

QUALITY AGREEMENT FOR SUPPLIERS

- 1. Scope and Objectives:** This quality agreement defines the terms and conditions relating to the quality of materials supplied to Arexim Engineering EAD that are used in product(s) manufactured and sold by Arexim Engineering EAD. The requirements herein apply to all Supplier(s) and their sub-suppliers of materials and services provided to Arexim Engineering EAD.

Objectives of this QA are:

- Confidentially agreement form
- Respect of product / service requirements (engineering drawing; material specification; OEM norms and etc.)
- [Compliance evaluation form 7000501](#)
- [Supplier self-disclosure form 7380101](#)
- Respect of Purchase order / On time delivery
- Terms for delivery and payments
- Respect of Terms and conditions of purchase link <https://www.arximengineering.bg/en/suppliers-management-2/>
- Respect of Suppliers Code of Conduct link <https://www.arximengineering.bg/en/suppliers-management-2/>
- ESG policy link <https://www.arximengineering.bg/en/sustainability/#>
- GHG Inventory Report and Decarbonization Roadmap <https://www.arximengineering.bg/en/climate-change-and-decarbonization/>

For a product released in automotive sector the supplier shall be in compliance with following:

- Part Product Approval Process (PPAP) according AIAG Manual or VDA 2
- International Material Data System (IMDS)
- Zero Defect Approach

Supplier shall supply materials in compliance with the terms stated herein. No deviation or exceptions apply unless mutually agreed upon in writing with an authorized Arexim Engineering EAD representative. It is Supplier's responsibility to review and fully understand the requirements herein before accepting a Arexim Engineering EAD purchase order.

- 2. Roles and Responsibilities:** Arexim Engineering EAD is responsible for defining all requirements for desired material during RFQ stage but reserves the right to update follows customer actualization. For new potential suppliers it is required to be signed confidentially agreement form before sharing of any kind of information. The Supplier shall undertake to treat confidentially all the non-public information it has been given by Arexim Engineering EAD.

Supplier is responsible to make feasibility on Arexim request for offer.

If the enquiry is feasible for supplier, he shall provide offer as including:

- Lead time for producing of desired product
- Packaging information
- Lead time for delivery
- Terms for delivery
- Terms for payment

When Arexim is nominated to release the project, it is responsible to inform the supplier about this.

Supplier is responsible to set-up capacity and start procedure for creation and providing needed documents for release.

3. Management system

The Supplier shall maintain a third-party certified QM system in accordance with ISO 9001. For SUPPLIERS of products for automotive application, it is required certified QM system according to IATF 16949. Alternatively, it is necessary to have QM system in accordance with ISO 9001 and to apply Minimum Automotive Quality Management System Requirements (MAQMSR). Accredited certification should be able to share with Arexim Engineering EAD upon request. Changes in Supplier's quality management system or any significant organizational changes shall be reporting to Arexim Engineering EAD immediately.

Arexim Engineering EAD is certified to ISO 14001 and requires

- from Supplier to operate in an environmentally responsible manner and to be in compliance with the applicable legislations and any applicable customer specific requirements
- an environmental management system that has been certified by an appropriately accredited company in accordance with ISO 14001 or Eco-Management and Audit Scheme (EMAS)
- all waste material that is generated to be disposed of in compliance with applicable legal requirements
- limiting the use of raw materials containing chemical substances above the maximum values of weight concentration in uniform materials; minerals originating from conflict-affected and high-risk areas; substances, groups of substances or preparations which are subject to prohibitions according to Regulation (EC) 1907/2006; chemical substances that are classified as carcinogenic, mutagenic or toxic for reproduction; chemical substances that are subject to emission reduction regulations, etc.
- materials and products with a lower carbon footprint, where it is possible.

Arexim and its customers highly appreciate the promotion of the use of recycled, recyclable and environmentally friendly products by suppliers.

Supplier shall have and manage in real time contingency plans which can secure deliveries in case of disturbance. Evidence shall be provided upon request by Arexim Engineering EAD.

4. Audit

Upon request, the Supplier should allow Arexim Engineering EAD, or Arexim Engineering EAD customers, to audit the processes used to manufacture the products at the Supplier's premises and the premises of its sub-suppliers.

The SUPPLIER has to carry out internal planned process audits according to VDA Volume 6, Part 3 and product audits according to VDA 6.5 for all the products delivered to Arexim Engineering EAD and all the processes linked with their development and production at regular intervals, planned annually in advance.

5. Special characteristics

For each product, Arexim Engineering EAD or it's customers can define special characteristics, related to safety, legislation, fit, function, etc. The special characteristics will be identified on the drawing or other supporting documentation, as appropriate. For those characteristics, the SUPPLIER must demonstrate short-term capability $Cmk \geq 1.67$ and Long-term capability $Cpk \geq 1.33$. Depends on the final OEM or Tier 1 Customer Specific Requirements, the minimum process capability might be

increased respectively to $Cmk \geq 2$ and $Cpk \geq 1.67$. If process capability cannot be proven, a 100% test must be carried out.

6. Record Retention

For parts with special characteristics and increased documentation requirements (refer here also to VDA Volume 1 (see [4] in chapter 8) or IATF 16949), quality records must be stored at the SUPPLIERS' and its sub-contractors' for at least 30 years after EOP. For all other characteristics, a sensible documentation system must be set up as described in VDA Volume 1 (proof methods) or IATF 16949.

