

# General Commercial Terms valid for the Suppliers and Cooperating Companies of AGROSTROJ Pelhřimov, a. s.

concluded between

**Customer :** AGROSTROJ Pelhřimov, a.s.

head office: U Nádraží 1967 , 393 01 Pelhřimov

ID No. : 00009971 / VAT ID : CZ00009971

registered in trade register: in České Budějovice in part B , insert 42

represented by: Lubomír Stoklásek , General Director and Chairman of the Board of Directors

and

**Supplier:**

head office:

ID No.: / VAT ID:

registered in trade register:

represented by:

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## **1. Introduction**

The quality of supplies from the suppliers of **AGROSTROJ Pelhřimov, a.s.** has an immediate effect on the quality of its manufactured products. The minimum requirements described in these terms for the suppliers of AGROSTROJ Pelhřimov, a.s. are also based on this fact. The supplier is responsible for the quality of its supplies. The aim of this agreement is to contribute to joint quality planning, as well as to ensure the relationships between the supplier and the customer. This agreement is an integral part of the contractual relationships concluded between AGROSTROJ Pelhřimov a.s. and its suppliers.

## **2. Definitions of Applicable Standards**

This guideline applies to all suppliers of AGROSTROJ Pelhřimov a.s. and its subsidiary companies, such as Agrostroj Internacional, s. r. o., Wilhelm Stoll Maschinenfabrik GmbH Lengede, hereinafter referred to as "APE".

APE requires that its suppliers have one of the QM systems recognised in the automotive industry in place (ATF 16949 or ISO 9001). The suppliers with the certification according to IATF 16949 will be given preference for automotive. Certificates of these certifications must be given to the Purchasing Department. The aim must be that the QM systems of suppliers are in conformity with the requirements of the IATF 16949 standard. The supplier is obliged to enable APE to carry out an audit to check that the requirements for quality assurance are met.

## **3. Contract review**

After their receipt by its suppliers, APE's orders must be reviewed, including the attached documents. If the supplier concludes that such documentation is unsatisfactory, they must contact APE's Purchasing Department.

The supplier is obliged to obtain the necessary standards and directives (DIN, EN, ISO, VDA) to which APE refers in its order. If any standard from the customer for material specification is needed, it must be provided by APE. Also, the supplier undertakes to check the validity of the documents on a regular basis and takes their valid status into consideration. Before sending any quotation, the supplier is obliged to carry out a feasibility study with the appropriate regard to its technical and capacity possibilities. The supplier must meet all requirements contained in the order documentation. The supplier is obliged to contact the Purchasing Department to obtain the necessary information for product production. The Purchasing Department must be in contact with the supplier and must coordinate all questions and answers.

Proposals for technical, qualitative, and other improvements or proposals for solving potential problems must be offered in writing. To select a supplier, constructive proposals will be evaluated positively.

#### 4. Quality planning

The quality of the required products is determined decisively during development. The customer undertakes to give the supplier important specifications, drawings, and, if necessary, data in due time, in a complete and unambiguous manner.

The supplier is required by the customer to have preventive methods in place for quality assurance as early as the development stage. These methods must contain at least the following elements:

**Fabricability Analysis** – a review that the demanded and required product can be supplied in the required quality, date, and quantity. The supplier's task is to discuss unclear and specifying requirements with the customer's Purchasing Department to obtain sufficient information for fabricability analysis. For automotive suppliers, we require a revised P-FMEA to be sent as part of sampling and in case of complaints and findings from the audit.

**Control Plan** – the scope of tests must be defined (features, frequency, scope, testing, when and where, by which means, records, etc.). The supplier must have the required test equipment and a control system for this equipment, or the supplier must be able to provide this.

**Important Product Features** – for critical and functional features, the supplier must prove the required values of fitness are met (Cm, Cmk – fitness of the machines and equipment  $\geq 1.67$ , Cp, Cpk – process fitness  $\geq 1.33$ ).

**Planning of Processes and Operational Equipment** – production processes and operational equipment must be planned by the supplier to the required quality and capacity. The capacity of the operational equipment must be proven by the supplier.

**Packing Planning** – packing must prevent the products/goods from becoming damaged during transport and storage. When planning the packing, the supplier shall also meet the environmental requirements according to the applicable standards.

#### 5. Production process and product release

During a cooperation-based partnership, both parties undertake to provide comprehensive information on the product, production process, and all changes made. The evaluation of production processes and the inspection of the first samples form the basis which is to be submitted to release the samples. If documents are missing or are incomplete, APE may (at its discretion) reject the samples.

