

Supplier Quality Assurance Agreement

Standard Version

This Supplier Quality Assurance Agreement targets to grant the collaboration between Hitachi Energy (the “customer”) and its suppliers to achieve successful relationship with high quality products and services. By accepting this document, the supplier agrees to comply with the following:

Quality Management System

1. Supplier shall establish a documented Quality Management System (“QMS”) that is independently assessed and certified by an accredited authority to ISO 9001 (or similar recognized quality management standard, the latest version) standard. The supplier shall provide satisfactory evidence in this regard. Existing suppliers to the customer, in qualification/re-qualification process and not yet ISO 9001 (or similar) certified, must pre-send a documented plan to be certified within twenty-four (24) months. This requirement is applicable for manufacturers and critical contractors.
2. In case of request by customer, supplier should prepare and submit process flow diagrams and Process Control Plans, Inspection and Test Plans (“ITP”) for the parts/products/materials/services or projects which will be supplied to customer. This should be applicable especially for critical parts or process.
3. The supplier will flow down customer technical documentations/specifications to its sub-tier suppliers (supplier’s supplier, if applicable). The supplier will demonstrate with adequate documentary evidence that it is managing all its sub-tier suppliers engaged by it in its supply of goods and/or services to the same quality standard as stipulated in the purchase order. For the avoidance of doubt, it is the supplier’s responsibility to ensure the quality of the goods and/or services delivered to the customer complies with specifications and what stipulated in the purchase order by the customer and supplier shall bear liability in this regard toward customer.

Product Specifications and Requirements

4. The supplier will comply with the latest version of the technical documentation issued by the customer for the goods and/or services and will ensure compliance within its internal operation and of its sub-tier suppliers wherever applicable.
5. The supplier will incorporate the customer requested changes and will procure that its sub-tier suppliers comply with and undertake any and all relevant changes. The Customer and the supplier will agree the effective date of such change. In case customer issues a change request after purchase order, supplier should review and confirm the change request until defined deadline.

Process Controls

The supplier shall maintain the following QMS controls:

6. Equipment/Test equipment

Supplier will ensure that all equipment used in the process for the goods or services are appropriately designed, constructed, installed, calibrated, and operated. Supplier will develop, maintain, and comply with schedules for adjustment, cleaning, calibration, and any other required maintenance. Supplier shall maintain records of these activities for a minimum of three (3) years and make them available to the customer upon request.

7. Automated Process Software

If supplier uses hardware, software, or other automated methods as part of its manufacturing or quality control processes then the supplier shall validate the hardware, software, or other automated methods to ensure its ability to fulfill the purchase order. The supplier will validate such changes or upgrades prior to implementation. Supplier shall maintain records of these activities for a minimum of three (3) years and make them available to the customer upon request.

8. Production Part Approval Process

When required by customer, supplier shall follow the industry Advanced Product Quality Planning process ("APQP") and submit Production Part Approval Process Package ("PPAP") for requested products. The supplier must have a documented procedures/instructions for testing and measurement of the goods and/or services according to customer requirement. The supplier will perform and ensure the compliance to such procedure. Only subject to prior written approval from the customer, the supplier may outsource such testing and measurement to a third-party laboratory which must be certified by an accreditation body (ISO 17025). First Piece Qualification ("FPQ") is applied mostly in the project business instead of complete PPAP Process.

9. Control of Non-Conforming Product

Supplier shall apply correction, segregation, containment, return or suspension of the non-conformity. In case of a non-conformity detected by Supplier has a risk to effect customer's operation, Supplier shall inform the customer about the non-conformity. The supplier must submit in writing and seek the customer's authorization to repair and/or to remediate non-conforming materials.

10. Employee Training

Supplier shall ensure that its employees are competent and have obtained all required qualification to perform their work responsibilities.

Quality & Test Records

11. If required at any time by the customer per requirements or specifications of the goods, supplier shall perform inspection requirements with each product or batch of product delivered to the customer. The supplier will submit a declaration of conformity document to the customer, certifying that the goods meet the specifications.
12. Supplier will keep the inspection, testing, measurement, and production control records, unless otherwise requested by the customer, in a suitable manner for a period of ten (10) years starting on the 1st of January of the year following the year of manufacture. According to product or project requirement this retention period can be modified in the purchase order. The supplier should be able to identify and trace the history, distribution and the location of the goods associated with any purchase order.
13. Supplier shall meet the requirements stated in the Quality Control Plan ("QCP") / Inspection Test Plan ("ITP") associated to the purchase order, establishing a documented process for planning, notification, execution and follow-up of the required tests and inspections. Supplier will submit test certificates to the customer in accordance with the requirements included in the purchasing specification and in the project QCP.

14. Customer may require witness samples to be kept by supplier. This can be valid for both FPQ and routine deliveries where witness sample required for each delivery.

Supplier Required Notifications

15. Regulatory activities

The supplier shall promptly notify the customer should the approval be suspended or revoked or when major non-conformity concerned with the goods /services are raised by the regulatory authorities, local enforcement agencies, certification body, auditors and/or any other customers of the supplier. The supplier shall also promptly notify the customer of any inspection or audit findings that will impact the safety, effectiveness, conformity, availability, or quality of any goods that the supplier provides to the customer.

