

1 THE OBJECTIVES OF THE QUALITY GUIDELINES

Quality Guidelines (hereinafter referred to as: Guidelines) shall govern the cooperation between the Buyer and the Supplier in the field of quality assurance. The Supplier hereby undertakes to meet the agreed product quality requirements.

The Guidelines also defines the elements of the quality system and ensures the conformity, safety, reliability and continuous improvement of the quality of the products. The Supplier undertakes to follow the principle of "zero defects", which implies the introduction of preventive and corrective measures in all processes of product realisation.

2 SCOPE

The Guidelines applies to suppliers of materials (including suppliers of off-the-shelf materials), components, finished products, services and equipment.

3 SUPPLIER RESPONSIBILITY

The Supplier shall be responsible for the conformity of its products, services and processes of implementation with the content of this Guidelines.

The supplier is also responsible for the compliance of its products, services and delivery processes throughout the downstream supply chain (up to the production of the final product) and throughout the product's expected lifetime.

4 SUPPLIER QUALITY

4.1 Supplier quality system

The supplier's quality system must comply with and be certified to at least the requirements of ISO 9001.

Suppliers to the automotive industry are expected to further develop by meeting the minimum requirements of the MAQMSR automotive quality management system, with the ultimate objective being compliance with the requirements of IATF 16949.

The supplier must ensure that all sub-suppliers also maintain a quality system that complies with the above requirements.

4.2 Supplier evaluation

The Buyer evaluates the Supplier twice a year. The evaluation criteria and the classification into classes A, B and C are described in detail in the Supplier Evaluation itself.

The Supplier shall provide a written action plan with deadlines and responsible persons within 14 days for each individual score equal to or less than 80%.

In the event that the Supplier is rated C, short-term measures to be classified as B are necessary, and if the measures taken are not effective, the process of termination of cooperation with the Supplier is initiated.

4.3 Supplier objectives/indicators and continuous improvement process

The supplier is committed to the "zero defects" objective and must continuously improve its processes/products.

The Buyer shall enter into a Target Agreement with the Supplier, which sets out the Supplier's targets (indicators) for a three-year period and is intended to continuously improve the quality of the Supplier and the products supplied. The targets are set on the basis of an assessment of the previous year and include:

- quality of supply in ppm
- number of complaints
- the punctuality of deliveries
- other (if applicable, depending on the scores in the other criteria).

Based on the Supplier's assessment received, the Supplier will determine and implement corrective actions to achieve the required targets (clause 4.2)

4.4 Supplier audits

The Buyer reserves the right to carry out an audit of the Supplier in order to determine the effectiveness of the quality management system and the continuous improvement process. The audit shall be carried out by prior agreement with the Supplier and may include an audit of the process or product. In the event of critical non-conformities, the Buyer may also carry out an extraordinary audit.

The Supplier undertakes to carry out internal audits of its processes at least once a year, as well as audits of the products for which this has been specifically agreed. Records of these audits shall be made available to the Buyer on request.

If deviations from the required quality caused by a sub-supplier occur, the Supplier shall be obliged to allow the Buyer to have the sub-supplier assess them.

If the Buyer's Buyer wishes to audit the Supplier/Sub-supplier, the Supplier shall be obliged to allow this, but only if accompanied by the Buyer.

5 GENERAL REQUIREMENTS

5.1 Documentation and records management

The Supplier shall archive and maintain the documentation received from the Buyer and shall promptly take into account and implement any updates. The changes to the documentation can be seen in section 5.3.

Quality documents and records include:

- Required quality documents (subject to change management) such as control plans, control instructions, etc.
- Product specifications (subject to change management) such as plans, specified requirements, customer standards, etc.
- Quality records (not to be altered) such as evidence of process capability, process characteristics, etc.
- Product-specific records (not to be altered), such as test reports, product certificates, etc.

The Supplier undertakes to provide access to or to provide the Buyer with all stored documentation at the Buyer's request. The documentation kept must be protected against loss, destruction or any deterioration in quality.

