TEIJIN AUTOMOTIVE TECHNOLOGIES s.r.o.
Topolová 810
289 24 Milovice
Czech Republic

CONTENT

Preamble

The subject of the agreement is all products supplied to TEIJIN AUTOMOTIVE TECHNOLOGIES s.r.o. (hereafter referred as TAT) The supplier is responsible for the quality of materials, parts and products (hereinafter supplied products) supplied by TAT. It is therefore essential that a well-functioning quality assurance system is in place to guarantee the overall quality of the products supplied. The Supplier manual contains the necessary quality requirements of TAT, which must be met by the supplier.

All goods, materials and services provided should comply with all the applicable legal requirements.
As part of its "product liability", the manufacturer is fully responsible for the quality and safety of the delivered products.

1. QUALITY MANAGEMENT SYSTEM AND COMPLIANCE WITH LAWS AND REGULATIONS AT THE SUPPLIER

The supplier undertakes to be certified or to implement and apply a quality management system based on the international standard IATF 16949. ISO 14001 Environmental management systems, ISO 45001 Occupational health and safety management systems and ISO/IEC 27001 Information security, cybersecurity and privacy protection are also recommended. The minimum requirement is the introduction and certification of a quality management system according to ISO 9001. In this case, the supplier must document the plan by which the system will be implemented and certified according to IATF 16949, or ISO 14001 and ISO 45 001, unless

otherwise agreed in the contract. This deadline should not exceed three years from the date of signature of this contract.
The supplier must inform TAT immediately after a change in certification - send a new certificate, report the loss of certification.
The supplier further undertakes to comply with the requirements of the latest applicable legislation in force in the countries where the parts are manufactured and in the countries of destination.

Legal Requirements
The supplier should ensure that the delivered products, processes and services fully meet the currently applicable legal and regulatory requirements. In the event of legal changes, the Supplier should immediately inform TAT about changes and possible disturbances.

The Supplier undertakes to fulfil the delegated Customer Specific Requirements (CSR) of the customer OEM (Original Equipment Manufacturer) according to the specific project, in particular the specific customer requirements and the arising requirements in the current version.

VW GROUP

IATF 16949: Customer specific requirements (CSRs) of the Volkswagen Group
Formel Q konkret
Formel Q konkret Brand specific supplements
Formel Q Capability
Formel Q New Parts integral
Formel Q New Parts Integral Brand-specific supplements

MERCEDES BENZ
Customer Specific Requirements of Mercedes Benz AG
Mercedes-Benz Special Terms

BMW
Customer specific requirements of the BMW Group in addition to the requirements of IATF 16949

Suppliers are evaluated through a quality assessment in two key areas:
- Product Quality (i.e. PPM, audit results, ISO certificates), and
- Delivery performance (performance against the schedule, completion time).

Special characteristics
Special characteristics are product properties or production process parameters that may affect safety or compliance, usability, functionality, performance or further processing of the product
The supplier will define and monitor special characteristics. Agreed special characteristics indicated by TAT will be indicated in the Control Plan and FMEA by the supplier.

2. AUDITS

The Supplier will allow TAT to audit the Supplier to verify that the Supplier meets the requirements of TAT. Upon prior notification, the audit may be performed as a system, process or product audit.
The supplier will give TAT, if necessary, its customers access to all production facilities, test departments, warehouses and adjacent sections, as well as access to quality-related documents. Necessary and reasonable restrictions by which the supplier protects his trade secret will be respected.
TAT will inform the supplier of the result of these audits. Should corrective action be required, the Supplier undertakes to establish a corrective action plan without undue delay, to ensure its timely implementation and to inform TAT of the improvement achieved.
The supplier must regularly perform internal audits in accordance with IATF 16949 and ISO 9001, respectively, and other specific OEM requirements to evaluate and improve the quality of business units. The supplier undertakes to send TAT a report on the last process or product audit of the delivered part upon request.