The carrying out of our quality planning must be proven by documents and records in accordance with the specified level of verification for the first samples of the released process. The basis is VDA Part 2 or PPAP. Unless otherwise stated in the order, the number of the first samples shall be at least 3. The documentation must be submitted with the samples, with the scope being defined by the level of verification. Unless otherwise stated in the order, level 2 (acc. to VDA 2 or PPAP) is considered as the standard. The reports must be sent electronically to the responsible purchaser. They must be at disposal before receiving the material. The attests

and certificates of the material should always be original. It's not possible to send duplicates or copies. For communication both in written or spoken way there are always Czech, German or English.

Exception: Level 3 is required for components with critical functions.

### **Product / Process Change**

The supplier undertakes to inform APE (Purchasing and Quality Departments) and agree upon the required scope of release before making any change to a product, production process, or control procedure or equipment, including a change in a subcontractor and the supplier will discuss the required scope of release with APE. Changes may only be made after their release by APE.

## **6. Process fitness**

Some of the characteristics of the products are fundamental for their function/features. These characteristics are marked in drawings and they must be kept. Production processes and production equipment must be designed in such a way so that these characteristics could be ensured. A process is fit when a min.  $Cpk \geq 1.33$  is kept; for the automotive industry, this is according to the customer's requirements.

The supplier must appropriately prove the process fitness using suitable procedures. Fitness must be monitored continuously by the supplier. Documentary proof must be made available to APE upon its request.

In the case of unfit processes, a 100% check of the specified features must be carried out only for a transient period until the process fitness is restored.

## **7. Purchase from Subcontractors**

If the supplier obtains products or services from subcontractors, the supplier must extend the contents of this guideline to subcontractors and is responsible for its implementation by its subcontractors. The supplier is responsible for its subcontractors, their products, and services. The subcontractors must have a quality management system certified in accordance with ISO 9001; for the automotive industry, subcontractors must have at least ISO 9001. If there is a problem with quality (nonconformities), subcontractors must allow APE to carry out an audit any time upon the issuance of prior notice.

## **8. Evaluation of Supply Quality**

APE carries out inspections of input materials. The material quantity, identification, and package integrity are always checked. The qualitative input inspection is randomly carried out by the SKIP-LOT system. Agrostroj doesn't take responsibility for any low-quality delivery from the supplier.

Supplies or their parts which cannot be accepted by APE due to a defect will be included in a quality evaluation. The logistic performance (time-limit, quantity, etc.) and service are also evaluated. The supplier is informed of the evaluation results once per year. If problems with quality or logistics are detected, the supplier is informed immediately and it must take corrective measures immediately.

## **9. Complaint Procedure**

APE undertakes to inform its suppliers in due time on all cases of nonconformities detected in its supplies.

The supplier has 15 working days from the date of delivery of a Nonconformity Report (8D-Report) to prove that it is not responsible for what it is being blamed for and that it asks for the cancellation of its complaint accordingly. After 15 working days from the date of notification in the case of failure to submit formal and justified causes, the causes that led to the respective material being considered unsatisfactory are considered to be tacitly accepted by the supplier.

APE will inform its suppliers on the occurrence of such nonconformities by issuing a complaint report with a description of the nonconformity. The form of solving nonconformities within supplies by the customer is an 8D-Report. The period of response to the occurrence of nonconformities from a supplier claimed by the customer is set to 48 hours; the time-limit for sending an 8D-Report. If necessary, ISHIKAWA and 5 WHY will be required.

The supplier shall inform the customer within 2 working days from the receipt of a Complaint Report on how to further handle the retained material (whether it will be scrapped at APE at the supplier's expense or it will be returned to the supplier at its expense). This opinion is required by the customer in writing (e.g. by e-mail). In the case of a failure to keep to the time limit or the failure to submit an opinion, the material will be scrapped at the supplier's expense.

### **Penalty**

A time limit of 15 working days from the receipt of a complaint is set for the full completion of an 8DReport.

In the case of a justified claim, the customer will charge a one-time handling fee for settling the claim in an amount of EUR 70 for one claim.

### **Costs incurred to AGROSTROJ Pelhřimov a.s.**

The costs connected with the inconsistent delivery will be exacted from the supplier including the customer's expenses.

The main items that generally contribute to the determination of total costs incurred to APE can be divided as follows:

- measurement
- hours worked for the correction and control of unsatisfactory material and deliveries
- materials used for correction

- transport of repaired materials and/or the return of the material to supplier
- compensation of sums paid to supporting centres for possible corrective operations on-site
- all other costs necessary for the correction/control of unsatisfactory materials and subsequent reinstatement of the machines for the customer into the satisfactory conditions.

It is assumed that corrective operations are always performed by the supplier. AGROSTROJ Pelhřimov a.s. only acts in the case that these materials are necessary on an urgent basis.

