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Quality Manual for Suppliers

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1. Introduction

This Supplier Manual describes and defines the requirements for quality, safety and reliability of the product and service, machinery and their parts and serves as a quality agreement between ŽDAS, a.s. and its Suppliers. The aim of the Manual is to define and transfer to all Suppliers the requirements of the EN ISO 9001 standard for the quality management system and the specific requirements of ŽDAS, a.s.

The requirements of this Manual apply to the supply of machinery and their parts.

The Suppliers are obliged to ensure proper compliance with the requirements of this Manual by all their subcontractors in full. ŽDAS, a.s. expects from its Suppliers intensive cooperation focused on prevention and quality assurance in all phases of the implementation of the product and service delivery process. The Supplier is fundamentally responsible for the quality of purchased products and services in the scope of the entire delivery.

2. Explanation of Terms and Abbreviations Used

2.1 Concepts

Supplier - according to the terminology of EN ISO 9001, the Supplier means an “external provider” who supplies products and services to ŽDAS, a.s.

Order Status Report - a report that provides information (feedback) on the status of the order with individual production milestones and the expected delivery date.

Acceptance - a set of activities that lead to an overall assessment of the conformity of the performed product with the requirements of a technical standard, technical regulation, technical documentation and business contract.

2.2 Abbreviations

8D - It is an instrument for documenting eight steps of a team problem solution.


QMS - Quality system

3. Supplier Approval

The process of approval and evaluation of Suppliers is governed by an internal document of ŽDAS, a.s. "OS 74 02 - Management of External Providers".

3.1 Evaluation of Supplier Competence

The evaluation of the competence of the Suppliers is performed by ŽDAS, a.s. for a specified period on the basis of established own criteria for purchased products. The setting of criteria depends on the nature of the supplies and the importance of the purchased product to the final product. As a minimum, they contain the following criteria: quality, deadline, price, data on the

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history of product quality (non-conformities, complaints from the customer) and reliability of deliveries, and/or other data.

Internal levels and categories are used for the evaluation of Suppliers, which are determined by the internal document of ŽDAS, a.s. "OS 74 02 - Management of External Providers".

3.2 Audit at the Supplier

ŽDAS, a.s., as a customer, has the right to verify the QMS, the process and technological competence of the Supplier, or the conformity of the products by an audit. The audit at the Supplier is performed by authorized employees of the Purchasing, Cooperation and Quality departments.

The results of the audit provide information on the competence of the audited area and point out the opportunities for improvement.

For the purposes of the audit, a questionnaire is sent to the Supplier in advance, which the Supplier fills in and sends back to ŽDAS, a.s. before performing the audit.

As part of audits of processes and technologies performed by ŽDAS, a.s. employees at the Supplier, the Supplier undertakes:

- to provide information on organizational setup, management and quality assurance, safety and environmental protection,
- to answer all questions regarding the quality assurance,
- to enable the employees of ŽDAS, a.s. to access the Supplier's premises for obtaining information concerning the audit.
- provide access and documentation to cooperating product parts


The date and program of the audit will be communicated by ŽDAS, a.s. in good time. An audit report will be sent to the Supplier.

3.3 Levels of Supplier Evaluation

During the regular evaluation of the competence of the Suppliers or during the evaluation during the external audit, the Suppliers are included in the following categories according to the degree of fulfilment of the criteria or evaluated in the external audit report:

- **A - fully competent Supplier**
- **B – competent Supplier**
- **C – conditionally competent Supplier**

The Supplier ensures agreed specifications and requirements with certain deficiencies that require special supervision, e.g. 100% check, acceptance of deliveries. An action plan for the improvement of the condition is set, and/or the elimination of the Supplier until the implementation of the action plan for the improvement of the condition. The Supplier must apply the proposed measures. Before

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making further deliveries, ŽŤDAS, a.s. shall check the application of the proposed measures at the Supplier.

- **N - incompetent Supplier**

The Supplier insufficiently ensures the agreed specifications and requirements with critical defects or recurring serious deficiencies. Based on the evaluation, the deliveries are stopped and the Supplier is removed from the list of approved Suppliers.

In order to re-include the Supplier in the list of approved Suppliers (in case of further cooperation), a new evaluation of the Supplier's competence or a repeated external audit must be performed.

