

Principles concerning quality assurance for suppliers of Brose Sitech Ltd

This document (hereinafter also: "**Quality Assurance Policy**") regulates the general requirements of Brose Sitech Ltd. (hereafter also: "**Customer**") applicable to suppliers of parts, components or related services (hereafter also: "**Suppliers**" or singularly "**Supplier**") with regard to quality assurance of the aforementioned products and services.

§1. General provisions

1. Quality assurance principles

- 1.1. The Quality Assurance Policy is in addition to the requirements of the law, the standards applicable to the automotive industry, as well as the provisions contained in the master agreement between the Customer and the Supplier, the Terms and Conditions of Purchase for production materials of Brose Sitech Ltd. and other arrangements of the Parties.
- 1.2. The Supplier, as a specialised and experienced entity in the development, design, production and distribution of parts, components (products) or related services that are the subject of its offer, undertakes to comply with the aforementioned requirements, including these Quality Assurance Principles, in every process phase, including the design and technological process phases, and throughout the entire supply chain.

2. Quality management systems and quality assurance objectives

- 2.1 In order to ensure the quality of the products or related services supplied to the Customer, the Customer shall cooperate with Suppliers certified in terms of a quality management system in accordance with IATF 16949 (hereinafter: "**IATF 16949**") or at least ISO 9001 (hereinafter: "**ISO 9001**").
- 2.2 By accepting this Quality Assurance Policy, the Supplier declares that it has obtained at least ISO 9001 certification and adheres to a "zero defects" strategy. In cases where the Supplier has not achieved IATF 16949 certification, the Supplier undertakes to take steps to comply with the IATF 16949 standard and achieve IATF 16949 certification, including - prior to engaging with the Customer - presenting the Customer with a plan to achieve this goal. The Supplier undertakes to provide the Customer with information regarding the implementation of its plan to achieve ATF 16949 certification whenever requested by the Customer, also during the course of the cooperation with the Customer.

- 2.3 The parties may individually agree PPM targets (number of defects per million parts considered as the maximum permissible number of defective parts) for the Supplier other than those resulting from the „zero defect“ strategy.
- 2.4 In justified individual cases, the Customer may cooperate with a Supplier who is not certified in terms of a quality management system.
- 2.5 The Supplier undertakes at the same time to comply with the requirements of the OEM customer(s) throughout his supply chain (e.g. in the case of the Volkswagen Group as an OEM customer, it is obligatory for the Supplier to comply with the *Formel Q guidelines: Formel Q - konkret, Formel Q - Neuteile Integral, Formel Q-Fähigkeit*). The customer shall inform the Supplier of the applicable requirements of the OEM customer(s) before engaging with the Supplier.
- 2.6 The Supplier undertakes to inform the Customer (Customer's Quality and Purchasing Department) of the certificates currently held by the Supplier in the scope of the quality management system prior to the start of cooperation with the Customer and to inform the Customer without delay of any changes in the scope of the certificates held by the Supplier during the course of cooperation with the Customer.
- 2.7 The Supplier undertakes to apply the requirements described in points. 2.1 -2.6 above also towards its sub-suppliers.

3. Process risks and problem solving

- 3.1 The Supplier shall immediately inform the Customer (Customer's Quality and Purchasing Department) of any violation of the Quality Assurance Principles and other standards and guidelines governing quality issues.
- 3.2 The Supplier declares that it applies a problem-solving process in accordance with the 8D methodology and in the event of a violation detected by the Supplier itself or reported by the Customer, the Supplier undertakes to immediately initiate a problem resolution process in accordance with the 8D methodology.
- 3.3 As part of the problem solving process in accordance with the 8D methodology, the Supplier shall take appropriate actions and report them to the Customer within the following timeframes calculated from the date the Supplier receives the report: 3D-24h/6D-5 days/8D-10 working days, subject to para. 3.4. below. The Parties may agree individually on other deadlines for the Supplier to take action and report.
- 3.4 If there is a risk of a production stoppage at the Customer due to the Supplier's improper performance, of which the Supplier has been informed by the Customer, the Supplier shall respond to the Customer's notification immediately (via e-mail or telephone), but no later than within 2 hours of receiving the Customer's notification by the Supplier in order to agree with the Customer to take corrective action.

- 3.5 The Supplier's failure to take action to resolve problems in accordance with the 8D methodology within the timeframes specified by the Parties shall be deemed to be the Supplier's acceptance of the Customer's corrective action (in the event of the Supplier's failure to take action in accordance with clause 3.4 above) and acceptance of the complaint itself (in the event of the Supplier's failure to take action in accordance with clause 3.3 above). In such case, the Customer shall be entitled to take the aforementioned measures to resolve the problems himself or through a third party at the Supplier's expense.
- 3.6 The Supplier, in order to avoid the occurrence of violations and, in the event of their occurrence, to rectify them without delay, undertakes to apply at its own expense appropriate remedial and corrective measures throughout the supply chain. In particular, the Supplier shall be responsible for identifying and applying appropriate means and technology to improve the quality and control of the parts, components or services supplied, and for adequately preparing its personnel, including carrying out appropriate training. The above shall also be ensured by the Supplier if he has commissioned a third party to perform all or part of his obligations under the contract with the Customer.
- 3.7 The Supplier shall inform the Customer of the results of the Supplier's sorting and repair processes for parts or components in the form of daily reports in a manner individually agreed with the Customer.
- 3.8 The Supplier shall use a method of marking the parts or components resulting from the sorting and repair process agreed individually with the Customer, and this method must make it possible to distinguish between them.
- 3.9 In cases where the Supplier conducts the complaint procedure in an inefficient manner, in particular not in a timely manner, the Customer shall apply an escalation process in accordance with its internal standard.
- 3.10 The Customer carries out a periodic evaluation of the Supplier based on the Supplier's quality and logistics performance. The Customer informs the Supplier about the results of the periodic evaluation at least once a year. The results of the periodic evaluation have a direct impact on further cooperation and new projects.

