F20-F10

General Quality Guidelines for KÁTA CNC's Suppliers

v4.2

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0. Quality Contract with Supplier – Cover sheet sample

F20-F11 (v2.0)
Quality Contract with Supplier

it was established between KÁTA CNC KFT (as customer) by…….

and

…….(Company, as Supplier)

by …….. according to the F20-F0 guideline's points.

Issued ,……..(Place, Date)

**In case of some point of this contract will be N/A next page must be completed*

Agreement number created based on date, as KÁTA CNC's T20 rule required:.....

Quality Contract with Supplier – *Active Content Matrix (ACM)

Points of General QM guidance	*Optional proposal by Supplier*

Requested by.....(Supplier, as .....)

Accepted by .....(Purchasing of KÁTA CNC KFT)

General requirements *(3.0) (4.1)*

The following describes the guidelines that KÁTA CNC Kft. and its customers place on the requirements for the suppliers and the delivered products. During the production processe, deliveries and services from KÁTA CNC's Supplier must be corresponding to the same philosophy, which was declared by CEO of KÁTA CNC.

The purpose of quality management measures is not to detect the error, but to avoid it. Only the consistent application of error prevention measures will lead to an improvement in quality and an increase in productivity. During

The supplier is fully responsible for the quality of the product or service provided on the product (2.0)

Through the supplier's responsibility, it serves as a basis to ensure that all supplier products (elements, components, raw materials) - provided by the supplier of KÁTA CNC KFT - comply with the technical requirements and suitability for use specified by the customer.

The customers of KÁTA CNC Kft demand continuous, timely and good quality and timely delivery in accordance with its requirements (CSR).

Maintaining a certified quality system to achieve our goals. In order to achieve these goals, it is desirable for our suppliers to certify and maintain a MIR / KIR / IBIR system (ISO-9001 or ISO / TS16949, and after 2018 IATF16949, as well as EN ISO14001 and EN ISO 27001).

If these are not available from the supplier, they are not a problem of applicability in the supply chain if the supplier demonstrates specific compliance with them.

The application of the requirements based on these standards allows the operation of a system that ensures that the delivered product meets the all requirements of KÁTA CNC as a customer and / or its TIER1 / TIER2 or OEM customers, it can be subsequently demonstrated that the methods and processes used in the production of the product took place within the prescribed limits.

Short summary, which are a basis of this F20-F10 document as general expectations are that Suppliers:

- fully comply with the requirements set forth herein and all other contractual documents.

- embrace the concept of continual improvement and zero deficiencies in all aspects of the business.
- pass down this expectation of zero PPM to the Suppliers subcontractors.
- agree to take full responsibility for problems, if and when they occur in their area of business.
- proactively communicate with KÁTA in case of expected or already occurring issues
- submit and obtain PPAP approval before producing Production parts (unless approved otherwise in writing).
- ship products 100% on time.
- act in an open and ethical manner and treat KÁTA CNC with trust through all communications.
- react with concern when these expectations are not met. Take immediate steps to resolve deficiencies to prevent their recurrence.
- support KÁTA CNC and our Customers´ requirements (CSR).
- provide a safe work environment.
- keep confidential information confidential, including prints, specifications, samples, etc. based on EN ISO 27001
- establish an EMS based on EN ISO 14001

Definitions / Abbreviations *(4.0) (4.1)*

Words starting with a capital letter shall have the meaning as defined in this document:

3D	Three disciplines, the first three disciplines of 8D problem solving; Discipline 1: establishment of a team of people with Product/process knowledge Discipline 2: description of the problem Discipline 3: development of an interim containment plan
5WHY	Root casue analysis definition methode (with ISHIKAWA always)
8D	Eight disciplines problem solving, a process used to identify, correct and eliminate the recurrence of quality problems
ACM	Active Content Matrix
AIAG	Automotive Industry Action Group, a not-for profit association founded in 1982 and based in Southfield, Michigan, USA
APQP	Advanced Product quality planning, a defined process for a Product development system as described in the AIAG manual
Audits	Audits are system, Product, or process audits at the Supplier's Production site
CC	Critical characteristics, Product or process characteristics; their non-conformities can result physical damages and/or personal injury or non-compliance with legal requirements
CoC	Code of Conduct (Ethical Codex)
CSR	Customer Specific Requirememt
Delivery Documents	Delivery notes, waybills, consignment notes, haulage orders
Deviation Request(ECR)	A Deviation Request is a written request by Supplier to knowingly manufacture parts which for whatever reason do not conform to specification.
EDI	Electronic Data Interchange
EMS	Environmental management system
FIFO	First In – First Out
FMEA	Failure mode and effects analysis
IMDS	International Material Data System
ISO	International Organization for Standardization
ISHIKAWA	Root casue analysis definition methode (together with 5WHY always)
MDS	Material Data Sheet

