

SUPPLIER MANUAL

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1. Principle

In order to comply with customers' requirements, Qualiform Zrt.(Ltd.) has introduced and operates integrated management systems of MSZ EN ISO 9001:2015, MSZ EN ISO 14001:2015 and with respect to automotive products IATF 16949.

The Qualiform Zrt., MAN, BMW, VW Formel Q, Voith Norm automotive, manufactures its products according to customer requirements. We expect this to automotive requirements of our suppliers as well.

The management of Qualiform Zrt. (Ltd.) involves all of its employees and its Suppliers in the permanent process of the development of these systems.

For this reason, Qualiform Zrt. (Ltd.) also expects from its Suppliers to operate such quality and environmental systems that ensure the production of the required quality product by the use of appropriate environmental factors and that help our company's compliance with the requirements of the Integrated Management System.

2. Objective of the Supplier Manual

In order to support the development of quality and environmental oriented management systems, we introduce our *Supplier Manual* to all of our Suppliers producing finished and semi-finished products with effects on quality and environment so that our Suppliers understand our Integrated Management System related expectations. In addition, we aim to improve the management systems of those of our Suppliers that do not have yet a certification issued by an independent certifying body.

3. General Requirements for Suppliers

- Qualiform Zrt. (Ltd.) only assigns to Suppliers that take full responsibility for the quality of their products and ensure that they are able to meet permanently the agreed contractual requirements.
- If the Supplier commissions the performance of the contract for a subcontractor, he must ensure that the requirements of this *Manual* are fulfilled by the subcontractor as well.
- If Qualiform Zrt. (Ltd.) considers it necessary, the Supplier must ensure that its quality and environmental management system, as well as its products are audited by the auditors of Qualiform Zrt. (Ltd.)

- For our Suppliers, it is a requirement that they operate an ISO 9001 quality system, but it is equally important that they meet the standards of ISO 14001 as well.
- We ask the supplier to confirm his knowledge and acceptance of the supplier manual. In addition, the products and services to be delivered are expected to comply with applicable laws, regulations and environmental regulations.
- With regard to working hours, wages and social benefits, Qualiform Zrt. requires its current suppliers to comply with applicable laws, agreements and industry standards.
- Qualiform Zrt. has created its sustainability report for 2020, according to which it also expects its suppliers to observe and meet the following principles:

Qualiform Zrt. condemns and rejects:

- Violence, harassment, discrimination
- Fraud, embezzlement, money laundering, corruption, bribery
- Insider trading
- political dissolution
- Child labor, forced labor, human trafficking.
- Violation of fair competition and antitrust regulations

In addition to the supplier manual, you will also find the sustainability report, the code of conduct and the complaint management guideline of Qualiform Zrt. on our company's website.

Every two years our company sends out a supplier questionnaire to its key suppliers, with the help of which we receive information about our suppliers and also serve as a basis for their continuous further development.

4. Requirements for not certified companies

For those Suppliers that do not have yet a certified quality and/or environmental system, depending on the importance of the delivered product and the size of the Supplier, we recommend the deployment of the managements system(s) of ISO 9001 and/or ISO 14001 and the use of certain elements thereof.

These are the following:

4.1. Organization

- The Supplier must have an organizational chart that clearly identifies the activities and responsibilities of employees and corporate bodies with regard to quality and environment protection.
- It should be made clear that every employee of the company is responsible for achieving the stated quality and environmental goals.
- In order to achieve appropriate quality and environmental awareness, designed and documented trainings should be organized.
- The (quality and environmental oriented) management system should be periodically and internally reviewed and continuously improved.
- There should be an appointed trustee from the management with the specific competence and responsibility of ensuring that the requirements of the quality and environmental oriented management system are met and its operation is maintained.

4.2. Quality Planning

- Quality design must include those methods by which the quality related elements are integrated into the design and production processes, prior to the actual production.
- In order to prevent errors, the Supplier must design already during the technical development phase those quality components that meet the requirements of Qualiform Ltd.
- The Supplier (upon our request) must use methods, such as:
 - Statistical Process Control (SPC),
 - machine and process ability tests,
 - Fault Mode and Effects Analysis (FMEA),
 - preparation of quality control plans, etc.
 - Risk analysis, if needed.

4.3. Handling Documents

- The Supplier's internal rules must require a system that ensures that only the latest applicable specification or drawing is used.

4.4. Controlling and Test Instructions

- The Supplier must prepare and use written controlling and test instructions that provide details on the applied control methods, sampling plans and compliance conditions at all stages of the production, from the control of the goods to the final check.

4.5. Measuring and testing devices

- The Supplier must have properly maintained measuring and testing devices in order to perform the quality control and process control safely.
- The measuring and testing devices must be clearly identified, regularly authenticated, calibrated and documented. Internal rules must require the frequency of the calibration of the different measuring and testing devices.

4.6. Production

- The production process must be controlled/regulated at all stages in order to prevent the occurrence of errors and to reduce modifications in the production process. For all operations in production, technical specifications / operation plans must be placed at all locations of machining.

