

Supplier Quality Manual

Expectations of Iskra Avtoelektrika Group from its suppliers

Our customers expect us to meet or even exceed all their expectations in the field of the quality products and service. In order to come up to these expectations, we need reliable and competent suppliers, committed to common goals and quality.

The supplier quality manual describes the requirements that Iskra Avtoelektrika sets for the suppliers and their practical instructions to meet them.

This document is monitored and maintained on the Web site of Iskra Avtoelektrika. All other copies are not maintained. In case of greater and more important changes of the manual, Iskra Avtoelektrika will notify its suppliers about them.

By making an offer or signing the Supply Agreement, the supplier undertakes to acknowledge, accept and comply with all the given principles and procedures described in this manual.

The Purchasing Division

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1. INTRODUCTION

The goal of this manual is to introduce the requirements and expectations of Iskra Avtoelektrika to its suppliers, in order to constantly improve the products and service:

- Introduce the expectations and requirements of Iskra Avtoelektrika with reference to competitive prices, quality of the supplied products, services and on time delivery.
- Define the relationship, obligations and responsibilities.
- Specify the procedures in the purchasing processes, in which the suppliers are involved.
- Facilitate the means of communication and ensure the proper flow of information that refers to nonconformities, solutions or ideas in order to improve the quality.
- Present the requirements demanded by the quick and simple introduction of a new or changed product in the production process of Iskra Avtoelektrika.
- Facilitate the development of continual improvements, discussion of suggestions from the supplier part, and implementation of preventive and corrective actions.

2. GENERAL REQUIREMENTS AND SPECIFICATION

2.1. Requirements of Iskra Avtoelektrika from the Suppliers

2.1.1. Confidentiality

Both, the suppliers and Iskra Avtoelektrika can use the documents and the knowledge acquired from their business relations only for the purpose of this relationship. Also, these documents should be regarded as confidential. This confidentiality should last also after the termination of business relations. In the same way, the suppliers are obliged to bind their employees, sub-suppliers and other business partners.

All technical documentation and data, given at the supplier's use by Iskra Avtoelektrika, are business secrets and property of Iskra Avtoelektrika, for which Iskra Avtoelektrika requires total confidentiality. Furthermore, at its request the supplier has to return the whole given documentation. Production following this documentation is allowed exclusively for Iskra Avtoelektrika. The same requirements hold also for the supplier's sub-suppliers. Transmission of these documents to others is allowed only by written consent of Iskra Avtoelektrika.

The supplier confirms this commitment with the **Declaration on Confidentiality**, which it receives at the inquiry. The supplier shall complete, sign and return the form to Iskra Avtoelektrika.

2.1.2. Responsibility

The supplier is fully responsible for the moral and material fulfillment of all contractual obligations and implementation of the procedures described in this manual. It has to ensure that the supplied products and services meet the requirements of Iskra Avtoelektrika given with the valid technical documentation. The requirements of Iskra Avtoelektrika are:

- 100% in-time delivery and
- no nonconforming products respecting the quality requirements.

Iskra Avtoelektrika requires from its suppliers implementation of the entire quality management of their products and service. The Supplier Development Department of Iskra Avtoelektrika carries out the PPAP procedure (Production Part Approval Process), occasional control of the conformity of the supplied products quality and the assessment of Quality Management system.

2.1.3. Quality System

The supplier's commitment to supply products in conformity with quality requirements has to be assured by the implementation of the modern and efficient quality management system, which includes the "no nonconformities principle" in development, production and all other processes. A special stress is laid on preventive methods and not on those that are detecting nonconformities.

2.1.4. The Consequences of Nonconformities

In case of nonconformities, Iskra Avtoelektrika has the right to claim reimbursement from the supplier for all the costs resulting from:

- loss of production,
- the necessary extra work,
- loss of sales,
- final customers claim costs,
- transport, administrative and other costs, resulting from the supplier's fault.

All costs are settled by the valid **Price List of Claim Costs**.

2.1.5. Technical Documentation

Documentation sent to the supplier has to be properly filed and maintained. For this purpose, the supplier has to keep a register of the entire received documentation and of every change in it.

Technical questions will be resolved exclusively by the responsible people in the Purchasing Division of Iskra Avtoelektrika. Technical documentation delivered to the supplier can be changed only by Iskra Avtoelektrika, in accordance with the due procedures.

2.1.6. General Terms of Delivery

General Terms of Delivery are a constituent part of every Demand and every Supply Agreement.

2.1.7. Legal Requirements

The suppliers are, with regard to all the supplied products and services, responsible for meeting the applicable legal requirements of the country, with reference to which manufacture and sales of the product are carried out. All the necessary information on this can be found in the Purchasing Division.

2.1.8. Environmental Requirements in general

In compliance with the adopted environmental policy, Iskra Avtoelektrika carries the environmental requirements over to the suppliers by demanding from them consideration for the applicable national environmental legislation and the recommendation for certification to ISO 14001. Iskra Avtoelektrika examines the supplier's environmental responsibility by an **Environmental Questionnaire**, what is one of the criteria for choosing and approving a new supplier. Environmental responsibility of the suppliers that are not certified to ISO 14001 is assessed in the same way by Iskra Avtoelektrika every three years.

Materials and components built in the products of Iskra Avtoelektrika have to be manufactured in compliance with EU Directive 2000/53/EC and its Annex II of the European Commission Decision of 27.06.2002. The Supplier proves the compliance by a **Written Supplier Declaration on the Conformity of Products** (Declaration).

2.1.9. Environmental Requirements regarding packaging

When making out demand and/or supply, Iskra Avtoelektrika and the supplier have to define the amount and type of units of packaging. For this purpose, the supplier fills in the **Packaging Form**, from which one can see the amount and type of packaging (paper, cardboard, metal, wood, plastics). It is recommended for the packaging to be of the following plastic materials:

- high density polyethylene - HDPE
- low density polyethylene - LDPE
- polypropylene - PP
- polystyrene - PS.

The use of other plastic materials is possible only if previously approved by the Environmental Department of Iskra Avtoelektrika. The supplier confirms the conformity of the packaging with the requirements of applicable EU legislation (Directive 94/62/EC and the related Decisions of European Commission) by a stamp and a signature of an authorized person. The Supplier can change the packaging only after having received a written approval from Iskra Avtoelektrika.

2.1.10. Material Safety Data, Statement, Material certificate for purchasing goods

In compliance with the requirements in the table "Quality and environmental requirements", the supplier is, for the supplied materials, bound to deliver:

- Safety data sheets and statements to the Environmental Department of Iskra Avtoelektrika
- Certificates of conformity to the Iskra Avtoelektrika's department for Supplier Development

List of goods for certificates		Quality						Ecology		
		Required document								
		Material Certificate						Material Safety	Statement	
		(EU, USA, Japan, developed world...)			Outside of EU (China, India, the Near East...)			Data Sheet	ELV 2000/53 + material certificate	Directive Packaging 94/62 Statement
Material	Description	Only at PPAP	At each delivery	Once per year	Only at PPAP	At each delivery	Once per year	Before first delivery	At beginning of cooperation	At beginning of cooperation and each change of packaging
COPPER	commutators: Cu bars			✓		✓			✓	
	commutators: potting resin			✓		✓			✓	✓
	commutators: bushes (brass, steel)	✓			✓				✓	
	enamelled copper wire: Cu			✓		✓			✓	✓
	enamelled copper wire: varnish	✓				✓			✓	
	contact screws		✓			✓			✓	✓
	Cu wire for contact screws		✓			✓			✓	✓
	Cu rectangular wire			✓		✓			✓	✓
	flexibles, cables	✓				✓			✓	✓
conductors and bridges (by Dwg.)	✓				✓			✓	✓	

