CONTENTS

1. VALIDITY

This manual applies to suppliers supplying input materials to Vinařství Mutěnice, s.r.o., including services or cooperation (deliveries of Vinospol, Víno Trade, etc. ...), which significantly affect the quality of the final product. The supplier shall be fundamentally liable for the quality of purchased materials, services supplied within the scope of the whole supply, including specifying requirements and specifications. The requirements of this quality manual should also be passed on by all suppliers to sub-suppliers of Vinařství Mutěnice, s.r.o.

2. PURPOSE

When implementing the requirement for the high level of quality of our purchased materials, so that our work affects the fulfilment of quality parameters by our suppliers, this procedural manual was created to help our suppliers achieve their full potential quality. The procedural manual will help mutual communication, which is essential for the successful cooperation of two companies.
The aim is to establish the requirements of Vinařství Mutěnice, s.r.o. ("VM") for the system of quality assurance at suppliers, to inform our suppliers of them, to establish common and consistent means for evaluation and measurement of the ability to ensure the quality of the supply base.
The quality system relative to the purchasing department has to ensure that purchased goods and services meet the specified requirements.

3. REQUIREMENTS FOR SUPPLIER QUALITY MANAGEMENT SYSTEM

VM requires that the supplier's quality management system meets the minimum basic requirements according to ISO, HACCP, FSSC 22000, BRC/ IOP. The fulfilment of these requirements can be certified by an audit conducted by an authorized auditor of VM or by demonstration.

4. APPROVAL OF SUPPLIER

Purchase orders are transmitted to approved suppliers.
Approval of suppliers may be based on records of previously proven capabilities, current examination of their quality management system, sent out questionnaires, obtainment of ISO, HACCP, FSSC 22000, BRC/ IOP certification or approval of the supplier by a third party (customer approval).
The method of supplier approval by VM depends on the nature of the purchased goods or services. To support suppliers, VM may conduct a "Technical interview with the supplier" before starting the planning phase of the production process. The interview includes discussion and clarification of the specific quality requirements, design documentation, critical product features, purchase conditions, etc.

5. APPROVAL OF FIRST SAMPLES

The first samples are used to perform reconciliation of products supplied by VM suppliers. These samples represent products which were manufactured using serial technologies. Verifying the first sample prior to the start of serial supply provides evidence that they have complied with the requirements set out regarding the parameters of the product and its quality.

5.1 Prior to commencing serial supply VM must approve the first samples.

5.2 The production of first samples must be carried out under the conditions of serial production and serial instruments. During sampling all the quality features of the supplied material specifications/design documentation must be checked.

5.3 Approval of first samples is based on VM production tests. The quantity of samples required, including documentation requirements, will be pre-specified in the purchase order or e-mail correspondence.

5.4 The Supplier is obliged to inform and provide first samples for approval in the following cases:

- Commencement of supply of new input material
- Change of design, specifications or materials (change of design documentation)
- Change in manufacturing methods or production process, which may affect the quality of the product
- Relocation of production, change of suppliers or sub-suppliers
- Upon interruption of production / supply of more than 1 year

After evaluating the provided samples, confirmed design documentation will be sent back to the supplier. Samples of input materials will be stored at VM, and will serve as reference samples if necessary (e.g. discrepancies in serial supplies).

The result of sampling may be as follows:

- **APPROVED** – criteria were met and the supplier can deliver the material. Release of sample management does not relieve the supplier of responsibility for the quality of products. Deviations from the requirements that were not detected during the sampling procedure may be subject to claims or complaints later on.
- **CONDITIONALLY APPROVED** – the supplier may supply a verified series in accordance with approved documentation and orders. Along with the verified series it must submit for approval a plan for the implementation of corrective action for deficiencies identified during sampling. If the plan is not submitted or is not implemented, the supplier cannot deliver, unless it meets all required criteria.
- **NOT APPROVED** – samples submitted by the supplier were not suitable for use or product performance in important parameters. Incompletely filled in reports and incomplete documentation lead to automatic refusal of sample management. The supplier will be informed and asked to provide a new sample.