#### **10. Environment**

APE carries out all activities in compliance with the applicable legislation and has an environmental management system acc. to ČSN EN ISO 14001 in place. One of APE's goals is to minimise the adverse effects of its activity on humans and the environment. The supplier must make a significant contribution to achieve this goal.

The supplier undertakes to have obtained all necessary legal and administrative permissions for the manufacture of products for APE and that the supplier fulfils the requirements arising from these permissions under any circumstances.

#### **11. Material Storage and Transport**

If the storage of materials on the supplier's premises is agreed to between APE and the supplier, the supplier is obliged to store all materials designated for APE in such a way that the stored material is not damaged. The material can be damaged, in particular, by the effect of moisture – material corrosion (when storing metallurgical material, only dry interlayer wood must be used) and incorrect storage (particularly sheets and bar material must be stored on a flat floor using interlays of the same height, which must be aligned on top of the other so that components are not damaged by the effect of internal stress when the material is processed).

Transported materials must be secured against movement. Damp, rusty, and otherwise damaged supplies and supplies without documentation will not be unloaded at APE. The supplier must use interlays of at least 8x8 cm for the trouble-free unloading of metallurgical material. Vehicles transporting metallurgical material must allow for unloading the material from the side and from the top (by crane).

#### **12. APE'S Specific Requirements**

Metallurgical material – metal semi-products such as sheets, pipes, hollow sections, and solid sections of various cross-sections must meet the above-prescribed standards:

- 1) Residual magnetism must not exceed 10 Gauss
- 2) For sheets rolled acc. to EN 10051, EN 10029, and EN 10131, a maximum of ¼ tolerance of flatness by the standard is allowed.
- 3) The surface of the sheets must be of such quality that after painting (without the use of sealants) with a cathaphoretic paint and the subsequent application of a powder or wet paint, no defect is visible on the surface at a distance of 1 m.

- 4) The content of silicon in grades S235JR, S235J2, S355J2, S315MC – S550MC must be up to 0.03%.
- 5) The agreed upon prices are NET prices and if conversion is used, the coefficient of 7850 kg/m<sup>3</sup> is used (for metallurgical steel semi-products); the transport parity shall be DAP Pelhřimov, Humpolec, or Počátky.
- 6) If sheets in lengths above 3.5 m are supplied, such packaging must be used so that it allows the unloading of bundles of sheets without damage by a handling truck (fork pitch 1.3 m).
- 7) The surface of the sheets must not be damaged by a mechanical marking by engraving or a paint that cannot be repainted. The preservation oils must be degradable by using of the standard paint pretreatment (it mustn't contain silicone, graphite, etc.)
- 8) The bar material must be marked with a colour before shipment in accordance with AGROSTROJ's standard No. AVN 00 0066.
- 9) If the supplier buys metallurgical materials for the products determined for APE from its subcontractors, then it is obliged to carry out the control of the data compliance on the material certificate 3.1 with the prescribed ČSN/EN/DIN standard with every received delivery.
- 10) The material attests, certificates should always be original. It's not possible to send copies or transcripts. The communication language is always Czech, German or English.

### 13. **GDPR**

In relation with the introduction of the GDPR, the supplier gives its consent to the processing of its personal data by APE and its subsidiary companies.

### 14. **Product Safety Officer (PSB)**

The Supplier shall appoint a Product Safety Officer (PSB), who is responsible for the product safety. Suppliers are obliged to notify APE of the name of this person.

### 15. **Confidentiality agreement**

The supplier undertakes that any data received from APE will be confidential and may not be improperly used, reproduced or disclosed to the third parties.(drawings, contracts, etc.). For the reasons of demand for material delivery the supplier can pass the received data on to the third party provided that he would also conclude the Confidentiality agreement with the third party.

### 16. **Goals for supplier**

The evaluation of suppliers is carried out once per year and the monitoring of the fulfilment of goals by automotive suppliers is carried out once per month.

The following criteria are evaluated:

PPM	5000 , unless otherwise stated in the contract
Number of claims	4 / year, if not determined differently by a supplement
Fulfilment of delivery dates	minimally 80 % of agreed deliveries

- In the case of the non-fulfilment of the goals, the information will be sent in the form of an escalation letter.

The APE will enter the eventual deviations specified in supplements into the SAP system.

### **Escalation Rules**

- sending the information to the supplier by a purchase worker
- Sending the escalation letter to the supplier by a purchase worker who is responsible for the development of suppliers
- Sending the escalation letter to the company management by a worker who is responsible for the development of suppliers
- Sending the escalation letter to the company management by the purchase manager
- Making a teleconference with the company management in possible attendance of the General Director
- Making a teleconference with the company management in attendance of the customer

Date :

Supplier:

AGROSTROJ Pelhřimov, a.s. :

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Lubomír Stoklásek  
General Director and Chairman of the  
Board of Directors