PROCEDURE REVISIONS

REV.	DATE ISSUED	DRAFTED BY	CHANGE AND/OR AMENDMENT	APPROVED BY
0	22.05.1989	B. BIGARAN		B. BIGARAN
1	25.09.1989	B. BIGARAN		B. BIGARAN
2	06.06.2003	M. DALLA CIA	General revision	G. SONEGO
3	04.07.2003	M. DALLA CIA	Amendm. paragr. 1-2-5.3-6.6-6.10-6.11-6.16-7.1-7.2-9.1-9.2-9.6-9.7-9.9	G. SONEGO
4	16.12.2003	M. DALLA CIA	General revision	G. SONEGO
5	21.02.2006	M. DALLA CIA	General revision	G. SONEGO
6	03.12.2008	M. DALLA CIA	Amendm. paragr. 1, 2, 3, 4, 5.1, 5.2, 5.5, 6.1, 6.8, 6.13, 6.15, 6.16, 7.6, 8 Added paragr. 6.5	G. SONEGO
7	07.01.2010	M. DALLA CIA	Added paragr. 5.7, 6.2, 9, amended paragr. 6.13, 6.14, 6.16, 6.20, 8	G. SONEGO
8	26.06.2012	M. DALLA CIA	General revision	G. SONEGO
9	14.10.2014	P. FANTINATO M. DALLA CIA	General revision	G. SONEGO
10	17.11.2017	P. FANTINATO M. DALLA CIA	Translation – Modif. parag. 3.1, 4.1.2, 4.7, 4.9.1	G. SONEGO
11	02.08.2018	P. FANTINATO	General revision	M. DALLA CIA
12	19.04.2019	P. FANTINATO	Translation – Modif. parag. 1.1, 2, 4.10.2.1, 4,12, 5.1.1, 5.1.5, 8	M. DALLA CIA
13	19.07.2021	P. FANTINATO J. AGGIO	Modif. parag. 4.1.3, 4.7, 4.8.1, 4.10.2.1, 5.5, 8	M. DALLA CIA
14	07.07.2023	Y. ZANNIER	Modif. para. 2, 3.1, 4.1.1, 4.1.3, 4.1.5, 4.1.6, 4.1.7, 4.1.8, 4.7.1, 4.7.2, 4.7.3, 4.8, 4.8.1, 4.8.2, 4.10.1.1, 4.10.1.3, 5.1.2, 5.1.5, 5.1.6, 5.2.1, 5.3, 7	M. DALLA CIA

INDEX

1 INTRODUCTION AND DEFINITIONS

1.1 By this Quality Agreement, the Parties intend to regulate the necessary terms and conditions underlying the contractual relationship between I.R.C.A. S.p.A. Industria Resistenze Corazzate e Affini S.p.A. ("IRCA") or all companies – directly or indirectly - controlling or controlled by IRCA (all these companies, and IRCA, shall be referred to as "**ZOPPAS INDUSTRIES HEATING ELEMENT TECHNOLOGIES GROUP**") and the Supplier in view of the continuity of the collaboration between them. The purpose of this Quality Agreement is therefore to identify the quality standards, as well as the means for control, verification and testing of the manufacturing process and of the Product, aimed at ensuring compliance of the raw materials used with all legal and contractual requirements, as well as the high quality of the Product, at improving the control processes, at reducing for both Parties the risk to be called to answer for a liability for defective products and at allowing prompt and effective identification and resolution in case defects are found.

