QUALITY AGREEMENT

Concluded between companies:

Ray Service, a. s.
Huštěnovská 2022,
686 03 Staré Město
Hereinafter as a „Customer“

and

Hereinafter as a „Supplier“

SUMMARY:

Glossary:

Supplier - supplier of Ray Service, a.s. Company.

Customer - Ray Service, a.s. Company.

REACH (REACH Directive) - addresses the production and use of chemical substances and determines a duty for users and consumers to inform about potentially dangerous substances present in their final products.

EN 287-1(2) Standard - defines the qualification testing of welders for the fusion welding.

EN 473 Standard - defines principles and system of non-destructive testing - Qualification and certification of NDT personnel.

ISO 10012 Standard - specifies requirements and provides guidance for the management of measurement processes and metrological confirmation of measuring equipment used to support and demonstrate compliance with metrological requirements.

ISO 14001 Standard - is a family of standards related to environmental management. A company which applied for a Certificate verifying conformity with requirements of the standard must establish, document, apply and maintenance system of environmental management and then continually improve its efficiency.

DIN EN 61340-5-1 Standard - specifies technical requirements for the design, use and control of a protected area so that electrostatic sensitive devices (ESDS), having sensitivity of 100V (Human Body Model test) or higher, can be handled with minimal risk of damage from procurement through to end of life of the device.

Ishikawa diagram - Is a cause-and-effect diagram. Common uses of the Ishikawa diagram is a product design and quality defect prevention, to identify potential factors causing an overall effect.

5x Whys - is an iterative question-asking technique used to explore the cause-and-effect relationships underlying a particular problem. The primary goal of the technique is to determine the root cause of a defect or problem.

FMEA Method - is a systematic proactive method for evaluating and process to identify where and how it might fail and to assess the relative impact of different failures instead of restrictions (problem corrections). It is a generic preventive tool.

8D Report - the main aim of 8D Report is to identify, correct and eliminate the problem repeating. This tool is useful mainly at product and production quality improvement. It is usually implementation of stabil corrective measure based on statistic analysis of the problem and it is a method focussed on root origin of the problem.

1. Introduction

This agreement specifies the requirements of the international standards ISO 9001 and EN 9100 and only serves to clarify expectations before the start of mutual cooperation.

Reliability, high technical level and standard of our products and services are a prerequisite of the customer's satisfaction.

To meet all those targets we expect in contrary from our suppliers cooperation across all areas of quality assurance of supplied products, goods and services. Our main aim is building and subsequent development of mutually fruitful relationships. For acheving of this target there is necessary our supliers to dispose with an established effective quality management system, which is determined to be constantly maintenaned, improved and used.

Non-performance of the requirements listed in this manual can lead to a loss of current or a future cooperation relations, except of this also to the damage compensations and resulting additional costs. Suppliers are obliged to ensure their direct own suppliers of products, goods and services to meet customers requirements.

By means of order confirmation the supplier agrees with rules that are listed in this manual. The supplier is fully responsible for following apsects:

- quality of products and services
- quality of materials provided by own subsuppliers
- conformity ensurance to defined technical specifications

The supplier is binded to that with a signature put on the Order / Frame order.

2. Quality Management System

(1) Supplier's established QMS must conform minimally to ISO 9001 standard requirements. The supplier is obliged to apply and maintain QMS in updated actual conditions. We as the customer stipulate in accordance with rules the right to check such a system by means of audit performance in future (see Chap. No. 12) or we will request a introduction of the supplier certification plan with final certification period till 12 months from a submission.

(2) The supplier is obliged to inform the customer immediately about changes concerned to ISO 9001 standard certification or other certifications (actualization, suspension, cancellation) and about changes performed within his own organizational structure that may directly impact product or service quality, system or a communication flow to our company - see Chap. No. 17.

(3) It is expected that supplier will ensure an appropriate QMS at his own subsuppliers. The customer may require a proof from the supplier to prove his subsupplier has implemented an effective QMS for all activities. In case there would occur any quality problem, then is the supplier obliged to provide an audit performance at the supplier's (subsupplier to the customer) premises.