List of goods for certificates		Quality						Ecology		
		Required document								
		Material Certificate						Material Safety	Statement	
		(EU, USA, Japan, developed world...)			Outside of EU (China, India, the Near East...)			Data Sheet	ELV 2000/53 + material certificate	Directive Packaging 94/62 Statement
Material	Description	Only at PPAP	At each delivery	Once per year	Only at PPAP	At each delivery	Once per year	Before first delivery	At beginning of cooperation	At beginning of cooperation and each change of packaging
STEEL	bars		✓			✓			✓	✓
	sheet metal		✓			✓			✓	✓
	tubes for yokes		✓			✓			✓	✓
	springs	✓				✓			✓	✓
	shafts: turned			✓		✓			✓	✓
	shafts: forgings		✓			✓			✓	✓
	pulleys	✓			✓				✓	✓
	plungers	✓				✓			✓	✓
	clutch housings		✓			✓			✓	✓
	pinions, gears (cold forged, rammed..)		✓			✓			✓	✓
	pole shoes	✓			✓				✓	✓
	stator - armature stacks			✓		✓			✓	✓
	bearings: metal parts	✓				✓			✓	✓
	bearings: grease	✓				✓			✓	✓
	screws, nuts accord. to standard	✓				✓			✓	✓
	screws, nuts accord. to drawing (Rm over 800 N/mm2)	✓				✓			✓	✓
punching parts acc. to std. & dwg.	✓				✓			✓	✓	
ASSEMBLIES	yokes, coils, windings, etc.			✓			✓		✓	✓
	brush holders, ground plates, etc.			✓			✓		✓	✓
	stators, armatures (+windings, solder, commutators...)			✓		✓			✓	✓
SINTER	magnets Fe in NeFeB	✓			✓				✓	✓
	brushes Cu-Pb	✓				✓			✓	✓
	bushings - bronze	✓				✓			✓	✓
	pinions, gears	✓				✓			✓	✓
ALUMINIUM	Al alloy- ingots		✓			✓			✓	✓
	Al castings	✓			✓				✓	✓
	Al sheet, shapes		✓			✓			✓	✓
GREY AND NODULAR IRON	grey, nodular castings	✓			✓				✓	✓
	grey, nodular castings + varnish	✓			✓				✓	✓
COLOURED METALS, ALLOYS (brass, bronze, solder...)	tubes, sheet		✓			✓			✓	✓
	screws, nuts accord. to standard	✓			✓				✓	✓
	screws, nuts accord. to drawing	✓			✓				✓	✓
	punching parts acc. to std. & dwg.	✓			✓				✓	✓
	Zn anodes		✓			✓			✓	✓
	solder: Pb and Lead-free		✓			✓			✓	✓
	solder 430 wc 800, solder with flux		✓			✓		✓	✓	✓
TERMOPLASTS	granular (PA, PET, PPS, PBT, ABS) products	✓				✓				✓
	UL requests (USA)		✓			✓				
DUROPLASTS	PF - phenols: switch covers (bakelite)	✓				✓				✓
	epoxy: bandage rings	✓				✓				✓
	UL requests (USA)		✓			✓				
RUBBER	products of rubber (NBR, silicon)	✓				✓				✓
INSULATIONS	presspan (Hp), nomex, insul. tubes...	✓			✓					✓
	laminates (izotex, izocart, pregnit...)	✓			✓					✓

List of goods for certificates		Quality						Ecology		
		Required document								
		Material Certificate						Material Safety	Statement	
		(EU, USA, Japan, developed world...)			Outside of EU (China, India, the Near East...)			Data Sheet	ELV 2000/53 + material certificate	Directive Packaging 94/62 Statement
Material	Description	Only at PPAP	At each delivery	Once per year	Only at PPAP	At each delivery	Once per year	Before first delivery	At beginning of cooperation	At beginning of cooperation and each change of packaging
ELECTRONICS	printed circuits	✓			✓				✓	✓
	electronic components	✓			✓				✓	✓
	cheramic circuits	✓			✓				✓	✓
	assemblies (regulators, modules...)	✓			✓				✓	✓
CHEMICALS	colours and varnishes		✓			✓		✓	✓	✓
	gases	✓				✓		✓		✓
	impregnating, moulding resins		✓			✓		✓	✓	✓
	alcohols							✓		✓
	solvents	✓			✓			✓		✓
	fluxes	✓			✓			✓		✓
	greases	✓			✓			✓		✓
	oils and emulsions	✓			✓			✓		✓
	glues			✓			✓			✓
	washing agents							✓		✓
	other chemicals							✓		✓
PURCHASED PACKING FOR ISKRA'S PARTS SALE	wood (palettes, boxes...)								✓	✓
	paper, cardboard (boxes, inserts...)								✓	✓
	plastic (bags, films, inserts, cases...)								✓	✓
	metal (cases, strips...)								✓	✓
	adhesive tapes								✓	✓
SURFACE PROTECTION *	Cu, Sn, Zn, Ni, Cr, Ag	✓			✓				✓	✓
SBU Trading	Complete products	✓			✓				✓	✓

* - At PPAP procedure, supplier shall submit certificate of surface protection according to rule QB 15921266 - Appendix B

2.2. Commitments and Responsibilities of Iskra Avtoelektrika to its Suppliers

Iskra Avtoelektrika has the consequence of obliging to respect all provisions of this manual and to establish fair and long-term partnership with the supplier. Its goal is to satisfy the customers and the suppliers.

3. REQUIREMENTS FOR THE SUPPLIERS QUALITY MANAGEMENT SYSTEM

3.1. Quality Management System

Iskra Avtoelektrika requires from the suppliers to establish, implement and certify the quality management system that meets the requirements of ISO 9001:2000 or ISO/TS 16949. **Every supplier has to have at least the certificate ISO 9001:2000, exceptionally only with the approval of Iskra Avtoelektrika.**

Regarding the complexity of a product that is produced for Iskra Avtoelektrika by the supplier, the requirements for the supplier quality management system are as follows:

Complexity level	Product	Technology	Required certificate
1	Products for the automotive industry	All belonging technologies	ISO/TS 16949 and meeting Customer Specific Requirements Desirable ISO 14001
2	Products developed by the supplier or in cooperation. Developmentally and technologically very demanding products that have a crucial impact on the technical characteristics of the final product, on the reliability of its operation and on its life expectation. Example: Switches, starting relays, electronic couplings, permanent magnets, bearings, bearing bushes, stators, rotors, commutators, clutches, brushes, gears, springs, rollers, slip rings, copper wires, shaft assemblies, steels, non-ferrous metals...	Hardening, cold forging, demanding machine treatment (turning, grinding, milling)	At least ISO 9001:2000 Desirable ISO/TS 16949 ISO 14001
3	Products that are less important for the proper functioning of the machine and are produced by the use of less demanding technologies. Examples: Grey iron castings, aluminium, plastic, rubber castings, metal semi products, paint, varnish, insulating materials...	Casting, welding...	At least ISO 9001:2000 Exceptionally only by approval of Iskra Avtoelektrika Desirable ISO 14001
4	Smaller parts or assemblies that do not effect the functioning of the final product. Examples: Screws, nuts, washers, simple stampings, labels, packaging ...	Strips cutting, simple products stamping...	At least approval of IAE Desirable ISO 9001:2000 ISO 14001

3.2. Approval of Iskra Avtoelektrika

Product complexity level 4 and exceptionally 3 has to be approved by Iskra Avtoelektrika, based on the audit performed by Iskra Avtoelektrika. The supplier has to meet the following conditions:

- well arranged and maintained records of technical documentation,
- efficient control over its suppliers and incoming materials, to sample, confirm and appropriately store materials,
- well prepared technical documentation for technological control used in production,
- use of appropriate and capable production means,
- use of the necessary measuring equipment, which has to undergo the metrological control for ensuring product quality,
- quality control in operations of the production process together with quality records,
- use of the appropriate labeling regarding the operations of technological procedure,
- quality control of the product at the end of the production process and before shipment,
- working environment of the working process meets the conditions necessary for the product quality.

3.3. Sub-suppliers

The suppliers have to forward the requirements of Iskra Avtoelektrika to their suppliers. All manufacturers involved in the production – supply chain have to use the appropriate quality management systems at their work, as only in this way can the quality of the final product be ensured.

Considering the foregoing, Iskra Avtoelektrika has the right to audit the sub-supplier's quality management system, if necessary. In this case, the supplier shall organize the audit and take an active part in it.

