person responsible for product safety (PSB) in line with the automotive industry requirements (Formel Q).
- The supplier must conduct a self-audit of the quality management system at least once a year. Upon request, submit the self-audit results to Senior Flexonics Czech s.r.o. and if the supplier manufactures the mandatorily documented parts (D/TLD parts), submit also the self-audit of D/TLD parts at least once a year.
- The supplier must conduct the product audit at least once a year and submit it to Senior Flexonics Czech s.r.o. upon request.

- Should it be obvious that it will be impossible to respect the subject agreements (e.g. concerning quality attributes, terms, supplied quantities), the supplier must immediately inform Senior Flexonics Czech s.r.o. accordingly. In order to find a prompt solution, the supplier must be open in submitting the data and facts.
- If the supplier identifies an increase in deviation of the actual number of products - services from the required level (quality fall), it shall immediately notify Senior Flexonics Czech s.r.o., including the planned corrective measures.
- Prior to changing a production procedure, material or supplied parts for the product - service, prior to relocating production sites, prior to changing procedures or inspection equipment or prior to other quality assurance measures, the supplier must notify Senior Flexonics Czech s.r.o. sufficiently in advance so that it can check whether the changes might result in damage.
- Any changes of product - service or changes critical in the process chain for the product - service need to be documented and controlled for duration of the product - service cycle in an adequate manner to ensure quality of the supplies.

## **2 AGREEMENTS CONCERNING PRODUCT - SERVICE LIFE CYCLE**

### **2.1 DEVELOPMENT, PLANNING**

- If the job order for the supplier includes development tasks, the contractual partners must specify the requirements in writing, e.g. in form of a list of requirements. The supplier agrees to apply the project management already in product planning stage, in procedure and other interdisciplinary tasks and enable the customer to review the project time schedule upon request.
- Any and all technical documents required for supporting series development, such as specifications, drawings, bills of material, CAD data, must be checked after supplied by the supplier for completeness and consistency in general, as well as in terms of the intended use. Senior Flexonics Czech s.r.o. must be notified of any and all discrepancies identified. Senior Flexonics Czech s.r.o. is responsible for making critical specifications, drawings, bills of material and CAD data available to the supplier in a timely, complete and consistent manner.
- In the development stage, the contractual partners must use appropriate preventive quality planning methods, such as feasibility study, fault tree analysis, calculation reliability, FMEA, etc. It is required to determine attributes with special requirements for documentation and archival.
- For prototypes and pilot run parts, the customer and supplier need to agree to control parameters and document the inspection conditions. The objective is to manufacture parts under conditions close to series production.
- For known - regulated or agreed - functionally important attributes, the supplier must conduct and document analysis of suitability of the production equipment used. If the determined capability values are not achieved (unless determined otherwise, the capability parameters are  $Cpk > 1.33$  a  $Cmk > 1.67$ ), the supplier must either optimize its equipment in an appropriate manner or properly check the products completed in order to avoid defective supplies.
- Prior to launching series production, the supplier is to release the process and products according to VDA 2, Edition 5 (e.g. capability of processes and machines, process audit, testing and inspection of the first and other samples). The supplier

must also conduct the internal audit of two-day production in line with the VDA requirements.

- Should Senior Flexonics Czech s.r.o. require design release, this shall be followed by production release of process and products of Senior Flexonics Czech s.r.o. prior to the series production launch. The product is checked to the required extent and the supplier is notified of the release result, or conditional release or non-release.
- In case of release of the production process and products for the agreed attributes, it is required to specify the machine capability index and process capability index.

## **2.2 SERIES PRODUCTION, TRACEABILITY, IDENTIFICATION, FAILURE REPORTING**

- In case of process failures and quality deviations, it is required to analyse causes, take improvement measures and check their efficiency.
- If it is required to supply products not complying with specification in emergency cases, this must be done based on special release by Senior Flexonics Czech s.r.o. Senior Flexonics Czech s.r.o. must be immediately notified also of additionally identified discrepancies.
- The supplier agrees to ensure traceability of the products - services supplied by it in line with the risk assessment. In case of a defect identified, traceability must enable localization of quantity of the defective parts - products - service. Senior Flexonics Czech s.r.o. provides the supplier with data required for ensuring traceability.
- The supplier must ensure to supply the goods using appropriate means of transportation in order to avoid damage or quality deterioration (e.g. as a result of contamination, chemical reaction, weather conditions, etc.).
- In case of accident or other incident occurring during the product transportation arranged for by the supplier, which might have even just potential impact on quality of the supply, the supplier - carrier shall immediately notify Senior Flexonics Czech s.r.o.
- As far as identification of products, parts and packages is concerned, it is required to respect agreements with Senior Flexonics Czech s.r.o. It is necessary to ensure identification of packed products is legible even during transportation and storage. Deviations from the current obligation to identify require a written form of agreement between the supplier and Senior Flexonics Czech s.r.o.