MSA	Measurement systems analysis, the analysis of the process of obtaining measurements
NBoH	New Business on Hold
OCM(OEM)	Original Component Manufacturer: manufacturer of electronic components
Product	(Raw) materials, components, (intermediate) assemblies, tooling, molds, equipment and completed Products and all services, performed in connection with any of the foregoing items
PPAP	Production Part Approval Process
PPM	Parts Per Million
PP	Project plan
PSW	Part Submission Warrant, a document summarizing the package of documents used in a PPAP
PV	Product Verification
QMS	Quality Management System
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) is the European Union Regulation (EC) No 1907/2006 dated 18 December 2006.
RFQ	Request For Quotation
RA	Risk analysis (8SWOT/FMEA)
RPN	Risk Priority Number is the Product of the estimated severity of an event * probability of the event occurring * detection (probability that the event would not be detected before the user becomes aware of it); used in FMEA
SC	Significant Characteristics, Product or process characteristics that affect fit, function, performance, durability and reliability of the Products and processes
SECR	Supplier Engineering Change Request
SOP	Start of Production
SPC	Statistical Process Control, a method for achieving quality control in manufacturing processes
SSoS	Special Status of Supplier
(SM)GQG	General Qulaity Guidlines; this F20-F10 agreement

1.1 Quality Requirements *(4.0)*

1.1.1 Product Safety and Compliance

In the case that KATA CNC defines specific measures for monitoring the compliance with statutory or regulatory requirements Supplier shall ensure its continuous execution at its sub suppliers.
The Supplier shall notify KÁTA CNC in writing immediately after detection of any nonconformity resulting from the Product's design, construction, function or durability. KÁTA CNC and the Supplier shall fully cooperate to identify the cause of the nonconformity and shall create a plan for its immediate rectification.
In case of a recall or any other field- or service action relating to the Products supplied to KÁTA CNC, Supplier must provide KÁTA CNC without undue delay with copies of any data, materials or information provided to the public authorities, including any test, manufacturing, field performance or warranty data.
The Supplier shall oblige its sub-suppliers to comply with all obligations contained in this GQG.

1.1.2 Continuous Improvement – Zero Defect concept

The Supplier shall maintain a system which contributes to continuous improvement of quality, cost, delivery and all other services provided. This system shall be implemented on all business and manufacturing processes and include all levels of the organization.
Such system shall be based on the implementation of a "zero-defect" strategy and a "lean-management" strategy in all areas.
KÁTA CNCis entitled to review the implementation and the effectiveness of such systems on-site, to point out improvement potentials or to conduct an Audit.

1.1.3 Documentation

All documents must be handled in accordance with IATF 16949. The Supplier shall store safely against destruction all significant documents (such as but not limited to PPAP, FMEA, control plans, drawings and written specifications, PSW, etc.) and records (such as test results, measurement reports, etc.) for a minimum of 15 years starting with the archiving of the document/records, unless otherwise determined by KÁTA CNC (based on / linked by) his T20 Document managmenet proces dscription.

Upon request KÁTA CNC is entitled to examine and, when necessary, Supplier shall send copies of these documents within 24 hours after receipt such request. Should the deadline expire on a weekend, it shall be deemed extended until the next work day.

1.1.4 General Requirements for Supplier's QMS

The QMS shall be regularly verified by Audits. Such QMS-Audits shall be conducted by an accredited independent third party and by customer.
After each audit Supplier shall send a copy of its QMS-certificate as it is updated to KÁTA CNC.
Supplier shall inform KÁTA CNC about any changes related to the certification status, organizational changes, restructuring, acquisition & mergers or the loss of certification.

Supplier shall also fulfil the requirements of the following AIAG Reference Manuals:

- Advanced Product Quality Planning (APQP)
- Production Part Approval Process (PPAP)
- Potential Failure Mode and Effects Analysis (FMEA)
- Measurement Systems Analysis (MSA)
- Statistical Process Control (SPC)

Suppliers must comply with KÁTA's Customer Specific Requirements as they apply to them. Examples include TIER1 GTC and GQD or may at some automotive projects an OEM Norms and requirements, too.
Additional requirements are noted in this F20-F10 GQG. Supplier's responsibility is to obtain the current issue of all IATF 16949 and AIAG related documents.