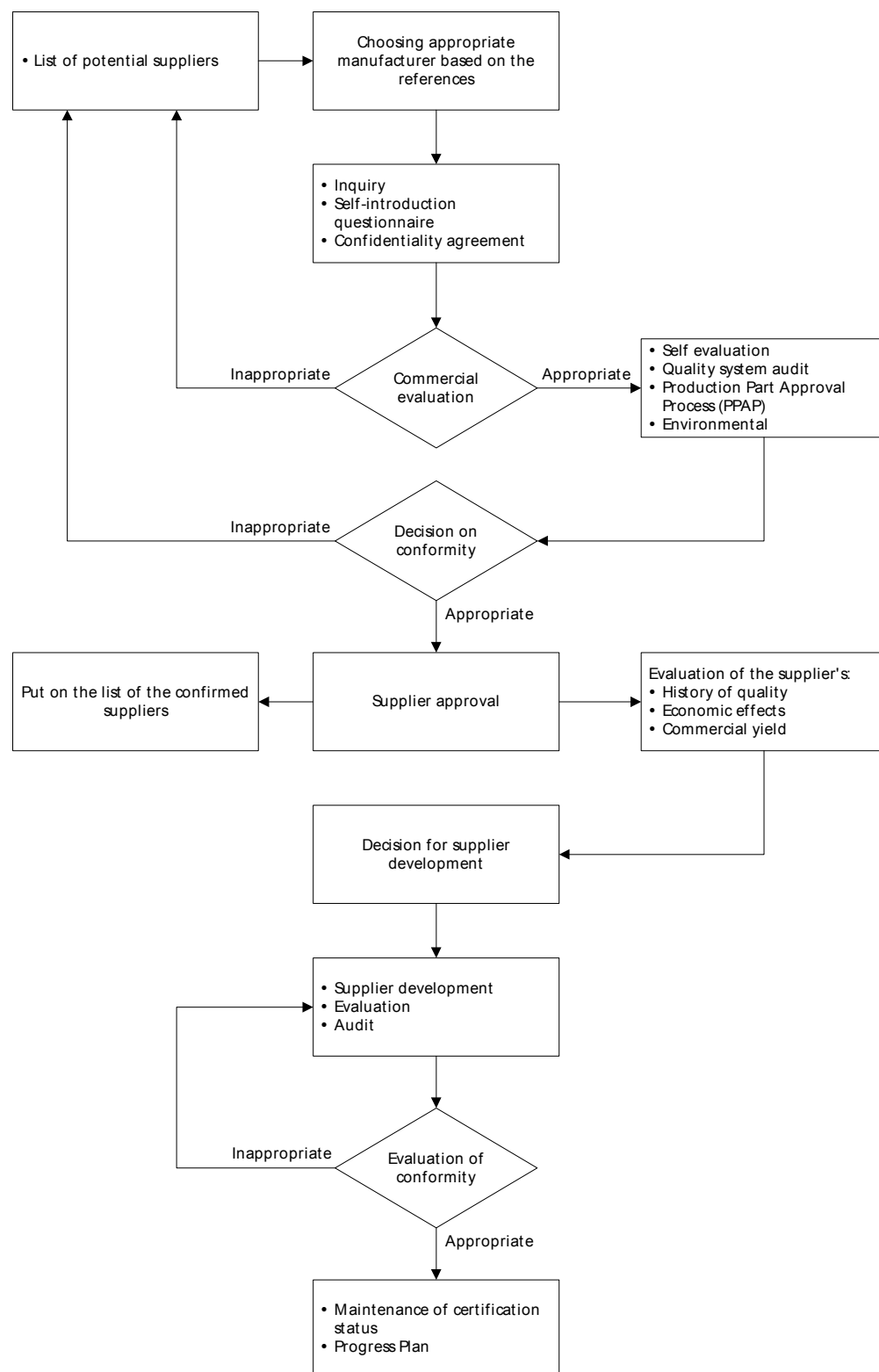
3.4. Respecting the Customers of Iskra Avtoelektrika

If the customer requires, Iskra Avtoelektrika is obliged to enable the audit of the supplier's quality management system. The same applies for the assessment of the sub-supplier.

4. APPLICATION AND MAINTENANCE OF THE POSITION OF A CONFIRMED SUPPLIER

4.1. Choosing and confirming new suppliers

The procedure of choosing and confirming a new supplier is shown by the following diagram:



4.1.1. Self-introduction

The first step in confirming a new supplier is self-introduction, by which Iskra Avtoelektrika wishes to acquire the basic data of the manufacturer.

To this end, Iskra Avtoelektrika sends the supplier the **Self Introduction Questionnaire** and the **Supplier's Environmental Assessment Questionnaire**, which need to be filled in and sent back to Iskra Avtoelektrika.

4.1.2. Self-assessment

The goal of self-assessment is to find out, whether the supplier has an efficient quality management system. In such cases, Iskra Avtoelektrika sends the supplier the **Audit Questionnaire** (to VDA 6.3).

In this case, the supplier shall fill in the complete questionnaire and do the self-assessment according to individual spheres. Considering the total number of points, the supplier is classified into one of the following classes:

Class	%	Evaluation
A	90 -100	Competent
AB	80 - 89	Mainly competent
B	60 – 79	Partly competent
C	below 60	Incompetent

Based on these results, Iskra Avtoelektrika decides on the next stage of the procedure.

4.1.3. Quality Management System Audit of the Potential Supplier

If necessary, Iskra Avtoelektrika can conduct its own quality management system audit at the potential supplier. In this case, Iskra Avtoelektrika first informs the potential supplier about its intention of carry out an audit and together they agree details. To make the audit easier, Iskra Avtoelektrika can send the supplier the evaluation questionnaire beforehand.

Regarding the audit results, Iskra Avtoelektrika can require from the supplier a plan of corrective measures to eliminate the nonconformities that were found during the audit. For this purpose, Iskra Avtoelektrika's auditor sends the supplier two forms: **Summary Assessment** and **Corrective Action Plan**. In the latter he indicates all the nonconformities found. The supplier is bound to prepare and return a plan to the auditors within the specified period of time, Iskra Avtoelektrika has the right to check the efficiency of the implemented corrective measures.

4.1.4. List of the Confirmed Suppliers

Suppliers that satisfy the criteria of Iskra Avtoelektrika and meets all the conditions become confirmed suppliers. Iskra Avtoelektrika concludes supply agreements only with the suppliers from this list.

4.2. Audits of the Confirmed Suppliers

From time to time, Iskra Avtoelektrika carries out audits of the confirmed suppliers. An individual audit is announced in advance. In case of nonconformities, the supplier is obliged to prepare, present and carry out corrective actions to eliminate the nonconformities.

4.3. Evaluation of confirmed suppliers by deliveries

The evaluation of suppliers by deliveries includes the following fields:

- Quality,
- Price competitiveness,
- Accuracy of deliveries,
- Support.

4.4. Suppliers Classification

Based on this evaluation with reference to all evaluating fields, Iskra Avtoelektrika once a year . prepare the classification and advise the suppliers. The possible class are:

Partner:	Supplier that has been meeting and exceeding all the requirements of Iskra Avtoelektrika (with reference to supply, target prices, quality etc.) for a longer period of time and has also had key supplier status.
Key supplier:	Supplier that meets all the requirements of Iskra Avtoelektrika (with reference to supply, target prices, quality etc.). Key supplier is financially stable and reaches the world development level, products quality, and competitive prices.
Appropriate supplier	Supplier that meets only the basic requirements and expectations of Iskra Avtoelektrika and shows improvements trend.
Conditional supplier:	Supplier that only occasionally meets the basic requirements and expectations of Iskra Avtoelektrika and whose orders are gradually cut down. He does not get new inquiries and is not included in new projects.

4.4.1. Opportunities for the Suppliers

The goal of these evaluation is mostly to stimulate those suppliers that meet and exceed the expectations of Iskra Avtoelektrika. Such suppliers are on the top of the list concerning orders, inclusion in new projects and acquiring new orders. The suppliers that do not meet the expectations of Iskra Avtoelektrika cannot count on acquiring new orders.

4.5. Losing the Status of the Confirmed Supplier

The supplier can lose the status of the confirmed supplier in the following cases:

- The supplier declines the request to carry out an audit ;
- The supplier assessment score classifies it to class C;
- The supplier has not efficiently carried out the required corrective actions;
- Following the supplier classification, the supplier was ranked into the Conditional Supplier group;
- The supplier severely violates the provisions of the supply agreement or the general terms of delivery;

If a confirmed supplier loses its status, this means termination of the agreement and loss of all orders.