The visit should have appropriate scope, and the supplier will ensure that TAT representative will be accompanied by a qualified employee. The supplier takes responsibility for optimising all the structural weaknesses identified during the visit of the TAT representative and for the presentation of the action plan to eliminate such weaknesses.
The TAT shall always inform the supplier of a planned audit of the production process at least one week in advance.
In some exceptional circumstances TAT reserves the right to audit with 24 hours' notice:
- deterioration in quality of the delivered product - problems in keeping to scheduled delivery times - repeated complaints - end customer complaint
Each performed audit must be closed by assessing the effectiveness of the corrective actions taken.

In the case of obtaining the C grade from the process audit and thus demonstrating the lack of process capability, the repeat audit will be carried out by TAT within the set time limit. The cost associated with the re-audit - 2000 EUR - will be transferred to the supplier.

The supplier must conduct an internal process audit once a year in accordance with the VDA 6.3 manual and other specific OEM requirements in order to evaluate and improve the quality of the business units. The supplier will submit the result of the internal process audit according to VDA 6.3 to TAT.
If the supplier supplies painted parts intended for the VW group, an application review is required - VW painting, surface treatments

In the event that the supplier supplies D-TLD goods intended for the VW Group the supplier must conduct an internal D-TLD audit once a year if it supplies such parts. The supplier shall submit the result of the D-TLD audit to the TAT organization.

3. QUARANTEEING QUALITY BY THE PRODUCER

To ensure the quality of the products delivered to TAT, the manufacturer undertakes to plan, organize and implement the production process and quality assurance at its own risk in order to ensure comprehensive quality control, management and quality assurance requirements.

The manufacturer is responsible for arranging, maintaining and maintaining the quality system documentation. For all quality system documents that relate to the delivered product, the retention of documents is required for the duration of the project, but at least 10.
Mandatory documented parts with special features (SC, CC), Inspection and Management Plan, FMEA are subject to the obligation to keep documents for a period of 15 years and the manufacturer is obliged to allow the examination of these documents at the request of the customer.

4. TECHNICAL DOCUMENTATION OF THE DELIVERED PRODUCT

The quality characteristics, technical requirements and specifications required for the delivered products are set out in the technical specification of the product transferring the requirements of the final customer.
The supplier ensures that production, testing and retraining are carried out in accordance with the technical documentation.

4.1 Special characteristics

They are based on TAT customer requirements or can be defined internally by TAT.
TAT customer designation of special characteristics is converted to internal CC and SC designations.
Special characteristics may include product features and process parameters.

Defined special characters:
CC, critical, safety (Critical) characteristics – function, dimension, product parameter that has a direct impact on product safety, safety during further assembly, etc.
SC, significant characteristics – function, part size that affects product assembly, customer satisfaction, etc.

Special BMW characteristics (according to GS 91011)
L – Legal (Teijin **CC** marking) – result from legislative requirements, homologation
S – Safety (Teijin **CC** marking) – failure to comply may cause danger to life, health or other road users
F – Function (Teijin **SC** marking) – basic functional requirements, especially for critical processes – tolerances, technological requirements, fit, functions, parameters.

Values Cpk>1.47 for CC (S) and Cpk>1.33 for CC (L) and SC (F) characteristics according to customer standard BMW GS91011 (parts for the customer BMW).

5. CHANGE MANAGEMENT

The supplier is always obliged to inform the customer about changes in the production process. Changes must be communicated in advance and approved by the customer before the actual implementation of the change. The supplier undertakes to submit a sample for change (free of charge in case that a change is requested by a supplier), if required by TAT.
TAT undertakes to provide the supplier without delay with changes to the technical specification of the product.

Any changes to process or product MUST be approved by TAT prior to implementation of the change. Failure to obtain approval before any change is implemented may result in immediate business “hold”, loss of the existing business, and/or will result in financial liability to the supplier.

Process or product changes that require TAT approval include, but are not limited to the following:
• Material and/or process change including any change of process or product safety
or critical characteristics (any process/product change compare to 1st production / PPAP release has to be approved with TAT)
• Change in manufacturing location
• Tooling capacity change
• Re-commissioning of tooling that has been inactive for one year
• Tooling refurbishment / replacement
• Tooling transfer or resource of supplier
• Changes to information technology systems
• Changes to sub-tier supplier raw materials, components or services
• Changes to ownership structure

First shipment of product after deviation or change has been implemented must be clearly identified and communicated to the appropriate TAT.