4. Delivery Requirements

ŽŤDAS a.s. has implemented a quality management system in accordance with the EN ISO 9001 standard. Therefore, inspection documents and related activities in accordance with applicable standards and agreed production documentation are also required from the Suppliers.

4.1 Requirements for Performing Control by the Supplier

In addition to performing basic quality controls, the Supplier also performs the required measurements and tests, which are specified in the production documentation, in the order or in the Information Document "Q", which is part of the order.

All these tests and measurements must be documented in writing by the Supplier. For documenting measured values during the control and testing, ŽŤDAS, a.s. requires the use of calibrated gauges and measuring instruments. Records of measurements and tests shall be made by the Supplier in the forms available to the Suppliers in the Supplier section on the website of ŽŤDAS, a.s. according to the type of the delivery.

4.2 Specific Delivery Requirements

- **Material:**


When ensuring the material by the Supplier, it is required to provide a certificate from the delivered material with the chemical composition (metallurgical material).

It is necessary to provide an inspection certificate according to EN 10204-3.1 for the used initial material (semi-finished product).

- **Heat treatment:**

Deliver the inspection certificate ČSN EN 10 204 3.1 "Heat treatment", which contains the type of heat treatment, temperature profile and measured values, documented by a furnace diagram (forgings and castings).

- **Welding:**

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Perform the welding according to ČSN EN ISO 3834-2.

Deliver the inspection certificate ČSN EN 10 204 3.1 „Weldments“ document OS 42 05_15.

Deliver the test report in accordance with EN 10204 -2.2 of the welding material.

Deliver the valid certificate of welders according to ČSN EN ISO 9606.

Deliver WPQR - certificate of qualified welding procedure (according to the requirements of the production documentation).

Prefill the OS 75 60_01 - Subcontractor Questionnaire.

- **Coats:**

Carry out according to the requirements set out in the production documentation or in the order, including surface preparation for painting.

Document what paints were used and their use will be approved in advance by ŽDAS, a.s.

Check the adhesion of the coating to the base coat or substrate by "Grid Test" according to ČSN ISO 2409 - required degree of classification of test results 2 at the first delivery of the Supplier and subsequently in case of quality problems.

- **Machining:**

Follow the Information Document Q6003.

- **Gearing:**

Follow the Information Document Q6002.

- **Pipe bends:**

Follow the Information Document Q6001.

- **Testing:**

Deliver the inspection certificates on the results of the tests and measurements performed on the basis of requirements according to the production documentation or order (non-destructive tests, tightness, balancing, functional tests, ...).


For non-destructive testing - the personnel performing the tests must be qualified at Level II, by an independent certification body according to EN ISO 9712 with the Certification Association for Personnel APC, Sector CERT or TÜV Cert.

5. Acceptance

ŽDAS, a.s. reserves the right to perform the acceptance at the Supplier. The acceptance request will be notified to the Supplier in advance.

The Supplier is obliged to invite ŽDAS, a.s. for presence at the acceptance min. 1 week before the scheduled acceptance date if it takes place in Europe and 2 weeks if it takes place outside Europe.

Upon acceptance, the part that has undergone all production operations and is ready for dispatch is inspected. The Supplier will also enable to carry out an inspection during the production at a pre-agreed stage of completion and on pre-determined components or parts of the equipment.

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The Supplier assembles, sets up or places the parts or equipment for acceptance so that the acceptance can be performed in the presence of the ŽDAS, a.s. inspector.

During the acceptance at the Supplier, the acceptance is performed by the Supplier's representative (dimensional inspection, visual inspection, functional tests and required tests according to the production documentation or order) in the presence and according to instructions of the inspector of ŽDAS, a.s., who also inspects all the documents.

For core operations, the supplier must alert the customer to possible co-operation and must have all the necessary documentation for a product audit or acceptance to assess any risks and work in progress, including arranging a possible visit to the co-operating subcontractor. If the auditor, during the product audit or acceptance, finds only on site that some key operations are being carried out in co-operation, the supplier shall arrange an alternative date for the product audit or acceptance, including an inspection of the co-operated part. The contractor shall be responsible for these extra costs.