1.2 In addition to the other terms specifically defined in this Quality Agreement, for the purposes of this Quality Agreement, the following terms will have the meaning provided in this paragraph:
Purchaser: any company belonging to ZOPPAS INDUSTRIES HEATING ELEMENT TECHNOLOGIES GROUP, which purchases, from time to time, a Product from the Supplier;
Supplier: the contracting party that supplies the ZOPPAS INDUSTRIES HEATING ELEMENT TECHNOLOGIES GROUP with a Product, it being understood that the provisions under this Quality Agreement for the Supplier shall also apply, insofar as compatible, in case of purchase by the contracting party of a product from ZOPPAS INDUSTRIES HEATING ELEMENT TECHNOLOGIES GROUP in order to use such product in its manufacturing processes;
Parties: the Supplier and the Purchaser jointly;
Partners: any and all Suppliers, sub-suppliers, contractors, sub-contractors of the Supplier as well as any other entity or persons that provide services or goods to the Supplier;
Product/s: any product, including raw materials, components, sub-sets and systems for the production and/or commercialization of elements and/or of heating systems manufactured by the Supplier, either entirely or in part, or however supplied by the Supplier to the Purchaser.

2 SUBJECT

The provisions of this Quality Agreement shall apply to each single supply of Products made by the Supplier ("**Supply/ies**") pursuant to the purchase orders transmitted by the Purchaser ("**Purchase Order/s**"). The General Conditions of Purchase (Q.021) currently in force, and any amendments thereto, available on the www.zoppasindustries.com website under "Governance", shall apply to each single supply.

3 DOCUMENTS RELEVANT TO THE SUPPLY

3.1 The Supply shall be made in accordance with this Quality Agreement, the Orders and the technical documents provided by the Purchaser to the Supplier ("**Technical Documentation**"), which shall include, by way of example and without limitation:

- Product drawing/s and relevant technical datasheet on the purchasing material requirements (PCRS, if available);
- Product acceptance specifications (if any);
- restricted materials list (RML) which the Supplier shall respect in compliance with what required to the Purchaser by its Customer (if applicable);

- classification of the product/process special characteristics (see specification 0.40.01) available on the www.zoppasindustries.com website under the area “Company \ Quality \ Documentation for the Supplier”;
- labelling standards for packaging of raw materials and purchasing components (see specification 0.20.02) available on the www.zoppasindustries.com website under the area “Company \ Quality \ Documentation for the Supplier”;
- SFNC Non Conforming Supply Notification form (see form Q.012) available on the www.zoppasindustries.com website under the area “Company \ Quality \ Documentation for the Supplier”;
- 8D report form (see form Q.058) available on the www.zoppasindustries.com website under the area “Company \ Quality \ Documentation for the Supplier”;
- PPAP (Production Part Approval Process) form (see form Q.057, specification 0.40.81) available on the www.zoppasindustries.com website under the area “Company \ Quality \ Documentation for the Supplier”;
- forms of RoHS/ELV/REACH/Food contact, etc. declaration of conformity available on the www.zoppasindustries.com website under the area “Company \ Quality \ Documentation for the Supplier”;
- CMRT form (Conflict Minerals Report Template) available on the www.zoppasindustries.com website under the area “Company \ Conflict Minerals”;
- Policy for the management of “Conflict Minerals” (see procedure E.POLICY 003) available on the www.zoppasindustries.com website under the area “Company \ Conflict Minerals”.

3.2 Any amendments to the Technical Documents shall be sent by the Purchaser to the Supplier by a written notice; they shall be considered to have been accepted unless the Supplier sends its own written comments to the Purchasing Department of the Purchaser within 15 days from the receipt of such notice.

3.3 The following documents are an integral part of the Supply relationship:
- this Quality Agreement;
- the Purchase Order/s;
- the Technical Documents;
- the General Purchase Conditions of the Purchaser.

In case of conflicts between the provisions of the documents listed above, the provisions of the texts shall prevail according to the hierarchical order of listing, except otherwise expressly agreed by the Parties.