6. VERIFICATION OF FIRST SAMPLES

Each part delivered for production needs prior TAT approval.
The Supplier shall request approval in accordance with the VDA 2 Manual.
The relevant documentation and samples will be stored for 15 years from the expiry date of the contract as part of the Production and Product Approval Process unless otherwise agreed with the client.
In the case of visual parts and the lack of defined product evaluation conditions, please refer to the parts evaluation standard according to VDA 16.
The Supplier shall verify the compliance of incoming, unfinished and finished products in accordance with the documented Control Plan. The rule “First in First” out (FIFO) will be implemented to guarantee that the oldest batches of the product are removed from the system. Batch traceability should be always maintained.

In case of incomplete or unsatisfactory sampling, i.e. such sampling that it will not be possible to conclude for “Customer-ready/Ready for series production” and “PPA procedure towards customer closed” at the latest in the second sampling loop, the supplier will be charged the costs associated with repeated sampling in the amount of 350, - € for each individual sampling. If the supplier does not provide sampling even in the third loop on “Customer-ready/Ready for series production” and “PPA procedure towards customer closed”, he will be charged costs of € 700 for each individual sampling.

The cost of sampling and requalification shall be covered by the supplier.

7. ZERO MISTAKE POLICY

Within quality management, the goal of the supplier is to achieve zero errors (0 PPM) at the quality level. Based on the evaluation of the competence of the supplier's process and the volume of recalls, the target PPM for the given product and project is determined and agreed contractually in the pre-series phase, but no later than within the sampling.
Based on a risk assessment, the supplier defines a product inspection and verification concept that ensures product quality according to TAT requirements.
In case of non-fulfilment of the set indicator, the supplier is responsible for elaboration and sending of the action plan, which will lead to the fulfilment of the goal.

7.1. Quality Targets:

The Supplier undertakes to maintain the quality of the parts within the agreed PPM, unless the conditions specify otherwise in the contract. If the set indicator is not met, the supplier undertakes to achieve the goal through a shared action plan.
Quality target is 100 PPM.

8. SERIAL PRODUCTION DELIVERIES

The products produced by the manufacturer must comply with the specifications, associated standards, drawings and regulations.
The manufacturer is obliged to point out any points that are unclear or incorrect to him in the documents.
The manufacturer undertakes to comply with the approved Inspection Plan and Product Quality Plan during series production.
If, as part of its inspection activity, the manufacturer finds a non-conformity of the product with the valid drawing documentation, it will immediately inform its customer of this fact.
Approval of the exception for the use of the delivery can be realized only on the basis of written approval by the customer.
The manufacturer confirms that he has developed an emergency strategy for all emergency situations so that supplies are not endangered.

9. INCOMING INSPECTION

The supplier delivers the products in suitable transport packaging. In order to prevent damage and reduction in quality (e.g. by contamination), deliveries in other packaging approved in advance by TAT can be arranged. TAT performs input control of deliveries on the basis of criteria set for the given product, including the conformity of required documents - inspection protocol, certificate of conformity (attestation) with specified results, or other agreed documents or means (e.g. datalogger).

10. ENSURING OF SERIAL PRODUCTION QUALITY

Quality assurance at suppliers must be sufficiently reliable to ensure that:

- Appropriate control of the production process will be put in place so that the agreed specifications of the material (parts) are met and that problems in production are detected and eliminated before the delivered products are shipped.
- For CC, SC characteristics, the process capability has to be evaluated according to OEM CSR.
- Special characteristics must be mutually approved
- Non-conforming materials, parts and products that have been repaired must be re-verified according to the prescribed tests.

11. CLAIMS

If non-conforming products are supplied, the possibility of sorting, repairing or replacing the supplied products must first be communicated to the supplier in the TAT before production starts. If necessary, TAT may repair or re-sort the delivery itself or have it done by a third party. The costs incurred, including provable additional costs, shall be borne by the supplier.

