QUALITY AGREEMENT

Appendix 3 to General Purchase Agreement (GPA).

THIS QUALITY AGREEMENT, made and entered into by and between:
[date:]

Videoton ElektroPLAST Kft.,
Kaposvár, Izzó utca 3.
H-7400
(hereinafter "Buyer")

and

Supplier name:
Address:

(hereinafter "Supplier")

Now therefore the Parties agree as follows:

Supplier acknowledges and agrees that components must be manufactured in highest quality and in accordance with the agreed specifications in order to ensure uninterrupted production at Buyer's plants.

The subject of this Quality Agreement applies for product type what is defined in Purchasing agreement.

1. Definitions

In addition to the definitions of the General Purchasing Agreement (GPA), the following definition shall apply to the General Purchasing Agreement (GPA) and its appendices. In case of conflict or inconsistency with the definitions herewith and the definitions of the General Purchasing Agreement (GPA), the definitions of the General Purchasing Agreement (GPA) shall prevail.

1.1 Defect, Defective

Shall mean any defects, including but not limited to defects in materials or design, or faulty manufacturing or workmanship, or non-conformance with specifications, product data or quality requirements.

1.2 Process Capability

Shall mean the capability to produce Components in accordance with the set requirements and specifications.

1.3 PPM

Shall mean defective parts per million. The applicable PPM level shall be defined in this document. (7.1)

1.4 Quality assurance plan

Shall mean a mutually agreed plan, which defines the elements required to guarantee the quality imposed by the Buyer or Buyer's Customer for quality critical components.

1.5 System requirements

Shall mean Buyer's system requirements, including but not limited to quality management system, environmental management system and safety management systems.

1.6 Quality critical component

Shall mean components which Buyer and / or Supplier has defined as critical to the quality of Buyer's business operations due to the complexity of the design, manufacturing processes, sole source situation or any other reason.

2. Quality system requirement

Supplier shall operate with a quality system in accordance with ISO 9001 (automotive products: ISO/TS16949) and give to the Buyer an opportunity to check the quality system in agreed times and approvals. If any case of deviation Supplier shall prepare Quality Assurance Plan. Supplier shall submit a quality improvement plan for approval.
The Supplier complies all system requirements to environmental management system and safety management system.

3. Products conformity requirements, Quality certification

- Buyer shall provide all quality requirements, technical drawings and production documentation to Supplier. (according to agreement)
  These documents are confidential and shall not be disclosed by the Parties to any third-party without the other party's prior written approval.
- Supplier shall comply with Buyer's quality requirements.
- Supplier shall make a quality certification for all shipments according to EN 10204 2.2. Quality Certification shall contain previously agreed critical parameters measured and certified. Quality certification shall be attached to delivered goods and a copy shall be archived for at least 2 years.

4. Tools, equipment, parts and materials provided by Buyer (hereinafter: materials, if it is definable)

Supplier shall track, log and keep all and every tool and equipment provided by BUYER. SUPPLIER shall provide storage in order to keep the tools and equipment in a good condition and protect them from any damage. SUPPLIER shall provide regular report of received tools and equipment and immediately report every damages occurring.
The remote management tools conditions are fixed by the Benefit-record contract.

5. First sample approval

Prior the production start-up Supplier shall prepare a sample based on First Sample Approval Procedure and submit it for approval.

- First sample
- New Supplier
- New item
- Change in raw material

- Change in technology or specification
- New or reworked tool used
- Change in place of production

Firs sample shall be manufactured by the production technology and final serial tooling (at multi cavity tooling, all cavities)
The packaging shall read “First Sample”
Measurement records shall be attached to the First Sample.
If the Buyer requires the Supplier has to use the measuring report form of Buyer.

According to product of sample needs activities of Supplier, the Supplier assumes the all cost of producing of samples.

According to product of sample needs any change of design or technologic, or any cause what does not correspond with activity of Supplier, the Supplier has to invoice the cost of sample product according to previous agreed price to Buyer.

6. Shipment / product packaging, identification

In order to avoid any damage occurring during storage or shipment, SUPPLIER shall comply with pre-defined, or proposed safety packing of SUPPLIER what is approved by BUYER.
All packaging units shall be labelled as follows:

- Buyer
- PO number
- Item description
- Quantity
- Item code
- Production time and date
- Final release
- Batch number (LOT number)
- Supplier has to ship the materials on EU pallet. The maximum height of pallet will be 2 m. Supplier can differ from it in special cases. (Special agreement is needed with Buyer in this cases).

7. Quality requirements

The Buyer requires from Supplier, that his goal will be the zero-error goal.
Until the Supplier will reach this goal, the Supplier and Buyer agree in an acceptable failure rate in PPM.