Except as requested or authorised by the Buyer, the Supplier shall not transfer the data or allow its use by a third party

Documentation and records can be in paper and/or electronic form. In the event of any incompleteness, illegibility or misunderstanding thereof, the Supplier shall immediately contact Purchasing or other relevant department of the Buyer.

5.2 Record retention

The supplier must keep all records relating to the quality of the products and the implementation processes for a minimum of 5 years after the end of production. An exception is the documentation of products labelled as a safety product and/or a product with regulatory requirements, which must be kept for a minimum of 20 years after the end of production. In addition to the above, the supplier must comply with all other applicable regulatory requirements for the retention of documentation.

5.3 Control of changes

The supplier shall have a procedure in place to ensure that the latest valid editions of the documents are in use. It must keep records of the dates on which each change was made.

Requests for change by the Buyer (plans, specifications, etc.) must be reviewed by the Supplier within two weeks of receipt and confirmed in writing by the Buyer as to the planned effective date.

The Supplier undertakes to evaluate and document any planned change relating to the Buyer's requirements and to send it to the Buyer for information and approval. The obligation applies to product changes and changes in the production process.

The categories of changes regarding resampling or notification to the Customer are as follows:

5.3.1 Buyer's approval is required, the procedure is the same as for sampling

- Changes in the customer's specific requirements on a product, component, process, etc.
- Changes to product and tool design
- Changes in the materials used, such as basic and auxiliary materials or a change of supplier
- Changes to the mixture or to a component of the mixture
- A change in the manufacturing process of a mixture, if the changes affect the processing characteristics or the form of delivery of the mixture.
- Relocation of production to another location
- Changes in the production process that affect the function and quality of the product
- Changes to control and measurement methods
- When reusing a tool that has not been used for more than 12 months

5.3.2 The change must be verified and the Buyer informed

- When using a different but documented compliant installation part
- When making a reproducible tool
- Purchasing and using the same new machine
- When the test method is changed, with the process flow unchanged, if the RPZ (FMEA) is not changed or improved
- When changing freight forwarder

5.3.3 Verification of the change is required, informing the Buyer is not necessary

- When changing technological parameters
- When transferring technology to another machine at the same manufacturing site
- For a change in testing that is not relevant to the customer (e.g. sample check)
- Changes to the supplier's internal documentation (e.g. work instructions)
- For changes to the supplier's internal packaging
- Maintaining existing tools

5.4 Identification and traceability

Each individual unit of packaging supplied must be clearly marked with the product code and the status of the goods supplied.

The supplier must ensure:

- Identification of incoming materials and semi-finished products stored in their warehouses and also in the individual production phases
- Separation of compliant and non-compliant products throughout the process
- Identification of approved finished products.

The supplier must put in place a system to ensure traceability of materials/products and to ensure that non-compliant products/shipments can be identified

5.5 Packaging, deliveries and transport

The products supplied shall be packed in appropriate packaging as agreed with the Buyer. The packaging method must ensure safety from damage and dirt during transport and storage and comply with all safety rules (e.g. maximum weight and height).

The supplier of materials/products and services must respect the agreed delivery dates.

All mixtures must be delivered to the Buyer with a minimum shelf life of 14 working days.

For deliveries of mixtures, the supplier must, during the period from 15.05. to 30.09., transport of the mixtures in refrigerated lorries. The temperature during transport must not exceed 25°C, which must be proven by the carrier by means of an appropriate transport temperature certificate.

The supplier as well as his sub-suppliers must respect and guarantee the FIFO system, in which they must ensure that goods previously stored are also previously dispatched.

5.6 Environmental requirements

The Supplier is expected to meet the requirements for environmental protection, a certified environmental protection system in accordance with the requirements of the ISO 14001 standard is desirable as an ultimate goal.