11.1 Problem Solving

In case of non-compliance, the manufacturer undertakes to set immediate corrective action within 24 hours after receiving the initial information on non-compliance, process and send in the form of 8D Report, points D1-D3. The supplier undertakes to perform an analysis of the root cause, set permanent measures to eliminate the defect (D4-D6) and send an updated 8Dreport within 7 days of the announcement of the complaint, then he is obliged to submit a complete 8D report (D1-D7) within 15 working days. The 8D report must be approved by TAT quality department.

The 8D Report must also include:

- information on the settings and results of immediate corrective action
- root cause analysis (5x Why, Ishikawa)
- Risk Assessment
- determined permanent corrective measures, optimally technical direction (Poka Yoke)
- setting deadlines and persons responsible for implementing corrective action
- method of verifying effectiveness
- unambiguous statement YES / NO to accept the complaint and the costs associated with it

11.2 Joint Problem Analysis

If necessary, a joint team of customer and manufacturer representatives will be formed to analyse the cause of the nonconformity and set corrective action. An 8D report and records from joint meetings are considered a record of team activities. The functioning of the team ends with the approval and conclusion of the 8D report, unless mutually agreed otherwise.

12. PRODUCER`S LIABILITY IN THE EVENT OF NONCONFORMITY

Irrespective of the manufacturer's liability and liability arising from the order, the Purchase Agreement and other warranty agreements, the manufacturer is liable for all damages caused by the delivery of non-conforming products. The following applies to the scope of the manufacturer's liability:

12.1 Costs Expended by the Customer, Especially on Removal of Nonconformity

Costs related to the complaint and its consequences:

a. administrative cost - 200 EUR
b. cost of stopping production in TAT - 2 500 EUR / hour
c. the cost of sorting (external company) - according to offers
d. cost of sorting service at the plant by TAT - 25 EUR / hour / person.
e. engineering support - 40 EUR / hour / person
f. SQA engineering support at the Supplier's plant - 40 EUR / hour / person.
g. delay in submitting the 8D report - 300 EUR
h. rejection of the 8D report by TAT - 200 EUR
i. Logistic
    1. Express Shipping Costs - when spare parts need to be delivered urgently, this may include air freight or courier services.
    2. Non-conforming parts storage costs - when defective parts need to be temporarily stored at the plant or with a logistics partner.

3. Repackaging and marking costs - if defective parts must be repackaged or re-marked to customer specifications.
4. Cost of transporting the reclaimed parts back to the supplier - includes the cost of transporting the defective parts back to the supplier, including the cost of packaging, handling and any customs formalities.
5. Costs of additional parts availability - for example, costs of rescheduling, renting warehouse space, or rerouting material flows.
6. Costs associated with damaged packaging - if the packaging does not meet specifications, is damaged, or does not protect the parts adequately, which may lead to the need for repackaging, additional handling, or even material damage.
7. Costs associated with incorrect or missing packaging labelling - includes missing VDA Load Carrier Label, incorrect labels, illegible codes, or other labelling discrepancies that may cause problems in receiving, identification, or storage.
8. Costs associated with incomplete or missing accompanying documents - if the delivery does not contain the required documents (delivery notes, inspection certificates, customs documents, etc.), which may cause delays, additional administrative costs or problems in receiving the material.
9. Cost of original transportation of defective parts - if defective parts are returned, the supplier should be credited with the appropriate amount for the original transportation to the customer.

Components/process costs
The SUPPLIER will cover all costs related to delivered product or service
The target PPM level shall be agreed with the Supplier before PPAP. TAT reserves the right to claim reimbursement of all costs related to the addition inspection, costs of special transport in addition to the regular administrative costs.

Shipping costs
The SUPPLIER covers the shipping costs incurred by TAT for transportation of the faulty product.
It is the SUPPLIER's responsibility to arrange for transportation of the faulty goods in the timeframe required by TAT. This applies also in the case of joint complaints.
− Storage costs
The Supplier takes responsibility for arranging for the removal of rejected parts from TAT premises within 3 working days of notification. TAT reserves the right to remove rejected material at the Supplier's expense or to charge storage costs EUR 0.67 / pallet / day if the rejected material is not removed within 3 business days. The cost will be charged after the given date. If the material is disposed of, the supplier will be charged for the disposal according to the applicable rates.
− Joint complaint costs
The SUPPLIER takes responsibility for reporting to TAT the number or approved/rejected parts within 5 working days of the delivery date. In addition to this number the SUPPLIER will also explain the root causes of the non-compliance. If the timeframe of 5 days is exceeded and no feedback is received, all parts will automatically be considered as approved.