## **2.3 INSPECTIONS, WARRANTY CLAIMS, MEASURES, PENALTIES**

- The supplier determines the inspection system at its own responsibility in order to meet the agreed objectives and specifications. Both contractual partners are committed to work free of faults.
- Senior Flexonics Czech s.r.o. determines critical control points and parameters in the Quality Assurance Agreement document that forms an integral part of this Quality Agreement, unless stipulated otherwise.

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- The supplier and Senior Flexonics Czech s.r.o. jointly determine compliance of inspection and measurement equipment used for critical control attributes for purposes of ensuring comparability of the inspection and test results.
- Throughout the series and production, the supplier is required to evidence the process capability for all functionally critical attributes using appropriate procedures (e.g. statistical process control or manual technique of control diagrams). Unless stated otherwise, the following values apply to the capability parameters:  $C_{pk} > 1.33$  and  $C_{mk} > 1.67$ .
- Should the required process capability not be achieved, it is required to assure quality using appropriate control methods. It is required to use appropriate methods to optimize the production process in order to achieve the required capability.
- Senior Flexonics Czech s.r.o. inspects products supplied by the supplier which have been selected for review in terms of compliance with quality and identity, as well as apparent faults.
- Otherwise, Senior Flexonics Czech s.r.o. is exempt from obligation to inspect criticize product - service.
- Supply non-conformities must be notified by Senior Flexonics Czech s.r.o. to the supplier right after they are identified according to the proper job order process specification. In this respect, the supplier discounts objections in late claim of the fault.
- If possible based on proper progress of the job order, Senior Flexonics Czech s.r.o. will inspect either assemblies (modules) manufactured with the use of the supply prior to initiating the next production - assembly procedure or inspect finished products made with the use of such assembly.
- The supplier will receive the rejected parts for analysis, unless agreed to otherwise. In disputable cases, this must be followed by joint assessment by Senior Flexonics Czech s.r.o. and the supplier.
- In case of non-conforming supplies made, the supplier must ensure immediate remedy (replacement supply, sorting, extra works).
- In case of a justified warranty claim, the customer is entitled to charge the costs incurred in connection with the warranty claim (a fixed charge amounting to EUR 100, or an adequate amount in CZK, costs of sorting, inspection, etc.).
- In case of a justified warranty claim from the end customer (final product customer), the customer is entitled to charge the costs of the warranty claim incurred from the end customer, including its costs of warranty claim incurred, provided the warranty claim is a result of a defective part supplied by the supplier.
- When the supplier is put on the list of critical suppliers (rating "C" in process audit with a need of repetition, escalation of quality issues with a need to conduct technical inspection on the supplier's site (TRL), sampling issues - repeated rating NOTE "6", etc.), the customer is entitled to charge the costs incurred in connection with special quality requirements (e.g. a fixed amount of EUR 750 - or an adequate amount in CZK - for conducting an extraordinary, repeated audit or technical inspection of the supplier (TRL), as well as other expenses associated with such activities (inspection works, costs of measurement, costs charged by sorting firms, etc.).

## **2.4 COMPLIANCE WITH STATUTORY REGULATIONS**

Signing this agreement, the supplier agrees to comply with regulations of the applicable law in the country of manufacture and in the country of sale.

## **2.5 RELIABILITY OF SUPPLIES**

The supplier is required to ensure 100% reliability of supplies, i.e. 100% performance of time schedule and quantities. If the supplier uses e.g. special transport for meeting such requirement, it is required to monitor and record the extra costs associated with such transport and submit them to Senior Flexonics Czech s.r.o. upon request.

## **2.6 SUPPLIER QUALIFICATION PROGRAMS**

The supplier will be evaluated by Senior Flexonics Czech s.r.o. on a regular basis based on criteria which it will be made familiar with in a demonstrable way, as well as with the current rating. Based on the supplier development needs, a specific supplier development program and quality system improvement will be agreed to with Senior Flexonics Czech s.r.o. for a specific period of time (e.g. for a calendar year).

## **3. PRODUCT LIABILITY**

This quality agreement, agreement on quality objectives and measures does not relieve the supplier from its liability for customer's warranty claims, damage compensation resulting from faults and their consequences in supplies of products - service.

## **4. AGREEMENT DURATION**

This Quality Assurance Agreement remains valid without any time limitation. Each Party is, however, entitled to terminate it in writing with a three-month notice. Termination of this Agreement is not affected by effectiveness of individual valid supply contracts until they are completely performed. The Agreement has two counterparts which are identical and have validity of an original.

In Olomouc, date:

Customer:

Supplier:

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Senior Flexonics Czech s.r.o.  
Ing. Jiří Gajdošík