5. REQUIREMENTS PRIOR TO SIGNING THE AGREEMENT

5.1. Supply Capacity of the Supplier

A condition of starting business with the supplier is that the supplier has been put on the list of the confirmed suppliers. For Iskra Avtoelektrika this is an initial guarantee, meaning that the supplier is, from the business point of view, appropriate and that a long-term cooperation with this supplier is not risky.

5.2. Inquiry and Quotation

The supplier has to be competitive not only in the field of quality, but also in the field of the price. To this end, Iskra Avtoelektrika sends the supplier a form **Request for Quotation**. Besides this form, Iskra Avtoelektrika also encloses General Terms of Delivery and the technical documentation, if necessary.

- Iskra Avtoelektrika sends the supplier the request for quotation when:
- it is looking for a supplier of new products,
- it is changing the technical requirements for a product,
- it is implementing logistic changes (packaging, transportation),
- it is conducting a market supply analysis.

Iskra Avtoelektrika will deal only with the complete offers – on the Request for Quotation form or on an equivalent form of the bidder.

Before making an offer, the suppliers has to check all the necessary technical, safety and environmental data and find out if they are feasible. Every detail, demand, measure, material etc. that the bidder cannot assure, has to be mentioned in the offer.

The supplier is obliged to present the proposals for reductions in product prices during the whole period of validity of the order. However, the functional and quality requirements still have to be ensured. Iskra Avtoelektrika expects the supplier to achieve the annual goals of cutting the prices by process improvements and by making good use of the possibilities for reduction of prices.

5.3. Supply Agreement

The legal basis for the supply is the supply agreement that is based on the agreement of the both business partners. As a rule, the supply agreement is signed to form a long-term partnership with a supplier. In a broad sense, the supply agreement also means a confirmed offer or a written order confirmation.

Iskra Avtoelektrika and the lowest tendener bring all the supply and agreement conditions in line. Iskra Avtoelektrika draws up the Supply Agreement and sends it to the supplier for signature.

The agreement comes into force when it is signed by the authorized representative of Iskra Avtoelektrika and the authorized representative of the supplier.

Prices and supply conditions written in the agreement refer to all supplies during the validity of this agreement. The supplier's invoices or requirements that are not based on the written order of Iskra Avtoelektrika shall be refused.

The goal of Iskra Avtoelektrika is to conclude a long-term supply agreement with a supplier.

Iskra Avtoelektrika delivers the supplier the technical documentation that belongs to this agreement by registered post and together with the form **Technical Documentation Delivery**.

6. REQUIREMENTS PRIOR TO MASS PRODUCTION

6.1. Planning

At the request of Iskra Avtoelektrika, the supplier has to make a project plan for the new products. This has to contain elements of the advanced product quality planning (APQP), timetable, review of activities, inspection points, target dates and the list of the authorized persons. The goal of this plan is to ensure meeting of quality requirements respecting the product and the project realization in good time.

6.2. Ensuring Sub Suppliers Quality

Ensuring the quality of the final product also demands also quality of all the products that come from the sub-suppliers and are incorporated into the products for Iskra Avtoelektrika by the suppliers. Therefore, Iskra Avtoelektrika requires that the supplier sets the sub supplier equivalent requirements to those required from him by Iskra Avtoelektrika.

6.3. Technical Requirements of Iskra Avtoelektrika

Iskra Avtoelektrika sets the technical characteristics of the products that are manufactured by the supplier and have to be in compliance with the technical requirements. These are given in the technical documentation that consists of the following documents:

- drawing (of a part or an assembly),
- parts list (design or technology),
- international standard,
- standard of Iskra Avtoelektrika,
- test specification,
- process sheet,
- inspection sheet,
- manufacturer final control data form (MFCD).

6.4. Production Parts Approval Process (PPAP)

6.4.1. General

Quality planning is essential for assuring quality, constant improvements, preventing nonconformities and for process optimisation.

PPAP is a procedure that enables a supplier to start a production for Iskra Avtoelektrika in a completely controlled way – in a way that prevents any kind of risk and guarantees a long-term insurance of product quality.

The goal of the PPAP procedure is for Iskra Avtoelektrika to check, whether:

- the supplier fully understands all its demands,
- the supplier has all the necessary documentation at its disposal,
- the supplier has a process that is suitable enough,
- first parts, produced under the conditions of mass production, actually comply with all the set requirements.

The samples are usually free of charge unless otherwise agreed.

6.4.2. Procedure

Iskra Avtoelektrika requires from the supplier a written proof (submission) for carrying out this inspection. A successful conclusion of the PPAP procedure and its approval on the part of Iskra Avtoelektrika, is a condition for starting the supply.

A detailed description of the PPAP procedure can be found in the PPAP Manual.

- **Drawing** (the last valid issue),
- **Document changes** (confirmation of changes before publication),
- **Customer engineering approval** (if necessary),
- **Design FMEA**,
- **Process flow chart**,
- **Process FMEA**,
- **Dimension results**,
- **Test results**,
- **Process capability** (initial process study),
- **Measuring system analysis** (MSA),
- **Qualified laboratory documentation**,
- **Control plan** (Control plan for all the operations of the entire process),
- **Part submission warrant** (PSW),
- **Appearance Approval Report** (AAR) (if applicable),
- **Bulk material** requirements checklist,
- **First samples** (first parts manufactured under the conditions of mass production),
- **Muster sample** (a sample that serves as a quality measure),
- **Checking aids** (the list of the foreseen measuring tools),
- **Records of compliance with customer specific requirements.**

The supplier is obliged to carry out all the required procedures and prepare the appropriate documentation following the listed items.

The Purchasing Division of Iskra Avtoelektrika forwards the **PPAP Requirements - PSW** and **PPAP Measurement Results** form with the requirements and the list of documentation that needs to be submitted to the supplier.

The PPAP procedure is obligatory in the following cases:

- new supplier,
- new product,
- design change,
- material change,
- technology change,
- production location change,
- inactive production process for more than one year,
- sub-supplier or material source change.

In any of such cases, the supplier is obliged to inform Iskra Avtoelektrika about the change and agree upon the following steps of the PPAP procedure.

6.4.3. The Decision of Iskra Avtoelektrika

After the review of the documentation and the first samples, Iskra Avtoelektrika takes one of the following decisions and it informs the supplier about it in writing:

- **approved:** the supplier fully meets the requirements of Iskra Avtoelektrika and can start with supply to order
- **temporarily approved:** the supplier does not fully meet the requirements of Iskra Avtoelektrika. Iskra Avtoelektrika therefore approves only limited amount of products and sends further requirements for the supplier:
 - find out the cause of the nonconformities,
 - prepare and submit a plan of corrective actions,
 - prepare a new submission for a full approval,
- **rejected:** the supplier does not meet the requirements of Iskra Avtoelektrika.

Iskra Avtoelektrika can also reject the PPAP documentation and the first samples in the following cases:

- the documentation and the first samples are not delivered within the specified time,
- the supplier does not deliver all required documentation or required amount of the first samples,
- the first samples are not labelled in the correct way,
- the measurement report is incomplete (imperfect),
- the first samples are not manufactured under the conditions of mass production.

The approval procedure for the first samples often requires long-lasting and expensive durable testing of the final products that have to be carried out by Iskra Avtoelektrika in order to approve the first samples. Therefore, the supplier will be charged for all the costs arising from inappropriate, repeated sample products which are the fault of the supplier.

The supplier can start with a regular product supply only after receiving the written approval of the PPAP procedure. Iskra Avtoelektrika will pay the bills for tools, material and testing equipment only after the approval of the first samples.

6.4.4. Storage of Records and Samples

Both, the supplier and Iskra Avtoelektrika shall store the documentation and samples subject to the PPAP procedures for the duration of the supply agreement and at least seven years after its termination. Documentation and first samples changes have to be appropriately registered.

6.4.4.1. Instructions for the Report preparing

For the purpose of the PPAP procedure, Iskra Avtoelektrika delivers the supplier two copies of drawings, the supplier keeps one and the other is sent back to Iskra Avtoelektrika together with the report. The supplier must number all the characteristics on the drawing in sequence. The correct marking is always in the clockwise direction, on each section and detail. The samples need to be numbered in sequence. If the samples come from the multi-cavity tools, the pieces from all cavities must to be sampled and the pieces from an individual cavity need to be numbered in sequence. In case of a greater number of samples, the measurements need to be registered in the special appendix, whereas the limit values need to be registered in the report.

