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## **1. PURPOSE**

The principles defined in this procedure shall govern the relationship between SILIKO d.o.o. and its suppliers and shall as the attachment to the General Terms and Conditions of Cooperation be regarded as the condition of cooperation with SILIKO d.o.o.

## **2. SCOPE**

This procedure shall apply to all of SILIKO d.o.o.'s suppliers of mounting parts, final products, production components (including suppliers of material commercially available), services and equipment.

## **3. LIABILITIES AND MODERNISATIONS**

The supplier shall be liable for the conformity of his products, services and realisation processes including the content of this procedure, while the purchase department of SILIKO d.o.o. shall be liable for the distribution of the procedure, control of proper use and eventual modernisations.

The supplier shall be liable for the conformity of his products, services and realisation processes in the subsequent supply chain (until the final product has been manufactured) and the entire foreseen lifespan of the product.

## **4. QUALITY AND THE QUALITY SYSTEM**

### **4.1 MAIN ORGANISATIONAL ASPECTS**

The supplier's quality system shall be in conformity and certified at least in accordance with the provisions of the ISO 9001 standard. It is desirable that comply and certification of the quality system of the supplier of one of the universally recognized environmental management systems (eg. ISO 14001) and mandatory compliance with the Code of Conduct and compliance with the work laws and regulations, with special emphasis on safety and health at work, adequate compensation for work done, non-discriminatory treatment without harassment in the workplace, ensuring health and safety in the workplace and the prevention of forced labor, child labor, prevention of corruption and bribery, and illegal overtime work.

The supplier shall have in his basis an organisation ensuring conformity of the products, services and realisation processes with known demands of SILIKO d.o.o. and other stipulations for each individual product

The supplier shall include the following activities and functions in his business processes:

#### **4.1.1 Documentation and Management**

The supplier shall ensure written procedures for undisturbed establishment of conformity of products, services and realisation processes with the demands of SILIKO d.o.o. and other stipulations (requirements, regulatory issues, etc.). All specific end customer requirements must be implemented across the supply chain.

The written procedures may be standards and other appropriate norms, general and specific requirements of individual companies in the subsequent supply chain, requirements stipulated by the client and internally elaborated requirements and procedures prepared by the supplier.

The supplier shall ensure appropriate records (or other proof if so agreed upon in advance or if appropriate) on achieving the conformity of products, services and realisation processes.

If the supplier is familiar with the final producer and the individual intermediary producers in the supply chain, the supplier shall be obliged to ensure the conformity of documentation, products, services and realisation processes also with their demands (e.g. DC Special terms, etc.). If the supplier does not have access to any or some of the demands and requirements, the supplier shall contact the purchase department of SILIKO d.o.o. Subsequent complaints by the supplier, stating that he had not been informed, shall not be observed.

The supplier shall keep the documentation sent by SILIKO d.o.o. and immediately consider and implement all eventual modernisations.

The supplier shall not transfer any data or allow it to be used by a third party, unless specifically demanded or approved by SILIKO d.o.o.

The documentation and records may be in written and/or electronic form. If the documents and records are illegible or unintelligible, the supplier shall immediately contact the purchase department or any other corresponding department of SILIKO d.o.o.

#### **4.1.2 Product Identification and Additional Information**

Each supplied packaging unit shall be marked with a goods tag pursuant to VDA 4902. In addition to the information required by VDA 4902, each tag shall unequivocally state the status of the supplied goods.

In cases of special delivery, the products or packaging units shall be marked with an additional distinctive tag as indicated below:

SPECIAL FEATURE	TEXT OF THE ADDITIONAL TAG
Samples for batch release	Initial samples
First delivery in batches after modification	Modified products
Conditionally accepted products in advance	Conditional acceptance
Products which were subject to an additional/unplanned operation	Additionally processed products
Products for which the company SILIKO d.o.o. demands additional 100% control	100% control

Products made in response to the order of SILIKO d.o.o. and which deviate from standard demands	Special delivery
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The supplier shall also ensure:

- the identification of input material and semi-products stored in his storage facility and also through individual processing phases,
- the separation of conforming and non-conforming products in the entire process, and
- the identification of approved final products.