7. Certification of the delivery

Supplier shall add a certificate of analysis EN 10204 3.1 physically or by e-mail for each shipment that the delivered material is in full compliance with the specification.

In additional AREXIM ENGINEERING EAD reserves the right to required additional information such as but not limited to:

- Heat treatment
- Surface coating
- Flammability conformance
- Annual requalification

8. Field of application, contractual object

This QA applies between Arexim Engineering EAD and the Supplier unless other regulations have been agreed.

Any amendment to this QA must be agreed in writing. Also, other specific supplements for specific projects may be agreed in writing in separate documents or by e-mail.

The Supplier commits its sub-suppliers to satisfying the duties he has agreed to in this QA. On request, the Supplier provides Arexim Engineering EAD with proof that it has reviewed the effectiveness of the QM systems of its sub-suppliers.

The documents and records relating to all the processes, procedures, inspections etc. mentioned in this QA that apply to the contractual relationship between Arexim Engineering EAD and the Supplier shall be available for sharing with Arexim Engineering EAD upon request.

If any individual parts of this QA become invalid, this will not affect the validity of the remaining provisions.

9. Non-Conformance Handling: If Arexim Engineering EAD discovers non-conforming supplied products, a complaints report (8D) will be sent to the Supplier. The decision about what to do with the parts is made together with the Supplier. There are following possibilities:

- Blocking
- Immediate return of the whole delivery
- Sorting or reworking
- Release under deviation

Supplier will bear all risk of loss and costs with respect to all non-conforming Materials and will promptly pay or reimburse all costs incurred by Arexim Engineering EAD to return, store, or dispose any non-conforming materials.

The Supplier is responsible for completing the necessary actions and bears the costs of these tasks.

The Supplier must submit a statement about the complaints report in 8D format within the following deadlines after receiving the claim:

3D report: 24 hours
5D report: 5 working days;
6D report: 10 working days;
8D report: 20 working days;

If the Supplier does not react within the deadline, the affected product will be returned to the Supplier at its cost. If the product is sent back to the Supplier, the Supplier must agree on a replacement delivery of conforming product with the order scheduler by Arexim Engineering EAD. Costs that are incurred due to a complaint (e.g. stop of production special transportation etc.) shall be borne by the Supplier if it is responsible for the nonconformity.

10. Change management and control: Supplier shall notify Arexim Engineering EAD of all proposed changes that impact the form, fit, function, quality, reliability or status of the material with regard to environmental legislation such as (but not only) the Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment (referred as “RoHS”).

All Supplier notifications shall be sent to Arexim Engineering EAD via email to the responsible person. The types of changes, as an example, requiring notification include, but are not limited to:

- Changes in sources
- Reduced inspection and/or testing
- Manufacture site changes
- Deviations
- Changes in packing, shipping, and labeling
- Product discontinuance
- Changes in Supplier or Manufacturer part number or name

Supplier, at a minimum, will provide 6 months prior written notice before any change implementation to afford Arexim Engineering EAD the means of determining approval for such changes that ultimately affect Arexim end customers. Supplier have no right to deliver products without written approval by Arexim Engineering EAD. Customer reserves the right to reject intended changes required by Supplier.

When Supplier suspects that non-conforming Product may have been shipped to customer, Supplier shall immediately provide written notification to the Arexim Engineering EAD sqa@areximengineering.bg and logistic specialist which placed purchase order for the product.

When Supplier identifies non-conforming Product prior to shipment and wishes to obtain concession or deviation permission for its use, release or acceptance, Supplier shall immediately provide written request with deviation form to the sqa@areximengineering.bg and logistic specialist that placed the purchase order for the product and obtain Arexim Engineering EAD approved deviation form for nonconforming product applicable to that purchase order.

11. Continuous Improvement: Supplier shall establish and manage continuous improvement process as goal zero defect.

- 12. Identification and traceability:** The products need to be delivered to AREXIM ENGINEERING EAD with protection against damage, loss of quantity and contamination. The applicable packaging regulations need to be applied. Packaging must be recyclable or reusable. The packaging needs to be clearly marked with a goods label for identification purposes. The identification label must ensure full traceability (machine, materials, parameters, results from measurement control) for the purpose of tracing any suspect shipment containing problems. If the products are supplied in reusable containers, steps must be taken to ensure that the containers are supplied in their original state and are clean. Used goods labels need to be removed.
- 13. Delivery service:** To guarantee a secure supply of products to the customers, AREXIM ENGINEERING EAD requires from the Supplier 100% on-time delivery. The Supplier shall react quickly and flexibly to changes in demand in order to be able to process this demand at short notice. If any supply problems or other unforeseeable circumstances are recognized, the Supplier shall notify AREXIM ENGINEERING EAD immediately.
- 14. Dispute Resolution:** This Agreement and the relationship between the parties shall be governed by and construed in accordance with the laws of Bulgaria, excluding the applicable legal norms of private international law. Disputes arising from this Agreement or related to it, including those arising from or concerning its interpretation, invalidity, performance or termination, as well as the disputes for filling gaps in this Agreement or its adaptation to newly established facts, shall be referred for resolution to the Court of Arbitration at the Bulgarian Chamber of Commerce and Industry in compliance with its Rules for Litigations, based on arbitration agreements.
- 15. Duration of the agreement:** This agreement is not restricted to a set period. It can be terminated by one of the contractual parties in writing with a six-month period of notice.