The supplier has to carry out all the required and agreed tests on the samples and he has to deliver the appropriate report to Iskra Avtoelektrika. **All the measured values that are outside the tolerance limits need to be marked.** Deviations of critical and important characteristics are not permitted; in such cases, the supplier should not submit the first samples. Characteristics specified by law shall be marked with »D«. The necessary data is also: the name of sub-supplier (electroplating, heat treatment, executor of special measurements...) and the producer of material from which the sample has been manufactured.

Report on the first sample test consists of two forms:

- PPAP Requirements - PSW
- PPAP Measurement Results

In so doing, the supplier uses the forms of Iskra Avtoelektrika or its equivalent ones.

6.4.4.2. Testing Means and Methods

The supplier has to have testing means at its disposal. If the tests require the use of special devices that the supplier does not have at its disposal, the measurements can be performed in Iskra Avtoelektrika at the supplier's order. If Iskra Avtoelektrika cannot carry out the tests, the supplier has to find a suitable authorized laboratory. If necessary, Iskra Avtoelektrika and the supplier have to agree upon the way of carrying out individual testing procedures.

6.4.4.3. Responsibility and Liability of the Supplier

On principal, Iskra Avtoelektrika does not have to check the objectivity of the measurement results and tests carried out on the first samples by the supplier. The supplier is fully responsible for them and for all the hidden defects and nonconformities that appear later, during the application of the product. After the supply release, the supplier is obliged to maintain and improve the quality.

6.4.4.4. The Number of the Necessary Samples

Generally, Iskra Avtoelektrika requires at least **five** samples; the exceptions are given in the following table:

NAME OF THE PRODUCT	THE REQUIRED NUMBERS OF SAMPLES (PIECE)
BINDING PARTS	10
SPRING WASHERS	20
PERMANENT MAGNETS	30
BRUSHES	20
SINTERED PRODUCTS	20
ROLLERS	20
BEARINGS	10
BEARING BUSHES	20
SPRINGS	25 + base material sample
COMMUTATORS	15
ALUMINIUM, GREY IRON	3 pcs/cavity
NON METAL CASTINGS	3 pcs/cavity

Five (5) samples more than indicated in the table above have to be delivered for the electroplated products of new suppliers.

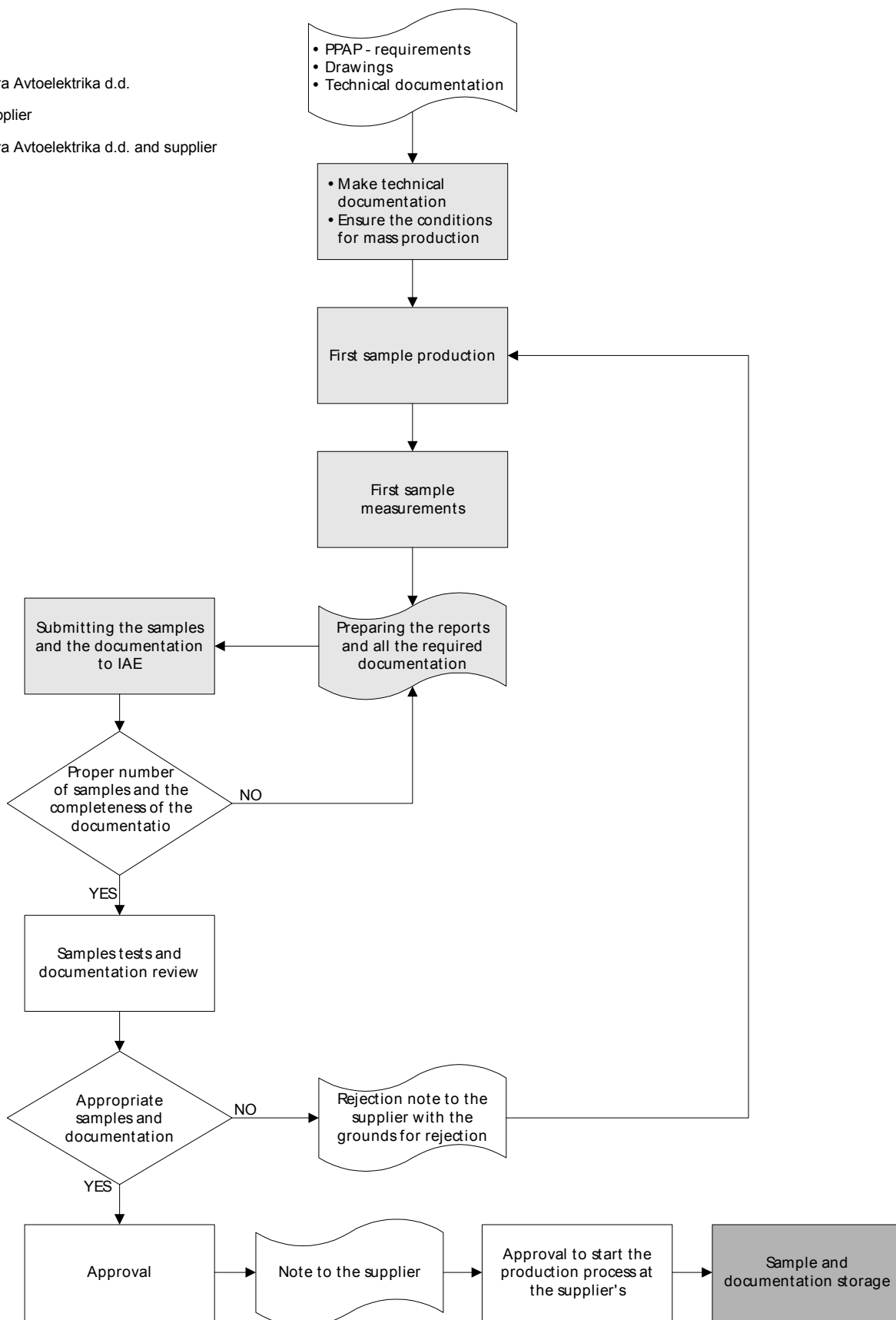
In all other cases, a special agreement is necessary for defining the desired sample size.

6.4.4.5. Flow Chart

The procedure of approving the first samples is shown in the following flow chart:

Legend:

- Iskra Avtoelektrika d.d.
- Supplier
- Iskra Avtoelektrika d.d. and supplier



6.5. Logistics Requirements of Iskra Avtoelektrika

6.5.1. Packing Material and Packaging

Iskra Avtoelektrika and the supplier make an agreement about the packaging material, the kind of packaging and the way of marking (labelling) the packaging units before signing the agreement. This arrangement is in force for an individual product and is an integral part of this supply agreement.

The effective general principles and commitments:

- packing material has to meet the requirements of Iskra Avtoelektrika, and the international environmental standards,
- packing material has to protect the products from the general impacts of storage and transport; it has to ensure that the products are undamaged and fit for use,
- packing material has to ensure taking of samples , storage and further transport; besides, it requires one work place in the production process,
- every package has to be marked with transport labels,
- all transport units have to enable machine handling,
- packing materials must not constitute a danger to workers,
- every package has to be 100% filled
- every package has to keep its original form to its place of use
- dimensions of the packages have to comply with the method of storage
- it is obligatory that the package contains goods:
 - of the same producer,
 - with the same part number,
 - with the same production date (principally),
 - of the same batch (principally).

6.5.2. Packaging and Labelling

Every package of the supplier needs to be labelled in compliance with the requirements of Iskra Avtoelektrika. The supplier is liable for additional costs or material loss, arising from the lack of labelling, packaging or transportation.

Every unit of packaging and transport has to have a label. Unless Iskra Avtoelektrika and the supplier agree otherwise, the labelling following the ODETTE standard is used.

The label has to contain the following basic information:

- name of the producer,
- name of the goods,
- order number,
- product part number of Iskra Avtoelektrika,
- quantity per unit,
- batch/lot number,
- date of manufacture (packaging) and
- seal of the supplier's final inspection,
- bar code.