(4) Before a supply of dangerous substances from supplier to customer can be realized, the supplier must send corresponding safety data and safety sheets relevant to all appropriate substances according to REACH database regulations. Introduction of safety sheets and safety data is requested in scope of first article inspection and approval processes.

3. Documentation Maintenance, Management and Archivation

(1) All documents and records which are related to declaring of conformity with the requirements of the customer must be controlled. The records have to be:

- readable
- easily identifiable
- easily deducible
- approved and actual

(2) All records and documents are controlled systematically and constantly maintained. The supplier is obliged to keep documents and quality records according to the appropriate regulations for period of 15 years. The customer reserves the privilege to look at or observe into any of document or record relating to supplied products or services.

(3) The supplier is obliged to realize a product in accordance with approved documentation provided by the customer, in case that such a documentation exists. The supplier makes a committment a production documentation on his side conforms to requested technical standards and valid regulations.

(4) Supplier is obliged to evidence legibly complete documentation to the product (drawings, technologic procedures, used materials, used machines and equipment etc.).

(5) Supplier is obliged to ask the customer for his agreement always under following conditions:

- Non-conformities and changes analysis at the drawing documentation of the customer.
- Performance of changes in technologic procedure, chosen technologies / machines / equipment.
- Performance of changes in used materials, or e.g. changes of subsupplier
- Performance of changes in basic parameters of an order (delivery term, price, product quality)

(6) After any performed change across a drawing documentation there must be performed a record to assure a back traceability.

4. First Article Inspection

First article release should be performed in accordance with EN 9102 standard requirements.

(1) The supplier is obliged to perform First Article verification always under following conditions:

a) Always if it is a basic industry.
b) Always if it is a product interruption longer than 1 year
c) Always when occur a following changes, that influences basic product parameters (dimensions, shape, functions etc.):

- change of production and drawing documentation
- change of production procedures, production operations, technologies and production facilities
- change of control procedures and plans, changes of testing / control equipment and instruments
- change of used materials or cooperating subsuppliers

(2) Certification of product characteristics, production operation testing and machines and equipment and facilities verification and inspection must be approved on forms conforming to EN 9102 standard. Complete documentation resulting from first article inspection process must include a following documentation and items:

a) Forms requested by EN 9102 standard
b) original drawing documentation to the certified product
c) reports resulting from performed tests / measurements
d) atests of used materials

e) Approved deviations from set specifications, if there have been used some

This documentation must be attached to the certified product and such a product (a sample / 1 piece) must be visibly and readably marked ,,First production“ and is also separated from the orher articles. The FAIR document inspected and approved by the customer is a necessary condition for standard triggering of batch production process.

(3) The supplier based on requirements defined properly by the customer must elaborate testing / inspection plan containing control activities across all levels of production process. Such a plan then should be introduced to the customer before first article has been produced. The supplier is obliged to submit a proof about periodic inspections (reviews) of testing and inspection procedures in case such the customer reference occurs. Provided a special situation occurs, then the customer is allowed to prescribe earlier created testing and inspection procedures that are binding for the supplier to follow them during determined activities.

(4) The supplier should be able by means of his production processes and procedures, using production and testing equipment and using of suitable testing and control procedures to ensure customer requirements will be met. Complete process and its particular steps during first article inspection should be systematically recorded. At the same time there should be performed records about performed tests. The customer must be allowed to attend at performed inspection tests anytime he is interested in. The supplier is obliged to report to the customer prepareness for first article inspection performance. The customer then will decide about a way of his attendance at first article inspection process:

a) An attendance of customer on first article inspection
b) Acceptation and taking over of first article at supplier's site including inspection of introduced documentation
c) Acceptation and taking over of first article at the customer's premises

(5) The supplier is responsible for storage of produced samples if there exist some for minimally further 15 years. In case of need the customer might ask for a sample anytime during the period. For disposal of a proper sample there is necessary the customer approval.

5. Batch Production

(1) On his own responsibility the producer takes an obligation to plan, organize and realize production and quality assurance process in order to ensure complete quality inspection and its management and also there should be met the requirements of quality assurance set on a product or a service.

