

QUALITY AND PURCHASE TERMS AND CONDITIONS

By concluding contracts/nominations, the suppliers agree to be bound by these Quality and Purchase Terms and Conditions of the company Kopur d.o.o.

1.0. General terms and conditions – Scope of contract

- 1.1. By accepting Purchase Orders and delivery in accordance with terms of the order, the supplier accepts contractual conditions.
- 1.2. The contract refers to cooperation regarding the purchase of materials, services, equipment, machinery, components and other subject matters related to purchase for the needs of the company Kopur d.o.o.
- 1.3. This contract lays the foundations for mutual cooperation between the contracting parties and for their lasting relationships in order to enable ongoing and continuous cooperation.
- 1.4. The contracting parties will seek to maintain the best possible quality and long-lasting cooperation. The customer will strive to incorporate the supplier into the production process in the shortest time possible. Both contracting parties shall make every effort to fulfil this contract.
- 1.5. Contracting parties agree to conclude an annex to this contract every business year, specifying rough annual scope of orders and deliveries, their structure, delivery times, price and other commercial terms, in case of any changes to purchase terms and conditions not defined in the underlying contract.
- 1.6. Quantities and values set out in the purchase contract are indicative only. Their realization will depend on current market conditions. The quantities and values are specified in the form of current delivery schedules.
- 1.7. These Quality and Purchase Terms and Conditions refer to all purchase orders and enter into force on the day of order receipt.
- 1.8. The customer reserves the right to set out special terms and conditions applicable for an individual order. Such special requirements will take precedence over these written Quality and Purchase Terms and Conditions.

2.0. Open orders – delivery schedules

- 2.1. Orders and delivery schedules, including any alterations and amendments of the contracts, as well as any further purchase orders must be made in writing only. Orders / delivery schedules may be in a computer-based or an electronic format. It is desirable that the computer-based purchase orders are sent via email (fax purchase orders and orders via regular mail will be disregarded).
- 2.2. Unless otherwise specified, the receipt of any order must be confirmed by the supplier in writing only via email sent to the person who placed an order with the supplier. Furthermore, the delivery time and quantities delivered must be confirmed in writing, too. The order is considered as confirmed (in terms of delivery time and quantity) unless terminated by the supplier within a period of 2 days after receipt of the order.

2.3. The acceptance of the order means the acceptance of the customer's Quality and Purchase Terms and Conditions.

2.4. With regard to delivery of the materials which are in the development stage and hence subject to modifications, the ordered material status must be identified by the technical status code (e.g. index number).

2.5. If the supplier detects any deviation between the order information and the development status of the product, known to him at the order receipt time, he is obliged to promptly inform the customer thereof and make all the appropriate explanations thereto prior to the start of production (SOP) of the ordered material.

2.6. The deliveries are bound to the latest applicable Incoterms.

3.0. Delivery times and quantities

3.1. The delivery times and quantities agreed upon are based on customer's scheduled production programs, and need to be observed giving a 100% delivery time performance guarantee. Delivery times and quantities can only be changed by the customer.

3.2. The supplier will immediately notify the customer of any possible issue that might affect the delivery times and quantities to be supplied.

3.3. If the supplier might fail to deliver the ordered material to the customer in due time, the supplier is obliged to inform the customer thereof in due course. Furthermore, he has to agree upon the possible delivery dates, specifying the reasons for non-deliveries, as well as the appropriate corrective measures, possible delivery dynamics and quantities. This agreement must be made in writing and confirmed by the customer. The company Kopur d.o.o. reserves the right to:

- in the case of an early delivery, retain the payment until the delivery time and payment periods agreed upon;
- cancel the order and withdraw from the contract in the case of delivery delays as well as in the case of unacceptable replacement or partial deliveries;
- claim compensation for the loss or damage caused by the way of delivery or non-deliveries by the supplier.

3.4. Upon the conclusion of the contract, the supplier must provide the customer with a list of contact persons and a contingency plan.

4.0. Payment

4.1 Payment periods are defined in the contract/nomination. The payment will be made after receipt of the material, delivery note and the invoice. In case of any derogation between the physical (actual) delivery of goods and delivery notes and/or invoice or other similar

derogations, the payment will be retained until the respective derogation is justified i.e. clarified. The invoice must be issued in compliance with the generally applicable accounting standards and provided with all legally required elements.