The following requirements and directives must also be taken into account when protecting the environment:

- Decree on implementation of EU Regulation on registration, evaluation and authorisation and limiting of chemicals REACH – 1907/2006/ES.
- Directive 2011/65/EC on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS)
- The Supplier undertakes to respect and comply with all other applicable legislation in the EU and the Republic of Slovenia
- Reporting and limitation requirements for greenhouse gas (GHG) emissions, energy efficiency and reduction of energy consumption, use of renewable energy sources and sustainable resource management
- Requirements for water quality, water consumption and protection, air and soil quality and noise emissions
- Requirements for the responsible handling of chemicals
- Waste minimisation, reuse and recycling requirements
- Animal welfare requirements where the supplier's processes have a direct impact on animals

5.7 Social responsibility

The Supplier shall ensure that it complies with the Code of Ethics, Human Rights, Occupational Health and Safety and Business Ethics, with particular emphasis on:

- Respect for human rights, women's rights, the rights of minorities and indigenous peoples
- Ensuring ethical employment opportunities irrespective of sex, race, colour, age, health or disability, religious or political beliefs, trade union membership, national or social origin, marital status, property, wealth or sexual orientation
- Compliance with applicable legal requirements on working hours and wages
- Preventing modern slavery (child labour, forced or compulsory labour and human trafficking)
- Ensuring non-discriminatory treatment of all employees with no harassment at work;
- Not opposing freedom of association and collective bargaining;
- Promoting diversity, equity and inclusion
- Respect for land, forest and water rights and opposition to forced evictions
- Ensuring health and safety at work
- Anti-Corruption and Anti-Money Laundering
- Ensuring Data Protection and Data Security
- Respecting financial accountability and accurate records
- Preventing disclosure of information
- Ensuring fair competition and antitrust policy
- Avoiding conflicts of interest
- Preventing the use of counterfeit parts
- Respecting and protecting intellectual property
- Export controls and compliance with trade and economic sanctions
- Whistleblowing and protection against retaliation

5.8 IMDS system

The supplier of materials for the automotive industry must be registered in the IMDS system (<http://www.mdsystem.com>). At each initial sampling, the material data shall be entered into the IMDS database and transmitted to the Buyer via the system. The IMDS ID of the Buyer is 128878.

Any changes to the name and composition of the material shall be updated regularly and communicated to the Buyer.

5.9 Sub-suppliers

The Supplier shall be fully responsible for the products supplied and manufactured by the sub-supplier. The Supplier shall be obliged to communicate all obligations under these guidelines to the Sub-supplier and to put in place appropriate quality assurance measures (process capability assessment, use of statistical methods) at the Sub-supplier.

In the event of complaints, it is the Supplier's duty to verify the effectiveness of the measures taken by the sub-supplier.

5.10 Norka's customer requirements

The buyer is obliged to pass on the requirements of its customers (CSR requirements, specific characteristics, legislative and regulatory requirements, etc.) to the supplier. The supplier is required to pass them down the supply chain and ensure that documentation, products, services and implementation processes comply with the requirements of Norka's customers.

5.11 Product Safety and Compliance Representative (PSCR)

Suppliers providing components or services used on VW products must also appoint a PSCR (Product Safety & Conformity Representative), formerly PSB, and notify the Buyer of the new representative if any change occurs.

If the Buyer has not received feedback from the Supplier regarding the PSCR, the Supplier's Managing Director shall be temporarily registered with the Buyer as PSCR and shall be assigned PSCR duties. In the event of changes in liability, active information must be provided to the Buyer.

6 SAMPLING

Sampling by the Supplier shall be carried out in the following cases (for modifications, see Section 5.3):

- New product or material
- New supplier / sub-supplier
- Modified product or material
- Modified manufacturing process
- Change of tool
- New measuring equipment
- Change of production location
- Suspension of production for more than 12 months

6.1 Quality assurance

During the development phase, the supplier must use appropriate preventive quality assurance methods:

- Feasibility assessment
- P-FMEA for process fault identification and correction
- Statistical methods for process control
- Design of control or measurement methods and devices
- Process capability analysis (Cmk, Cpk)

6.2 Identification and management of specific characteristics

Specific characteristics (safety, legal, functional) shall be identified and aligned with the definitions and symbols specified by the Buyer. They may relate to the product or to the parameters of the manufacturing process. They must be included in management plans and managed by appropriate control and statistical methods based on a risk analysis assessment (P_FMEA).

