

QUALITY ASSURANCE AGREEMENT (QAA)

Content

Preamble	2
1. Scope	2
2. General conditions	2
3. Management system.....	3
4. Quality of supplied goods.....	4
4.1. Incoming goods inspection	4
4.2. Complaints.....	4
4.3. Controlled Shipping Level (Quality Escalation Process).....	5
5. MLM specific requirements (CSR)	6
6. Product and process development.....	6
6.1. Risk Evaluation (FMEA).....	6
6.2. Sample testing and approval.....	7
6.3. Continuous improvement process.....	7
6.4. Requalification	7
6.5. Sub-suppliers.....	7
7. Audit	8
7.1. Suppliers Process / Self-audit.....	8
7.2. Product audit	8
8. Product liability.....	8
9. Delivery and packaging.....	8
10. Change management.....	9
11. Deviations and Special releases.....	9
12. Supplier evaluation.....	10
13. Confidentiality of information	10
14. Duration of QAA and Termination.....	10
15. Final provisions	10
16. Contacts in MLM	10

Preamble

This Quality Assurance QAA (hereinafter referred to as QAA) shall designate and regulate all scheduled procedures between the partners and is intended to ensure the quality of products, goods and services. It specifies the minimum requirements of the management system of the contractual parties and regulates their rights and obligations.

1. Scope

This QAA shall apply to the delivery of all products, goods and services by the supplier to the customer. A constant flow of information, the smooth implementation of processes, and the development of policies between MLM and its partners should serve to improve the quality and satisfaction of both parties. Suppliers are an integral part of the MLM's Management System.

2. General conditions

Both contracting parties agree that QAA as the primary document shall apply for all questions related to the quality of products, goods and services sold to MLM by the SUPPLIER based on contracts or direct orders.

If purchasing commercially run through MLM or the SUPPLIER of cross-shared companies, the relevant QAA shall also fully apply for business relations.

The SUPPLIER shall receive from the MLM the latest currently revised version of the technical data for contractual products, goods and services in document named: Acceptance technical conditions (specifications defined as PTP - "Prevzemno Tehnični Pogoji") and shall ensure by means of appropriate internal procedures relating to subcontractors that production will take place only in accordance with the currently valid revision.

Any changes the SUPPLIER would like to make to PTP specifications, design, manufacturing process or to the agreed quality management system, must be approved in writing by MLM in advance.

The SUPPLIER shall be liable for the production and delivery of contractual goods in accordance with the agreed requirements, latest state of the art and statutory requirements. SUPPLIER has been informed that MLM will use SUPPLIER's products, goods, and services to produce MLM product as such, which will be assembled in vehicles as complex object – and ensures that products, goods and services will function in accordance with their purpose.

The SUPPLIER is responsible for the quality of the products, goods and services, irrespective of the fact in which phase of installation or use the defect has been detected. In the event of special requirements regarding handling of goods, the SUPPLIER shall notify MLM in writing prior to the first delivery.

Issue: 3	Valid from: 1.8.2023	Page: 2 / 11
----------	----------------------	--------------

For the needs of fulfilment of this QAA, products, goods, and services shall be considered non-conforming if they do not have the characteristics which were agreed upon between the contractual parties and specified with technical documentation and which are necessary for the use of products, goods and services as defined with this QAA.

In the event of established non-conformity, MLM shall notify the SUPPLIER with quality complaint report. MLM shall debit the SUPPLIER for the costs incurred due to non-conformity of contractual products, goods and services. and other violations of contractual obligations, as stated in this QAA and in accordance with the valid price list (see document Cost of deviations from contractual obligations).

3. Management system

The SUPPLIER shall undertake the timely implementation of an effective management system for quality, environmental and occupational safety covering all aspects of his company. This management system shall at least be based on the International Standard ISO 9001 or on a system which at least satisfies all the requirements included in the aforementioned standard. This applies to all suppliers, both for production plants (SUPPLIERS) and for trade and service companies or brokers/agents.