§2. Quality of products and services

1. Quality of products

The Supplier warrants to the Customer that the products supplied will comply with the current knowledge, technology and the applicable legislation. Products supplied by the Supplier are in particular:

- a) fit for use in accordance with their intended purpose, specifications, validations and approved technical documentation,

- b) free from any visible or hidden technical, material and design defects (to the extent of the Supplier's design),
- c) suitable for transport and storage in accordance with the specifications,
- d) the first 3 series deliveries should ensure a safe launch ("safe launch" - special monitoring of functional and safety features for the customer).

2. Quality of service

The Supplier, as an expert in its field of activity, guarantees the Customer professional services which meet the technical requirements, industry standards and comply with the current legal regulations.

3. General provisions

- 3.1 If parts, components or services supplied by the Supplier do not meet the quality conditions, the Customer shall be entitled to refuse to accept/return the defective parts, components or non-recognition of services, and the Supplier shall be obliged to take immediate remedial action as agreed with the Customer with a view to supplying the Customer with parts, components or services that meet the quality conditions.
- 3.2 The Supplier's supply of parts, components or provision of services on the basis of a design, drawing, material or process developed and provided to it by the Customer shall not exclude the Supplier's responsibility for meeting the quality conditions. The Supplier is obliged to verify the materials developed and provided to it by the Customer and which form the basis for the manufacture and delivery of parts, components or services before the Supplier.
- 3.3 The Supplier is directly responsible for the product and must therefore do everything that is possible, both organisationally and technically, to ensure product safety in his supply chain as well. It must also have documented product management and production processes related to this safety.
- 3.4 In the event of a complaint about a defect affecting safety, the supplier is obliged to take effective immediate action (max.2h after receipt of information about the risk), i.e. to assess the risk, inform the customer, etc.
- 3.5 The supplier is obliged to appoint a person as Product Safety and Compliance Representative (PSCR) with the required qualifications and a contact person in case of emergency (Notfall) available 24/7.
- 3.6 The Supplier shall cover the costs of complaints incurred by the Customer as a result of non-compliance of parts, components or services supplied by the Supplier with the quality conditions, in particular the costs referred to in para. 4 below.
- 3.7 In matters not regulated by these Quality Assurance Principles, the generally applicable

legal provisions and standards of the automotive industry shall apply to the Supplier's responsibilities.

4. Claims costs

Claims costs consist in particular of the following components:

- a) administrative costs (involvement of Customer Departments) - are set as a lump sum per complaint (e.g. non-compliance analysis, supervision, complaint documentation, etc.),
- b) operational costs of the Customer Departments directly affected by the effect of the complaint (e.g. machine downtime, additional control of production staff, reduction in production line capacity, etc.),
- c) logistics costs, which are set as a lump sum for the additional burden on the Logistics Department (transport of containers with non-conforming parts, repacking, replacement deliveries, etc.),
- d) other documented costs, including those related to activities at upstream customers (e.g. expert costs, additional tests and measurements, complaints and sorting at upstream customers, etc.).

Claims costs including administrative costs (a), operating costs (b) and logistical costs (c) shall be settled on a lump sum basis as individually agreed by the Parties. Other costs (d) shall be settled on the basis of documented evidence of their incurrence by the Customer or upstream customers.

§3 Process and product changes

- 1.1 Neither the Supplier nor his sub-suppliers are entitled to make changes to supplied parts, components or services without the Customer's consent. Changes to technical data, specifications, materials, quality criteria, inspection methods, testing and production transfer require the written consent of the Customer granted on an Abweicherlaubnis - AWE form or and a complete PPAP procedure.
- 1.2 The supplier is obliged to clearly indicate the occurrence of possible deviations from the customer's quality requirements in the offer. In the event of deviations or failure to meet quality requirements during development, production or delivery, the Customer shall be entitled to charge the Supplier the resulting costs.
- 1.3 The Supplier undertakes to carry out a free-of-charge requalification process (verification of fulfilment of parameters) for parts and components supplied to the Customer every 12 months, unless the Parties agree otherwise. The extent of the requalification shall be agreed with the Customer in each case.

§4 Audits

The Supplier undertakes to provide the Customer or a third party authorised by the Customer with the opportunity to carry out an audit at the Supplier's premises with regard to parts, components or services supplied to the Customer, including access to the production process, quality control and documentation. The audit may be carried out at any time during the Supplier's working hours, after the Customer has informed the Supplier in advance of the audit date. The Supplier shall ensure that the Customer may also carry out an audit its subcontractors.

§5 Subcontracting

The Supplier may subcontract all or part of its obligations under the agreement with the Customer to a third party only on the basis of the Customer's consent in writing under pain of nullity (subcontracting). The Supplier's subcontracting of all or part of its obligations to a third party does not exclude the Supplier's responsibility to perform the contract with the Customer in accordance with its terms.