1.1.5 Engineering Samples and Prototypes

Engineering samples and prototypes being submitted to KÁTA CNC shall fulfil the specification agreed upon, and the provided documentation must confirm the fulfilment of the specification. Each sample or prototype must be clearly labelled as such, packed separately from serial Products, and accompanied with completed dimensional, material and performance test reports as described in the AIAG PPAP (L3) or VDA Erstmusterprüfbericht St.2.
Specific instructions, in addition to these stated requirements, may be agreed upon if necessary. Prototypes shall be packaged how was it specific agreed with KÁTA CNC.

1.1.6 Significant Characteristics (SC) / Critical Characteristics (CC)

According to IATF 16949, SC and CC shall be identified and specifically handled in the Process-FMEA, control plans, process flows, work instructions and other associated

documents. They are marked as such in all drawings/specifications of KÁTA's customers or directly by KÁTA CNC. The Supplier is responsible to fully understand the usage of its Product and also identify special characteristics, as appropriate.
The Supplier is also responsible for ensuring that relevant SC and CC are explained, understood and controlled by its sub-suppliers.

1.1.7 Equipments, Gauges, Tools, Units

The Supplier shall establish preventive/planned maintenance procedures on all Production and inspection equipment. Preventive/planned maintenance schedules and tool history records shall be documented and available for review.
In the case that tooling shall be sold, consigned to another entity or relocated to an alternate Supplier Production site the Supplier has to inform KÁTA CNC and ask for potential APQP- and re-PPAP-requirements prior to moving the tool.
All tooling shall be labelled with a clear and distinct identification code and show the ownership of the tooling.
Production and inspection devices shall be calibrated by accredited laboratories according to the proper calibration intervals.
Defective tools, equipment and gauges have to be clearly marked as such and stored separately from all tools and gauges in use or good working condition.

1.1.8 Pre-Production and Sample Part Requirements

If necessary, KÁTA CNC may request special requirements for pre-Production and/or sample parts. These requirements shall be communicated in writing in engineering-/ project meetings. The required documents must be updated by the Supplier.
In order to ensure that pre-Production or sample parts will not be mixed with regular Production parts they shall be marked as such. Their label shall be different from the labels of already PPAP approved serial Production parts, the contents of the label shall comply with KÁTA CNC 's requirements as set out in specific shipping instructions.

1.1.9 Changes to Approved Products and Processes

If Products are approved, Supplier and its sub-suppliers shall not make any change to

- Product marterial, geometry, ID, marking, parameters and other speification
- Sub-Suppliers,
- Production processes and tools, and
- Control processes
- Production locations or layout

being used to manufacture the Product. This applies to all changes.

In case the Supplier intends to modify the Product, Supplier shall inform KÁTA CNC and its Customers in advance by submission of the ECR form (what a supplier use, other what KÁTA required specific). This request shall be submitted to KÁTA CNC leaving sufficient time prior to the introduction of this modification, at minimum three months, to allow KÁTA CNC a review. Only after written approval of this ECR form Supplier is allowed to proceed. After introduction of the modification, PPAP documentation and approval according to 1.2.6 is required.
Supplier shall obtain KÁTA CNC's OEM / T1 Customer approval on the ECR form. KÁTA CNC reserves the right to ask for samples to adjust the own Production processes if required.
Only after written KÁTA CNC's PPAP approval Supplier is allowed to start delivery of modified Products. Any change made without written approval by KÁTA is risk, which responsibility goes into Supplier

1.1.10 Re-Qualification

Suppliers to KÁTA CNC must complete requalification/revalidations for request or in case before when the product will shipped after 12 months stop. This includes a dimensional layout inspection, capability studies for SC/CC dimensions for test included at the time of PPAP to ensure on-going compliance.

1.1.11 Written Conformity

A signed measuring report, protocolls and certificate of each process conformity shall be filed and saved at Supplier and, if required by KÁTA CNC, enclosed with each delivery of Products.

1.1.12 Storage

All Products shall be stored in such a way that they are secured against loss, theft, damage or impairment of their material properties.
Products, which require a particular storage, handling or transportation method (e.g. oxidizing parts) shall be marked accordingly. The corresponding storing / handling or transportation instructions shall be submitted to KÁTA CNC purchasing department during the quotation process and/or the definition of Product specification.
All raw materials and components, semi-finished and finished Products shall be shipped and stored according to FIFO-principles.