Requirements for the Supplier's Quality Management System (QMS):

- The SUPPLIER is obliged to apply management system according to ISO 9001 which has been certified by a recognized and accredited body. SUPPLIER must provide copies of the valid certificates and any extensions or withdrawals without having to request this. This request must be done by the SUPPLIER through the email address info@mlm-mb.si no later than 30 days upon the signature date of this QAA.
- The SUPPLIER shall inform MLM promptly and without necessity of request of each amendment, adjournment, or suspension of the certificate.
- QMS should cover all areas of the SUPPLIER's business activities.
- MLM expect further development of SUPPLIER's QMS to the IATF 16949 or to follow MAQMSR (Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers).
- In case upper points are not applicable, SUPPLIER's QMS is considered as conditionally accepted if suppliers' principles of QMS are positively evaluated by MLM QM representatives (survey, if necessary, an audit).
- The SUPPLIER must ensure that all his sub-suppliers also maintain a QMS/EMS that corresponds to the requirements listed above.

Requirements for the SUPPLIER's Environmental (EMS) and occupational health and safety (OHS) Management System:

- SUPPLIER commit to follow requirements of environmental management system as per ISO 14001 or EMAS and as per ISO 45001. Certification is not obligated but is welcomed and rewarded during annual evaluation.

All MLM company policies are available at company's web site <https://www.livarna-maribor.com/>

Issue: 3	Valid from: 1.8.2023	Page: 3 / 11
----------	----------------------	--------------

The SUPPLIER declares to maintain a quality system that will guarantee an equal and stable quality level of contractual products, goods and services at all times, to perform relevant testing of contractual products, goods and services and to make the results available to MLM's authorised personnel for inspection at all times.

4. Quality of supplied goods

The SUPPLIER obliges himself to zero-defect-target.

4.1. Incoming goods inspection

The SUPPLIER is obliged to send all documents stated in PTP (for example Inspection reports, analysis of raw material...) with each delivery.

MLM has the right to require from the SUPPLIER additional proofs with testing results on suitability of each consignment, which is the prerequisite for products, goods and services acceptance.

The SUPPLIER shall maintain records of raw materials, end product and in-process inspections and of all other batch-related quality assurance procedures and shall retain these records for at least 15 years from the date of delivery to MLM.

MLM can, according to internal procedures, perform random sampling of contractual products, goods and services at the income inspection and inspection of semi-products during the production process.

4.2. Complaints

MLM has the right to reject a part or complete consignment of contractual products, goods and services in which incompatibility of contractual goods were found, especially, but not limited, in the following cases:

- In case nonconformity is detected at incoming inspection of the delivered contractual products, goods and services.
- In case nonconformity is detected in any phase of production process and the scope of incompatibility exceeds the normal acceptable level.
- In case in individual consignment on contractual goods critical defect is detected which may jeopardize the health of persons or cause major material or environmental damage.

In cases from the previous paragraph MLM shall issue to SUPPLIER a quality complaint and SUPPLIER shall answer to this complain within one working day. SUPPLIER's reply shall contain the instructions regarding immediate action and further handling with the consignment (takeover of goods by SUPPLIER, return of goods at SUPPLIER's costs, scrapping of the consignment at SUPPLIER's costs, replacement deliveries, or any other solution). If a new production lot has to be run in order to replace NOK or suspect parts, the SUPPLIER is requested to do everything possible to reduce the standard production lead-time to avoid critical situations (e.g. line stops) at MLM.

The SUPPLIER shall undertake to analyse all deviations and issue a statement in the form of an 8D report or equivalent within 30 days. The SUPPLIER shall issue to MLM a credit notes for the claimed quantity of contractual goods.

In case critical defect is detected, MLM is allowed to immediately stop all further deliveries of contractual goods until SUPPLIER solve main cause of defect and gives appropriate solutions to MLM connected to referenced critical issue (risk analysis for parts, delivered to end users).

For each issued complaint report MLM shall debit the SUPPLIER with lump-sum costs of complaint in according to the valid Price list of service rendered.