In the event of a complaint by a TAT customer, the SUPPLIER is required to cover all costs incurred if the root cause of the problem derives from the Supplier's process.

Guaranteed Delivery
If it is necessary to use guaranteed delivery services, the SUPPLIER should also label each package as per TAT requirements to facilitate its identification.

The supplier will INFORM TAT of any special status notifications which may have effect on quality, delivery or production power, such as cancellation of the client's order, relocation of processes, relocation of the manufacturing plant, production restriction, merger or takeover. The supplier will inform TAT of any penalties or investigations implemented concerning environmental matters.

12.2 PSCR - („PRODUCT SAFETY & CONFORMITY REPRESENTATIVE")

Suppliers who provide us with the details used by TAT for products supplied to VW, BMW should appoint a Safety and Compliance Officer in their organization. The plenipotentiary for product safety and compliance should be strongly involved in initiating activities focused on risk assessment - among others, he should work

with FMEA teams, participate in the launch of new products, accumulate lessons learned related to potential hazards and arrange systematic production controls for potential threats to the safety characteristics. The supplier is required to share a name and contact details of PSCR representative including deputy person with certificates and company appointment letter.
The supplier will share an updated Supplier contact list F-QUA-06-04. In case of any change, the supplier is obliged to update the contact list and send it to TAT.

12.3 CONTROLLED SHIPPING

Controlled Shipping may be issued when there is a lack of process control that has resulted in non-conforming parts reaching a TAT. There are two levels of Controlled Shipping, Level One and Level Two.

Controlled Shipping Level One - CSL1
- Additional inspection performed by the supplier's employees at the supplier's location after the parts have been identified at finished goods and ready to ship
- Problem solving process
- Inspection data forwarded to TAT daily using

Controlled Shipping Level Two – CSL2
- Primary purpose is to control and contain non-conforming product at on offsite location and measure the effectiveness of the Controlled Shipping Level One
- Same processes as Controlled Shipping Level One with an added third-party inspection. The third-party is - selected by the supplier, approved by TAT, and paid for by the offending supplier.
- TAT Quality department must approve exit from Controlled Shipping. Approval to remove the third-party sort will be granted when the third-party or TAT verifies the root cause and irreversible corrective action of the failure mode. Evidence from the Problem Solving
- Process will be submitted to TAT for review and approval.
- There must be evidence that the systemic issues have been resolved. This includes zero non-conformances at TAT production plant during the Controlled Shipping process.

13. CONTINUOUS IMPROVEMENT

The Supplier undertakes to apply the principles of continuous improvement (PDCA) of products, processes and systems, especially regarding:
- cost optimization
- reduction of waste (scraps, overtime and repeated mistakes)
- reduction of lead times
- reducing stocks
- increasing the usability of equipment
- optimization of adjustment time, etc.

Emergency plans
The Supplier should develop emergency plans in case of unforeseeable events such as disruptions to deliveries, labour shortages, malfunction of key equipment, shift in the in-use phase, to be able to meet TAT requirements in such cases.
In the event of force majeure resulting in a halt of production, or partial or total plant damage, the supplier must:
- within 24 hours of the event: present a plan containing:
a. status, contamination level, productive capacity and equipment status
b. production initiation plan
c. recovery plan after downtime.
- in case of a productive capacity loss caused by the event the Supplier must present an emergency plan including the possibility of initiating production in a different location and provide details of contact people within 48 hours of the event.

In both cases TAT reserves the right to meet the Supplier within 48 hours of the event in the agreed location to discuss an emergency plan and to agree on further steps. The Supplier should be insured appropriately against cases of force majeure and against other causes of halt of production or losses.

REACH
All Suppliers which are REACH registered are required to produce the Material Safety Data Sheet confirming that the following chemicals are permitted to be traded.