- 4.2 In case of wrong or partial consignment, the customer reserves the right that the payment period starts to run the date the complete consignment (no parts missing) is ensured by the supplier.
- 4.3 Unless otherwise agreed, the minimum excess quantities supplied will not be charged.

5.0. Delivery: packaging, documentation

- 5.1. The prices are defined in the contract/nomination and corresponding annexes. The delivery under the terms and conditions specified in the offer is allowed, if previously confirmed by the customer. Any price changes are possible only when previously mutually agreed between the supplier and the customer.
- 5.2. Each delivery has to be provided with the delivery note specifying all essential elements (ID Number, price, quantity, number of packaging units and packaging quantity), as well as with a corresponding invoice. The delivery must be provided with the requested material certificates.
- 5.3. The delivery must be made with respect to the shipping method and the place of delivery, as agreed upon by the contract/nomination and as provided in the order. Any additional costs which may arise from the failure to comply with this provision will be borne by the supplier. All deliveries must be made during traditional trading hours of the company.
- 5.4. The supplier is held responsible for appropriate packaging, marking of the consignment, securing of the delivery as well as for the appropriate shipping /transport. Any loss or damage caused to the consignment during its shipping/transport or which comes as a result of wrong packaging will be borne by the consignor. Any consignment, damaged during the transport/shipping, will be returned to the supplier by Kopur d.o.o at the supplier's expense.
- 5.5. Goods will only be supplied if the supplier operates in accordance with Council Directive 2008/117/EC, Council Directive 2009/69/EC and Council Regulation (EC) No. 37/09 and in compliance with tax law.
- 5.6. The supplier will provide the customer with the certificate of origin and certificate for the material according to EN 10204.3.1.B as well as other documentation required by the customer in the purchase order, for all deliveries, based on the applicable business arrangements.
- 5.7. The supplier is obliged to ensure traceability of the delivered products, and label the packaging units with the following data: the consignee, address of the consignee, product ID, change status, number of pieces, weight, name of the goods, delivery note number,

date of production and batch number as well as with other specific labels, where appropriate.

5.8. The supplier must comply with any existing legal provisions applicable for the ordered goods, and provide appropriate statutory documentation and records.

6.0. Acceptance of goods – quality and quantity

6.1. The acceptance of goods will take place at the customer's factory, if this is the agreed delivery parity (Incoterms 2010). The acceptance of goods delivered by the supplier will take place in the warehouse of the company Kopur d.o.o. The supplier must demonstrate 100% quality and ensure consistency with respect to delivery times and quantity. The signature and seal of release will not be considered as final acceptance. Any inappropriate or incomplete deliveries recognized subsequently will be returned to the supplier at the supplier's costs.

6.2. The supplier warrants the authenticity of the consignment. Any visual defects or deviations in weight can be reported to the supplier after they have been detected. The consignments must be delivered in accordance with security measures and regulations applicable during the consignment delivery at the unloading place. In the event of incomplete consignment, the company Kopur d.o.o. reserves the right to:

- a) refuse the consignment and demand a replacement (i.e. acceptable) consignment. If the supplier fails to ensure the replacement consignment, Kopur d.o.o. will be entitled to acquire the replacement consignment from a third party. Any additional costs that may arise in such a case will be borne by the original supplier;
- b) provide the repairs of the consignment under claim by himself or with a help from a third party; the repair costs will be charged to the supplier;
- c) request the reduction in retail price;
- d) cancel the order;
- e) charge the costs arising from the non-conforming consignment to the supplier based on the resulting damage.

If the non-conforming consignment cannot be repaired at the place of delivery or during the production process of the company Kopur d.o.o., the costs of transport will be borne by the supplier.