1.1.13 Problem Avoidance and Problem Solving

The T1 Suppliers which are responsible for Product design shall use reliability methods during the Product design, verification and validation phases of the APQP process in order to assure the robustness and durability of their process

During the process planning, verification and validation phases of the APQP process data driven methods shall be used in order to prevent problems with new or changing Products and processes trough the complete supply chain.

Such tools and methods is acepted to : FMEA, SWOT, MSA, SPC and use of problem-solving tools and methods linked to the written action plans such as 8D, 5W+Ishikawa, etc.

Supplier shall have well-trained personnels.

1.1.14 Supplier Performance monitoring and evaluation

KÁTA CNC regularly rates its Suppliers performance quartally and on-time delivery, premium freight occurrences, defect PPM, customer disruptions (yard hold, stop ships), warranty and field returns, special status with AA / BB / CC certification at least quarterly based on the following criteria:

- Quality of the delivered product - the monthly error rate is max.50 PPM (if more, -10%)
- CC - Customer complaint (V / N, V = -5% / pc)
- Priority customer status (Y / N, V = -30%)
- Recurring errors (V / N, V = -15% / pc)

- Delivery accuracy (OTD min.95%, if less - 10%)
- Number of own special premium deliveries (V = -5% / piece)
- CPF - Number of special premium freigth (V = -10% / pc)

Aggregate Quality Classification so-called “A / B / C” rated
(A> 90% - 85% <AB <90% - 80% <B <85% - C <80%)

Aggregate Logistics Classification so-called "A / B / C" rating:
(A> 90% - 85% <AB <90% - 80% <B <85% - C <80%)

The supplier receives the results of the evaluation in writing, if there is a B or C evaluation in the supplier's quality capability compared to the specification, KÁTA CNC Kft. Obliges the supplier to implement corrective measures and document them on the "8D Report" within 1 week.

In case of an unsatisfactory Supplier Performance Rating KÁTA will take any of the following steps:

- Corrective actions (action plan, 8D) submitted as requested and monitored for compliance.

- Meeting with Supplier representative, and appropriate personnel to agree on corrective actions and the timelines for their completion.
- On-site Supplier survey, document and process review, and/or full or partial Audit, as required.
- Containment actions, e.g. 100 % inspection of all Products prior to shipment. (pls see the point of Escalation)
- De-sourcing of Supplier (NBoH) due to continued non-compliance.

Note: The scoring criteria may change at any time to meet business objectives.

1.1.15 Audits

In order to assess and improve the internal procedures and the management system, the Supplier shall regularly carry out system, process and product audits. The documentation relating to this must be submitted ot KÁTA CNC on request.

Suppliers shall audit each manufacturing process to determine its effectiveness and select types and extent controls used to verify conformity to internal and customer requirements. Suppliers shall have criteria to escalate or reduce their controls based on their performance and assessment of their product risk.

KÁTA CNC reserves the right to conduct system, product, or process audits at the Supplier's Production site based on his rule M10-7 Internal audits. KÁTA CNC will document audits and inform the Supplier about the results in writing.

When detected any non-conformities shall be it corrected in accordance with a mutually defined corrective action plan within a fixed period of time.

In the event that quality issues are caused by a sub-supplier, Supplier shall use its best efforts that a (mutual) audit can be carried out at the affected sub-supplier.

Supplier shall admit customer of KÁTA CNC to visit and/or audit the Supplier. This requires an advanced coordination between the Supplier and KÁTA CNC and shall create the confidence of the customer in Supplier's capabilities. Any business issue between the Supplier and KÁTA CNC will be treated confidentially.

1.2 Advanced Product Quality Planning (APQP) *(4.0)*

In order to pursue the zero-defect strategy, strict quality planning and effective serial Production surveillance are absolutely essential.

Target: Prevention of defects rather than on detection of defects.
The Supplier shall perform APQP in accordance with the AIAG APQP Manual and shall provide it independly that the company oranisation has a management system just acc. to the ISO9001

This APQP shall include in particular:

- the implementation of failure-avoiding methods to achieve a target above
- use P-FMEA or SWOT for each projects
- a comprehensive description of risks that affect Product safety or the project plan
- the identification of changes needed for Product or process specifications

1.2.1 Feasibility study based on Contract-/ Producibility Review

Supplier shall ensure that all specifications and requirements of Products are met. Supplier shall review each Purchase Order / Schedule Agreement / Delivery Schedule, quotation or engineering change request concerning its feasibility. In this context, feasibility means that the requested Products can be manufactured under mass Production conditions without any restrictions, particularly concerning technical and commercial requirements such as:

- quantities
- availabel capacities
- scheduled times & deadlines
- logistic parameters
- costs / prices
- Product description / specifications / drawings
- General customer requirement (CSR)

1.2.2 Project Plan

For the purpose of project planning and implementation, the Supplier shall make a project plan. Project plan shall include the following milestones as defined in KÁTA's rule M10-10 Project planning.