4 QUALITY REQUIREMENTS

4.1 Organisation (quality, environment, safety, energy)

4.1.1 The Supplier declares and guarantees that in its organization it implements a Quality Management System, which complies with the ISO 9001 standard. The Supplier also guarantees:
- the conformity of the Product to the Orders, the Technical Documentation and the provisions of this Quality Agreement;
- prompt identification of any nonconformity found in the Product or liable to occur within its manufacturing process;
- the implementation of immediate corrective/preventive actions in case of any nonconformity of the Product or its own manufacturing process;
- the absence of flaw, defect or malfunction as well as the fulfilment of the promised quality requirements;
- the correctness and completeness of the requested Technical Documentation and the documents related to Product homologation and subsequent supplies.

4.1.2 The Supplier of Products destined to the Automotive sector declares and guarantees to have developed, implemented and improved a Quality Management System **certified according the ISO 9001 standard** issued by a Certification Body bearing the accreditation mark of a recognized IAF MLA Body having the objective to obtain, if not already done, the **certification to IATF 16949 standard** according to a development plan agreed with the Purchaser.

4.1.3 The Supplier undertakes to comply with all provisions of laws and regulations on the environment, food contact and on Product safety in force in the European Union (EU), in the country where its Registered Office is located, in the Country where the Product is manufactured and in the Country where the Purchaser Registered Office is located.
In particular, the Supplier shall ensure compliance of the Product with the following requirements:

- Regulation (EC) No 1907/2006 concerning the registration, evaluation, authorisation and restriction of chemicals (REACH) and the "candidate list" of SVHC available on the www.echa.europa.eu website as subsequently amended or integrated;
- Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS) as subsequently amended or integrated;
- Regulation (EC) No 1935/2004 on materials and articles intended to come into contact with food as subsequently amended or integrated, insofar as applicable;
- Commission Regulation (EC) No. 2023/2006 on good manufacturing practice (GMP) for materials and articles intended to come into contact with food as subsequently amended or integrated, insofar as applicable;
- Regulation (EU) 2019/1021 on persistent organic pollutants (POPs) as subsequently amended or integrated;
- Regulation (EU) 2017/821 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas as subsequently amended or integrated, insofar as applicable;
- American law H.R. 4173 July 2010 ("Dodd-Frank act"), as reported in the policy for the management of "Conflict Minerals" (see procedure E.POLICY 003), as subsequently amended or integrated;
- Regulation (EC) No 1272/2008 on classification, labelling and packaging of substances and mixtures (CLP) as subsequently amended or integrated;
- Regulation (EU) 2021/821 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items, as subsequently amended or integrated. In this case, the Supplier shall notify the Purchaser in advance in writing, of any Products subject to this said Regulation n. 2018/1922;
- European Parliament and Council Directive 1994/62/EC on packaging and packaging waste as subsequently amended or integrated.

Moreover, if required by the Purchaser, the Supplier undertakes to comply with the following provisions/regulations on the environment, food contact and on Product safety:

- Directive 2000/53/EC on end-of life vehicles (ELV) as subsequently amended or integrated;
- Proposition 65 of the State of California – Safe drinking water and toxic enforcement Act of 1986 as subsequently amended or integrated;
- Swedish Act (2016:1067) concerning tax level on chemicals in certain electronic items as subsequently amended or integrated;
- laws / standard / regulations extra EU on food contact Products;
- restricted materials list (RML) in compliance with what required to the Purchaser by its Customer.

The Supplier shall notify the Purchaser in writing and however, under penalty of forfeiture, within the date on which the Product is made available to the Purchaser for withdrawal, of any

Product nonconformity with the provisions and requirements provided by applicable laws and regulations under this paragraph; he shall also notify the Purchaser in writing, under penalty of forfeiture, of any nonconformity found in Products already delivered, within 5 days of the date of publication or notification of the updated lists of prohibited hazardous substances, to which the Products do not conform. Failing such notice, the Product supplied to the Purchaser shall be assumed to be fully compliant with the requirements under this paragraph.

4.1.4 The Supplier shall observe in its workplace all laws in force on safety and environmental health by adopting adequate procedures, measures and protection means and shall implement suitable actions to reduce energy consumption.

