General Agreement on Supplier Quality GASQ

Issued date: 15/07/2020

Date of last revision/version: **20/01/2025**/ version **06** (last changes highlighted yellow)

This agreement on supplier quality is an integral contractual part of the business relationship

between

Company: Hronovsky s.r.o.

Street: Krcin, Osma 481

Place: Nove Mesto nad Metuji

Postal code: CZ-54901

Country: Czech Republic

incl. the companies that are affiliated with it within the frame of the corporate group (Hronovsky EOOD, Hronovsky EC)

hereinafter referred to as ‘Hronovsky’

and the

Company:

Street:

Place:

Postal code:

Country:

hereinafter referred to as the ‘Supplier’.

**1. General Terms**

The Supplier’s ability to deliver defect-free products means a significant criterion of HRONOVSKY’s purchase decision. This quality assurance agreement describes the requirements that are placed on the Supplier’s quality management system and environmentally friendly production processes.

**2. Scope, Subject of the Contract**

This agreement is concluded with the aim of establishing a long-term and mutually beneficial supply partnership. This GASQ therefore represents the basis of all future purchase and supply transactions to be concluded between HRONOVSKY and the Supplier; it is an indispensable part of the contracts concluded in this regard.

Unless otherwise agreed this GASQ shall be applicable in connection with all purchase contracts concluded between HRONOVSKY and the Supplier.

Any changes to be made to this GASQ must be agreed in writing. The Supplier bonds his subcontractors to comply with the obligations he has accepted and which are related to this GASQ. The Supplier shall provide HRONOVSKY with access to evidence supporting the obligations arising from this GASQ and applying to the Supplier and subcontractors.

The latest versions of the regulations specified in this GASQ shall be applicable. If individual parts of this GASQ turn out to be legally invalid, it shall have no effect on the effectiveness of the other provisions.

**3. Objectives**

High quality and good delivery performance are important parts of HRONOVSKYs’ objectives. HRONOVSKY also expects its suppliers to demonstrate such an awareness of quality and to strive to achieve the zero-defect quality level. As part of this defect strategy, HRONOVSKY expects the Supplier to improve continuously.

Protection of environment and resources is another part of HRONOVSKYs’ objectives. The Supplier must guarantee compliance with legal and other requirements relating to environmental protection as far as performance of his processes and manufacturing operations.

**4. Management System**

HRONOVSKY would like to cooperate with a supplier who has implemented a QM system that is in compliance with DIN EN ISO 9001 (latest version) and has been certified by an external accredited authority.

With regard to the continuous improvement of his QM system the Supplier is obliged to constantly develop his processes and procedures in such a way to ensure their advance towards the Automotive Q-Tools and parts of the automotive standard IATF 16949. The Supplier shall allow HRONOVSKY and the end customers to audit relevant sites, QM system and processes used to manufacture products.

Company HRONOVSKY expects the Supplier to comply with the applicable VDA regulations and client requirements relating to the product and processes.

**5. Order and Contractual Documentation / Changes**

HRONOVSKY shall provide the Supplier with quality requirements related to the product / service; these quality requirements must be provided in the form of drawings / order specifications / instructions / test specifications, quality agreement etc. The required documents should be requested by the Supplier. The Supplier is obliged to subject the requirements to a feasibility check in order to determine whether they are compatible with the progress of the project.

All changes should be assessed by the Supplier. They should also be agreed in writing with company HRONOVSKY in time so that both partners will be able to assess stated changes with regard to their effects.

Basically:

* each delivery that directly follows the change must be clearly marked
* documents (e.g. delivery notes) must specify the current status of the change
* supplier is obligated to submit all material certificates to each delivered batch of material
* after the first delivery corresponding to the new status of the change has been made no more deliveries corresponding to the original status of the change cannot be made
* in case of IMDS change, supplier is obligated immediately submit its update to HRONOVSKY
* FIFO/FEFO must be adhered to
* changes must be submitted to HRONOVSKY for approval in time using the PPF VDA 2 sampling procedure (e.g. relocation of manufacturing site, changes affecting methods or systems etc.)
* supplier is obligated to submit valid PSCR responsible person certification

**6. Project Management**

The Supplier shall use project management system and at the end HRONOVSKY shall identify his contact person and representatives to the relevant persons.

