




Supplier Quality Manual

Issue 07

July 2020

**SMA Magnetics sp. z o.o.
ul. Krakowska 390
32-080 Zabierzów**

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2. Introduction

The *Supplier Quality Manual* has been developed in order to describe processes and requirements that should be met by a supplier of SMA Magnetics sp. z o. o. Our organisation strives in order to improve its products and constantly improve its quality results. One of the main pillars of the high quality of products is the selection of suppliers and co-operation with them in the area of quality improvement.

The requirements set forth herein ensure neat procedures to be applied in case of a new start-up, serial production, implementation of changes, claim procedures and continuous, uninterrupted supplies. All the information and requirements are of key importance for running SMA Magnetics sp. z o. o. as a going concern, because the control of processes on the part of the supplier is a key tool to ensure the high quality of the product.

The *Supplier Quality Manual* apply to all suppliers who work according to. current orders (components, materials, services) issued by the SMA Magnetics sp. o.o.

In case of any change of this Manual, the supplier is obliged to implement all changes within 60 days from the date of publication of the new revision on the SMA Magnetics sp. o.o. website.

3. Definitions and abbreviations

- **8D**- Eight disciplines problem solving,
- **Audit**- Systematic, independent and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which audit criteria are fulfilled,
- **CAPA**- **C**orrective **A**ction **P**reventive **A**ction; process to solve a nonconformity,
- **CAR**- **C**orrective **A**ction **R**eport; Report from supplier towards customer to respond on a SCAR with the result of supplier's CAPA process with root cause, containment action, corrective action and preventive action,
- **Customer**- For the purpose of this procedure "customer" is SMA group
- **CNC**- Computerized Numerical Control,
- **Catalogue part** - product/component defined by the design and specifications created by the manufacturer and referring to public industry standards (e.g. ISO, DIN, etc.). The manufacturer is responsible for overseeing the specifications and all the related requirements for the product. For catalogue parts there are no specific requirements of SMA Magnetics sp. o.o. concerning its operation, functionality and/or the visual aspects that go beyond the definition of the manufacturer. Catalogue parts can be considered as available from stock or as produced on request,
- **D-FMEA**- Design Failure Mode Effects Analysis,
- **DPR**- Deviation Permit Request,
- **EAN**- European Article Number,
- **EPAL**- European Pallet Association,
- **FIFO**- First in first out,
- **ISO**- International Organization for Standardization,
- **ISR**- Initial Sample Report,
- **P-FMEA**- Process Failure Mode Effects Analysis,
- **PPM**- Defective parts per million delivered,

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- **QMS**- Quality Management Statement,
- **R@R**- Run at rate,
- **VDA**- Verband der Automobilindustrie/ German Automobile Industry Association,
- **VQE**- Vendor Quality Evaluation,
- **SCAR**- **S**upplier **C**orrective **A**ction **R**quest; formula issued from customer to start a CAPA process at supplier according to method requested,
- **ZI**- Enquiry for information,
- **ZN**- Non-compliance notice,
- **SPI**- Supplier packaging information,
- **MSDS**- Material safety data sheet.

4. General information

4.1 Quality Assurance Policy

As a manufacturer of innovative inductive components, we aim at applying all our resources in order to meet customer expectations and maintain the highest quality and environmental standards. In order to attain the aforementioned objective, we follow the following values and principles:

- management by objectives,
- exploitation of our advantages,
- we are responsible for results,
- we are a team,
- we appreciate openness and build-up confidence,
- we set a good example,
- we constantly develop and improve ourselves,
- we give focus to priorities,
- we reduce losses.

We have also undertaken that we shall meet the requirements and constantly improve the effectiveness of our quality management system, in compliance with ISO 9001:2015.

4.2 Key requirements

All products supplied to the organisation must meet requirements set forth in contracts, documents and guidelines (e.g. "Supplier Quality Manual") delivered along with the request for quotation.

SMA Magnetics sp. z o. o. has adopted the philosophy of "zero defects" (0 ppm), applicable to all products supplied by suppliers. In practice, this means a constant improvement of processes and products in order to approach the 0 ppm level.

SMA Magnetics sp. z o. o. requires that each non-compliance notice shall be carefully examined and that the root cause of problems is to be identified and eliminated by the supplier.