In case that during the procedure of establishing non-compliance and/or elimination of non-compliance additional costs arise (e.g. laboratory measurements and analysis for establishing non-compliance, additional controls and testing of contractual goods, sorting out and elimination of incompatible products, additional inspections, repair and testing of finished products, downtime or disturbances of MLM production process, etc.) MLM will debit the SUPPLIER for any costs occurred due to delivered non-conformed parts and any damage resulting from the non-compliance of the contractual goods with this QAA. Should the charge not be paid by the payment deadline, MLM reserves the right to deduct the sum charged from the next invoice.

Costs occurring due to above mentioned activities shall be covered by SUPPLIER. SUPPLIER shall be liable to enable the realization of the announced activities and assure, at his costs, suitable premises, and equipment necessary for the execution of the acceptance carried out by MLM.

The SUPPLIER waives the right to lodge objections against a complaint as per the statutory duty to give notice of defects.

The SUPPLIER can be relieved of the responsibility for non-compliant contractual goods if he proves that claim is not justified.

4.3. Controlled Shipping Level (Quality Escalation Process)

Repeat failures, high severity complaints or lack of support will result in a raised controlled shipping status of the SUPPLIER being implemented according to MLM's procedure 07.10.03.

Two levels of Controlled Shipping exist:

- Level 1: includes a problem-solving process and an additional inspection process. The Supplier's employees at the Supplier's location are obliged to perform an inspection process to isolate MLM from receipt of any non-conforming parts. Supplier must also present strategic action plan.
- Level 2: includes the same processes as Controlled Shipping Level 1, with an added inspection process performed by a third-party representing MLM's interests specific to the containment activity. The third party could be selected by the Supplier, must be approved by MLM. All costs are charged to supplier.

MLM reserves the right to decide and implement the necessary measures (additional inspection, sorting) at the moment of non-compliance, in order to prevent the occurrence of major material damage due to the nature of continuous production process.

The SUPPLIER shall enable MLM, by prior notice, to make quality assurance audit in SUPPLIER's production. In case of repeated faults MLM reserves the right to carry out quality acceptance of individual consignments at SUPPLIER's or to make production process audit at SUPPLIER's premises.

5. MLM specific requirements (CSR)

MLM is direct supplier to several OEM customers in automotive industry and certified supplier according to EN 9100 for organisations in aviation, space and defence industry. Therefore, all our customer's requirements must be transmitted to our sub-suppliers and MLM must ensure, that requirements are known, understood, and implemented through our supply chain.

Following high requirements from EN 9100, for MLM is crucial to receive only original parts and expects from all suppliers to provide appropriate certificates, evidence and technical specifications to prove origin.

In case of suspicion or finding the supply of counterfeit materials or parts, MLM will quarantine the received material and notify the relevant law enforcement authorities of the suspicion or findings.

MLM maintains a Supplier Requirements Website, where current demands from specified final customers can be obtained: this can also be accessed via the MLM Supplier Portal:

Access to MLM Requirements website is available at:

<https://supplier.mlm-mb.si:17534/index.php/s/8bkHTRqvaGuk0bP>

Default login is: mlmsupplier!29

Please contact your local MLM Purchasing representative for further information if required.

6. Product and process development

The objective serves the fulfillment of customer requirements (technical, qualitative, and commercial requirements), as well as the development of a robust design and an economic, capable, and stable manufacturing process. Furthermore, the reliable guarantee of the requirements must be assured through the validation of the product and process.

6.1. Risk Evaluation (FMEA)

For each process or product in supply chain of automotive products and products for aviation, space and defence industry, risk analyses must be performed and principles should be followed as described in VDA/AIAG FMEA or VDA vol. 4 or 14.

Issue: 3	Valid from: 1.8.2023	Page: 6 / 11
----------	----------------------	--------------

The SUPPLIER shall carry out a risk evaluation of the product and the manufacturing process to ascertain the extent of the QM plan applied to the product. Where the SUPPLIER identifies risks, which are likely to affect the overall system of the customer, he shall inform the customer promptly and in writing.