#### **4.1.3 Changes/Modifications of the Product/Process**

The supplier shall adopt all methods of identification enabling the date of the products/procedure being implemented to be set (materials, processes, procedures, etc.), including the adaptations/modifications demanded by SILIKO d.o.o. as well as those suggested by the supplier and approved by SILIKO d.o.o.

With regard to all changes (products, services, realisation processes, input material, including suppliers and all changes in the realisation process of his suppliers), the supplier shall inform the purchase department of SILIKO d.o.o. and as a confirmation deliver samples together with the Report on Initial Samples pursuant to VDA or IATF 16949.

The extent, manner and time of sampling the change shall be arranged in advance with the purchase department of SILIKO d.o.o.

Prior to first delivery in batches after modification, the supplier shall obtain a written release by SILIKO d.o.o. The release may be of a limited duration or may apply only to individual deliveries.

The supplier shall not accept or perform any modifications which have not been officially approved by SILIKO d.o.o. and shall be liable for damages arising from an unapproved modification.

#### **4.1.4 Transfer and Packaging**

The delivered products shall be packaged in appropriate packaging or pursuant to the rules and stipulations of SILIKO d.o.o. and loaded in units in a manner preventing any damage during transport, implementation and storage and shall comply with all the safety regulations (e.g. maximum weight and height, etc.).

If one or more packaging units are damaged prior to acceptance and if it is realised that the packaging does not ensure undisturbed storage and manipulation at SILIKO d.o.o., the latter shall:

1. return the damaged packages and bill the costs of such transport to the supplier,

2. if the material cannot be returned due to urgent production, the supplier shall be informed, while SILIKO d.o.o. shall single-handedly see to the proper protection of the product. The costs arising from this shall be billed to the supplier.

#### **4.1.5 Quality and Suitability of Delivery**

The supplier shall carry out quality control of all product deliveries and confirm the conformity of the realisation process and products with all the requirements.

The conformity of the delivered products shall be unequivocally and visibly marked on each tag of every individual packaging unit. In addition to the tag on conformity with the requirements, the supplier shall append each delivery with proof on conformity of the products in accordance with the manner and extent previously arranged with SILIKO d.o.o. At all events, the supplier shall keep the proof on the conformity of the delivered products and immediately make them available upon the demand of SILIKO d.o.o. The above stated shall apply also if certain tests and controls were conducted by a third party on behalf of the supplier.

Realization processes and important product characteristics must be statistically controlled and meet the general requirements of  $Cpk > 1,33$  and  $Cmk > 1,67$ ; except in cases where the requirements are different (e.g. Mercedes Benz).

#### **4.1.6 Quality and Suitability of Delivery by Subsuppliers**

The supplier shall be liable for the quality and conformity of products, services, process realisations and procedures conducted by his suppliers (subsuppliers).

The supplier shall acquire and keep all documentation regarding the used raw material (material certificates, etc.) and/or mounting parts, documentation relating to control conducted by testing and documentation on all modifications approved by SILIKO d.o.o. and presented to the subsuppliers.

The supplier shall inform SILIKO d.o.o. about any changes of his subsuppliers and about any changes relating to the realisation processes, products and raw material of his subsuppliers. These changes need to be previously approved by SILIKO d.o.o.

#### **4.1.7 Request for "Conditional Acceptance"**

If the supplier establishes non-conformity of his products and/or realisation processes and believes that this non-conformity shall not have any influence on the function of the final products in its entire lifespan and the production process at SILIKO d.o.o., he may file a written request for conditional acceptance. In addition to the information relating to the product, the Request for Conditional Acceptance shall include a detailed description of the non-conformity with risk assessment and the reasons for the emergence of the non-conformity.

Depending on an individual case, SILIKO d.o.o. can either accept or refuse the request either alone or in cooperation with the buyer. The release can be given only by the company which has developed the product.