Linked documents to typical PP:

- specification / drawing review
- Feasibility study/producibility review
- specification of SC/CC
- process flow chart
- Process-FMEA
- control plan for proto-Production and serial-Production
- planning and provision of inspection and measuring equipment including MSA
- manufacture and inspection plans and documents
- manufacture of pre-Production and/or Initial samples (in serial condition)
- determination of machine and process capabilities for CCs and SC
- packaging specification
- PPAP L3(general) , or customer specific requirements
- process sign-off and review of documents
- SOP after approval by customer
- Part history sheet

1.2.3 Failure Mode and Effects Analysis (FMEA)

The FMEA methode (at P-FMEAs by suppliers) shall always be conforming to the AIAG FMEA-Manual. It shall be kept active for the entire duration of production and be updated in case of Product and/or process changes, error, claim, CSR, etc.

1.2.4 Planning of Inspection and Inspection Equipment

For all new or modified Products and manufacturing processes, all characteristics of importance to the quality shall be recorded, inspection procedures and their frequency shall be suitable, and all inspection equipment shall be planned properly and shall be available in good time for the start of pre-series Production.
The determination of SC and CC which have to be taken into special consideration in inspection and equipment planning.

The control plan shall contain in particular all:

- master data [e.g. control plan number incl. date of origin and date revised, control plan category (prototype, pre-series, serial Production), part no. and description,

revision, Supplier name, Supplier code, core team members, key contact name and contact details]

- dimensions and characteristics of process control and final inspection
- significant process parameters (SC/CC)
- corresponding inspection equipment
- inspection frequencies, methodes and types
- sample sizes
- corrective actions in the event of nonconformity

A MSA shall be executed and recorded for the whole used inspection equipment.

1.2.5 Process Capability

The minimum process capability requirements are same as by customer's of KÁTA CNC required to SC/CC which is Cpk > 1,67 generally.

When it isn't defined, the general request for process capability to the referential dimension by supplier at serial production: Cpk > 1,33

1.2.6 Production and Part Approval Process (PPAP)

The purpose of PPAP is to demonstrate, before SOP, that all specifications have been fulfilled.

PPAP is necessary in case:

- for new Products
- for corrections due to deviations
- for modified Products (changed specifications, or not approved material)
- for modified Production methods or Production conditions (e.g. new/changed tools, machines, parameters, etc.)
- when Production shall be moved to another location
- when Production was interrupted by more than one year
- when Supplier or materials will be substituted

All PPAP submissions shall be provided as requested at the due date and with their complete and accurate documentation and in accordance with requirements of ISO/TS16949, related AIAG APQP- and PPAP-Manuals I (latest edition) and any other OEM/customer specific requirements specified in the contract. When KÁTA CNC's

customer didn't require different PPAP L3 submittion criteria is a request and all documentation shall be in English.
For each new Product a MDS according to IMDS-requirements shall be submitted to KÁTA CNC via IMDS-database (KÁTA CNC's ID in IMDS: 6982) and in PPAP documentation. The IMDS-number shall be included on the PSW. The Supplier shall be aware of updates to the IMDS-candidate list and ensure that information submitted is correct and complies with the recommendations of the IMDS-system. For all Products supplied, Supplier shall automatically provide any changes to MDS.parameter, document, etc.).

1.3 Serial Production – Tasks after SOP *(4.0)*

1.3.1 Incoming Goods Inspection

The quality of the Products shall be assured by proper protective measures. These shall include an incoming goods inspection by Supplier including the documentation of its results and the delivery with conformity certificates and capability certificates from sub-suppliers.

1.3.2 Production

The Supplier shall ensure that process capability and control requirements are documented in their control plan and that capability indices are achieved and improved throughout Production.
For CC and SC statistical SPC shall be planned and implemented at Supplier. All corresponding provisions and systems shall be documented in writing. Upon request, the Supplier shall present this documentation to KÁTA CNC. In addition, Supplier shall continuously reduce part-to-part variation and eliminate all waste.

1.3.3 Inspection of Outgoing Products

Supplier shall ensure complete conformance with all Product specifications and quality requirements by performing an outgoing Products inspection by means of proper inspection methods. All inspections at Supplier shall be documented completely, in particular regarding delivered lots and shall be filed in such way that short term analyses are possible.