7.0 Prices

7.1. Prices are defined in the purchase agreement and its corresponding annexes, and cannot be changed unilaterally.

8.0. Quality

- 8.1. The supplier's mission is to be one step ahead of its customers' wishes, employees, shareholders and the environment. To meet this requirement, Kopur d.o.o. employs a preventive approach which ensures that its products meet the customers' specifications, laws as well as ISO 9001 and ISO 14001 quality standards. The quality policy followed by the Kopur d.o.o. is available at www.kopur.si. Our goal is to operate under the principle of "zero defects". The same approach is expected from our suppliers.
- 8.2. The supplier's location of production must be registered in accordance with standards recognized by the automotive industry. ISO 9001 is the minimal requirement, while the possession of ISO 14001 and IATF 16949 is also desirable. The suppliers are obliged to provide copies of their quality certificates to their customer. The supplier is obliged to inform the customer of a possible loss of his quality certificate.
- 8.3. If the supplier has no quality system assessment, the customer can perform a process audit and give an opinion about the supplier's capabilities.
- 8.4. The supplier must employ the Automotive Industry Action Group (AIAG) procedures for MSA, APQP, SPC, FMEA and PPAP or VDA 2 (EMPB) in their work. Furthermore, the supplier is obliged to observe and control all of his products and process characteristics. Full traceability and "zero error" guarantee must be assured for all safety characteristics.
- 8.5. The supplier is fully responsible for his product, including the financial aspects related to any product irregularities or imperfections and their consequences. In the event of issues related to the quality of the product, or any other issues, the supplier is obliged to respond to the customer within 24 hours. The supplier will provide the final solution, including a root cause analysis and systematic problem solving (8D), to the customer within 5 days of the problem's occurrence.
- 8.6. The supplier will analyze the materials on a regular basis, and keep records of the results.
- 8.7. The supplier will deliver to the customer, upon request, first samples of the product, together with the sampling documentation required from the customer (technical documentation and purchase order), for every new product and in other cases where this is agreed.
- 8.8. No technical changes can be made without the customer's consent. In particular, the supplier is obliged to give the customer prior notice of any transfer of production, use of a new tool or a new process. Any of such changes will result in the repetition of the sampling procedure.

9.0 Supplier evaluation

Suppliers will be subject to evaluation according to the supplier evaluation system. First evaluation of suppliers not listed on the Approved Supplier List will be made prior to final nomination. Approved suppliers will be subject to periodic evaluation on a yearly basis.

9.1. SUPPLIER EVALUATION CRITERIA – FIRST EVALUATION

Suppliers not listed on the Approved Supplier List will be evaluated according to first evaluation criteria. Only A suppliers can be listed on the Approved Supplier List.

New suppliers will be evaluated according to form **OBR-OcDOB-03 – First Evaluation of Supplier**.

First evaluation will be made on the basis of the following criteria:

- a) quality management system (ISO 9001, ISO 14001, IATF 16949) and supplier risk assessment
- b) compliance to technical requirements
- c) supplier's references
- d) commercial terms and conditions (terms of payment).

The highest score is 100. Suppliers will be classified into three categories according to their performance:

Score	Classification	Explanation	Consequence
71 – 100	A	The supplier fully meets our requirements	The supplier will be a reference for new orders
41 – 70	B	The supplier must draw up an action plan to obtain a higher grade	The supplier can be put to hold for new business
0 – 40	C	The supplier fails to meet our requirements	The supplier can be excluded from any new business

Definition of the assessment criteria:

Criterion: Quality management system according to ISO 9001 / IATF 16949 / ISO 14001 (max score = 50)

- Score 5 - the company is certified acc. to ISO 9001 / IATF 16949 / ISO 14001 standards
- Score 3 - the supplier is certified acc. to ISO 9001 and ISO 14001 standards
- Score 1 - the supplier is not certified acc. to ISO 9001 nor ISO 14001, but is in the process of certification or has a quality management system implemented. Its quality and compliance with environmental requirements are assessed positive according to the questionnaire.
- Score 0 - the supplier does not have a quality management system in place neither has his response to Questionnaire been assessed positive

Criterion: Fulfillment of technical requirements (max score = 30)

- Score 5 – The material has been technically approved through the buyer's EMPB
- Score 3 – The material has not yet been approved through the buyer's EMPB.
- Score 1 – Material is not approved through buyer's EMPB.

Criterion: Supplier references (max score = 10)

- Score 5 – The supplier's reference was given by the buyer
- Score 3 – The reference was given by the buyer/supplier/customer or internally by colleagues
- Score 1 – No reference was given; no reference is to be found on the market

Criterion: Commercial conditions (max score = 10)

- Score 5 – payment terms 31 - 120 days
- Score 3 – payment terms up to 30 days
- Score 1 - advance payment

New suppliers can be added to the Approved Suppliers List only if they are assessed as A-suppliers according to First Evaluation and if they have obtained a low risk assessment score.