A conditional acceptance by SILIKO d.o.o. does not absolve the supplier from liability in case of quality claims.

The conditionally accepted products shall be additionally and explicitly marked by the supplier.

#### **4.1.8 Test Reports**

The supplier shall establish a system of recording test results and control of his products and realisation processes as well as of the products of his sub-suppliers in accordance with automotive standards, such as VDA or IATF 16949. The results shall be saved as stated hereinafter. Upon any request made by SILIKO d.o.o., the documentation shall be readily available.

#### **4.1.9 Traceability and Retention of Documentation**

The supplier shall establish a system ensuring traceability of materials/components used in the process and which shall enable the identification of inappropriate products/deliveries. The supplier shall ensure availability of the needed documentation of SILIKO d.o.o. and his own documentation at the time and on the spot of production and upon performing quality control.

The supplier shall retain all records relating to the quality of the products and realisation processes for a period of no less than 5 years. The only exception is the documentation relating to products marked as safety products and/or products with regulatory requirements, which need to be retained for a period of no less than 20 years. In addition, the supplier shall consider all the regulatory requirements for retention of documents which apply to him.

The retained documentation shall be protected against loss, destruction or any other deterioration in quality.

#### **4.1.10 IMDS System (International Material Data System)**

The supplier shall be registered in the IMDS system (<http://www.mdssystem.com>) and shall, using the IMDS system, provide SILIKO d.o.o. the MDS of the sampled product upon every initial sampling. The IMDS ID of the company SILIKO d.o.o. is 9264.

#### **4.1.11 Production, Control and Equipment Tests**

The supplier shall produce, control, maintain and test the equipment with the intent of maintaining constant efficiency without any modifications unless priorly agreed upon differently.

If SILIKO d.o.o. is the owner of the equipment, the supplier shall not perform any modification or manipulation of the equipment without prior approval by SILIKO d.o.o. but shall above all attentively perform the foreseen maintenance activities.

### **4.2 BEGIN OF DELIVERY (NEW SUBSUPPLIER OR DELIVERY OF NEW/MODIFIED PRODUCTS)**

Only after the supplier acquires the product's technical documentation (plans, specifications, standards, norms and other regulations) can the procedure for the release of delivery in batches to SILIKO d.o.o. begin. During the delivery in batches, SILIKO d.o.o. shall inform the supplier in due

time about any changes in the documentation, which is not directly available to the supplier. Any changes of regulatory requirements, national and international standards and house norms including the specific demands of individual producers shall be followed by the supplier himself.

Delivery of batch products is possible only by prior approval of SILIKO d.o.o.!

#### **4.2.1 Sampling for Release of Delivery in Batches**

The supplier shall perform the testing at least in the following cases:

- a new product,
- a modification of the product (also with every modification of specifications),
- the relocation of production,
- any change in the product's realisation process,
- a discontinuation of production for a period o more than 12 months,
- a modification/correction of tools and/or instruments,
- a modification of input material and/or mounting parts,
- a new supplier,
- a new measuring equipment,
- change the location of products/material storage
- new supplier / sub-supplier
- Other (at the request of the supplier or SILIKO d.o.o.).

In order for the supplier to obtain a serial product/material supply, the raw material accordance with the sampling order he needs to provide the following in the arranged time:

1. the previously arranged number of initial samples or at least:
  - 5 samples in cases of components (in cases of multi-nested tools, minimally 5 samples from each nest)
  - 5 product samples (in cases of multi-nested tools, minimally 5 samples from each nest)  
In sampling of material, the extent is defined individually for each case by SILIKO d.o.o.  
The initial samples shall be produced under exactly defined conditions for batches.
  - Sampling of materials / raw materials  
The sampling volume (depending on the complexity of the final product, history) is determined. from case to case by Siliko d.o.o ..  
Initial samples, mixtures (for materials / raw materials) must be manufactured under precisely determined serial conditions.
2. the Report on Initial Samples and the entire corresponding documentation, the extent of which can be previously arranged, while it generally applies that it shall correspond to the demands of AIAG PPAP level 3 or VDA 2 PPF level 3:  
Depending on the type of the product and the product and/or process requirements, the supplier shall implement, document and retain the below stated tests/evidence throughout the phase of products/process development and include them with the Umbrella Document in the Report on Initial Samples in accordance with the arranged extent of sampling:



1. Measurement Report
2. Functional Test
3. Test of Material
4. Test of haptics (touch)
5. Test of Acoustics
6. Test of Smell
7. Test of Visual Appearance
8. Test of Surface
9. Test of Electromagnetic Compatibility
10. Test of Reliability
11. FMEA of the product
12. Approval of the Construction
13. FMEA process
14. Process Flow Diagram
15. Plan of Production Management
16. Analysis of Process Capabilities
17. List of Used Measurement Equipment
18. Analysis of Measurement Systems Capabilities
19. EU Safety Data Sheet
20. Composition of Contained Materials/ input in the IMDS system
21. Packaging / Transport
22. Material Certificates
23. Release of the Process
24. Other (e.g. proof on reaching planned capacities, etc.)
25. Report on Deviations
26. List of Mounting Parts / Product's CV

The supplier shall enable insight into the process of manufacturing the product to representatives and buyers of SILIKO d.o.o. (e.g. process assessment).

In special cases, if sampling by the supplier is not possible, such as standard products / raw materials Siliko d.o.o. he makes an internal release himself.

The department of control in SILIKO d.o.o. shall review the samples and the attached documentation and inform the supplier about the results in writing:

- **Positive Permission (release of serial production):**  
If the documentation is complete and appropriate and the represented initial samples meet all the set requirements.
- **Conditional Permission (conditional release of serial production):**  
If the documentation is incomplete or has faults which can easily be remedied and do not have any effect on the product's suitability and if the deviations of products/processes from the requirements are not critical and can be rapidly removed by taking appropriate measures.

In any case, the supplier shall immediately provide SILIKO d.o.o. with a time plan of measures for remedying deficiencies and inform SILIKO d.o.o. on the realisation. After all measures have been taken, unless agreed upon otherwise, the supplier shall repeat the presentation of initial samples in accordance with the previously arranged extent of documentation and samples. The time for new sampling shall be arranged with the purchase department of SILIKO d.o.o.

- **Rejection (serial production is not released):**

If one or more essential characteristics of the initial samples and/or attached documentation do not meet the set requirements and if the supplier's results do not match the results of tests conducted by SILIKO d.o.o. The supplier shall immediately provide SILIKO d.o.o. with a time plan of measures for remedying deficiencies and inform SILIKO d.o.o. on the realisation. After all measures have been taken, the supplier shall repeat the entire process of presentation of the initial samples.

#### **4.2.2 Suitability of Products/Realisation Processes**

If a product is produced or constructed on behalf of and/or under licence of SILIKO d.o.o, the latter shall be entitled to ask for plans of individual components and all other technical documentation relating to the product. SILIKO d.o.o. shall be entitled to communicate this documentation to any third party without prior authorisation of the supplier.

In cases of complex products and/or products with regulatory and/or safety requirements, dispatch shall be allowed only in case of positively passed suitability tests. The regulatory and safety requirements are defined on the plans and/or technical documentation.

For these products, the supplier shall:

- Mark the products and their characteristics in the product's specific documentation.
- Substantiate the product's characteristics and the characteristics of the process by using means giving a 100% suitability.
- Establish a system allowing identification and traceability of the day of production, tests and test results conducted on the product/process and any and all eventual corrections.
- Be liable for the homogeneity of the supplied delivery.
- Be liable for products/processes of sub-suppliers

The licence for supply and suitability of the products/processes (qualification) shall be repeated by the supplier if any changes occur influencing the characteristics of the products in time of delivery in batches.

The supplier shall confirm the suitability of the products/processes every 12 months (requalification) and upon demand present the matter for inspection to SILIKO d.o.o.

