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QUALITY MANUAL FOR SUPPLIERS OF COMPANY BELIS A.S.

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1 APPLICABILITY

The present manual applies to suppliers of BELIS a.s. (hereinafter referred to as "BELIS" only) that deliver material, semi-finished products, and components, including the provision of services or cooperation, which fundamentally influence the quality of the final product.

The supplier shall be liable for quality of the purchased materials, semi-finished products, and components, or services provided to the extent of the full delivery based on clarification of requirements and specifications from BELIS.

The suppliers shall adequately pass the requirements of the present quality manual, including the legal requirements, to their subcontractors.

2 PURPOSE

The purpose of the quality manual is to escalate the requirements from customers of BELIS.

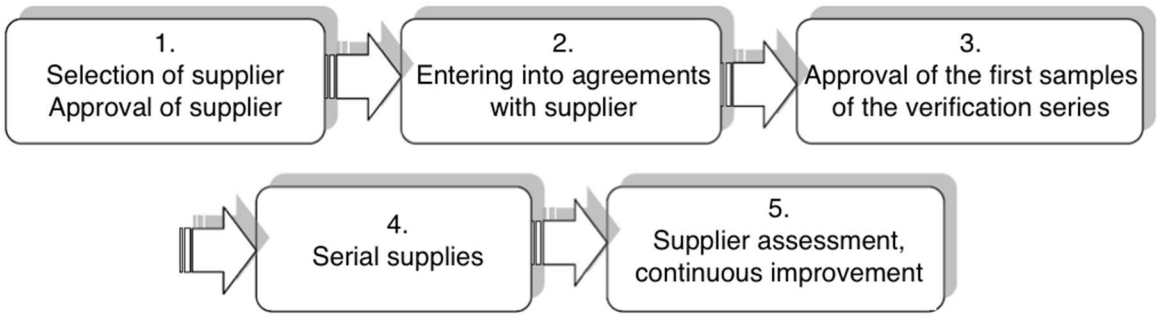

Figure 1: Procedure for provision of quality at the supplier level

3 REQUIREMENTS FOR THE SUPPLIER'S QUALITY MANAGEMENT SYSTEM

BELIS requires that the quality management system of the supplier complies with at least with the essential requirements in accordance with ISO 9001.

Compliance with the requirements may be either verified by an audit conducted by auditors delegated by BELIS, or by serving the certification by the supplier.

4 APPROVAL OF THE SUPPLIER

Approval of the supplier may be based on records of eligibility as previously demonstrated, current review of their quality management system, questionnaire, achievement of ISO 9001 certification, or approval of the supplier by a third party (approval by customer).

The method for approval of the suppliers by BELIS depends on the nature of the products or services being purchased. As the supplier's support, BELIS may conduct a "Supplier Prospective Analysis" prior to the production process planning phase at the supplier. Specific requirements for quality are discussed and clarified during the analysis as well as drawing documentation, critical features of the product, purchasing conditions, and more.

5 FIRST SAMPLES APPROVAL

First samples are used for acceptance of the supplied product by BELIS to the supplier. The samples represent products and materials manufactured using series technology. The first sample approval should demonstrate before the start of the series delivery that the defined requirements to the product parameters and quality have been met.

- Approval of the first samples will take place according to methodology at least PPAP level 2. The required submission level – quantity of the required samples including documentation requirements – shall be clarified in advance in a purchase order.
- The supplier shall inform and submit the first samples for approval in the following cases:
    - Start of the supply of a new part/material
    - Change to the design, specification, or material (change to the drawing documentation)
    - Change to the production method or production process with potential impact on the quality of product
    - Relocation of production, or change in suppliers or subcontractors
    - In the event of an interruption of the production/supply for more than 1 year

An evaluated sample report will be sent to the supplier upon evaluation of the samples. The samples shall be stored at BELIS input control and, if needed, will be used as reference samples (e.g. in the event of non-compliance of the series supplies).

5.1 Result of the sampling

- **APPROVED** – the criteria have been complied with, and the supplier may begin delivery of the products. The release of the sample procedure does not absolve the supplier from liability for the quality of the delivered products. Any deviations from requirements not revealed in the course of the sampling procedure may be subject to a complaint either immediately or at any later time.
- **CONDITIONALLY APPROVED** – the supplier may deliver the verification series according to the approved documentation and purchase orders. However, a plan for implementation of the remedial measures for the identified drawbacks must be submitted together with the verification series. If the plan is not be submitted or implemented, the supplier may not continue in the supply unless all required criteria are complied with.
- **NOT APPROVED** – the samples submitted by the supplier do not comply for use or operation of the product in important parameters. Incomplete reports and incomplete documents automatically result in rejection of the sampling procedure. The supplier shall be informed and requested for new sampling.