The aforementioned requirement is a foundation for the constant improvement and customer satisfaction. And further, in order to monitor the supplier with view to the 0 ppm level, SMA Magnetics sp. z o. o. may set partial quality objectives for the supplier.

Each supplier, in order to attain the highest quality, is required to:

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- carry out the initial sample approval process according to the requirements of SMA Magnetics sp. z o. o. ,
- understand all the requirements of SMA Magnetics sp. z o. o., related to the product,
- ensure that relevant means for assuring product quality are in place and available,
- implement the requirements of SMA Magnetics sp. z o. o. at each level of the supply chain,
- maintain a documented quality management system compliant with ISO 9001:2015 or a system equivalent thereto after it is approved by SMA Magnetics sp. z o. o. .

The supplier should establish a system for controlling changes that is responsive to changes in a timely and accurate manner. Any change that may have impact on such aspects as the production process, product shape, functions, quality, reliability, safety, supplies and compliance of the products with laws in force, is subject to a written approval by the representative of SMA Magnetics sp. z o. o..

4.3 Communications

Any and all communications must be made in Polish or in English, and the rule is applicable to all documents.

Any authorisation to act, in order to be valid, must be made in writing approved by the representative of SMA Magnetics sp. z o. o. Arrangements and instructions delivered orally may not be construed as an official approval or authorisation.

The ZI Form (attachment № 3) is available as a formal means of communication and it should be used in order to settle such matters, as:

- explanation/interpretation of a drawing and/or specification,
- request for a consent to apply an alternative method in production or the quality control system,
- non-compliance on the drawing or specification that might result in the non-compliance of the product,
- logistic aspects.

The ZI Form for the supplier's enquiry for information may not be used for reporting non-compliances. In order to report a non-compliance, use the ZN Form (attachment № 4).

ZN form - Non-conformance notification (Appendix № 4), shall be used only to report non-conformances - p.6.7.

ZI and ZN forms must be sent to: zapytania.jakosc@sma-magnetics.com

The supplier is obliged to inform SMA Magnetics sp. z o.o. about changes in the product (eg newer product generation), product withdrawal from the market, location changes for min. 12 months in advance.

In the event that during the lifetime of the material / raw material / component purchased by SMA Magnetics sp. z o.o. the MSDS card will be changed / updated, the supplier must immediately inform the customer about this fact and provide the current MSDS card in Polish.

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5. Selection and qualification of a supplier

5.1 Application

Process of initial supplier selection is based on SMA Group internal procedure.

The supplier evaluation process is not applicable to subcontractors or internal suppliers of SMA Group.

The process is not applicable to catalogue components suppliers either, if not otherwise specified. The decision of whether to start the qualification process for the supplier of catalog parts is taken by the Quality manager of SMA Magnetics sp. z o.o.

5.2 Process flow

5.2.1 Supplier self-evaluation

A representative of the SMA Strategic Purchasing Department request from a supplier to fill out a self-assessment questionnaire based on the VQE form. A completed VQE self-assessment record should be returned to the Strategic Purchasing Department representative within 14 days from the receipt.

In case of source unwillingness to perform self-evaluation (or sharing the outcome), the process of source introduction is terminated.

Only sources which reached an "Acceptable" ranking out of the VQE self-assessment are to be considered for next steps of process.

Should source reach "Unacceptable" result during VQE self-evaluation, the process of source introduction is terminated.

5.2.2 VQE audit planning

Supplier Development Engineer is to contact source's responsible representative to establish suitable, for both parties, timeline to perform on-site Vendor Quality Evaluation. Source is to secure appropriate team and resources to effectively perform an assessment.

5.2.3 VQE audit

Supplier Development Engineer is to perform the on-site Vendor Quality Evaluation using VQE attached questionnaire.

Questions are to be ranked according to objective evidence identified on-site. Once on-site VQE has been performed, it is to be considered representative by whole SMA group within its validity period of 2 years.

5.2.4 Requirements for distributors and sales offices

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If the type of activity of a direct supplier is distribution or sales office management it is required that they ensure that self-assessment process will be conducted for each of their 2nd tier suppliers producing components or materials for SMA Magnetics sp. o.o. At the request of SMA Magnetics sp. o.o. all self-assessment records should be made available.