During requalification, which shall be recorded in the control plan, all tests/trials conducted in the phase of the development of the product/process, respectively in the phase of production shall be repeated and initial samples presented.

#### **4.2.3 Supply of Equipment**

The basic requirements for equipment constructed by outside suppliers are exactly defined in the detailed Specification of Supply (technical and acceptance requirements) and if needed more exactly defined in the attachments to the specification.

SILIKO d.o.o. shall provide the above stated requirements to the supplier making them part of the General Purchase Conditions. Special additional details are provided to the supplier upon industrialisation.

The supplier shall be liable for the suitability of the equipment and shall provide SILIKO d.o.o. appropriate proof and documentation stated in the General Purchase Conditions and/or demanded by regulatory requirements no later than at the time of delivery.

SILIKO d.o.o. shall verify the conformity of the equipment and documentation pursuant to the requirements set forth in the General Purchase Conditions and upon doing so, notify the supplier in writing. If the supplier does not include the Declaration of Conformity, SILIKO d.o.o. shall not accept the equipment.

In case of rejection, SILIKO d.o.o. shall return the equipment to the supplier or call upon the supplier to rectify the error on the spot. The rectified or reworked equipment shall again be subject to determining conformity with the requirements prior of it being accepted.

#### **4.2.4 Registered Samples**

The registered samples shall be confirmed by SILIKO d.o.o. They are used for individual products for which SILIKO d.o.o. issued only a plan and/or related detailed description or for products which have only general characteristics which cannot be put forth or estimated in plans and similar (colour, appearance, etc.).

These samples are used to determine suitability in case of complaints. In case of changes of general characteristics, these samples consequently need to be changed as well. In case of perishable nature of the samples, these shall be periodically renewed in planned time spans.

#### **4.3 NON-CONFORMITY OF PRODUCTS/DELIVERY WITH THE ORDER OF SILIKO D.O.O.**

If SILIKO d.o.o. shall find any non-conformity in the delivered products and/or due to the delivered products, the control department of SILIKO d.o.o. shall inform the supplier about the non-conformity with a record of claims (or verbally or in any other written/electronic form if the circumstances make this more appropriate).

The product/delivery shall be regarded as being in non-conformity also in cases of:

- damaged packaging,
- incorrect packaging or transport,
- inappropriate documentation (delivery note, certificates, etc.),
- inappropriate tags,
- considerably premature time of delivery, and

- deviation in quantities.

The supplier shall be obliged to immediately solve the problem and shall promptly contact the purchasing or the control department of SILIKO d.o.o. and arrange the manner of solving the problem.

The supplier shall submit a written answer in the generally accepted 8D Problem Solving Form:

- within 24 hours or max. 1 business day unless otherwise required: written answer regarding immediate actions (items D1, D2 and D3 in 8D)
- within 10 days: root cause analyse (items D4 in 8D), plan of corrective actions (item D5 in 8D)
- within 30 days: after the measures (D6 in 8D) and the determination of the effectiveness of measures (D7 in 8D), the complete 8D form is provided.

If a non-conformity has been marked as critical, the supplier shall confirm the effectiveness of the measures by demonstrating the ability of machines/devices and processes (Cp, Cpk, etc.).

If a supplier does not respond in due time and/or the needs of production demand immediate action, SILIKO d.o.o. shall itself start resolving the problem and all the arisen costs shall be charged to the supplier. The same shall apply for claims filed by buyers of SILIKO d.o.o. if the claim is determined to be the result of poor quality of the products and/or services and/or realisation process of the supplier.

The packaging units of products which were subject to an additional/unplanned operation (including 100% control) shall be additionally distinctively marked.

The supplier shall inform SILIKO d.o.o. about all additional procedures.

#### **4.3.1 Costs, Administration Fees**

Siliko d.o.o. reserved the right to charge to supplier all cost caused by product and system failures which generate significant cost to Siliko or final customer.