This shall also apply to risks on similar products, goods or services.

The Process FMEA's must address features defined as special/critical/safety characteristics. To improve detected weak points, appropriate precautions for the process-assurance must be prepared and executed.

6.2. Sample testing and approval

The SUPPLIER obliges to present the manufacturing process including raw material supply. The start of serial production takes place after approval of the initial samples by MLM.

Initial samples must be manufactured with tools for serial production and under standard conditions for serial production. In following cases a submission of initial samples for approval are mandatory before serial production:

- serial delivery of new products/components,
- serial use of new/modified tools,
- serial use in case of product-/ material modifications,
- after corrections according to our test reports,
- after a production site transfer,
- if sub-suppliers are changed,
- inactive manufacturing longer than 12 months.

Unless otherwise agreed, the following and at least one of the standard approval documents should be presented:

- Approval via PSW (PPAP acc. to AIAG)
- Approval via EMPB/FAI (PPF acc. to VDA2)

6.3. Continuous improvement process

The SUPPLIER is required to maintain and document a continuous improvement process according to IATF 16949 (section 10) through complete supply chain.

6.4. Requalification

The SUPPLIER is obliged to present requalification tests (lay out inspection and a functional verification of scope) annually for all products delivered to MLM. If necessary, the scope can be defined additionally in special QAA.

6.5. Sub-suppliers

The SUPPLIER is responsible for purchased products and outsourced processes within their supply chain. The SUPPLIER must inform its sub-suppliers throughout complete supply chain about the MLM requirements and ensures that the requirements are known, understood and implemented.

Issue: 3	Valid from: 1.8.2023	Page: 7 / 11
----------	----------------------	--------------

7. Audit

7.1. Suppliers Process / Self-audit

MLM require for all suppliers in supply chain of automotive and aviation, space and defence products to conduct at least once a year a self-audit for all process steps for the relevant product groups. Audit must be performed according to VDA 6.3 and uses the question of the process elements:

- P5: Supplier Management
- P6: Process Analysis /Production
- P7: Customer Care, Customer Satisfaction; Service

The process audit / self-audit must be conducted by certified process auditor, results must be presented to MLM on request.

7.2. Product audit

The SUPPLIER in supply chain of automotive and aviation, space and defence industry products is obliged to conduct product audits according to VDA 6.5. The product audit shall take place at least every 12 months for each product or relevant product group manufactured as a serial production part.

8. Product liability

The SUPPLIER shall be liable for all costs occurring in terms of Product Liability in compliance with EU statutory regulation in force.

SUPPLIER commits to assume adequate insurance coverage in terms of Product Liability and recall liability and to maintain such insurance during the entire term of this QAA.

The SUPPLIER in supply chain of automotive, aviation, space and defence industry products shall ensure and require from its sub-suppliers to ensure following:

- product safety is guaranteed in complete process steps,
- all sub-suppliers use MLMs requirements,
- on-site Product Safety & Conformity Representative (PSCR) has been appointed for each stage in the supply chain.
- In case of requirement from MLMs final customer, sub-suppliers PSCR must be entered in the supplier database (LDB), SUPPLIER will present relevant documentation.

9. Delivery and packaging

The SUPPLIER shall determine packaging before production commences. The packaging specification shall be determined in writing and shall be part of the production documentation.

Parts and materials shall be handled and labelled throughout the manufacturing process, from receipt of goods to dispatch, so any possibility of confusion or mixing of materials/parts is excluded. For traceability purposes the SUPPLIER is obliged to assure suitable identification of each packaging and transport unit.

The SUPPLIER must maintain a traceability system which ensures the traceability of its components and raw material used. The SUPPLIER must ensure that such traceability exists also at his sub-contractors and that the notified body and other authorities as well as the customer will grant access to the information on request.

In case of any changes on the product or process, the SUPPLIER is obliged, to additionally mark the first delivery after the modification with visible inscription (for example "First consignment after the modification").