6. QUALITY ASSURANCE IN THE PRODUCTION PROCESS

6.1 General:

Within serial production VM requires suppliers to meet quality parameters of production, other conditions and activities. The supplier is obliged at the request of VM to demonstrate this by means of thorough recordkeeping.

During serial production the supplier must perform appropriate tests and checks frequently enough for the delivered products to achieve the quality levels expected by VM. Unless requested otherwise, the provision and system of checks and tests is left to the supplier.

Control and management plans will be reviewed and updated when there is any change affecting the product, manufacturing process, measurement, logistics or supply sources.

6.2 Recordkeeping on quality and quality management system documentation:

The supplier is responsible for organizing, maintaining and archiving quality management system documentation.

All documents and records of quality must be archived for 5 years.

The supplier is obliged upon request to submit to and allow the review of these documents and records by VM.

6.3 Ensuring traceability of production:

The supplier shall ensure that materials and finished products are clearly identified and that traceability is guaranteed.

6.4 Management of deviations:

If the supplier finds a deviation with the current product specifications during its checks, it must immediately inform the relevant purchasing department of VM.

Approval of exceptions for the supply of materials not satisfying the specifications can be realized only upon written approval by VM of the supplier's request for a deviation.

Approval of deviations is essentially confined to a number of materials or a specific period of supply. The supplier must provide clear indication of supplies realized in VM with regard to the respective deviation in the previously agreed manner.

6.5 Supplier audits:

Audits provide information about the quality and capacitive process capability of suppliers and shed light on opportunities for improvement.

To verify process capability, the supplier shall permit the carrying out of process audits by authorized VM auditors or auditors from the end customer.

The supplier is expected to produce a plan of corrective action with respect to deviations found during the audit no later than the deadline specified in the audit report.

7. DELIVERY / PACKAGING

Logistics is an integral part of quality. The supplier must ensure that such packaging is used that does not degrade or reduce the quality of supplied materials during storage and transportation.

During the sample approval phase, but in any case prior to the start of serial supply at the latest, the supplier must submit specification of packaging for supplied products (packing instructions) to VM for approval.

The packaging instructions must contain at a minimum:

- Specification of shipping containers (pallet, crate, container ...)
- Inventory of packaging used
- Method of storing products in the package (photographs, drawings)
- Sample identification label

Each package of products / materials (pallets, crates, shipping containers...) must be clearly marked with an identification label with the following information:

- Name of material
- Lot number or production date
- Supplier name
- Date

In the event of discrepancies in logistics, such as a failure to comply with delivery schedules or discrepancies in packaging and identification, the supply will be considered non-conforming and will be subject to a complaints procedure.

8. COMPLAINTS

If qualitative or logistic discrepancies are identified in the supplied materials / services, the supplier shall immediately be informed in a written complaint – complaint letter F-73
After receiving the complaint, the supplier must ensure these requirements without delay:

1. Immediate corrective measures – within 24 hours
- Measures designed to remedy / eliminate discrepancies – 100% inspection, sorting of delivered products, including products in stock at the supplier or products on the road, delivery of spare flawless supplies, etc.
2. Corrective measures – within 5 business days
- Corrective measures to eliminate the cause of the discrepancies and to prevent the repetition of discrepancies in other deliveries.

Depending on the seriousness of the discrepancies the following may be required:
Specification of immediate corrective measures must be sent back within the required deadlines to the relevant purchasing department of VM.
Requirements for measures and deadlines will be listed by VM in the dispatched complaint: complaint letter -F73.

9. ENVIRONMENT, SAFETY, RECYCLING

VM aims to eliminate the negative effects of its own and purchased products on humans and the environment. Compliance with applicable laws and regulations is therefore a minimum requirement for suppliers.
The materials used and the substances they contain must comply with legal provisions regarding the environment, safety and recycling, or customer specifications agreed in writing or design data.