Siliko d.o.o. will issue a complaint record for all non-compliant deliveries for the first open complaint and for recurrent complaint. Recurrent complaint shall be considered a complaint where the same inconsistency is repeated over a period of two years.

The costs might be invoice to supplier directly by individual invoice as well as its possible to debit product invoice.

	FAILURE DESCRIPTION	AMOUNT (EUR)	COST DEFINITION / NOTE
1.	Quality Complaint Report for the first open complaint	200 EUR	Activities related to complaint creation:

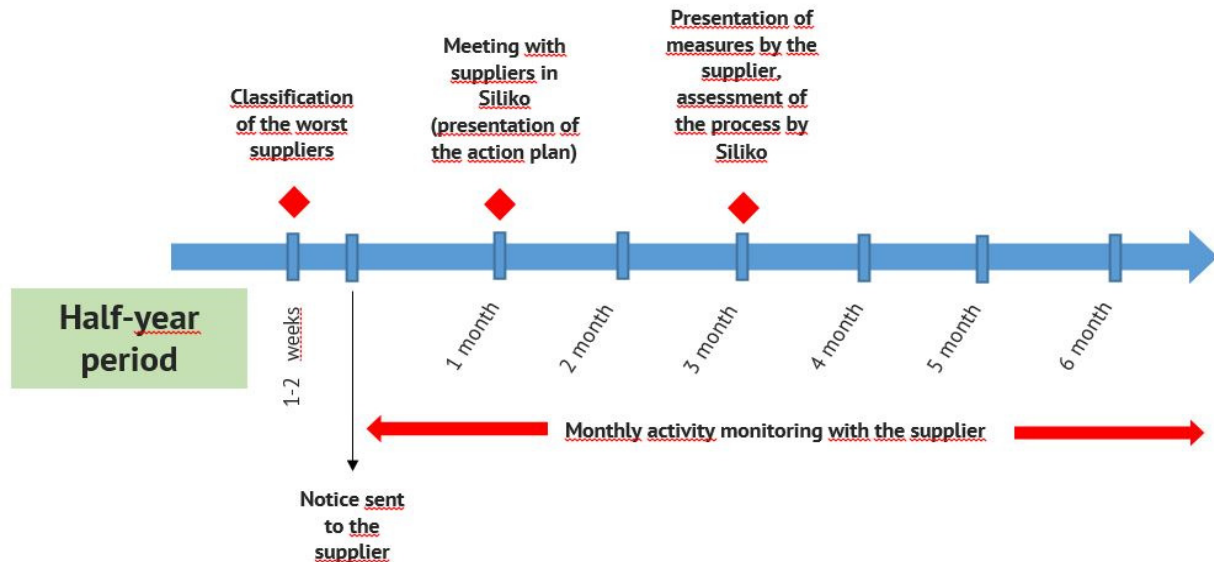
			<p>Collection information about the claim;</p> <p>Transaction in ERP system;</p> <p>Identification of NOK components;</p> <p>Handling and packing of NOK components;</p> <p>Creation internal quality warning and additional training for the workers;</p> <p>Risk analysis link to final product;</p> <p>Open complaint in ERP system and information to supplier;</p>
2.	Quality Complaint Report for the repeated complaint	300 EUR	<p>Activities related to complaint creation:</p> <p>Collection information about the claim;</p> <p>Transaction in ERP system;</p> <p>Identification of NOK components;</p> <p>Handling and packing of NOK components;</p> <p>Creation internal quality warning and additional training for the workers;</p> <p>Risk analysis link to final product;</p> <p>Risk analysis link to the customer;</p> <p>Revision of initial complaint;</p> <p>Open complaint in ERP system and information to supplier;</p>

3.	Analysis of non-conforming articles	Real costs	
4.	Sorting by Siliko	20 EUR/Hour	In case of sorting by third party – real costs charged by 3rd party
5.	Producing line stop	Real costs	Individually calculated based on exact case
6.	Costs because of delivery delays	Real costs	
7.	Costs associated with the quality problems – supplier fault	Real costs	
8.	The fall in sales	Real costs	
9.	Special transport costs to customer	Real costs	
10.	Special transport costs - returning of unsuitable goods	Real costs	
11.	First Sampling Rejection and Reprocessing (PPAP)	Min. 500EUR	
12.	Missing or mistake in documentation (8D, EMPB, time schedule)	75 EUR/case	