6 QUALITY PROVISION IN THE PRODUCTION PROCESS

6.1 GENERAL

Under serial production, BELIS requires that the supplier comply with the production quality parameters, further conditions, and activities. The supplier shall demonstrate the same upon request by BELIS through properly maintained records.

The supplier shall conduct corresponding tests and inspections during the serial production at a frequency to achieve the quality level expected by BELIS for the supplied products. Unless required otherwise, the tests and inspections procedure provision and system are left at the discretion of the supplier.

Unless agreed otherwise, the supplier shall process and submit a technological procedure of the delivered products.

6.2 METERING AND MONITORING EQUIPMENT

The supplier must demonstrate capability of the metering devices and test equipment via the MSA method.

6.3 RETAINING QUALITY RECORDS AND QUALITY SYSTEM DOCUMENTATION

The supplier shall be responsible for arranging, maintaining, and retaining the quality system documentation. The retaining period is controlled by specific requirements of the customers of BELIS.

Upon request, the supplier shall permit consultation of the quality records and documents.

6.4 PROVISION OF TRACEABILITY OF THE PRODUCTION

The supplier must make sure that the materials, semi-finished products, components, and final products are visibly identified and stored so as to avoid confusion or mixing, and to secure traceability.

Should the supplier, in the course of their inspection activity, detect any product not compliant with the valid specification, BELIS must be immediately informed accordingly.

The supplier must arrange for approval of the deviation in writing by BELIS.

The approval of the deviation is, in principle, limited to a certain volume of components/materials, or for a specific period of time. The supplier must clearly identify all supplies made for BELIS under the deviation in a manner agreed upon in advance.

6.5 AUDITS AT THE SUPPLIER

The audits provide information about quality management at the supplier.

To verify process capability, the supplier shall permit the process audit to be conducted by auditors delegated by BELIS, or by the auditors of the end customer.

The supplier is expected to develop a plan of remedial measures for deviations found during the audit not later than as specified in the audit report.

7 DELIVERY AND PACKING

The supplier shall ensure that the packing protects the components/materials against damage during warehousing and transport. The components shall be packed according to requirements of the customer.

Each packing of the products/materials (pallet, box, transport container, etc.) shall be visibly identified by a label with the following minimum data:

- Name of component/material
- Product batch
- Drawing number / product/material number / change index
- Name of supplier
- Delivery note number
- Date
- Number of units of measure in packing/order No.
- Name of receiver
- Other – as required by BELIS

8 COMPLAINTS

Should quality or logistic nonconformity be identified for the delivered products/components/materials, the supplier shall be immediately informed thereof by BELIS.

Upon receipt of the complaint, the supplier shall immediately take steps as follows:

1. Immediate measures – within 24 hours

Remedial measures/elimination of nonconformity – 100% inspection, sorting of delivered products including products in stock at the supplier or in transit, delivery of an alternate perfect supply, etc.

2. Remedial measures – within 5 business days

Remedial measures to remove the root cause of the nonconformity, and prevention of recurrence thereof in the future.

The complaint shall subject to 8D report methodology.

9 ENVIRONMENT, SAFETY, RECYCLING

The supplier shall follow the legal requirements applicable to environment protection and occupational health and safety.

The materials used and their contents must comply with the legal requirements regarding the environment, safety, and recycling, or, as the case may be, the agreed specifications of the customer or drawing data in writing.

10 SUPPLIER ASSESSMENT

BELIS annually conducts assessment of their suppliers as stipulated in the internal regulation OSQ 11 Purchasing. In the event of negative results, the assessment is delivered to the supplier with a request to develop an action plan.

11 LIABILITY OF THE SUPPLIER

The supplier shall be primary responsible for the components/materials delivered to BELIS used in the final product both with respect to quality and safety.

The supplier shall compensate any and all justified costs to BELIS incurred to them as a consequence of their nonconforming supply.

BELIS expects their supplier to establish the organizational and technical pre-conditions so that the quality and safety of the supplied products/materials is ensured in order to minimize the product liability risks.

12 DECLARATION OF SUPPLIER'S CONSENT

The present quality manual is a part of the contractual relationship between BELIS and the supplier. The manual applies as early as in the demand phase. The manual is available on BELIS's website.