In justified cases SMA Magnetics sp. o.o. will require that a DZJ representative performs regular, complete assessment in the plant where production is carried. The scope of self-assessment for distributors and sales offices is limited and presented directly by a representative of DZJ - (Depending on the supplier profile). As a minimum, this scope covers areas such as strategy and planning, supplier management, Identification and traceability, claims management.

6. Approval of production parts

A supplier may not ship manufactured parts as long as an unconditional or conditional QMS approval endorsed by SMA Magnetics sp. z o. o. is not received by the supplier. In the event that a part/service is not fully approved, SMA Magnetics sp. z o. o. will advise the supplier what actions should be taken in order to obtain an unconditional approval.

In the event of controversies, problems or enquiries related to the approval of a part, the supplier should contact the Quality Assurance Department of SMA Magnetics sp. z o. o. .

Any and all documents and records related to the approval of a part of product or for production must be kept for at least 10 years or a period of time required by applicable laws.

A supplier, without a relevant authorisation, may not introduce any changes in a product and/or process after such product and/or process has been approved by SMA Magnetics sp. z o. o. Where a change is needed, the supplier is required to contact the Quality Assurance Department of SMA Magnetics sp. z o. o., using the ZI Form (Attachment no. 3).

ZI and ZN forms must be sent to: zapytania.jakosc@sma-magnetics.com


6.1 Conditional approval at the initial stage of production

The process of conditional approval at the initial stage of production is valid for all suppliers of SMA Magnetics sp. z o.o. The purpose of this process is to pre-approve the samples prepared by the supplier resulting from a process that has not been approved by a representative of the SMA Magnetics Supplier quality department.

Each time, when ordering samples at an early stage of production a supplier is obliged to supply documents, test results, etc. that were specified prior to order.

If a delivery is accepted, a conditional QMS will be issued covering only pre-determined deliveries. In case of a delivery that won't be accepted, products will be returned to the supplier.

In case of any nonconformities, these will be described in the QMS document along with the following information:

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- If nonconformities can be accepted by SMA Magnetics sp. z o.o. at the current stage of production – if so, the elimination of all nonconformities will be necessary before proceeding with the ISR process - after consultation with the SMA Magnetics sp. z o.o. quality team.
- If nonconformities cannot be accepted at the current stage of production, then a definite improvement plan will be agreed with the supplier to eliminate nonconformities in subsequent deliveries.

6.2 Special characteristics

A special characteristic is a feature of a material, process, part or test that has a significant impact on the suitability, form or function of the product.

Special characteristics are identified in the course risk analyses. All identified special characteristics must be included into the control plan with specific requirements for measurement system type.

For all special characteristics default method is to achieve an acceptable level of process capability prior to the start of the production, in accordance with Annex no. 2. Other methods, that are chosen by supplier have to be agreed and approved by SMA Magnetics.

All special characteristics are identified in SMA Magnetics sp. z o.o. specifications and drawings.

Other characteristics are defined as standard characteristics. Appropriate control methods should be provided for all standard characteristics. The supplier is responsible for ensuring compliance of a particular characteristic with the requirements of SMA Magnetics sp. z o.o. Even if the characteristic is defined as standard.

6.3 Specific customer requirements

SMA Magnetics sp. z o.o. reserves the right to change specific requirements at any stage of the project. The supplier will be informed in advance on any change of requirements.

6.4 Development of prototypes/trial batch

The supplier is required to ensure an appropriate number of parts/samples from the production process internally approved and recognised as suitable for serial production. Detailed requirements of SMA Magnetics sp. z o. o. applicable to samples are listed in Annex № 2.

6.5 Production process development

The supplier should ensure and provide evidence that the production process and the product quality control system of the supplier meet the quality requirements of SMA Magnetics sp. z o. o. In order so to do, the supplier should complement the production process development with the development of documents according to requirements set forth in Annex № 2.

6.6 The approval of the production part of the ISR

The Production Process Development, when completed, is subject to approval.

In order to have a part approved for production, the supplier is required to provide:

- produced parts/samples per requirements specified in Annex№ 2,
- all documents specified in Annex№ 2,

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- evidence of changes that occurred over the production process development,
- other documents, if such have been agreed upon with the supplier.

All required documents and samples must be submitted in the same time. Documents should be submitted in the PDF format.

SMA Magnetics sp. z o.o. evaluates (approves, approves conditionally, rejects) documentation, samples by submitting QMS document that confirms the appropriate approval status.