In case of one packaged unit consisting of smaller units, these have to be labelled with the same basic information. On the packaged unit of all the chemicals, there has to be information following the Chemical Act and safety data sheet.

The contents of a label for the waste material have to be in compliance with the applicable legislation from the field of waste.

6.5.3. Transport

The supplier and Iskra Avtoelektrika must also agree on the type and the way of product transportation. This agreement is an integral part of the supply agreement. Whereby, transport specifications and special features of products have to be taken into the consideration.

6.5.4. Order and Call off

Iskra Avtoelektrika can order individual product or group of products individually or repeatedly. In case of individual order, Iskra Avtoelektrika sends **Purchase Order**, whereas by the repeated order, it sends **Purchase Order with Calls Off**.

Unless otherwise agreed, the weekly calculation of material needs in Iskra Avtoelektrika is the basis for making calls off and announcements respecting the needs. Time requirements for materials are divided into:

- six-week needs,
- the variable component in transition from weekly to monthly needs and
- monthly needs.

By this we foresee the needs for a longer period of time, however, the actual movement of goods is balanced by the weekly calls off for X weeks – a permanent period. The calls off refers to a weekly amount.

Unless otherwise agreed, the supply of the ordered amounts fco., delivered to the storehouse or to the production of Iskra Avtoelektrika is valid at the consideration of the transportation risk from the supplier to Iskra Avtoelektrika. Within the method of calls off and the agreed periods of supply, the delivery dates and the form of delivery are binding for the supplier and do not allow neither delays nor prior delivery.

Iskra Avtoelektrika has the right to refuse or store the products delivered prior to the agreed date at the expense of the supplier.

In case of default in delivery (except in case of force majeure) Iskra Avtoelektrika has the right to:

- require delivery or part delivery from the supplier and debit him, unless otherwise agreed, at the rate of 0.5% of the value of the ordered amount per every day of a delay
- order products at another manufacturer, at the expenses of the supplier.

The supplier is obliged to ensure the buffer stock and to store it in its own warehouse, in compliance with the agreement, or at least 30% of the monthly requirements (the average of the last three months). In case of not meeting these requirements, Iskra Avtoelektrika has the right to charge the supplier the cost for deficit.

In case of force majeure, Iskra Avtoelektrika and the supplier have to make a special agreement on the new delivery terms. The basis for such an agreement is a communication in written form from the supplier to Iskra Avtoelektrika regarding the impracticability of the supplies within the previously set time limit.

Iskra Avtoelektrika will not receive such claims after the original delivery date. Moreover, Iskra Avtoelektrika will not take a default in delivery due to sub-suppliers as an example of force majeure.

Iskra Avtoelektrika holds the right to change the already placed order, within reasonable limits.

6.6. Special Tools, Devices and Callipers

Iskra Avtoelektrika is the owner of special tools and devices ordered at supplier with an order or a supply agreement. The supplier has these tools and devices only on loan; they are irrevocable property of Iskra Avtoelektrika. Under no circumstances shall the supplier use them for the manufacture of products for another customer, this may be the case only in exceptional circumstances if Iskra Avtoelektrika gives written approval.

Special or standard production tools and callipers are also the property of Iskra Avtoelektrika and as its own property, Iskra Avtoelektrika may lend them to the suppliers for a short period of time for a faster completion of an order.

Tools that are property of Iskra Avtoelektrika can be used only for the agreed operations. The supplier can make the changes of these tools only after receiving the written consent of Iskra Avtoelektrika. Only maintaining procedures that are necessary for the perfect condition and longer life of the tool are allowed. The supplier has to keep a record of all the procedures that were performed on the tools. Maintenance costs are charged to the supplier.

The supplier has to appropriately protect the tools and devices owned by Iskra Avtoelektrika from all kinds of damages and losses.

Also, the supplier is obliged to cover the costs for the regular metrological controls of the measuring instruments owned by Iskra Avtoelektrika. The same requirements apply for the measuring instruments as for the tools.

After finishing the contractual works, the supplier is obliged to return all the borrowed tools and measuring instruments to Iskra Avtoelektrika in a period of 14 days. The tools and the measuring instruments have to be in the same condition as they were when the supplier received them, except for the wear due to normal use. The supplier is obliged to communicate data about the tools that are not in use any more to Iskra Avtoelektrika and to ask for the further instruction. The supplier is allowed to write off the tools and devices only after receiving a written approval from Iskra Avtoelektrika.

If the tools do not belong to Iskra Avtoelektrika, a special agreement is required.

7. REQUIREMENTS DURING THE MASS PRODUCTION

7.1. Mass Production Control

To ensure the conformity of the quality, the supplier has to master its work process with reference to the given requirements.

That is why he draws up and maintains technological, control and other necessary documentation, to use in individual production process operations. Following the PPAP procedure, Iskra Avtoelektrika also examines part of this documentation.

The supplier is also obliged to use the statistical process control in implementing the necessary corrective actions.

The supplier is obliged to ensure the whole, by the quality assurance plan foreseen measuring and testing equipment.

7.1.1. Quality Records

The supplier has to record the actions results related to the quality of products, which should always be available to Iskra Avtoelektrika. The supplier has to store the records at least 5 years for the routine products, and 10 years for the safety products. The same rules also apply after orders have been cancelled.

7.1.2. Inspection Before Shipment

Before shipment, the supplier is obliged to inspect once again the conformity of a product with reference to the requirements. This inspection has to be defined in the technological documentation as a required operation of a production process; besides, it has to have an inspection plan.

Supplier's duty is to organize Inspection Before Shipment and to carry it out in accordance with following instructions.

7.1.2.1. Implementation

The supplier has to inspect every delivery, regardless the number of products included.

In case the products of the same batch are sent by several separate deliveries, just as well each delivery has to be inspected. To make a decision on conformity of products, the supplier can use the measurement results of the first delivery, however he shall indicate the batch No. and the sequence No. of delivery, which belongs to this batch.

7.1.2.2. Organization of inspection

The inspection shall be an obligatory operation of the production process:

- defined by the flow chart (synoptic)
- included in the inspection plan
- specified by the process technology

For quick and effective inspection, the supplier shall:

- set up a workplace (arrange an appropriate room, place the necessary office, measuring and other equipment, put in order the records and all the required documentation...),
- ensure the possibility of keeping records of the approved PPAP documentation and samples,
- qualify the personnel for inspection

7.1.2.3. Documentation

The supplier has to make written instructions for the inspection, namely:

- general specification
- inspection plan for an individual product.

In addition, the inspection demands also use of the other documents:

- PPAP drawings of ISKRA Avtoelektrika
- test specifications of ISKRA Avtoelektrika
- other specifications of the supplier.

When implementing inspection the inspector has to examine the compliance of products ready for shipment with the approved PPAP documentation and the approved PPAP samples. For this purpose, he must use the original PPAP drawing of ISKRA Avtoelektrika. If he makes and uses his own drawing, this has to be a copy of the original drawing of ISKRA Avtoelektrika with all detailed pieces of information and designations of the key characteristics (Q1 and Q2).

In case a certain nonconformity was allowed during the implementation of the PPAP procedure, however there were no reasons to change the drawing or documentation, deviation indicated in the inspection plan shall be allowed.

7.1.2.4. Inspection plan

The plan has to specify the following:

- quality characteristics that need to be checked,
- sample size,
- inspection or measurement method,
- records of measurement,
- specification designation, which defines the measures in case nonconformities.

Iskra Avtoelektrika can only exceptionally prepare for the supplier a Measurement report of the manufacturer's outgoing inspection (MFCD), which is used to more easily prepare one's own inspection plan.

7.1.2.5. Quality characteristics

The inspection plan shall define inspection of the following quality characteristics:

- compliance of product packaging,
- accuracy of the indicated amounts,
- record labels placement and their correct fill-in,
- inspection of implementation of all the specified production operations in a product,
- implementation of all measurements and tests required by the inspection plan for production process and compliance of results,
- repeated measurement at least of all key characteristics marked with Q1 and Q2 on the parts, assemblies and their subassembly parts.

In case of quality characteristics, which can be measured only during the receiving inspection (of the purchased products) or during the production process, the inspector has to obtain the measurement results from the quality records from the receiving inspection and production.

