

Terms of Quality Assurance

I. Preamble

- The customers of the company IMI International s.r.o., seated at Humpolec, Central Trade Park D1 1573, postal code 396 01, Czech Republic, Registration Number 25692089 (hereinafter referred to as „IMI“) place high demands on the quality of the products supplied by IMI and IMI is obliged to meet these demands. For these purposes, with the goal of continuously improving the quality of the products, IMI uses the quality management system - with the minimal standard of ISO 9001.
- The supplier delivers to IMI goods, which is used by IMI in manufacturing its products. Therefore, high quality and reliability of the goods is indispensable condition for ensuring the quality of the products.

II. Definitions

- „IMI“ - company IMI International s.r.o., seated at Humpolec, Central Trade Park D1 1573, postal code 396 01, Czech Republic, Registration Number 25692089, orders the goods from the suppliers and manufactures/delivers the goods to the customers
- „supplier“ - a legal or natural person established according to the relevant legislation, which confirmed the General Order under the General Purchase and Delivery Conditions, which are together with these Terms of Quality Assurance part of the General Order and form an integral part thereof
- „goods“ - goods supplied by the supplier according to General and Partial Order and IMI's General Purchase and Delivery Conditions and used by IMI in the process of manufacture of its products
- „product“ - product produced by IMI by using the goods supplied by the supplier for sale to the customer
- „customer“ - the end customer to which IMI sells / supplies the products

III. Subject

- These Terms of Quality Assurance (hereinafter referred to as „Terms“) apply to all deliveries made by the supplier in accordance with the General Purchase and Delivery Conditions (hereinafter referred to as „GPDC“) and form according to the article I par. 2 of GPDC integral part thereof.
- The Terms determine only minimal requirements to guarantee the quality of the goods; the Terms do not replace or supplement the requirements for the management system certification (e.g. DIN EN ISO 9001, ISO/TS 16949, ISO 14001). Specific requirements for the goods that are not part of these Terms, are set out in the General Order, GPDC and / or drawings annexed to the General Order, which are also binding for the supplier.
- These Terms do not relieve the supplier from the obligation to deliver the goods in accordance with the General Order and Partial Orders in accordance with the GPDC.
- General conditions of the supplier concerning the quality of goods (e.g. specification of the goods) are binding for IMI only if IMI consented thereto in writing.

IV. Quality objectives and examination of the goods

- The supplier is obliged to implement a zero error strategy. For this purpose the supplier shall establish and measure the following:
 - prevention of errors and defects
 - analyzing and removing the causes of defects and errors
 - personal approach of the employees with a strong emphasis on the quality
- The assessment of whether the supplier meets the zero defects strategy is carried out in an audit of quality (Article VIII hereof) by the supplier. Action plan based on the audit report is drawn up in cooperation between IMI and the supplier to assess the fulfilment of zero defects strategy. The action plan sets out specific appropriate measures to achieve zero defects.
- If the supplier is not able at the time of conclusion of the General Order according to GPDC and these Terms ensure the strategy of zero defects, the supplier must enter into an agreement with IMI to meet temporary targets. This does not affect the liability of the supplier for the quality and guarantee of the goods.
- The goods which according to the findings of IMI have any defect shall be provided to the supplier for the purpose of analyzing the defect. The supplier is obliged to prepare and provide IMI with analysis of the root causes of defects and corrective measures to eliminate and prevent them or to allow a responsible IMI employee to consult and / or cooperate on such analysis and to consult the analysis with IMI. The supplier shall prepare the analysis responsibly, consistently and is obliged to take into account the recommendations of IMI and to document the analysis exhaustively.

V. Delivery of defective goods

- The supplier shall at his own costs and before unloading the goods for the purpose of delivery the goods to IMI to control the quality and quantity of the ordered goods in accordance with a well known methodology „VDA Vol.2, level control 2“, which is part of the business practices in this industry.
- In case of delivery of defective goods, the supplier is obliged to, in addition to obligations under GPDC, pay to IMI the costs incurred to IMI solely as a result of delivery of defective goods as well as the costs incurred to IMI's customers in connection with the defective goods, in the following amounts:

PPM*	Method of calculating the amount of compensation of costs by the supplier
≤300	Replacement of defective parts
300 - 500	Replacement of defective parts and Surcharge 50% of the purchase price of the defective parts internally** 100% of the purchase price of the defective parts externally***
500 - 1000	Replacement of the defective parts and Surcharge 100% of the purchase price of the defective parts internally** 200% of the purchase price of the defective parts externally*** + additional costs****
1000 - 3000	Replacement of the defective parts and Surcharge 200% of the purchase price of the defective parts internally** 500% of the purchase price of the defective parts externally*** + additional costs****
≥ 3000	Replacement of the defective parts and Full reimbursement of costs incurred to the customer + additional costs****
* number of defective units in the amount of 1.000.000 of supplied products ** defect discovered at IMI before delivered to the customer *** defect discovered by the customer **** especially: sorting out defective parts at IMI; sorting of potentially non-conforming parts at the customer's; reimbursement of the costs for the components which cannot be removed and reused due to the defective parts; costs for montage and removal of the parts etc.	

- Any changes to the product or to the production process of goods requires prior written approval from IMI and/ or input control of sampling of the new / changed parts by IMI.

VI. The Quality Management System

- The supplier is obliged to apply the Quality Management System (hereinafter referred to as „QMS“) in compliance with the general standard DIN EN ISO 9000. The supplier is obliged to submit to IMI a quality certificate certifying the compliance with the standards ISO 9000 et seq. (e.g. DIN EN ISO 9001).
- The supplier shall continuously develop and improve the QMS (e.g. according to ISO/TS 16949).
- The supplier shall comply with all legal and technical standards relating to the quality and production of the goods and to monitor and apply the current knowledge in science and technology.
- The supplier is obliged to use the production means, methods or procedures and measuring and controlling equipment specific for the production activities (hereinafter referred to as „equipment“), these include to QMS and maintain at its expense with due diligence regardless of it is supplier's own equipment or equipment provided by IMI.
- The supplier immediately after delivery of the General Order according to GPDC informs IMI in writing about the name of the authorized person responsible for compliance with QMS. The supplier shall ensure that the person is available at the usual working time to coordinate the implementation of QMS, actively and to consistently solve qualitative problems and to be authorized to make binding decisions and statements concerning these Terms. Change of such person must be promptly disclosed to IMI in writing.

VII. Documentation, archiving

- The supplier is obliged to document all taken and performed implementations on the quality of goods. This documentation must be retained by the supplier for 30 years from the survey and quality control. The supplier is obliged to give the documentation to IMI upon IMI's demand.
- The supplier is obliged to allow at normal daily working time access to the supplier's premises for the purpose of control of the documentation.
- IMI shall be notified in writing about any defects discovered by the supplier during the survey and quality control. The written notification must include the anticipated impact of the defect on IMI's product and a proposal for the defect removal.

VIII. Quality Audit

- The supplier shall at his own costs and responsibility within his internal audit ensure compliance with the requirements for the quality of goods in accordance with these Terms and ensure safety of goods according to relevant legal and technical rules.
- The supplier is obliged to submit on IMI's request all documents and information within internal quality audit and to submit true information concerning the audit.
- The supplier is obliged to perform and present self assessment upon IMI's request for the purpose of demonstrating the compliance with the requirement for products safety and quality. The draft of the questionnaire is available on request at IMI.
- The supplier is obliged to enable IMI, IMI's customers or relevant supervisory authorities to prepare external quality audit, to, both at their premises and its subcontractors. The supplier shall cooperate when performing the external audit.

IX. Claims for breach of duty

- Compliance with the obligations set out in these Terms shall not relieve the supplier of his liability for defects under the guarantee according to GPDC.
- Should the supplier breach any of the obligations under these Terms, IMI is entitled, after prior written notice that did not lead to a remedy within the period settled in the written notice (and this may not be shorter than 30 days), to withdraw from the partial and/or General Order. Claim for damages or remedies provided for the case of withdrawal from the General Order and/or partial orders according to GPDC is not affected.

X. Other provisions

- Articles X - XIII of GPDC shall apply mutatis mutandis to these Terms.
- Any changes in these Terms shall be in writing and must be agreed by both parties.
- An email or fax shall be considered as a form in writing.
- If any provision of these Terms is or becomes wholly or partially invalid, this shall not affect the validity of these Terms as a whole.
- These Terms come into effect on acceptance of General Order in accordance with GPDC and become integral part thereof and are binding for the Supplier.

IMI International s.r.o.
(May 2013)