10. Change management

The SUPPLIER shall not carry out any technical and constructional modifications which may affect the quality of contractual products, goods and services without previous consent from MLM.

The SUPPLIER is obliged to inform MLM about any changed (intentional or unintentional) production conditions which may affect the quality of contractual products, goods or services, prior to the beginning of the production of regular batches of contractual goods (e.g. transfer of production to sub-supplier, transfer of production to another location, modified technological process, changed relevant plant machinery etc.)

The SUPPLIER has to receive a written approval from the MLM's Quality Assurance or Technology department before such changes are implemented. In such case, MLM has the right to demand a new initial sample testing. All changes to the product/process shall be documented in the Product Life Cycle documentation (Part History).

In case the SUPPLIER fails to inform MLM about the changed production conditions, MLM reserves the right to debit the SUPPLIER in the amount of damages incurred due to non-fulfilment of provisions from this QAA.

11. Deviations and Special releases

If the SUPPLIER suspects possible non-conform products, goods or services are in a consignment that has already been dispatched, SUPPLIER shall immediately inform MLM's purchasing and quality department about, irrespective of the status of the products at MLM. In case certain fault can occur on similar products, goods and services delivered to MLM, SUPPLIER shall immediately notify MLM in writing as well.

Where, as a result of internal testing, the SUPPLIER notices that the product displays deviations from the target specification, he may request a written deviation permit for the delivery of such defected goods. Those goods cannot be dispatch to MLM before written approval.

12. Supplier evaluation

Based on SUPPLIER's quality performance annual evaluation is performed in Q1 for previous year. The evaluation is overall assessment based of 3 segments (quality – 50%, purchase – 40% and technical support 10%). Number of complaints, on time deliveries and efficient corrective actions and responses are part of Quality evaluation criteria. The SUPPLIER is advised to send valid certificates of QMS (ISO 9001 or IATF 16949) and EMS & EnMS & OHS (ISO 14001, ISO 50001, ISO 45001) on time.

The SUPPLIER will be informed of the result after annual evaluation. MLM's expectations for all suppliers, regardless to supplied material, is to be classified in level "A". In case of achieved result level "B" or "C", improvement program in period of one-month after evaluation should be presented. After completed improvement program, MLM will carry out a process audit according to VDA 6.3 to verify the progress.

13. Confidentiality of information

Unless otherwise agreed between the parties, both parties shall undertake to treat all information acquired from each other as confidential business information and shall not disclose it to a third party. The obligation to keep the received information confidential shall survive the termination of this QAA for 5 years after termination of this QAA.

14. Duration of QAA

The QAA is valid from August 1, 2023 and shall remain valid for the entire duration of the business relationship between the parties. The QAA also applies to all deliveries that may be made after the termination of the business relationship between the contracting parties.

15. Contacts

For MLM: info@mlm-mb.si, gs@mlm-mb.si

16. Final provisions

Any changes or extensions made to this QAA are valid only if they are made in writing.

If the QAA is possibly terminated, that shall have no direct effects on other existing contracts between MLM and the Supplier.

For the product supply contract that will be concluded after the effective date of this QAA, the provisions listed in the QAA shall apply, even after the expiry of this QAA's validity, and until the supplier QAA in question also expires.

In the case of contradictions between this QAA and any existing framework supplier QAA, the provisions of the framework supplier QAA shall continue to apply unless otherwise agreed.

This QAA shall be subject to the laws of Slovenia, however, excluding the international conflict of law rules. The Parties agree that application of the UN Convention on Contracts for the International Sale of Goods (UNCITRAL) shall be excluded.

Any disputes arising out of or in connection with this QAA shall be exclusively settled by the court in Maribor, Slovenia, which has subject-matter jurisdiction.

Should a provision of this QAA be or become unfeasible, the effectiveness of the remaining provisions shall not be affected. In the case the ineffective provision shall be replaced by an effective replacement regulation, that comes as near as possible to the economic purpose of the ineffective provision.