6. Quality Planning

The Supplier undertakes to plan, organize and implement the production process and quality assurance at its own risk so that all quality assurance requirements imposed on the product or service are ensured. Pre-production and production stages must be properly planned, including the inspection. ŽDAS, a.s. reserves the right to request a "Certificate of Manufacturability" from the Supplier. This request will be stated in the order.

As a standard, ŽDAS, a.s. does not perform 100% input control of all delivered parts and all costs associated with poor quality of delivered parts during the production and at the end customer will be subsequently recovered from the Supplier.


7. Approval of Deviations

If, at any time during the production, the Supplier detects any non-compliance with the requirements of ŽDAS, a.s., this fact must immediately be notified in writing to ŽDAS, a.s. using the form "OS 42 05_06 - Request for Exemption".

ŽDAS, a.s. assesses any deviation and decides. Any approval of the deviation (conditional approval) will be received by the Supplier from ŽDAS, a.s. in writing. However, this confirmed document does not release the Supplier from the liability for damages caused by the deviation.

Without the opinion of ŽDAS, a.s., the Supplier must not send the nonconforming product nor continue the following production operations without consent.

All additional work for elimination of the deviation performed in ŽDAS, a.s. (and/or adjustment of the counterpart), will be charged to the Supplier.

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Approved deviations are attached by the Supplier to the documentation + to the piece itself. The piece with the qualitative deviation is clearly marked by the Supplier with the inscription "ATTENTION - DEVIATION No....".

If this is a serious or recurring problem, ŽDAS, a.s. reserves the right to request the Supplier to prepare an 8D report.

8. Complaint

If a defect occurs on the delivered goods or work of the Supplier, ŽDAS, a.s., demonstrably and in writing, sends to the Supplier a notice of the occurrence of a defect (complaint) immediately after its discovery and, at the same time, states what claim ŽDAS, a.s. will claim from the Supplier due to the liability for defects or contractual warranty (depending on whether the defective performance is caused by a material breach of the contract or insignificant breach of the contract). The claims are stated in the Civil Code - § 2106 and § 2107.

- The first reaction of the Supplier to ŽDAS, a.s. regarding the manner of resolving the found non-compliance is required no later than two working days from the notification.
- In case of complaints, ŽDAS, a.s. will require the Supplier to find out the root cause and to determine corrective measures. In severe cases, the 8D tool may be required.

9. Subcontractors for Supplies of Castings, Forgings and Weldments

The requirements of the Quality Manual for Suppliers of ŽDAS, a.s. must be transferred by all the Suppliers to their subcontractors. ŽDAS, a.s. reserves the right to audit these subcontractors.

The Supplier is obliged to inform ŽDAS, a.s. on any change of the subcontractor, production technology or design.


The Supplier is obliged to keep the "List of Existing and Verified Subcontractors". This list must be submitted to the employees of ŽDAS, a.s. on request.

In case of non-fulfilment of these obligations, ŽDAS, a.s. reserves the right to withdraw from the contract.

10. Identification

Delivered parts must always be marked in accordance with the purchase contract, delivery note and other related documentation.

The Supplier must ensure the identification and transfer of markings (certificate, forging, casting,... number) for the delivered material throughout the entire period of production.

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11. Packaging and Protection

Unless otherwise stipulated in the purchase contract, the Supplier is obliged to pack the products for transport or otherwise provide them in the manner necessary and usual for the preservation and protection of the product.

12. Hazardous Materials

The Supplier must have used preservatives, paints and other used chemicals previously approved by ŽDAS, a.s.

Together with a possible delivery of any chemical substance to ŽDAS, a.s., the Supplier is obliged to supply a safety data sheet prepared in accordance with the EC Regulation and to mark the packaging with a description in the Czech or English language. Failure to do so may result in the shipment being rejected.

13. Tools and Instruments

If the Supplier borrows tools from ŽDAS, a.s. (machine tools, technological jigs, etc.), the Supplier must also request the documents that prove that the tool is in order (e.g. newly reground) and can be used. At the same time, it is necessary to request information on the conditions of usability, service life and maintenance of the tool.

14. Delivery Documentation

All technical documentation for the delivered parts must immediately be sent to ŽDAS, a.s. in required language versions (according to the scope of the purchase contract). Approved deviations must also be part of the documentation (if there is a non-conformity).


Complete documentation for the deliveries in PDF format must be sent to the email address of the order issuer.