6.3 Sampling for the release of serial deliveries

Samples must be produced in serial conditions and delivered on schedule. The following number of samples must be submitted:

- For products, 5 samples (in the case of multiple nesting gear, 5 samples from each nest)
- For components, 5 samples (in the case of multiple nesting gear, 5 samples from each nest)
- For materials on the basis of an agreement with the Buyer

The supplier must always carry out an internal sampling procedure and document the results. The Initial Sample Report (ISR) with all related documentation, the scope of which may be agreed in advance, shall be submitted to the Buyer within the agreed time.

For products for the automotive program, the associated documentation shall be submitted to the agreed extent in accordance with the requirements of VDA2 (PPF) or AIAG (PPAP).

PPF / PPAP documentation is required from all material suppliers, except in special cases where sampling by the supplier is not possible (e.g. standard materials), for which the Buyer shall carry out the internal release itself.

6.4 Assessment and approval of serial deliveries

Positive approval (release for series production):

Where the documentation is complete and adequate and the samples presented meet all requirements.

Conditional approval (conditional release of serial production) - not applicable to compounds:

In the event of documentation deficiencies and documentation errors that can be quickly corrected and do not affect the suitability of the product, and in the event of product/process deviations from requirements that are not critical and can be quickly corrected with appropriate measures.

In any event, the Supplier shall promptly deliver to the Buyer a time schedule of the remedial measures to be taken and shall keep the Buyer informed of the implementation thereof. After completion of all measures, unless otherwise agreed, the Supplier shall repeat the sampling in accordance with the agreed volume of documentation and samples.

Rejection (serial production not released):

In the event that one or more of the essential characteristics of the initial samples and/or the accompanying documentation do not comply with the requirements, and in the event that the Supplier's results do not match the results of the tests carried out by the Buyer. The Supplier shall promptly deliver a schedule of measures to remedy the deficiencies and shall keep the Buyer informed of the implementation thereof. After all measures have been completed, the Supplier shall repeat the entire sampling procedure.

7 SERIAL PRODUCTION**7.1 Quality of deliveries**

The Supplier is responsible for the quality and conformity of the products, processes and procedures of its suppliers (sub-suppliers).

The Buyer shall verify the conformity of the deliveries on the basis of written evidence from the Supplier and sample inspection of the installation work. The Supplier undertakes to supply the products on a "zero-defect" basis, which means that no defective item may be found during the sample check.

The Supplier's written evidence for materials shall include:

- EN 10204 3.1 certification (hardness, density, elongation, tensile strength)
- Rheometric data in accordance with DIN 53529

7.2 Conditional acceptance

In the event that the Supplier becomes aware of non-conformity of its products and/or implementation processes and considers that such non-conformity will not affect the functionality, durability, quality and safety of the product, it may make a written request for conditional acceptance. In addition to product information, the request for conditional acceptance must also contain a detailed description of the non-compliance, including a risk assessment and the reasons for the non-compliance.

The Buyer shall review the request for conditional acceptance and confirm or reject it in writing. If confirmed, the conditional acceptance is valid for a specific time and quantity. Products conditionally accepted shall be additionally and clearly marked by the Supplier.

7.3 Process control and testing

In the case of batch production, the Supplier shall control the specific characteristics using statistical methods. $C_{pk} \geq 1.33$ and $C_{mk} > 1.67$ are required, except where requirements are different.

If the required process capability is not achieved, it is necessary to ensure quality by additional control methods or 100% control until the required process capability is achieved through a process of continuous improvement. The process capability records shall be made available for inspection by the Buyer at any time at the Buyer's request

7.4 Re-qualification

Unless otherwise agreed, the Supplier undertakes to confirm the suitability of the products or processes by re-qualification once a year and to submit it to the Buyer for inspection upon request.