SMA Magnetics sp. z o. o. approves parts for production by delivering a QMS document with an appropriate description of parts approval status.

SMA Magnetics sp. o.o. by submitting a document QMS has the right to restrict the approval quantitative or time wise or totally reject submitted samples and documentation prohibiting any deliveries of parts in existing condition. SMA Magnetics sp. o.o. reserves the right to change the status of previously issued QMS document to limited or rejected. Such a process will be launched in case of objections regarding quality, deliveries or lack of response to the recommendations made by the SMA Magnetics sp. o.o. (Eg. Claims).

The supplier, without the approval of the ISR and QMS document confirming part approval status (limited or full) may not ship any parts to SMA Magnetics sp. z o. o.

6.7 REACH, RoHS, Conflict Minerals declarations

Supplier is obliged to submit REACH and RoHS declarations for every delivered to SMA Magnetics sp. z o.o. product, according to attachment 2, points 3.7 and 3.8. SMA. For that SMA Magnetics sp. z o.o. templates are available.


Suppliers of components containing tantalum, tin, gold, tungsten(3TGs) are obliged to submit as part of the Initial Sample Report declaration in accordance with the latest Conflict Minerals Reporting Template (CMRT) found at <http://www.responsiblemineralsinitiative.org/>. Suppliers are also required to send the declaration at SMA Magnetics' request.

6.8 Re-approval

In below described cases supplier is obliged to contact DZJ representative (zapytania.jakosc@sma-magnetics.com) to define required sample and documentation submission.

SMA Magnetics sp. z o. o. requires that another sample be submitted for approval (ISR) along with relevant documents if any of the following events occurs:

- change in the production process/specification,
- change of the location of production, including an internal location change,
- change in the production process, method(s), control, tools and/or materials,
- suspension of production for more than 12 months,
- change or correction of a tool,
- CNC programme change,
- change in purchased components,
- change of a sub-supplier.

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6.9 Non-compliance found at the production stage

Where the Supplier, in the course of production, finds any non-conformances in manufactured products:

- and the non-conformance may be fixed, then the supplier may manufacture the product without being required to obtain a consent from SMA Magnetics sp. z o. o. However, the supplier is required to notify the customer about the problem and relevant information shall be provided to the Quality Assurance Department.
- Otherwise, in all other cases of non-compliance, the supplier is required to e-mail a relevant form in the electronic format to the Quality Assurance Department of SMA Magnetics sp. z o. o. The non-compliance notice from the supplier (Attachment № 4) is applicable in such a case.

In case of tool failure and the tool is SMA Magnetics sp. z o.o. property (injection mold, punching tool, etc.), please inform SMA Magnetics sp. z. o. o. immediately using ZN form (Appendix No. 4). The completed form should be sent via e-mail address: tools@sma-magnetics.com

7. Verification of components at SMA Magnetics sp. z o. o.

7.1 General information

SMA Magnetics sp. z o. o. has adopted a principle that the supplier is fully responsible and liable for the quality of components manufactured by it. Each supplier of SMA Magnetics sp. z o. o. is responsible for ensuring and incorporating quality control into its production process along with an effective and efficient process for the release of products to customers.

In addition to the foregoing, representatives of SMA Magnetics sp. z o. o. for the control of supplies monitor the quality of supplied products according to our internal procedure.

In the event that a non-declared non-compliance occurs (cf. section 6.8 above), the claim process is instituted.

8. Claims

In the event of quality and/or logistic non-compliance having been found, a claim document SCAR shall be issued per procedure GSQ-004.

The following list shows in which events quality and/or logistic claim, or quality notification is made:

A quality claim is made in the event of:

- product damage,
- non-compliance with documentation and/or specification,
- dirtied or polluted items.

A logistic claim is made in the event of:

- non-compliance of the product description (label),
- non-compliance of the quantity of product in the shipment or packaging/container,

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- supply is missing,
- supplied goods are not those specified in the order and/or invoice,
- packaging damage,
- non-standard packaging,
- problems with shipping documents.

The supplier, after having received the claim, is required to promptly implement actions purported to ensure [uninterrupted] production at SMA Magnetics sp. z o. o., fix the problem and secure the process as well as to ensure that supplies to SMA Magnetics sp. z o. o. meet requirements. Where applicable, the supplier should replace the product covered by the claim with another, compliant product of the same configuration and quantity, or arrange for sorting and/or repair of the same.