A project plan, containing milestone agreements dating back to the SOP, should be submitted to HRONOVSKY. The Supplier shall regularly inform HRONOVSKY about the progress. Planned delays or project risks should be immediately communicated with HRONOVSKY.

Any potential escalation incident must be based on a defined escalation strategy which in turn must be based on the HRONOVSKY supplier management system. In the event of an escalation HRONOVSKY reserves the right to set up a working group and – if necessary – to bring in an external service provider for this purpose. Alternatively, HRONOVSKY may also have an external service provider run the working group on its behalf. The project is considered completed when HRONOVSKY issues an approval for series production.

Details of the approval – e.g. the procedure to be used (PPF VDA 2), the level of submission and the documentation and the records to be provided – will be agreed within the frame of the relevant project. The Supplier shall ensure that the sampling procedure is carried out according to the IMDS process.

**7. Customer Specific Requirements**

The supplier is obliged to follow all OEM specific requirements stated on the website of the International Automotive [www.iatfglobaloversight.org](http://www.iatfglobaloversight.org)

If not known, the supplier is responsible to request the information about OEM requirements from the responsible buyer who is stated in the header of the Framework Agreement.

Further applicable Customer Specific Requirements must be agreed with the project specific requirements specification as integral part of each drawing.

**8. Process Quality**

For all products, all properties created by the Supplier must correspond to the specifications. Special characteristics should be defined in cooperation with the Supplier. HRONOVSKY shall make the final decision.

* Special characteristics should be identified in all documents or specified in the GASQ for the specific product
* Special characteristics should be statistically monitored. It is necessary to focus on the system-oriented ability of **Cmk (short-term ability) 1.67** / the process-oriented ability of **CpK 1.33**
* Process parameters set for production are recorded and archived
* Retraining of products must be agreed with HRONOVSKY during the project phase (required once a year) and submitted for approval within the frame of the process including the control plan and the sampling procedure. (If the scope of retraining is not submitted within the frame of the sampling procedure, the requirement contained in IATF 16949)

**9. Tests / Audit**

The Supplier shall implement systematic measures to ensure that all products comply with the drawings and specifications. Examples of such measures are following:

 Incoming goods inspection

 Monitoring of the process parameters

 Statistical process control (SPC)

 100% testing in case of non-conforming processes

 Audit: System audit / Product audit / Process audit (LPA Audit)

If the Supplier is unable to carry out certain tests using suitable measuring equipment, he shall involve the relevant accredited institutions to carry out these tests on his behalf.

In order to facilitate continuous improvement, the Supplier is obliged to subject all value-adding processes to an annual process audit which is in line with VDA 6.3. The self-assessment should be provided to HRONOVSKY upon request.

**10. Qualification**

The Supplier shall ensure that all employees who have been assigned tasks related to the project and production processes are qualified and familiar with the used methods.

Even if the Supplier obtains work done by third parties, he shall not be released from the obligation of the providing instructions and drawing up the plans. For safety relevant part has to be nominated PSCR (evidences with contact has to be shared to Hronovsky)

**11. Continuous Improvement Process (CIP)**

The Supplier shall apply the documented repair and precautionary procedure throughout his entire company to ensure that the causes of errors that have occurred or are possible are systematically and continuously improved. Repairs and preventive measures must be planned and their effectiveness verified. Appropriate methods such as 5Why / Ishikawa should be used.

**12. Management of Defective Products**

Apart from DIN EN ISO 9001, another applicable requirement requires that unmarked or incorrectly marked products are considered to be defective products by both the Supplier and HRONOVSKY.

In case defective parts of the delivery are discovered in HRONOVSKY at the end of the process, a complaint must be sent to the Supplier. The decision on how to handle the parts in question must be agreed with the Supplier:

* Immediate return of the delivery
* On-site sorting and removal of defects performed by the Supplier
* On-site sorting and removal of defects performed by the HRONOVSKY employees, or a company authorised by HRONOVSKY

The Supplier must create a (8D) complaint report within an appropriate period of time.

The related deadlines were defined as follows:

* 3 D within 24 hours from the initiation of the complaint
* 5 D within 7 working days from the initiation of the complaint with an analysis of the root cause of the defect
* 6 D within 14 working days with corrective action
* 8 D within 21 days from the initiation of the complaint and its closure

HRONOVSKY shall inform the Supplier whether the defective product can be blocked, rejected or repaired or whether it must be scrapped.