14. SUPPLIER EVALUATION

The supplier is continuously evaluated in terms of quality according to the following criteria:
- Certification
- PPM
- Number of complaints
- Adherence to the reaction time of the complaint, cooperation and feedback reasonability

Once a year, selected suppliers receive an overall evaluation. Based on the evaluation results, the next steps are according to the table below. In the case of C evaluation, TAT reserves the right to perform a special process audit according to the VDA 6.3 methodology, or a system audit according to the requirements of IATF / ISO 9001.

Rank	Scoring (%)	Description	Escalation level	Follow up frequency	Escalation criteria	De- escalation criteria
A	90 - 100%	Supplier has no issues	n/a	n/a	new issue	n/a
B	80 - 89%	Supplier has issues. The supplier partially meets the requirements / the supplier has problems that he is able to solve, an action plan is available, the supplier communicates regularly	SQA eng.	action plan and regular follow up required review of the action plan on a weekly basis, information to: QM, Purchasing, Logistics	Supplier does fulfil action plan, does not respond --> go to level C	Supplier fulfil action plan in time. Deliveries are stable in specification. --> Go to level A.
C	70 - 79%	The supplier does not meet the requested requirements / the supplier has problems that he is unable to solve independently, the action plan is not available or is not being fulfilled according to the proposed deadlines	SQA eng/ purchasing/ QM	action plan and regular weekly follow up required Supplier escalation to QM, Purchasing, PM and Logistics informed	Supplier does not fulfil action plan, does not respond --> go to level D	Supplier fulfil action plan in time. Deliveries are under controlled shipment. --> Go to level B.
D	<70%	The supplier does not meet requirements, does not communicate, is unable to solve problems	QM/ PM/ purchasing man./ project man.	escalation to PM and Purchasing management, Project management. Consideration of escalation to the certification body and customer.	business on hold	

Yearly Re-qualification
Suppliers are required to undertake yearly dimensional inspection of supplied products and an inspection of functionality and other characteristics. The results should be presented to TAT no later than 20 working days since 1 year re-qualification anniversary.

For parts supplied to the customer BMW, requalification is required in accordance with GS90018-1/-2. The supplier will submit the result of the requalification according to GS90018-1/-2 to the TAT organization.

Continuous Improvement
The Supplier is required to continuously improve the process. The Supplier should take all appropriate measures to eliminate root causes of discrepancies to prevent future occurrences of them, and to monitor efficiency continuously.

15. ESCALATION STRATEGY

Description	Escalation level	Follow up frequency	Escalation criteria	De-escalation criteria
Supplier has no issues	n/a	n/a	new issue	n/a
Supplier has issues. The supplier partially meets the requirements / the supplier has problems that he is able to solve, an action plan is available, the supplier communicates regularly	SQA eng.	action plan and regular follow up required review of the action plan on a weekly basis, information to: QM, Purchasing, Logistics	Supplier does fulfil action plan, does not respond --> go to level C	Supplier fulfil action plan in time. Deliveries are stable in specification. --> Go to level A.
The supplier does not meet the requested requirements / the supplier has problems that he is unable to solve independently, the action plan is not available or is not being fulfilled according to the proposed deadlines	SQA eng./ purchasing/ QM	action plan and regular weekly follow up required Supplier escalation to QM, Purchasing, PM and Logistics informed	Supplier does not fulfil action plan, does not respond --> go to level D	Supplier fulfil action plan in time. Deliveries are under controlled shipment. --> Go to level B.
The supplier does not meet requirements, does not communicate, is unable to solve problems	QM/ PM/ purchasing man./ project man.	escalation to PM and Purchasing management, Project management. Consideration of escalation to the certification body and customer.	business on hold	

16. ACCEPTANCE AND SIGNATURES

The Parties agree that this agreement shall be executed in its original form without any handwritten annotations, alterations, or marginal notes. Any such markings shall be deemed invalid and shall not be considered part of the Agreement. Modifications, amendments, or waivers of any provision of this Agreement shall only be valid if made using the official waiver form provided by Teijin and duly signed by authorized representatives of both Parties. No other form of amendment, including verbal agreements or informal writings, shall be recognized or enforceable.

Sincerely,

Bronislav Vrána
Head of quality, Teijin Automotive Technologies Czech
Milovice plant