1.4 Product non-conformities *(4.0)*

Non-conform parts occurring in the course of the Supplier's Production, must be sorted, labelled and separated from conforming parts. Procedures must be in place to ensure

that defective Products are not mixed with conforming Products and delivered to KÁTA CNC.

1.4.1 Complains

Upon detection of defective Products at KÁTA CNC or its Customers, which were caused by Supplier, KÁTA issues a complaint. The Supplier shall confirm the receipt of the complaint as well as already implemented immediate measures by a 3D-Report within one (1) working day and by 8D report within ten (10) working days.

The results of all complaint analyses by Supplier shall directly be considered for improvements of Products and processes (e.g. through FMEA, inspection plans, etc.).

In the event of Supplier's delivery of defective Products, KÁTA CNC may at its option and in addition to any rights may have by law or under this agreement:

- reject the delivery that includes defective Products in whole or in part and return it at Supplier's risk and expense;
- if a defect is discovered before the defective Product has left KÁTA CNC's Production sites or is installed in the Product of the KÁTA CNC, Supplier shall be given the opportunity to remedy the defect or to replace the defective Product before Production commences within a reasonable period of time at Supplier's cost, provided any such remedy does not cause any delay in KÁTA CNC's Production.
- if Supplier is not able to or KÁTA CNC can not reasonably be expected to allow Supplier to remedy the defect or to replace the defective Product then KÁTA CNC shall have the right at Supplier's expense either to
    - remedy the defect itself or
    - have it remedied by a third party or
    - scrapped the defected parts for a Supplier cost
- withhold payment or if payment for the defective Product has already been made, withhold payment of subsequent deliveries of up to higher value of any defective Product, until the Supplier fulfils its obligations.

WARNING: Issuance of payment by KÁTA CNC for a defective Product shall not constitute acceptance of nor confirm that the Product received was free of defects.

1.4.2 Escalations

The supplier's reaction plan shall include, but is not limited to:

- Proactively notify KÁTA CNC immediately if suspect product may have been shipped.
- Maintain or involve quality sorting resource, which is readily available for fast response of 24 hours or less (Supplier or contract third party companies); If Supplier can't guarantee this and continuous Production and supply of Customers is endangered, KÁTA CNC is entitled to sort and rework at Supplier's expense.
- Immediate return of the whole lot where non-conform Products were detected.
- Replacement by the Supplier. In order to avoid any shutdown at KÁTA CNC or it's customers.
- Scrapping of non-conform parts by KÁTA CNC

All such actions shall happen in coordination with the Supplier and KÁTA CNC.

If the Supplier is not reacting within 10 days after receipt of the complaint, all non-conform Products / lots will be scrapped and charged without any further consultation.

1.4.3 Controlled Shipping

In case of defective Products, KÁTA CNC may impose containment actions for defective Products and demand special measures to ensure necessary Product quality. While on Level 1 or Level 2 Containment, Supplier will be restricted from bidding on or being awarded new business (NBoH – Special Status of Supplies)

1.4.4 Level 1 Status

Level 1 Containment will be performed by Supplier´s employees at Supplier´s manufacturing location. The Supplier will be notified that it has been placed on Level 1 Containment status. This notification will be followed by a written Level 1 Containment plan including the need for 100 % inspection, effective corrective actions and the exit criteria. Supplier shall provide written confirmation of receipt of this notification, including the Level 1 Containment plan within 24 hours. In case of Level1 shall:

- Immediately establish a separate containment activity area at their location.
- Start a 100 % inspection and/or test activities and record their results. At minimum Suppliers must record the material inspected / tested and the frequency of non-conforming material identified.
- Contain all suspect material in the supply chain (at Supplier´s location, in-transit, at KÁTA CNC etc.).
- Conduct a daily review of the result of the inspection / test activities and verify whether the corrective actions are effective or required change, which then shall be planned and implemented.

- Communicate results of the inspections / tests to KÁTA CNC at the agreed intervals.
- Provide key quality documents upon request for KÁTA CNC review.
- Perform corrective actions including all steps of the 8D process.

1.4.5 Level 2 Status

Level 2 Containment can in particular be initiated if:

- Level 1 Containment actions have been ineffective;
- Supplier does not or is prevented from providing expedient and efficient containment; or
- particularly severe issues are existing and/or Product safety is not guaranteed.

Level 2 Containment includes the same processes as Level 1 Containment but with added inspection / testing just by a third party. The third party must be approved by KÁTA CNC and shall be contracted and paid for by the Supplier.