The Supplier is obliged to accept or repair the defective deliveries at his own expense so that HRONOVSKY does not suffer any damage (e.g. stop of production, delayed delivery). If necessary, the replacement delivery must be made on the day specified by HRONOVSKY.

The Supplier must explain whether other suspicious products are present in his premises, are transported, present at HRONOVSKY end or present at the end customer site. The information in question must be communicated to HRONOVSKY.

Return delivery to the Supplier

The Supplier will collect the claimed delivery himself no later than 10 days from the initiation of the complaint. If this does not happen the delivery shall be scrapped at the Supplier's expense.

On the basis of the mutual agreement, it is possible to scrap parts by HRONOVSKY with re-billing of costs to the Supplier.

All costs incurred in connection with the complaint (e.g. special trips, costs borne by the end customer, etc.) shall be borne by the Supplier, if he is responsible for the damage.

In case of repetitive NTF analysis, on HRONOVSKY or final OEM demands, the supplier is obligate to start NTF analysis process with detail evidences for each occurrence.

**13. Information Obligation of the Supplier and Obligation to Provide Evidence**

If it turns out that the concluded agreements (e.g. on quality features, deadlines, quantity of delivery) cannot be fulfilled the Supplier is obliged to inform HRONOVSKY immediately. In order to be able to find the solution quickly the Supplier is obliged to disclose the relevant data and facts.

If the Supplier notices an increase in the differences between the products’ actual and desired quality levels, he shall promptly inform HRONOVSKY to that effect and provide information regarding the planned remedial measures.

If the Supplier detects increase in the difference between the actual and the required level of product quality, he must immediately inform HRONOVSKY and provide information on the planned corrective measures.

If the Supplier finds out that requirements for the product specified in the technical documents or the defined test procedures contain incorrect, unclear or incomplete descriptions or descriptions of different characteristics, HRONOVSKY should be preventively informed of this in writing.

The same applies to situations in which the product requirements and test procedures may be replaced by more appropriate, cost-effective or more efficient requirements or procedures.

**14.Supplier Evaluation / Development**

All deliveries are used in accordance with the HRONOVSKY system for supplier evaluation. HRONOVSKY provides the Supplier with the supplier evaluation regarding its performance.

If necessary, the Supplier shall implement corrective measures in accordance with the evaluation.

The following aspects are evaluated:

 Quality

 Reliability of the Delivery

 Compliance with the quantitative provisions

 Ppm

In case of complaints, HRONOVSKY has the right to categorize the Supplier in accordance with HRONOVSKY’s escalation strategy.

**15. Traceability and Marking**

Under his responsibility, the Supplier must maintain a system that reliably allows a clear correlation to be established between the parts and the relevant processing states. The Supplier is obliged to maintain a system that guarantees the traceability of his products from the dispatch phase to the raw material phase; this system must also cover his upstream suppliers.

**16. Test Equipment**

All test equipment and test equipment of the Supplier’s must be systematically monitored and regularly calibrated. External calibration laboratories must be accredited for the services they provide. The test equipment used must be suitable for the relevant test process that is in compliance with VDA 5 Measuring System Analysis (MSA).

The Supplier shall ensure that all required test equipment used to test the products to be produced for HRONOVSKY is always available and that it undergoes maintenance and repairs on the permanent basis.

**17. Archiving**

The Supplier is obliged to ensure that records concerning the product and processes related to the product are protected from loss and damage. The archiving period is 15 years after the initial sampling.

**18. Provided Products / Tools**

The Supplier handles the products / tools provided by HRONOVSKY in a way that excludes damage. The Supplier shall promptly inform HRONOVSKY if he finds obvious defects, loss or other damage.

Items provided by HRONOVSKY or belonging to HRONOVSKY group must be marked as such in the full scope of the Supplier’s liability. Tools and devices should be permanently marked.

**19. Storage, Packaging and Transport**

The Supplier must comply with HRONOVSKY’s specifications for packaging and transport.

The Supplier must comply with HRONOVSKY’s specifications regarding packaging units and marking; changes must be agreed with company HRONOVSKY.

**20. Delivery Service**

The Supplier shall immediately check the received requirements in terms of quantity and deadlines (the requirements shall also be checked for authenticity). In case of the supply-related difficulties or other unforeseen incidents the Supplier shall immediately provide HRONOVSKY with the relevant information.