16. Change Requests

Unless change is negligible, the supplier must notify the customer in writing to determine the requirements for approval when change occurs to the supplier's manufacturing process, the raw-material, facilities or its sub-tier suppliers. The supplier must submit in writing all relevant information on the planned changes to the customer with a reasonable in advance notice. The supplier will ensure that no change takes place till the supplier has received written approval to proceed production of such order from the customer. For project business any critical supplier process changes should be defined during qualification and subjected to change request in the beginning and also in the later phases of the project.

17. Deviations

The supplier must submit any request to depart from any requirement stipulated in customer's purchase order in writing, including but not limited to specific deviation, the reason for the deviation, period of applicability of the deviation, and corrective actions. Such request will only be accepted under exceptional circumstances by the customer. If the request for deviation is acceptable, the customer will amend and revise accordingly such acceptance in the relevant purchase orders.

18. Corrections/Removals on Delivered Goods

If the supplier decides that the non-conformity requires recall or any form of corrective activity on delivered material, supplier shall provide technical reports and corrective action documentation to the customer. Supplier and the customer shall work together to manage any corrective actions associated with non-conforming goods. Each action from the supplier related to non-conformity after delivery requires customer's written approval. Supplier is obligated to seek written approval from customer in case of a repair operation which is planned to be implemented before delivery.

Incoming Goods Inspection at the Customer:

19. Supplier will mark the goods as batches (packaging units) in a manner which enables clear identification of the contents as well as traceability to the documents. An unmistakable, complete and correct reference to the respective customer purchase order must be written on each delivery note and invoice. Each packaging unit must have a delivery note with at least the following information: article number, designation, net weight, gross weight, packaged quantity, and manufacturing or delivery date, order number and, if applicable, expiry date.

Non-Conformity Management Process

20. Upon customer's request, for any reported or discovered non-conforming goods, supplier shall promptly and diligently initiate and continue the containment action, carry out root cause analysis and seek permanent solution to the non-conforming issue, which is concluded typically by an 8D Report. The supplier must obtain formal approval from the customer prior to implementing the permanent corrective action.

21. Upon the customer's notification of the quality related issues, the supplier will deliver any replacement or will perform the repair within defined deadline. An extension of the deadline must be agreed by the customer in advance. Customer may request the rework to be performed by third parties at the costs and expense of the supplier.
22. The supplier will promptly replace or, where appropriate, repair or rectify any quality-related issues (and redeliver the goods to the customer) at its own cost and expense of receipt of such notification from the customer. The Customer is entitled to charge back from the supplier all costs the customer has reasonably incurred (such as but not limited to engineering hours, travel expenses, inbound logistics costs of delivery, overheads, final customer penalties etc.) in association with this quality-related issues.
23. The Customer is entitled to an admin fee which will be agreed prior to the contract for each quality notification for non-conforming goods ("Cost of Poor Quality"). Goods produced as samples and trial orders are excluded from this charge.
24. Upon customer's request, the supplier will send a representative to visit a customer or end customer's facility when quality related issues are identified. The supplier will bear the costs and expenses associated with the visit, and its personnel must comply with the "Leaflet for General Code of Conduct for Works Visitors" when entering customer's or end customer's facilities.
25. When supplier has repeat rejects due to poor containment or ineffective corrective action, customer reserves the right to impose containment by an outside agency at supplier expense. The supplier will be notified in writing by customer of imposition of controlled shipping with specific requirements for completing and exiting controlled shipping status.
26. Customer can require using specific tools designed to manage non-conformities (i.e. Supplier Non-Conformity Resolution Process, "SNCRP"). Supplier is responsible to define contact persons within its organization and organize their trainings and maintain their active participation to the tool.

Supplier Audits

27. Supplier shall permit the customer or its nominated third-party service provider to audit the supplier's compliance with the qualification requirements which includes but is not limited to audits of the supplier's (or its sub-tier supplier's) operations, personnel, and documentation. customer shall provide notification and audit strategy information to supplier in advance of the audit and take all necessary steps not to unduly interfere with the supplier's business operations. Customer shall comply with the applicable confidentiality obligations when conducting the audit.
28. Customer shall provide an audit report within defined time frame after completing a supplier audit and issue any formal requests for corrective action, based upon evidence-based findings. Supplier shall respond within defined time frame with a corrective action plan to address the non-conformities and timescales for completion, together with any supporting documentation reasonably required by the customer.

Improving Quality

29. Supplier should pro-actively identify and apply continuous improvement methodology to manufacturing processes, quality and packaging / shipping procedures. Customer has the right, to deploy its personnel to work with the supplier on value analysis, lean production, design for manufacturability or assembly, or other continuous improvement methodologies and supplier agrees to fully engage and cooperate with such personnel to develop and implement such activities.
30. Supplier will continuously maintain customer's property which are used in supplier's operation. The supplier should always seek improvement opportunities related to customer property. Notwithstanding the foregoing, any implementation of improvement activities is subject to prior written approval of the customer.