#### **4.3.2 Measures in Case of Unsatisfactory or Poor Quality**

Company Siliko d.o.o. develops its suppliers who do not meet the requirements of the customer as a whole in terms of recurring complaints of ineffective measures in the process. The efficiency of the supplier is measured, monitored for a half-year period and compared with other suppliers.

The following figure shows the described program:



In case of unsatisfactory quality, SILIKO d.o.o. shall be entitled to the following measures:

- extraordinary meeting with the supplier where SILIKO d.o.o. and the supplier shall agree upon the measures for achieving the required quality level,
- technical inspection of the supplier's location with the intent of assessing the cause of the arisen irregularities. The supplier shall provide appropriate equipment and adequate staff.
- Process assessment of development and/or product realisation

In any case, a written plan of measures that the supplier is obliged to take in the set periods of time is prepared and realisation of the measures shall be communicated to SILIKO d.o.o. at least once a week.

#### 4.3.3 Reviews of the Supplier

SILIKO d.o.o. regularly reviews its suppliers classifying them into quality classes. Upon receiving the review, the supplier shall have 14 days to submit a list of measures to be taken in order for the supplier to achieve the best grade for each individual review, which is not in the highest grade. The plan of measures shall include a detailed description of measures/actions which are to be taken, the needed time and the responsibility.

#### 4.4 ASSESSMENTS

SILIKO d.o.o. reserves the right for process/system assessment (including unannounced) at the supplier's location, while the supplier shall be obliged to ensure its undisturbed implementation. SILIKO d.o.o. also reserves the right for announced process/system assessment at the location of

the supplier's subsuppliers, which the supplier shall be obliged to ensure by signing an appropriate agreement with its subsuppliers.

If a buyer of SILIKO d.o.o. wishes to perform an assessment of the supplier/subsupplier, the supplier shall enable such assessment but only accompanied by SILIKO d.o.o.

The supplier shall perform an assessment of the system and process (including all production processes) at least once a year and an assessment of each product being supplied to SILIKO d.o.o. at least twice a year.

#### **4.4.1 Selection criterion of the Supplier**

SILIKO d.o.o. use the following selection criterion of the supplier:

- Supplier self assessment
- Supplier should have at least standard ISO 9001
- Supplier presentation
- Financial assessment of supplier
- Selected supplier on the basis of the first positive assesstment by purchasing department
- Associate approval from SILIKO d.o.o. management in special causes
- Supplier selected by the customer
- Supplier selected on the basis of the positive potential analysis

## **5. EXEMPTIONS**

Any deviations from the requirements set forth herein shall be possible only after prior written agreement of the purchase and control department of SILIKO d.o.o. Any eventual adaptations of this document to individual suppliers shall be regulated by an annex to this document and signed by both parties.

If we do not receive any feedback on the information provided herein, it shall be considered that you fully agree with the contents.

In case if the quality or efficiency, efficiency of the measures with the supplier does not improve, Siliko can take a decision to stop new projects with the supplier.

## **6. CONFIRMATION BY SUPPLIER**

As a supplier of SILIKO d.o.o., we hereby confirm that:

1. we fully agree with the contents of these guidelines;
2. we are liable for full confidentiality of all documentation owned by SILIKO d.o.o. unless agreed upon otherwise with SILIKO d.o.o.;
3. we shall immediately communicate any non-conformity of the products/documentation delivered to SILIKO d.o.o.;



4. we shall, during working hours, allow SILIKO d.o.o. or its buyers entrance to our departments of development, testing, control, production, storage of products and input material or parts of products intended for SILIKO d.o.o.

Guidelines for suppliers are also published on [www.siliko.si](http://www.siliko.si).