Packaging and logistical specifications should be agreed upon between the Supplier and HRONOVSKY within the frame of the project; these specifications should be documented within the frame of the approval process.

**21. Liability**

The agreements concerning quality objectives and action management limits (0 failures, 0 ppm strategy) have no effect on the Supplier’s liability for warranty and damage claims raised by HRONOVSKY due to defective deliveries.

The Supplier is obliged to take out the liability insurance for damage caused by the product with a minimum insurance sum of 5 million EUR.

The Supplier is obliged to conclude the withdrawal insurance contract with a minimum insurance sum of 5 million EUR.

**22. Confidentiality / Non-Disclosure**

Regardless of the manner in which these information and knowledge is obtained the Supplier shall ensure that the confidentiality of the information and knowledge obtained from the other partner is maintained by not disclosing this information and knowledge to third parties unless the partner has approved such course of action in writing and by using the information and knowledge only for the purposes for which it was provided. Subcontractors should therefore also be made aware of the requirements.

If the Supplier’s employees become aware of, need to become aware of or may be aware of the obtained data and information the Supplier must ensure that all such employees are similarly obliged to maintain the confidentiality.

If the Supplier finds out that a third party has acquired ownership of a confidential information or that a confidential document / documentation has been lost in any way he (i.e. the Supplier) must immediately inform HRONOVSKY.

This provision shall remain in force indefinitely for the duration of this Agreement; it shall be applied until the confidential data, information and knowledge become publicly available.

**23. Duration / Cancellation**

This Agreement is valid for an indefinite period with the possibility of updating if necessary. Termination of this Agreement shall have no effect on the effectiveness of existing individual delivery contracts until the contracts in questions are fully executed.

**24. Social responsibility policy**

Supplier is obliged to determine his own social responsibility policy in order to ensure social, environmental and economic practices to avoid work volunteering and work place free of physical and mental harassment, abuse and discrimination.

**25. CMRT/EMRT**

Supplier is obliged to provide the latest valid version of the CMRT/EMRT report (Conflict Minerals Reporting/Extended Minerals Reporting) in the released template from

<https://www.responsiblemineralsinitiative.org>.

**26. Closing Provisions**

The latest versions of the regulations specified in this GASQ shall apply.

Amendments or additions to this Agreement require the written form. The same shall apply to any amendment to this written form clause.

This Agreement is subject to the Czech law and its jurisdiction.

If individual provisions of this Agreement are wholly or partially ineffective or infeasible, they should have no effect on the validity of the other provisions of this Agreement.

HRONOVSKY

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Place, date Business manager Quality manager

**Supplier**

…………………………….. ………………………………….……………………………………………………………

Place, date Business manager Quality manager

**ANNEX:** HRONOVSKY Price list

|  |  |
| --- | --- |
| Operation | per hour |
| Visual sorting (without special devices) | 25,00 € |
| Sorting by microscope | 35,00 € |
| Sorting by caliper (measuring) or gauge | 30,00 € |
| Sorting by measuring with 3-D measurement device | 80,00 € |
| Sorting by measuring with X-ray device | 80,00 € |
| Processing time of SQA | 50,00 € |
| Processing time of incoming inspection | 35,00 € |
| Processing time of purchasing dept. | 45,00 € |
| Processing time of purchasing manager | 80,00 € |
| Processing time of quality manager | 80,00 € |
| Processing time of logistic dept. | 40,00 € |
| Processing time of project engineer, technologist | 60,00 € |
| Processing time of finance department | 45,00 € |
| Processing time of metrologist | 45,00 € |
| Claim from the end customer (customer complaint) - to be defined by the end customer | 1000,00 € |
| C1 - Repeated complaint - first time | 2000,00 € |
| C1 - Repeated complaint - second time | 3000,00 € |
| Complaint from production | 150,00 € |
| C2 - Repeated complaint - first time | 300,00 € |
| C2 - Repeated complaint - second time | 600,00 € |
| Complaint from incoming inspection | 150,00 € |
| C3 - Repeated complaint - first time | 200,00 € |
| C3 - Repeated complaint - second time | 400,00 € |
| Loss of production time | 200,00 € |
| Supplier-initiated PAPP after SOP with change on his side | 600,00 € |
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