(2) For each production operation within product realization or a service there should be performed a record / proof with aim to ensure its back traceability. In case there would be detected a failure it must be ensured tracing and tracking of failured parts / products / batches etc.
The supplier should ensure all materials, parts, semi-products and final products to be labelled properly and stored in order to eliminate any potential confusion in order to ensure back traceability. The supplier must ensure readability of labelling on packaged products during transport and storage periods.

(3) In case any process failure or deviation occur related to product quality, the supplier then should analyse causes and to establish a corrective measures and to control its effectivity (see Chapter No. 10).

(4) All production operations at the product realization process must be performed by properly trained workers of the supplier. The supplier should be able to prove realized trainings and suitable qualifications for all individual workers (focussed on gained skills for a critical operations).

(5) The supplier is recommended to follow EN 287-1, EN 287-2 or EN 473 standard requirements in order to keep specific qualifications of his workers.

6. Technical Inspection

(1) In case of need the inspection operations of the supplier must be performed according to the inspection procedures of the customer, or the inspection can be performed directly at the customer site (the supplier then should send a sample for the customer to can test it).
(2) The supplier is obliged to submit a proof to the customer about systematic reviewing of actually used control procedures in case of need.
(3) The customer is allowed to attendance directly on place to all performed tests and inspections of individual operations at product or service realization.
(4) The supplier is obliged to ensure all requested in spection and testing tools and equipment / facilities.
(5) The supplier is obliged to ensure back traceability of all observed inspections and tests by means of maintained records (Operation, Signature of a worker, Date).
(6) The supplier is obliged to inform the customer in case any modification of any testing procedure, used testing facility and equipment occur.
(7) Prováděné kontroly a testy dodavatel musí dokumentovat například následujícími formuláři:
(8) The supplier must document the performed inspections and tests e.g. by means of using of following forms:
- Certificate of Conformity (Atests)
- Certificate of Quality
- Inspection Certificate "3.1"
- Testing Reports
- Reports about performed inspections and modifications

Specific requirements are listed in scope of an individual business cases.

7. Packaging and Expedition

(1) The supplier is binded to ensure protection of package at manipulation and transport activities to the customer. At creation of packaging plan and packaging realization the supplier must meet the customer's requirements (specific packaging rules defined in the agreement). In case a special customer's requirements occur related to packaging, the supplier must state an appropriate packaging costs during supply-and-demand call for tender phase.
(2) The supplier is obliged to ensure protection at manipulation and transport of the parcel to the customer. At packaging plan creation and packaging realization must the supplier meet the customer's requirements (specific packaging requirements defined in the agreement). In case a special customers requirements occur, the supplier must then state a packaging costs
(3) Packaging method and manner should be approved by the customer.
(4) Packaged product must be labelled / identified:
- Expiration date (Goods with limited date of expiration)
- Number of order
- Production / Serial Number / Part Number
- Number of article

(5) Each production batch must be packaged separately, it is not allowed to package more than one batch serie to one packaging.
(6) The supplier is obliged to meet requirements of DIN EN 61340-5-1 standard concerned to the

protection of electronic devices from electrostatic phenomena (it concerns mainly to electronic parts). Outward packing should contain a warning indicating a damage hazard with potential impact of electrostatic phenomena.

(7) In case of product reception at the supplier's premises the supplier must inform the customer minimally 3 days before the expedition is expected to begin.

(8) The supply must contain:
- Product labelled with Expiration date
- Certificate of Quality
- Test reports in case of the customer's request (test reports, Inspection Certificate etc.).
- Forms listed in Chapter No. 4, section 2 in case of need to inspect and certify a First Article.

8. Supliers and Cooperation

(1) The supplier is obliged ensure and prove established functional system of quality management at his subsupplier's premises.
(2) The supplier is obliged to perform periodic evaluation of supplies from his subsuppliers. This evaluation must be proved with a traceable record.
(3) Based on results of periodic evaluation of supplies must the supplier perform and report corrective and preventive measures.
(4) The supplier is obliged to inform the customer about all occured changes concerned to materials which are used for production by his subsuppliers. Under these conditions the customer requires to apply an approval right.
(5) The customer has the right to determine a suitable recommended subsupplier for selected material items to the supplier (groups of items). Provided there occur such a request, it has been specified during supply-and-demand call for tender.
(6) The supplier is responsible for all subsupplies of his cooperative partners.
(7) The supplier is binded to inform the customer always in the case he ensures subproduction with help of his cooperation partners.