Supplier will be notified that it has been placed on Level 2 Containment status. This notification will be followed by a written Level 2 Containment plan including the need for 100% inspection and effective corrective actions. Supplier shall provide written confirmation of receipt of this notification, including the Level 2 Containment plan within 24 hours.

Supplier in Level 2 Containment shall:

- Contract and issue a purchase order to a KÁTA CNC approved independent (third party) sorting firm.
- Supplier shall be responsible for providing all necessary information/training and locations for re-inspection activities. Supplier shall be responsible for all cost associated with the re-inspection.
- Submit data to KÁTA CNC as agreed upon.
- Meet the defined exit criteria.

1.4.6 Duration of Level 1 or Level 2 Containment and costs

The status and containment shall continue until permanent corrective actions have been implemented and their effectiveness has been validated. Supplier will be released from status/containment, if following criteria are met:

- 30 days of Production with zero defects in case of Level 1 or 60 days in case of Level 2 Containment and at least 3 defect free deliveries since the beginning of containment unless specified otherwise by KÁTA CNC. If a defect is found at containment during this time, the time period of Production with zero defects shall start all over again.
- a full 8D-report has been submitted by the Supplier showing and verifying the root cause for the containment and the effectiveness of the corrective actions; and
- KÁTA CNC has agreed to the closure.

All costs incurred at KÁTA CNC by containment shall be borne by the Supplier. The costs include but are not limited to costs for shipping, handling, processing, reworking, inspecting and replacing defective products as well as costs for value-added operations prior to the discovery of the defective Product and costs for Third Parties and KÁTA CNC customer charges.

2 Environmental Requirements *(4.0)*

KÁTA CNC strongly encourages suppliers to implement and maintain a certified EMS which is compliant to ISO 14001. As a minimum requirement the Supplier shall be compliant with all Laws, in particular regarding hazardous/restricted substances, enter all material data into IMDS and implement scrap and waste reduction as well as energy saving programs.

The Supplier warrants that its internal processes and its Products delivered to KÁTA CNC fully comply with all Laws, in particular those of REACH and regarding Conflict Minerals.

3 Information Safety Requirements *(4.0)*

KÁTA CNC strongly encourages suppliers to implement and maintain a certified ISMS which is compliant to ISO 27001 and GDPR valid requirements.

4 Work Safety and Health (4.2)

KÁTA CNC encourages its suppliers to implement and maintain a certified MEBIR that complies with the ISO 45001 standard. As a minimum requirement, the supplier must comply with all laws, especially with regard to secure working conditions that do not endanger health.

5 Energy Management (4.2)

KÁTA CNC encourages its suppliers to introduce and maintain a certified EgIR that complies with the ISO 50001 standard. As a minimum requirement, the supplier must comply with all applicable laws.

6 Sustainability Policy (General supplement) (4.2)

KÁTA CNC has been defined some supplements to it's policy within and over the QMS/EMS/ISMS requirements becaues to the some of uncertified (but applicated) processies.

But over the reginal rules by goverment the next supplemental chapters, which shows an orientation and methods, how the CEO of company is lead each business processes on legal and correct way, what are the philosophy of KÁTA CNC and how are these presented, demonstrated and requires from the partners.

Policy of Compliance with the law and regulations

By applying our current and current legal and regulatory compliance strategy together with risk management, customer focus, process and system approach, we are able to determine the orientation of our objectives within the framework of MIR, KIR and IBIR and maintain the successful operation of our company.

Through our activities, we strive to ensure that the output of our processes fully and reliably meets the needs of external stakeholders, including customer needs and societal requirements.

The policy of compliance with law of the integrated corporate policy and its updating is approved by the managing director of the company. Operation is continuously monitored and evaluated, and the relevant requirements and regulatory tasks are taught by our company during changes and periodically for it's workers.

Social Responsibility and Human Policy - the KÁTA CNC's Code of Ethics

KÁTA has formulated guidelines for its main social responsibility in a CNC code of ethics. The purpose of the creation is to present to all stakeholders the internationally accepted general ethical norms applied by the company's management, which it considers to be of paramount importance in the operation of the company.

The code of ethics of KÁTA CNC KFT defines the expected and normative ethical behavior - the standards of property protection, equal opportunities, fair employment, political and religious rights and human rights, and business and relationship conduct in accordance with the company's values - and encourages the interested parties to do so. parties to preserve and strengthen the valuable external image of the company

Everyone abides by the basic rules of courtesy of human contact. The employees of KÁTA CNC KFT do not behave in their workplace or outside, which may damage the reputation of the company or its partners. The values, approach and philosophy of the company set out in the code of ethics, as well as the observance of the rules related to them, apply to all employees, contracted employees and business partners of KÁTA CNC KFT.