10. SUPPLIER EVALUATION FOR A CERTAIN PERIOD

Supplier evaluations are performed according to the internal procedures of VM with respect to the following criteria:

- Quality of supply (QS)
- Adherence to supply deadlines (DD)
- Cooperation (QC)
- Status of the supplier's quality management system (QM)
- Overall supplier evaluation (TVR)

A. Evaluation of quality of supply (QS)

a) released supply without deviations, with complete documentation, in prescribed and undamaged packaging, corresponding in terms of size and quality to the customer's requirements or the quality agreement.

b) deviation supply not 100% in order, deviations from the customer's requirements or quality agreement found, although the material can be conditionally released for further processing.

c) not released the supply does not meet the customer's requirements or the quality agreement, cannot be released due to deviations.

$$QS = 101 - \frac{\Sigma WE_1 \times 1 + \Sigma WE_2 \times 5 + \Sigma WE_3 \times 100}{\Sigma WE}$$

ΣWE_1	sum of all deliveries in order (released)
ΣWE_2	sum of all deliveries with deviations (deviation)
ΣWE_3	sum of all defective deliveries (not released)
ΣWE	sum of all deliveries

Supplier evaluation:

QS = 90 % - 100 %	supplier A	able
QS = 75 % - 89.99 %	supplier B	conditionally able
QS < 75 %	supplier C	unable

B. Evaluation of adherence to supply deadlines (DD)

The number of supplies in a given period and outside of the period is evaluated. A supply is not delivered on time if it:

a) is not delivered in full by the given deadline;
b) the actual delivery date is later than the requested or confirmed date (delay);
c) the actual delivery date is before the date requested or the confirmed date minus a tolerance of 1 business day (premature fulfilment).

$$DD = \frac{\text{number of deliveries in period}}{\text{total number of deliveries}} \times 100$$

C. Evaluation of cooperation (QC)

The evaluation of cooperation is conducted subjectively by an authorized employee of the purchasing department of VM in cooperation with the quality department and technical department.

D. Evaluation of the status of the quality management system (QM)

The status of the quality management system is assessed in one of the following ways:

a) external audit of the supplier
b) evaluation via an self-evaluation questionnaire
c) adopting the results of certification performed by an accredited certification company.

If this area is evaluated by adopting the certificate of a certification company, the supplier is assigned a value of 100%.
For suppliers of MJG products subject to the ISO/HACCP quality management system, the supplier must possess a valid certificate of quality at least according to ISO, HACCP, FSSC 22000, BRC/ IOP. If it does not, it must be classified as "C" and may not supply. This does not apply to suppliers that were accepted by the customer.
Any changes regarding the quality management systems – obtaining certification, renewal of validity, cancellation or withdrawal of the certificate, the supplier is obliged to notify the relevant purchasing department of VM.

E. Overall supplier evaluation (TVR)

Processed on the basis of an evaluation of attained values in various areas (QS, DD, QC, QM).

Criteria:

"A" **supplier** - **able**
- none of the criteria may be evaluated as "C" and the "Supply quality" and "Adherence to delivery deadlines" criteria must be evaluated as "A".

"B" **supplier** - **conditionally able**
- none of the criteria may be evaluated as "C" with the exception of "Evaluation of quality management system" and the supplier does not meet the criteria for an "A" evaluation. The supplier may supply; more frequent quality checks.

"C" supplier
- unable, may not supply
- one of the criteria is evaluated as "C" with the exception of "Evaluation of quality management system". Supplier may not supply.

11. SUPPLIER LIABILITY

The supplier shall bear the primary liability for the materials/services supplied to VM, both in terms of quality and in terms of safety. VM is not responsible for carrying out entry checks on incoming materials/services. The supplier is obliged to reimburse VM all eligible costs incurred as a result of its non-conforming deliveries.
VM expects suppliers to create such organizational and technical requirements to ensure the quality and safety of delivered materials/services and to minimize the risk of product liability.

12. SUPPLIER DECLARATION OF CONSENT

This quality manual is part of the contractual agenda between Vinařství Mutěnice, s.r.o. and suppliers, without the need to sign this manual. The manual applies even in the inquiry phase.