Where the continuity of production is at risk, SMA Magnetics sp. z o. o. may decide to carry out sorting and repairs at its own to protect any further damages and/or to stop any further losses for both SMA Magnetics and Supplier and acting in the best interest of both SMA Magnetics and Supplier. This may result in charges for the supplier with all the costs and expenses related to the processing of the claim, that will be fully and transparently shared with the supplier. Any costs or charges will be based on reasonable and market driven data available to supplier.

Supplier shall respond with a 1st level CAR (required content: reference to customers SCAR and defined containment action(s)) or a 1st level 8D (required content: reference to customers SCAR, problem description, defined containment action(s)) within 1 working day after the SCAR was issued to supplier.

The final CAR or 8D shall be sent to customer no longer than 1 month after the SCAR was issued to supplier.

In case of 8D supplier shall send an uncalled weekly update of the 8D report to customer.


Supplier shall inform customer's supplier quality department immediately if the defined timelines could not be met due to complexity of the problem. Extended timelines needs to be confirmed from customer.

Customer's supplier quality department will track the results and timelines to get suppliers defect / non conformity solved and to prevent re-occurrence of the defect / nonconformity issued within the SCAR.

In case of serious matters customer's quality department will request phone calls or meetings on a regular basis to follow-up the actions.

The supplier corrective action is closed once customer approved the documents and confirmed the closure of the SCAR to supplier.

If customer requests a CAR the supplier is free to use suitable CAPA methods at his own choice useful to solve the described issue in the SCAR. Supplier needs to report back the result of the CAPA process in a timely manner using customers CAR format (GSQ - 002 Corrective Action Report Template) or a format of his own with at minimum the same content of customers CAR format.

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Products shipped to customer during containment action phase (corrective action isn't implemented yet) needs to be marked clearly outside of packaging boxes with label "GSQ-005 Identification label certified products after complaint".

9. Development and evaluation of suppliers

9.1 Audits

SMA Magnetics sp. z o. o. carries out audits of suppliers according to the approved time-schedule. The scope of audits is based on requirements set forth in VDA 6.3 AND VDA 6.5. SMA Magnetics sp. z o. o. reserves for itself the right to carry out audits of sup-suppliers. No audit carried out by SMA Magnetics sp. z o. o. operates as a release of the supplier from the supplier's responsibility for manufactured products.

In case of quality, logistics problems SMA Magnetics sp. z o. o. reserves the right to carry out an audit to verify the sustainable solution can be performed from customer.

9.2 Run at Rate

In order to verify the capacity and efficiency of a production process of the suppliers, SMA Magnetics sp. z o. o. may carry out R@R test. The test is aimed at ensuring that the production process operated under normal operating conditions and scheduled by the supplier is capable of meeting all the requirements of SMA Magnetics sp. z o. o. as to quality, quantity and timing.

The R@R test may be repeated in order to approve a process where the process has been changed in a manner that may affect its capacity and/or efficiency.

9.3 Evaluation of the supplier

SMA Magnetics sp. z o.o. evaluates its suppliers on an ongoing basis, taking into account defined assessment criteria.

The assessment is provided for the last 12 months, 6 months, 3 months and one (1) month. In addition, at the end of each calendar year, SMA Magnetics sp. z o.o.

generates a rating for the previous entire calendar year (January 1 to December 31). SMA Magnetics sp. z o.o. submits to the Supplier its assessment at his request via e-mail.

SMA Magnetics sp. z o.o. will be informing (via email) Suppliers with the worst monthly and six-monthly evaluation (category C, red),

in the first two (2) weeks of the month following the month of the assessment.

Obtained assessment points (the Supplier can score up to 100 points) qualify suppliers for three (3) categories:

Category A (green) - Preferred suppliers

Category B (yellow) - Acceptable Supplier

Category C (red) - Risk Suppliers

The scorecard calculation is based on the following criteria:

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- Quality complaints indicator - number of quality complaints calculated in ppm (parts per million),
- 8D reports - time of 8D reports to be counted in days,
- Number of deliveries on time and in a specified quantity (OTIF - on time in full),
- Average delivery time (ALT - average lead time),
- Annual price reduction (APR - average price reduction),
- Dates of payment (DPO - days payable outstanding).