Within a company, managers who direct the work of others have a key responsibility in developing and maintaining a culture of ethical operation. In connection with this policy, the issuance and updating of the Company's Code of Ethics is approved by the company's CEO. Operation is continuously monitored and evaluated, and the relevant requirements and regulatory tasks are taught by our company during changes and periodically for it's workers.

Sustainability Policy and Regulations (EMS Supplement)

KÁTA CNC's environmental management policy places special emphasis on the conscious and optimal use of energy, the protection of environmental and natural assets, the reduction of direct and indirect emissions, and the appropriate and safe use and monitoring of chemicals. and for use in accordance with international standards, and sets out a commitment and regulations for environmentally sound material and waste management.

We strive to comply with this policy through a periodic education to our internal stakeholders on approved topics and to our external stakeholders through communication, data provision and communication.

Health and safety policy (supplement to EMS)

Based on the human policy of KÁTA CNC, in addition to compliance with the applicable occupational safety, fire protection and health legislation and related tasks, KÁTA places special emphasis on the operation, monitoring and periodic training of the policy in accordance with the regulations.

7 Logistics *(4.0)*

7.1 Packaging

If not agreed otherwise (e.g. by specific solution from KÁTA CNC), Supplier shall be fully responsible for the design, selection and use of appropriate packaging.

Once the Product and its packaging are PPAP-approved. Supplier shall not change the packaging without prior approval by KÁTA CNC.

If returnable packaging is provided to Supplier on behalf of KÁTA CNC, Supplier shall be responsible for any loss or damage to such supplied packaging material, as far as the damage occurs on Supplier's premises or as far as Supplier is responsible for transportation.

7.2 Identification, Labelling & Traceability

Supplier keeps a KÁTA CNC's requirements at applicated identification, labelling and traceability of product (and product packaging and labeling, which always contains a part number/drawing numbers and raw-material batches which are linked to M40 KÁTA VIR modules directly.

7.3 Shipping documents

At minimum the following information shall be provided to each delivery:

- Delivery note
- Delivery address
- Delivery note number
- Supplier name and address
- VAT-identification number
- Supplier number (bar code)
- Country of origin (when it is not HUNGARY)
- Supplier part number
- Quantity (bar code)
- Weight (net, tare, gross)
- Supplier lot number (bar code)
- Number of boxes

- Shipping date

8 Connection with commercial *(4.0)*

8.1 Continuous Improvement

Supplier shall develop annual continuous improvement plans, approved by upper management, which establish improvement goals, implementation dates and responsible personnel which have influence for a possible cost reduction.

If so specific agreed with KÁTA CNC's Purchasing, Supplier shall reduce costs annually to help offset all reduction programs implemented by customers of KÁTA CNC so that both Parties can remain globally competitive partners.

8.2 RFQ / Quotations

Supplier shall submit its quotation written always. It is KÁTA CNC 's strategy to understand all cost factors and to mutually work with Supplier to keep cost as low as possible and thus safeguard further growth of business.

When submitting the quote, Supplier is deemed to confirm that all technical, commercial and capacity matters have been verified and his RFQ was established acc. to the valid feasibility studies.

Modifications due to insufficient verification are not accepted unless KÁTA CNC has changed its requirements. Quotes shall be valid for a minimum of 12 months.

8.3 Exclusivity / Non-Compete

When Supplier has a valid NDA, Commercial, GQG agreements with KÁTA CNC based on these he sell and/or supply the products exclusively to KÁTA CNC.

8.4 Risk Management

Supplier is required to maintain a risk management system to protect KÁTA CNC's supply of Products in the event of an emergency. Such a system shall ensure:

- maximum protection of employees and assets
- rapid response to a critical incident or business interruption
- immediate recovery of critical business processes and the return to normal operations
- reduction of the potential for a critical incident through prudent preventive and training measures

Contingency plans (it may connected to KÁTA CNC's rule M10-12 Contingency plan) must be in place to ensure full and continuous supply on time.

- Labor interruptions
- IT/Computer breakdowns
- Utility disruption plan
- Facility damage recovery plan
- Employee crisis counselling plan
- Internal and external critical contact list
- Transportation / border crossing restrictions (e.g. during COVID19 pandemic)

For immediate and direct communication in case of emergencies Supplier shall provide a communication register containing all relevant functions and contact persons.