9.2. NEW SUPPLIER'S RISK ASSESSMENT

Compliance of the supplier's product with the customer's (KOPUR's) quality and technical requirements:

- a) assessment of company's quality indicators
- b) assessment of the on-time delivery (OTD) indicator
- c) external quality management system assessment
- d) business share in the automotive industry (absolutely and as a percentage of total business)
- e) financial stability

In addition to the Purchasing Department, the following people participate in decision-making regarding supplier risk assessment and final selection of a new supplier:

- a) CEO
- b) Commercial Director
- c) Quality Manager
- d) Head of Technology
- e) Head of Finance

The meeting for the selection of a new supplier is called upon by the Purchasing Department.

9.3 SUPPLIER ASSESSMENT CRITERIA - PERIODIC ASSESSMENT

Suppliers listed on the Approved Supplier List who deliver on a regular schedule are assessed periodically based on the following criteria:

- a) product/service quality (number of claims)
- b) quality management system (ISO 9001, ISO 14001, IATF 16949)
- c) service: flexibility, on-time deliveries, resolution of claims and communication, adequacy of documentation)
- d) commercial terms and conditions (terms of payment)

The highest score is 100. Suppliers will be classified into three main categories and 3 B sub-categories according to their performance:

Score	Classification	Explanation	Consequence
100 – 86	A	The supplier fully meets requirements	The supplier will be a reference for new orders
85 – 76	B1	The supplier must draw up an action plan to obtain a higher grade	The supplier can be put to hold for new business – standard measures in cooperation with the supplier
75 – 66	B2		The supplier can be put to hold for new business – additional increased measures in cooperation with the supplier
65 – 50	B3		additional increased measures – special attention will be paid to the supplier, strict goals set to improve their performance
0 – 50	C	The supplier fails to our requirements	The supplier can be excluded from any new business

Definition of the assessment criteria:

Criterion: Product quality (max score = 50)

- Score 5 - annual number of claims = 0
- Score 3 - annual number of claims = 1
- Score 1 - annual number of claims >

Criterion: Quality management system according to ISO 9001 / IATF 16949 / ISO 14001 (max score = 10)

- Score 5 - the company is certified acc. to ISO 9001 / IATF 16949 / ISO 14001 standards
- Score 3 - the supplier is certified acc. to ISO 9001 and ISO 14001 standards
- Score 1 - the supplier is not certified acc. to ISO 9001 nor ISO 14001, but is in the process of certification or has a quality management system implemented. Its quality and compliance with environmental requirements are assessed positive according to the questionnaire.
- Score 0 - the supplier does not have a quality management system in place neither has his response to Questionnaire been assessed positive

Criterion: Service (max score = 5)

a) Flexibility

- Score 5: prompt response, good adaptability
- Score 3: slow reaction, poor adaptation
- Score 1: poor adaptability

b) Delivery Performance (max score = 10)

- Score 5: on-time delivery
- Score 3: delays
- Score 1: delays with production stoppage

c) Resolution of claims and communication (max score = 10)

- Score 5: fast resolution and appropriate communication
- Score 3: slow resolution
- Score 1: resolution too slow

d) Adequacy of documentation (max. score = 10)

- Score 5: documentation complete
- Score 3: documentation partially complete
- Score 1: incomplete documentation

Criterion: Commercial terms (payment terms) (max score = 5)

- Score 5: terms of payment 31 – 120 days
- Score 3: terms of payment up to 30 days
- Score 1: pre-payment

Periodic supplier assessment will be carried out on a yearly basis by the responsible purchaser in consultation with colleagues who are in contact with the supplier via individual processes. The final assessment will be presented to the head of departments and approved by CEO.

B-suppliers will be called for corrective action to improve their scores. The implementation of their activities will be controlled. If no higher score is achieved in re-evaluation, the supplier will be removed from the Approved Supplier List.

C-suppliers will be removed from the Approved Supplier List.