In case of non-delivery of any part of the documentation, the delivery is considered to be not delivered and thus there is no right to issue an invoice and, at the same time, there is a right to a contractual penalty for the delay in delivery of the product, service.

15. Deadlines

The Supplier performs continuous internal monitoring of orders and must be able to provide information on the status of the product or service to ŽDAS, a.s. at any time. The Supplier is obliged to ensure constant transparent monitoring of orders at Supplier's subcontractor.

To monitor the security and readiness to meet confirmed delivery dates, the Supplier must be ready to create and regularly send an Order Status Report, which lists the individual production

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milestones together with the expected delivery date. The frequency of sending this report is determined by ŽDAS, a.s.

Personal work-in-progress checks should be possible upon request.

If circumstances arise that have an impact on the delivery date or the delivered quantity to ŽDAS, a.s., the Supplier must implement the necessary measures. If it is clear that, despite the measures taken, the agreed deadlines or quantities cannot be met, the Supplier must, without request and immediately, inform ŽDAS, a.s. and announce a new delivery date.

In addition, at the request, the Supplier informs ŽDAS, a.s. on at least the following items:

- Cause of the problem
- Production capacities for parts in slip and continuous running times of machines and working hours, which are taken as a basis (number of hours per working day, number of working days per week)
 - Proven alternative production options (basically in accordance with the requirements of ŽDAS, a.s. for quality)
 - Alternative parts for delivery (basically in accordance with the requirements of ŽDAS, a.s. for quality)
- Check of batch division / partial deliveries
- Possibility to reduce the delivery time by special transport
- Information / escalation within the Supplier organization

If it is not possible to find a consistent solution, the Supplier's contact person must be involved at higher level of management up to the management of the Supplier's company.


Receipt of goods on working days in ŽDAS, a.s. Mon - Fri 6:00 - 14:00

16. Confidentiality of Information

All information, whether technical, commercial, financial, operational or otherwise, in any form, oral, written, recorded on a medium or otherwise, mutually provided to the Supplier in connection with the delivery, is of confidential nature and is irrespective of its oral or visual content considered confidential.

Upon request, all information provided in writing, recorded or otherwise, including information based on such confidential information, shall be destroyed or returned by the Supplier or subcontractors.

Provision of transmitted information without the consent of ŽDAS, a.s. by the Supplier to a third party will be considered a breach of confidentiality of information and compensations may be recovered from the Supplier and further cooperation with the Supplier will be terminated.

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17. Communication and Code of Ethics

A prerequisite for successful cooperation between ŽŤDAS, a.s. and the Supplier is open communication at all levels and throughout the course of business cooperation. As a matter of priority, ŽŤDAS, a.s. settles any disputes by mutual agreement.

All employees of ŽŤDAS, a.s. are bound by the Code of Ethics. ŽŤDAS, a.s. requires the compliance with these rules in mutual business relations with its Suppliers.


18. Constant Improvement

Part of the strategy of the ŽŤDAS, a.s. is constant improvement. ŽŤDAS, a.s. prefers the Supplier with active approach to improving its own processes and procedures, with special regard to quality of products and services supplied to ŽŤDAS, a.s.

19. Conclusion

The Manual is binding for all Suppliers of the machinery and their parts and serves as a "Quality Agreement" between ŽŤDAS, a.s. and its Suppliers. The Suppliers are obliged to get acquainted with its wording and confirm this acquaintance with their signatures. The Manual is binding for the Supplier from the date of its signing. Failure to comply with the requirements set out in this Manual may result in the loss of existing or future cooperation, as well as in the compensation for damages and additional costs resulting from them.

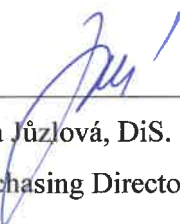
In the event of any conflict between the express provisions of the Framework Purchase Agreement / Framework Contract for Work and this Quality Manual for Suppliers, the provisions of the Framework Purchase Agreement / Framework Contract for Work shall prevail over the provisions of this Quality Manual.

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For ŽDAS, a.s.:



Roman Gracias, MBA
Director of Quality



Jana Jůzlová, DiS.
Purchasing Director

For the Supplier:

Name and surname

Statutory Representative of the Supplier

Date