Re-qualification shall be specified in the control plan, and the extent of re-qualification shall be agreed with the Buyer. If the extent of the re-qualification is not agreed, the re-qualification shall measure the dimensions and carry out the tests/tests as for the product sampling records.

8 NON-CONFORMITY OF PRODUCTS

8.1 Complaints handling

In the event that the Buyer becomes aware of a non-conformity in the products supplied, the Buyer shall inform the Supplier of the non-conformity by means of a complaint report (which may also be verbal or electronic, if this is more appropriate in the circumstances).

The product or supply is also considered non-conforming if the following apply:

- damaged packaging
- incorrect packaging or transport
- inadequate documentation (delivery note, certificates, etc.)
- inadequate markings
- quantity deviations

The Supplier shall immediately approach the problem and shall immediately contact the Buyer's quality department and agree on a procedure to resolve the problem.

8.2 Problem solving (8D method)

The supplier is expected to use the 8D method, compliant with the VDA requirements Quality Management in the Automotive Industry, 8D - 8-Step Problem Solving. For a supplier to the automotive industry, the use of this method is mandatory.

The supplier must reply in writing within the following time limits:

- 24 hours or max. 1 working day unless otherwise requested: written response on immediate actions (points D1, D2 and D3 in 8D)
- within 10 days: identification of the cause of the defect (point D4), corrective action plan (point D5)
- within 30 days: after completion of the measures (point D6 in 8D) and the determination of the effectiveness of the measures (point D7 in 8D), deliver a complete, finalised 8D report (point 8 in 8D)

If the Buyer considers that the planned measures are inadequate, the Buyer shall require the Supplier to take new measures.

If the Supplier fails to address the problems within the required timeframes, the Buyer shall itself remedy the non-conforming products and shall charge the Supplier for the costs incurred.

8.3 Complaints costs

In the event of non-conformity of deliveries, the Buyer shall be charged for the costs of rectifying the non-conformity or its consequences in accordance with the price list below. In each case, the Buyer shall submit the costs incurred under numbers 4 to 8 to the Supplier for review and confirmation:

No.	Cost type	Cost
1	Issuing a complaint report (first complaint - collection of evidence, notification to supplier, transactions in IS system, identification and labelling of non-conforming products, review of 8D report revisions....)	120 eur
2	Issuing a complaint report (repeated complaint, repeated within a two-year period)	240 eur
3	Failure to comply with the time limits for responses set out in clause 8.2 shall result in the Buyer being	60 eur/reminder.
4	Sorting, internal logistics	20 eur/hour
5	Transport costs for delivery and return of goods, sending non-conforming samples	At actual cost
6	Costs of production stoppages, productivity losses, technological problem-solving	At actual cost
7	Costs due to delay in delivery to the final customer	In accordance with the buyer's invoice
8	Costs associated with a quality problem at the end customer - cause at the supplier	In accordance with the buyer's invoice

9 GUARANTEE

The Supplier shall be liable for any visible or latent defects in its deliveries, including those which it may have entrusted in whole or in part to a third party.

The Supplier shall take all reasonable steps to notify the Buyer immediately of any actual or alleged defect in its products or material defect of which it is aware, with a view to limiting any subsequent adverse consequences

The Supplier guarantees to respect the confidentiality of the information provided and to treat the documents received as a business secret. All documents and designs or samples provided shall be and remain the property of the Buyer.

The Supplier warrants that it will comply with legal and other obligations arising from an environmental protection perspective during the process development phase, during the manufacturing process and when shipping materials/products to the Buyer.

The Buyer shall require the Supplier to take out, in respect of the risks set out in these guidelines, an adequate indemnity insurance.

10 EXEMPTIONS

Any deviation from the requirements set out herein shall be subject to the prior written consent of the Buyer in the event of the signing of a previously agreed quality agreement by both parties.

In the event that no feedback is received from the Supplier within one month from the date of receipt, the Supplier shall be deemed to have fully accepted the entire content.