9. Dealing with nonconforming products and objections

(1) In case the customer founds that purchased part / material or a service does not conform to determined specifications, then he should inform the supplier about the fact properly in written form.
(2) Supplier´s nonconformity handling proposal must be approved by the customer.
(3) For solving of a detected nonconformities is the supplier obliged to use 8D Report form.
(4) Nonconforming product must be labelled properly as a nonconforming one and then placed on previously determined locked area.
(5) The customer reserves the privilege to charge 100 € administration fee to the supplier for every occured objection (reclaim) found as a legally subjected . Except it the customer reserves the privilege to charge to the supplier all resulting harms and related costs, as well as all following costs claimed against the customer.
(6) The supplier is responsible for all claims executed by a third parties for personal injury or a property damage(s), that have been performed by a defective product.

10. Corrective and Preventive Measures Management

(1) The supplier is obliged to realize and document all corrective and preventive measures, resulting as a solutions of objections and nonconformities handling and from results of performed audits and also as a results when using preventive methods and tools.
(2) The supplier must prove performance of risk management, i.e. identification, analysis and evaluation processes of all contractual hazards (costs, quality, terms) and process hazards (critical production processes) and also documentation process of corrective measures accepted to reduce those hazards.
(3) The customer recommends as a suitable tool of preventive measures one of following methods - Ishikawa diagram, 5x Whys or FMEA method.

11. Change and Deviation Management

(1) The supplier should have established a system for a change management, i.e. system of activities at designing, negotiation and approval or rejecting of design changes of valid technical documentation
(2) The customer requires necessary approval for all design changes designed / performed within change management of the supplier - see point (1).
(3) In case of order interruption the suplier must stop the batch production during the period of change review process till the moment when customer approves the change.
(4) The supplier will be required to use a template change form by the customer (document Request for Design Change / Deviation).
(5) Complete procedure of change management steps must be recorded and it should be allowed for the customer to look retroactively back at requested records of change management.

12. Obsolescence Management

(1) The supplier shall implement a proces to prevent, predict and resolve obsolescence.
(2) The supplier shall inform the customer about these obsolete parts.

13. Audit Performance

(1) In case of the customer request there results a duty for the supplier to facilitate performance of an external audit at suppliers site by the customer, or custoemer's attendance on their internal audit.
(2) The supplier must provide access for the customer to any of their production areas, inspction workplaces, storages and neighbouring areas and also inspection of documents concerned to quality of delivered products.
(3) The supplier is obliged to realize and document corrective and preventive measures resulting from performed audits as a final conclusions.
(4) In case a problem with quality would occur, the supplier will ensure an audit performance at his subsuppliers.

14. Maintenance and Calibration of Metrology and Tools

(1) System of control and calibration of measuring instruments and tools must conform to ISO 10012 standard.
(2) The supplier must ensure competence of used measuring and calibration tools and equipment. It is necessary to paper the competence periodically.

(3) If the customer disposes with such a request, he might perform a competence inspection of control equipment and facilities directly in the supplier space. At the same time the customer can prescribe to the supplier using of own measuring equipment and tools.

15. Technical Infrastructure and Property Management

(1) In case of property providing (production facility and machines, testing and inspection facilities etc.) the customer is obliged to ensure:
- List of property (Equipment, facility) provided to the supplier by the customer + labelling of property provided by the customer
- An appropriate insurance for a property and operational equipment provided to the supplier by the customer
- Professional protection and storage of material and property provided to the supplier by the customer
- Customer agreement to discard a provided property

16. Environment and Safety

(1) The supplier is binding himself he will keep all legal measures relating to enviromental protection, health and safety protection and he is going to maintain minimal impact on human and environment by means of an appropriate organization of environmental protection and appropriate operation protection of environment during production.

(2) The supplier will be recommended to establish and further develop an enviromental management system (EMS) according to the ISO 14001 standard.