4.7. Final check and tests

- The final check must demonstrate the quality of the finished product with a quality certificate or an equivalent measuring report, the format of which (if needed, in case of first sample) requires separate consultation.
- It is stipulated that the Supplier is obliged to provide those measuring and testing devices that are necessary for the functional and reliability tests and to document the related procedures.

4.8. Different quality products

- Any product differing from the relevant requirements found at any stage of production shall be identified and stored separately. It must be ensured that mixing of such product with other products is excluded.
- Product of a different quality than the approved specification can only be delivered with the prior written permission of Qualiform Zrt. (Ltd.) Derogation Certificate (n.a.) The

application for permission must be sent to the Director of Quality Management Department of Qualiform Zrt. (Ltd.).

- A copy of the prior permission must be attached to the delivery note of the concerned product.
- For complaints, the Supplier must have a system in place that allows the elimination of errors and prevents their recurrence (e.g. for automotive products: 8D + root cause analysis).
- Qualiform Ltd. sends to the Supplier the Derogation Certificate (n.a.) if the quality control of the product shows difference in quality.

4.9. Storage and handling of materials

- The Supplier must store and treat materials in such a way as to prevent damage, mixing and environment pollution. The packaging must contain the necessary information that allows clear identification of the product.
- During work, storage and handling of materials, special attention must be paid to protecting the environment and keeping the environmental load as low as possible.

4.10. Identification of product status

- The Supplier must have a documented procedure that ensures the verification of all operations and controls carried out from the control of the goods to delivery, at any stage of the production.
- In order to identify the location of any possible error, retrieval of any related production operation must be ensured.

4.11. Records, Protocols

- The Supplier must have those records and protocols that prove the continuous and effective operation of the management system, as well as the conformity of the products with the necessary requirements.

4.12. Improvement of Quality and Environmental Performance

- The Supplier must prepare a plan for the planned and continuous improvement of its quality indicators and environmental performance.
- The aim of the continuous repair activity is to satisfy the higher needs of Qualiform Zrt. (Ltd.); comments need to be responded by concrete technical solutions.

5. Approval Procedure of Production

In case of production of new product or the employment of new Supplier, a sample taken randomly in the production process (First sample) must be approved by Qualiform Zrt.(Ltd.).

5.1. Order of First Sample

The requirements of the production, documentation and delivery of the first sample are included in the order.

If the requirements are unclear, the Supplier must consult with our Procurement, Quality and Technical Department for consultation.

5.2. Approval of First Sample

The first sample is intended to demonstrate the ability of the Supplier to meet all quality requirements of the order.

The first sample refers to a small number of pieces; there are usually 5 pieces that need to be checked for all sizes and requirements, according to our expectations. (In case of different number of first sample pieces, the order must include the necessary information.)

It is a requirement that the first sample must be produced with the devices (machine, tool, equipment, technology) and conditions of serial production

The Supplier's duties regarding the first sample:

- The Supplier must examine 100 percent of the first samples based on the received drawings, documentation and specifications, the result of which needs to be submitted to Qualiform Ltd. in an agreed format – if needed, this is provided by Qualiform Zrt. (Ltd.).
- On the delivered product clear reference must be made to first sample.

The Supplier must send the first sample and the necessary documentation for approval to the Quality Management Department of Qualiform Zrt. (Ltd.).

The certification is done by the staff of the Quality Management Department of Qualiform Zrt. (Ltd.) The Quality Management Team notifies the Supplier of the result.

The Supplier must send repeated first sample, if there is change:

- in the raw material,
- in the construction,
- in technology, or
- in one of the production devices.

The serial production can only start after the approval of our company!

6. Certificates of Serial Production

In all cases, the Supplier must send the necessary notes and records to our company, with the content and form specified in the contract. These documents must be approved by the Supplier by the signatures of the relevant persons.

7. Evaluation of Suppliers

Qualiform Zrt. (Ltd.) assesses, qualifies and classifies all of its potential Suppliers. A new Supplier may only be placed on the *List of Accepted Suppliers* following a proper certification. When purchasing, our company gives priority to those Suppliers that reached higher rated category and those in whose production (provided service) system the environmental impacts are documented, and that aim for improving their significant environmental factors and implement this aim.

The following sources of information can serve as basis for certification:

- Supplier Questionnaire,
- On-the-spot audits,
- Evaluation of Supplier Quality Performance (annually), based on the results of the alien goods inspection of the product,
- Quality of the services based on the standards of services,
- If the Supplier is a certified company, then this determines automatically its initial certification (Class A).

If the Suppliers are evaluated in **ppm**, this shall be part of a separate agreement (quality agreement) – including the delivery accuracy!

We inform our Suppliers about the results of the qualification process on a regular basis. We expect from our Suppliers to study the ratings of the sent reviews, to carry out an analysis and to take the necessary corrective measures in order to ensure continuous improvement of the results.

The initial ppm results should be adjusted in accordance with the Supplier, to an annually decrease. The final ppm specifications are determined depending on the importance of the delivered product and the improvement possibilities of the Supplier's company.