10.0 Tools and devices

All tools and devices ordered on our own behalf and to our own account are the property of the company Kopur d.o.o. from the moment of their production onwards. If the tools physically remain in the production process of the supplier in order to be used for the production of products intended for the needs of the company Kopur d.o.o., the supplier will treat them with due care and diligence. Furthermore, the supplier will be held responsible for any damage to, destruction or theft of the tools and devices; he is obliged to have the adequate insurance coverage for such cases. The tools in ownership of the company Kopur d.o.o., when used in the Kopur's production process, must be specially identified with inventory tags, clearly indicating the ownership of the tool. When performing the annual inventory in the company Kopur d.o.o., the supplier must provide a confirmation about the physical presence of the tool concerned in his production process. Such tools may not be used by the supplier for his own behalf or for behalf of third persons without explicit consent of the company Kopur d.o.o. In the event of the supplier's bankruptcy, the tools in property of the company Kopur d.o.o. will be eliminated from the bankrupt's estate of the supplier. The company Kopur is entitled to perform the physical takeover and removal of the tools as soon as the conditions for the undisturbed deliveries in the supplier's production have been terminated.

11.0 Warranty

The supplier is responsible for any visible and hidden defects of their supplies, including those the production of which was fully or partially trusted to a third party.

The supplier will take all the necessary steps to promptly notify the customer of any actual or alleged defects of their products or clerical errors, which he is aware of, in order to limit any subsequent harmful consequences.

The supplier warrants to observe all environmental law and other environment-related obligations in the process design phase, during production process and during product delivery to the customer.

Breach of warranty gives the customer the right to terminate the contract / cancel an order, and claim reimbursement for the incurred loss in accordance with rules governing contractual obligations and in accordance with general rules governing liability for damage.

12.0. Confidentiality statement

The supplier is obliged to treat any commercial, technical and other information, made available and communicated to him at the time of business co-operation with due care and respect under the terms of the confidentiality clause; furthermore, he is obliged to protect all the confidential information from the public access as well as from the misuse by the third parties.

All the information, data, models, technical drawings and samples, put at the supplier's disposal at the time of business co-operation, will remain the property of the company Kopur d.o.o. The supplier is not allowed to use them for his own behalf or for behalf of third persons without explicit permission of the company Kopur d.o.o. Any infringement of this agreement can result in withdrawal of the contract as well as in the enforcement of the compensation claim for the loss and damage, done to the company Kopur thereby.

13.0. Sustainability, Social Responsibility and Code of Ethics

Kopur d.o.o. is committed to sustainable development, social responsibility, and business ethics throughout its supply chain. In this respect, the suppliers shall adopt globally accepted environmental guidelines as well as sustainable and ethical principles.

- 13.1. Kopur expects its suppliers and sub-suppliers to adopt sustainable environmental practices that promote the conservation of resources and raw materials in accordance with ISO 14001 standard and in compliance with European and national legislation. Suppliers are expected to use natural resources rationally in the production processes and product development phase. The suppliers shall make every effort to reduce energy consumption. The suppliers and business partners shall ensure that no conflict materials are used in their products and declare that the products they supply comply with product safety legal requirements.
- 13.2. Kopur d.o.o. exercises social responsibility towards employees and expects its suppliers and sub-suppliers, including work provider agencies, to comply with the Declaration of Human Rights. Suppliers shall not use any form of forced labor, discrimination or child

labor. The supplier must comply with internationally applicable regulations in the field of protection of human rights, fundamental freedoms and labor law.

13.3. Code of Ethics

Kopur d.o.o. requires its suppliers to maintain the highest standards of corporate ethics, and responsible, legal and transparent work and business. Kopur's ethical principles apply equally to all its suppliers and are available on the company's website. Suppliers are expected to pass these standards throughout their supply chain.

14.0. General provisions

In the event on the infringement of the provisions in concluded contracts/nominations and in the corresponding Quality and Purchase Terms and Conditions, the Slovenj Gradec Local Court will be competent to decide on the matter, unless otherwise regulated by law.

If any of the parties determines that particular contractual provisions of these Quality and Purchase Terms and Conditions cannot be realised for any reason, the counterparty will be promptly informed thereof. Such provisions will be subsequently substituted by other, more appropriate provisions.

If individual parts of this contract become invalid, the remaining parts of the contract remain valid in an unchanged form.

The latest version of Quality and Purchase Terms and Conditions is available at:

<http://www.kopur.si>.

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