7.1.2.6. Sampling

Inspection before shipment should on principal base on the samples, by which the supplier can use international or internal standards to define the sample size. However, there should be at least 6 of them.

The samples should be selected at random from different packaging units of supply prepared for shipment.

7.1.2.7. PPAP documentation - samples

Comparison of the finished products with the approved PPAP samples has to be enabled. Therefore, the supplier shall make an appropriate record, where both the samples and the specified documentation have to be constantly preserved and maintained. The record shall always be accessible to the inspectors and it shall be located near the place of inspection before shipment.

7.1.2.8. Quality records

The inspector has to take records on all the performed inspections. The measurement and inspection results can be put down in his own forms or the forms of Manufacturer Control Data (MFCD). The record room has to be put in good order.

7.1.2.9. Shipment approval

Based on all inspections and results related to the production process, the inspector estimates the compliance of products ready for shipment with the requirements of ISKRA Avtoelektrika.

In case of 100% compliance, the shipment is approved. In so doing, the following is performed:

- decision is confirmed by date and seal on the measuring report,
- the same seal shall be on every identification card of the packaging units.

Therefore, on the identification cards the supplier shall leave enough space for the seal of the inspector implementing inspection before the shipment.

The seal, which is used by the inspector to approve shipment, shall be earmarked by Q and identification number.

In case of nonconformities, the inspector shall mark all the packaging units ready for shipment with yellow identification cards for the nonconforming products. Then he shall start with the specified process of elimination of nonconformities.

7.1.2.10. Sending of the required documentation

Regarding the fact that the supplier shall ensure quality and implement all the required inspections, ISKRA Avtoelektrika does not wish to carry out the receiving inspection of individual deliveries. Therefore, the supplier shall, for every delivery, send the Department of the receiving inspection of Iskra Avtoelektrika MFCD with the measurements of at least all Q1 and Q2 marked characteristics on parts, assemblies and subassemblies parts, and A-tests for the used raw materials.

Traceability between the supply and the received MFCD has to be ensured, therefore the MFCD shall state:

- the order number of ISKRA Avtoelektrika and
- the invoice number.

The supplier shall send the required documentation via e-mail to the following address: slavko.kos@iskra-ae.com so that it by all means arrives to ISKRA Avtoelektrika before the products.

If the supplier supplies the products through a middleman, he shall send all the required documentation to him and this shall send it forward to ISKRA Avtoelektrika.

7.1.3. Sub-suppliers Control

The supplier takes a full control over the conformity of its own incoming goods and inspects it appropriately. There should be records kept on the quality of the incoming goods.

The supplier is obliged to require the implementation of this manual also from the sub-suppliers.

7.2. Quality of deliveries

7.2.1. Nonconformities

Iskra Avtoelektrika expects all products that it receives from the supplier to be in compliance with the quality requirements. Every supplied nonconforming product shall therefore be rejected. All costs, direct and indirect, resulting from this, shall be charged to the supplier; they include:

- transport and handling,
- selecting,
- rework,
- production stoppages,
- loss of sales and
- administration work.

If the supplied goods do not conform, Iskra Avtoelektrika withholds the payment, calculates the costs following the effective price-list and issues the invoice to the supplier.

In case of hidden nonconformities that are discovered not earlier than by the customer of Iskra Avtoelektrika, the supplier shall be charged all direct and indirect costs (corrections, replacement of products at home and at the customers', recall...).

7.2.2. Claims

When Iskra Avtoelektrika finds nonconformities regarding the requirements, it files a claim. In such case it sends the supplier the **Claim Minutes**.

A cause for a claim can be:

- packaging and labelling nonconformities,
- quantity nonconformities,
- supplied products nonconformities,
- failed delivery of the required documentation.

Nonconformities can be detected:

- during receiving inspection,
- during use in the production process or
- at Iskra Avtoelektrika's customer.

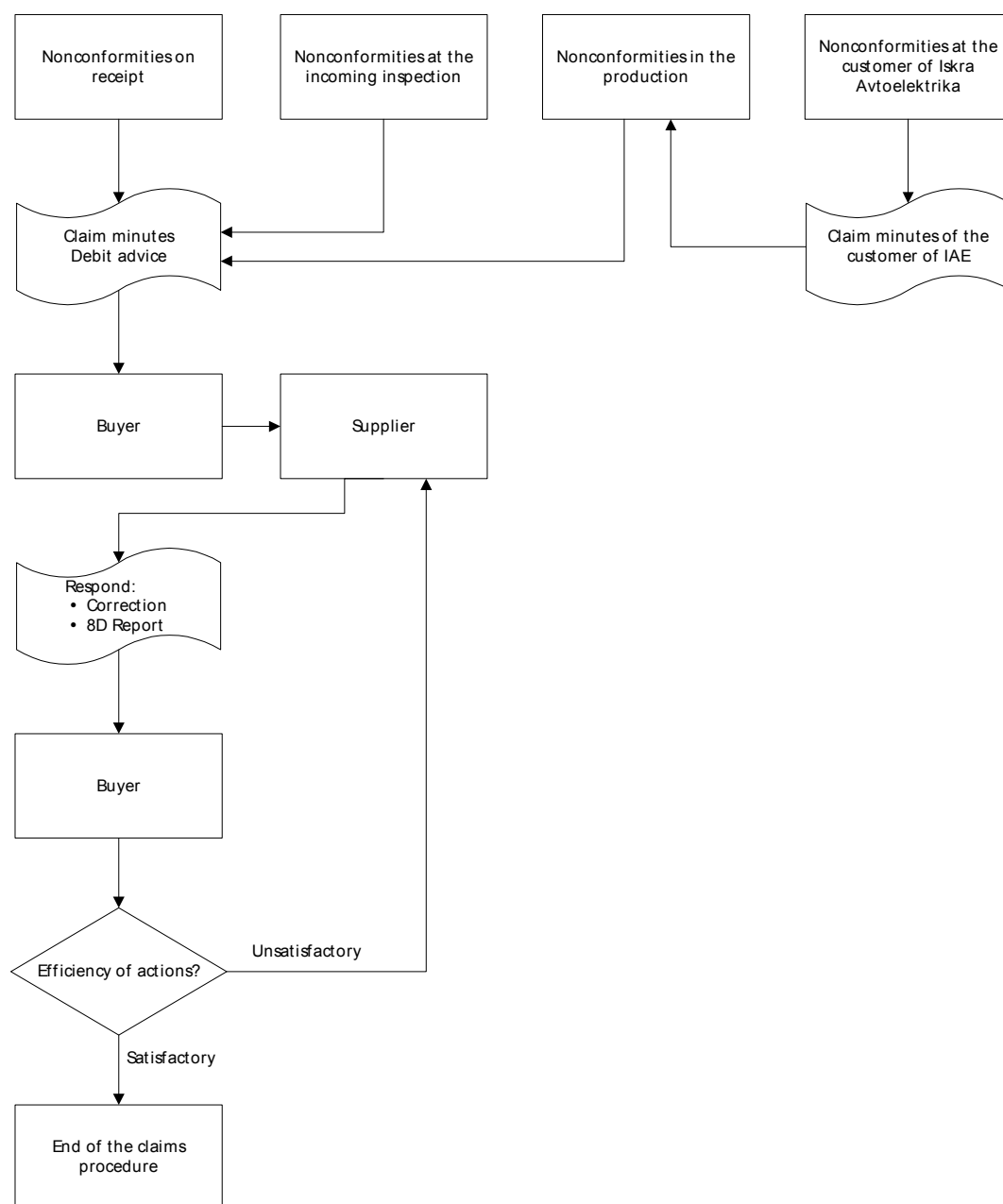
With reference to the extent of nonconformities and the possible consequences, the claims can:

- advice about nonconformities (the supplied products are used) or
- reject (the supplied products are not used and are sent back to the supplier).

The supplier has to respond to any kind of claims (telephone, fax, e-mail Claims minutes) not later than in 24 hours after the claim; in this time the nonconforming products have to be properly selected or replaced.

All further activities shall be carried out through the buyer in Iskra Avtoelektrika.