Detailed definitions of the above criteria and the method of their calculation, as well as the criteria for qualifying Suppliers for particular categories can be found in Annex No. 1.

Where necessary SMA Magnetics sp. z o. o. sets individual objectives for supplier.

10. Shipping, packaging and identification

10.1 Electronic Invoices

The Supplier is obliged to deliver to SMA Magnetics sp. z o.o. the original VAT invoice. Provisions concerning issuing and delivering VAT invoices in a paper form shall apply unless the Supplier and SMA Magnetics sp. z o.o. conclude a written agreement (Attachment no 5 - Consent to electronic invoices), on the basis of which the Supplier shall be obliged to issue and send to SMA Magnetics Sp. z o.o. electronic invoices (as well as their potential corrections) in a PDF form (Portable Document Format) to an e-mail address indicated by SMA Magnetics Sp. z o.o. Electronic invoices issued without signed agreement (Attachment no 5 - Consent to electronic invoices) shall not be accepted.

10.2 Shipping and packaging

The supplier is responsible for the application of packaging methods which will guarantee product protection from damage during transport and storage. The Supplier must agree methods of packing parts/material with SMA Magnetics sp. z o.o. For this purpose use SPI form attachment no 6.

Each packaging must be labelled. Where a collective (bulk) package is used, it should bear a collective label. Each individual package should be labelled inside the package, as well. The supplier is obliged to deliver materials in accordance with the FIFO principle, unless otherwise agreed.


Where the parties have not agreed otherwise, the material must be delivered on certified pallets specified below:

- Europallet 800x1200 EPAL 1,
- Europallet 1000x1200 EPAL 3 - optional, required consultation with SMA Magnetics,
- Europallet 800x600 EPAL 6 - optional, required consultation with SMA Magnetics.

10.3 Identification of products specified by SMA Magnetics sp. o.o.

The supplier is required to apply labels showing the following items of information. The requirement is applicable to all the products manufactured on the basis of the specifications of SMA Magnetics sp. z o. o. .

- logo or name of SMA Magnetics sp. z o. o.,
- SMA Magnetics code as per purchase order,

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|--|--------------------------------|---------------|----------------|--|
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- product name,
- name of raw material(s) (if applicable),
- unit and number of parts in the package,
- EAN code (bar code) provided by SMA Magnetics sp. z o. o.,
- name of the supplier, location of the production plant (where the supplier operates production plants in various locations),
- other (if agreed upon).

Additional data required by the supplier may also be put on the label. SMA Magnetics sp. z o. o. does not set any requirements as to the graphic form of labels. However, all items of information specified on the label must be legible.

10.4 Identification of catalogue products

Catalogue products must be also labelled with labels showing at least:

- product name and number,
- quantity and unit,
- use-by date,
- batch number/production series number.

All items of information put on the label must be legible.

10.5 Sample label

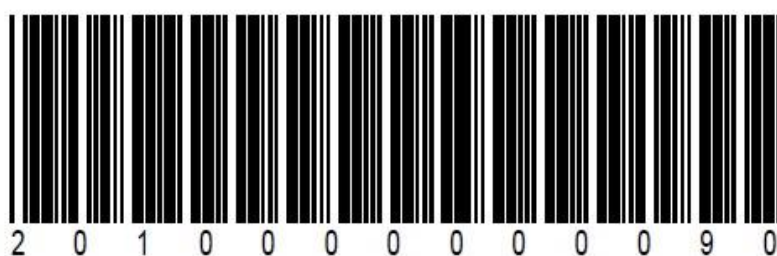
Kod SMA : kod produktu według zamówienia
(SMA code) (product code per purchase order)

Nazwa : nazwa produktu według zamówienia
(name) (product name per purchase order)

Materiał : nazwa materiału/ów surowych użytych w produkcji
(material) (raw material/s used to produce product)

Ilość : ilość i jednostka
(quantity) (quantity and unit)

Dostawca : nazwa dostawcy oraz lokalizacja produkcji
(Supplier) (Supplier name and location of production)



logo lub nazwa SMA Magnetics sp. z o. o.
(logo or name of SMA Magnetics sp. z o. o.)

Sample label of a product manufactured as per specification provided by SMA Magnetics sp. z o. o.