Method of calculation:

PPM: $F = \frac{\text{rejected pcs (per shipment)}}{\text{All shipped pcs (per shipment)}} * 1000000\ [ppm]$

Calculation is based on rejected pcs for which Supplier is squarely responsible.
Buyer creates invoice based on defected Qty.

Requirements of Buyer for defected batch:
- change of blocked batch immediately (free of charge)
- or sending of Credit Note for blocked quantity

If there is a disagreement between the Supplier and Buyer they shall mutually agree.
The defected quantity has been corrected, where the responsibility is not clearly demonstrated. (If the complain to be incorrect, after analysis.)

7.1 Acceptable failure rate at '0 hour': defected pcs during production.

Project/product/group:

Product/Product group:	Critical or safety parts:		
Max. field failures for each critical or safety parts		**Production year**	
		1.	**2.**
1. Critical failure	[ppm]	0	0
2. Functional failure	[ppm]	200	100
3. Visual failure	[ppm]	500	200

Product/Product group:	Functional parts:		
Max. field failures for each functional part		**Production year**	
		1.	**2.**
1. Critical failure	[ppm]	0	0
2. Functional failure	[ppm]	200	100
3. Visual failure	[ppm]	1000	500

Product/Product group:	Visual parts:		
Max. field failures for each visual part		**Production year**	
		1.	**2.**
1. Serious failure	[ppm]	200	100
2. Average failure	[ppm]	500	250
3. Mild failure	[ppm]	1000	500

Product/Product group:	All parts together		
Field failures for all parts together.		**Production year**	
		1.	**2.**
1. Critical failure	[ppm]	0	0
2. Functional failure	[ppm]	500	200
3. Visual failure	[ppm]	1000	500

7.2 Incoming inspection

The Buyer does incoming inspection only in reasonable case or random sample. Incoming inspection based on identification of received item/batch and certification of quality. If Buyer finds any failure during incoming inspection or production then Buyer will start to claim to Supplier. Buyer requires arrangements with claimed quantity and Buyer requires corrective actions to quality in 8D report form.

Required reaction times for quality correction plan:
- Immediately corrective action: within 1 workday
- Root cause analysis, corrective and preventive action plan: within 7 workdays
- Credit note: within 30 days
- Corrective action report: within 14 days

In case the phase of the production at Buyer allows to perform actions, Supplier has to send new batch instead of blocked quantity and meantime ensures from carrying back of blocked batch to Supplier. In this case the Supplier has to pay all cost of carrying.

For continuous production, the Supplier has to send employees to rework or screen to Buyer if there is not another solution. In this case the Buyer ensures the place, barrow, etc. but the Supplier has to ensure the special equipment.
Buyer may check the effectiveness of quality action plans at Supplier.
To avoid production stop, Buyer may do screening/rework of received goods. In this case the Buyer has to inform Supplier about screening cost and/or rework cost. The Supplier shall be solely liable for any costs and expenses arising from the actions above.

7.3 Cost of Claims to Supplier:

Expenses processing quality reclamations	100 €
Expenses processing quantity reclamations	100 €
Screening cost in BUYER (the Buyer does it)	15€/hour/operator
Penalties for production stop	26,5 €/hour
Costs of analysis will be accounted in dependency of responsibility of the failure cause.	
Costs of scrapping will be accounted in dependency of responsibility of the failure cause.	

7.4 Quality improvement

The Buyer expects the Supplier does continuous quality improvement.
The Buyer sends feedback regularly based on the quality performance of Supplier, what contains type of product usage, and detailed statistics. The Buyer expects credit note or replacement for defective parts. Upon request the defected parts will be returned to the Supplier's cost.

7.5 Evaluation of Supplier

The Buyer evaluates the main Supplier fluently according to following aspects:

- Quality Performance
- Delivery Performance
- Cooperation
- Price and Payment Terms

Supplier will get information about the result of evaluations regularly.

8. Quality agreement validity

The quality agreement will be valid after signing of parties.
This agreement is valid to cancellation. Modification may be performed on meetings.
If specifications of any changes or modifications are made the Buyer's responsiblility to inform the Supplier.
If there are any changes or modifications are made to the product/products, specifications, technical drawings, instructions it is buyer's responsibility to inform the Supplier.
Supplier has to keep documentations, technical drawings, inspection instruction, qualification, transportation documents of produced parts and the first sample for 11 years.

This quality agreement is part of General Logistics Agreement. (GPA)

This quality agreement may be part of Delivery contracts.

Quality requirements: *Given product drawings, documents*

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(date)

_____	_____
Supplier	**Buyer**
_____	_____
Name	**Name**