Flow chart



7.2.2.1. Claim Minutes Designations

Claims designations are data that describe the type of a designation:

- RZ : rejection from incoming inspection,
- RRZ rejection from assembly line (production),
- RKZ: rejection from customer,
- RG: information from incoming inspection,
- RRG: information from assembly (production),
- RKG: information from customer,
- RP: delivered quantities and transport damages claim.

7.3. Actions

Iskra Avtoelektrika expects the supplier to take the appropriate actions immediately, to eliminate the causes for nonconformities and to prevent their recurrence.

7.3.1. Immediate Actions – Corrections

Respecting the requirements of Iskra Avtoelektrika, within 24 hours from the receipt of the claim minutes (either because of rejection or information about nonconformities), the supplier has to notify the sender in written form the following:

- description of the possible causes for nonconformities
- suggestion of all possible immediate actions to ensure an undisturbed production process of Iskra Avtoelektrika and to eliminate nonconformities (selection, rework, replacing the nonconforming products with the appropriate ones...)

If the supplier does not respond to the set requirements, Iskra Avtoelektrika understands this as violation of the supply agreement. Therefore, it can file a claim against the supplier for refund of all the costs - direct and indirect. This fact is also taken into consideration when evaluating the supplier. Considering the possibilities, Iskra Avtoelektrika and the supplier have to agree upon the most appropriate action and carry it out.

7.3.2. Corrective Actions

When nonconformities cause higher costs or when nonconformities keep recurring, Iskra Avtoelektrika requires from the supplier to draw up a plan of permanent elimination of nonconformities.

In addition to a claim in the claims record, the supplier receives a form - **8D Report**. The supplier can also use its own, equivalent form.

The basic goal of this report is:

- for the supplier to find out the causes that brought to the nonconformities,
- for the supplier to draw up an action and time plan of efficient short and long term measures to permanently eliminate the causes for nonconformities,
- for the supplier to evaluate the efficiency of the measures taken by himself and
- for Iskra Avtoelektrika to evaluate the efficiency of the measures taken.

After receiving the claim minutes, the supplier has to:

- deliver to Iskra Avtoelektrika a plan of actions on the form 8D, within five working days,
- deliver a complete report on the efficiency of the actions taken on the form 8D, within one month.

If the supplier needs more time to introduce and evaluate the efficiency of the taken actions, it has to make an agreement about further suppliers with Iskra Avtoelektrika.

The plan of immediate actions (24 hours) and the 8D report do not exclude each other. Iskra Avtoelektrika requires both of them.

If Iskra Avtoelektrika does not find the planned actions satisfactory, the supplier shall be requested to draw up a new plan.

If the taken actions prove not to be efficient enough, Iskra Avtoelektrika will send a quality engineer to the supplier. The supplier has to assist him:

- to make a special audit of a process or a system
- to study the production process as well as all documentation, to draw up a common plan of corrective and preventive actions.

Iskra Avtoelektrika will keep the implementation of the agreed plan under observation.

7.4. Change Approval

Iskra Avtoelektrika requires that after the product approval, the supplier shall not make any more changes. This applies to the technical documentation, own sources of supply, technology, process, location of production. The supplier can change these things only after obtaining the prior consent of Iskra Avtoelektrika.

7.4.1. Product Changes from the Part of Iskra Avtoelektrika

In case of product changes, Iskra Avtoelektrika will send the supplier an inquiry together with all the necessary technical documentation. In such case, the supplier has to verify the feasibility of a change and make an offer that has to contain a detailed costs list, timetable of actions and overview of stock.

Iskra Avtoelektrika shall inform the supplier about the planned date of sampling and introduction of a change. Costs of a change, useless stocks and eventual price change are subject of an agreement between the supplier and Iskra Avtoelektrika.

7.4.2. Change Request from the Supplier

Iskra Avtoelektrika expects its suppliers to implement actions of constant improvement, to improve the quality, reliability and to reduce the costs of work and products.

The supplier can also require a change by submitting the **Change request** to the Purchasing Division. Having thoroughly studied the plan, Iskra Avtoelektrika informs the supplier about its decision. In case of rejection, it will explain its decision. If the plan refers to the required products, Iskra Avtoelektrika starts the procedure for changing its documentation.

7.4.3. Approval of Nonconformities

When the supplier detects nonconformity during the production process or before the shipment, it shall ask Iskra Avtoelektrika for an opinion about its applicability. In this case, the supplier sends Iskra Avtoelektrika the completed form **Request for Nonconformities Approval**. Iskra Avtoelektrika studies this application and sends back a written reply. It writes its decision on the same form and sends it back to the supplier.

The same applies to any other temporary change (referring to a specific tool or technology).

8. OTHER REQUIREMENTS AND EXPECTATIONS

8.1. Progress Plan

Competitiveness and business effectiveness demand from Iskra Avtoelektrika and all its suppliers strive for progress. To achieve this, Iskra Avtoelektrika expects its suppliers to draw up a yearly progress plan indicating the field of progress, period of performance and the responsible persons.

8.1.1. Continual Improvements

Iskra Avtoelektrika expects its suppliers to adopt the principles of constant improvements at all levels of the work organization and at all levels of business spheres, as for example:

- establishing a quality management system that enables improvement of processes,
- the supplier management commitment to constant improvement,
- appointing teams that deal with constant improvements,
- implementing improvements that are based on the data for the key criteria of business effectiveness,
- implementing regular business efficiency reviews and reviews of improvement results.

Based on the expectations of the customers, the supplier should set its own key business criteria. Iskra Avtoelektrika expects the supplier to strive to implement the improvements in all spheres, as for example:

- reducing unplanned stoppages,
- reducing the time necessary for setting and changing tools,
- reducing the time necessary for process implementation,
- reducing the costs of scrap, additional work and rework,
- increasing and making the best of the working hours and the materials,
- modernizing and improving technology,
- setting new goals for process optimisation.

8.1.2. Price Reduction

To remain competitive on the world market, Iskra Avtoelektrika is forced to reduce the prices of its products. Moreover, Iskra Avtoelektrika and its suppliers need a planned approach to the reduction of costs and consequently purchase prices. In so doing, the common cost reductions can be successful only if both sides are committed to a long-term partnership.

Iskra Avtoelektrika shall reduce the purchase prices through the use of long-term agreements with suppliers, benchmarking of suppliers and through ordering at new and less expensive suppliers. Iskra Avtoelektrika believes that by efficient and effective introduction of quality improvement programmes, concurrent development and technologies of value analysis, the suppliers can develop a process of constant costs reduction.

Regardless of other requirements, Iskra Avtoelektrika expects every supplier to additionally propose the costs reduction on the form **Proposal for Costs Reduction**. Before application of this proposal, the supplier has to receive a written approval of Iskra Avtoelektrika. When evaluating the supplier, Iskra Avtoelektrika will take into consideration every reduction of costs and prices.

8.1.3. Education

In order to master business processes, every employee should acquire new knowledge. Iskra Avtoelektrika therefore expects the supplier:

- to draw up a list of required knowledge and competence,
- to draw up a yearly plan of education and training,
- to examine the implementation of education,
- to analyse the efficiency of education.

8.1.4. Measuring the Satisfaction of Iskra Avtoelektrika

Besides the yearly evaluation of the supplier, it can get an additional opinion about himself from Iskra Avtoelektrika. The supplier can acquire its evaluation by his own questionnaire or in an informal way; this gives it the spheres of possible improvements.

8.1.5. Internal Audits

The suppliers have to control the efficiency of their own quality management system by implementing internal audits. He has to audit the system, process and product. Based on these reviews and plans of nonconformities elimination, the supplier can maintain an efficient quality management system.

9. LIST OF THE NECESSARY FORMS

1. Declaration on Confidentiality
2. Price List of Claims Costs
3. General Terms of Delivery
4. Supplier's Environmental Assessment Questionnaire
5. Written Supplier Declaration on the Conformity of Product (Declaration)
6. Packaging Form
7. Self Introduction Questionnaire
8. Audit Questionnaire
9. Summary assessment
10. Corrective action plan
11. Request for Quotation
12. Technical Documentation Delivery
13. PPAP Requirements - PSW
14. PPAP Measurement Results
15. Purchase Order
16. Purchase Order with Calls Off
17. Manufacturer Final Control Data
18. Claim Minutes
19. 8D Report
20. Change Request
21. Request for Nonconformities Approval
22. Proposal for Costs Reduction