4.1.5 The Supplier guarantees that all the applicable statutory and regulatory requirements and the product/process special characteristics (ref. 0.40.01) are notified throughout its supply chain up to the manufacturing process level where the characteristics are carried out and the statutory and regulatory requirements are applicable, by providing due objective evidence if required by the Purchaser.

4.1.6 In case special characteristics are safety/regulation characteristics or the Product is intended to come into contact with food, the Supplier ensures the traceability of the production batch through it supply chain, by providing due objective evidence if required by the Purchaser.

4.1.7 The Supplier declares to be aware of the regulations in force regarding the administrative responsibilities of organisations and the principles included in the Purchaser's Organisation Model and Code of Ethics, as well as in Code of Conduct for the Suppliers (jointly referred to as "**Compliance Regulation**"), available for consultation and printout on the website www.zoppasindustries.com under the area "Company \ Governance" and to be considered an integral part of these General Conditions of Purchase and commits itself, also on behalf of its Partners, to observe them.

4.1.8 Failure by the Supplier - and by all its Partners – to observe the provisions in the Compliance Regulation shall to all effects and purposes imply serious non-fulfilment of the contract and shall authorize the Purchaser to terminate the relationship with immediate effect.

4.1.9 Supplier guarantees the absence of **Counterfeit Parts** in the Supply where Counterfeit Part is meant an unauthorized copy, imitation, substitute, or partially modified part (for example, material, part, component), which is knowingly misrepresented as a genuine part of an original or authorized manufacturer.

4.2 Measuring and testing equipment

4.2.1 The Supplier declares and guarantees that it has sufficient and suitable measuring and testing equipment to ensure that the manufacturing process and the Product comply with the characteristics indicated in the Technical Documents and in all documents relevant to the Supply relationship.

4.2.2 The Supplier shall regularly verify and calibrate such measuring and testing equipment and shall keep the relevant registration throughout the performance of the Supply.

4.3 Tests and Controls

4.3.1 The Supplier shall have and maintain throughout the performance of the Supply certain necessary and suitable verification procedures and control tools to carry out tests and control operations on the Product.

4.3.2 If the Supplier does not have the verification and control tools indicated in the preceding paragraph, all or part of them, the Supplier shall indicate to the Purchasing and Quality Department of the Purchaser in writing all those tests and/or controls on the Product, which the Supplier is not able to perform directly; it is provided that if during the Supply the Supplier supplements its own control and testing tools, it shall timely inform the Purchasing and Quality Department of the Purchaser in writing, specifying the tests that the Supplier is able to perform.

4.3.3 If the Supplier notifies that it is not able directly to perform the tests and controls, the Supplier shall indicate in the same notice whether it intends, at its own cost, to appoint qualified third parties or to entrust the Purchaser with carrying out the tests.

4.3.4 At the end of the tests performed by the Supplier, either directly or through qualified third parties, the Supplier shall timely transmit the relevant results to the Purchaser's Quality Department.

4.3.5 The Purchaser shall be entitled to verify the results in its own laboratories by performing similar tests on the Product; it is provided that if the values obtained by the Purchaser are not the same as those obtained during the tests performed under the care of the Supplier, the costs for the performance of the tests by the Purchaser shall be entirely charged to the Supplier.

4.3.6 If the Supplier intends to entrust the performance of the tests directly to the Purchaser, the Supplier shall timely send the relevant samples to the Purchaser's Quality Department.

4.3.7 The results of the tests performed by the Purchaser shall be transmitted to the Supplier by the Purchaser's Quality Department, through the Purchasing Department, together with a regular invoice for the costs incurred in relation to the performance of the tests.

4.4 Manufacturing process

4.4.1 Throughout the performance of the Supply, the Supplier shall ensure that:

- the staff involved in the production of the Product have and maintain all necessary and suitable technical skills;
- the production and control means are suitable for the purposes of the compliance with the technical and quality requirements of the Product as indicated in the Technical Documentation;
- the Technical Documentation shall be available and kept constantly updated.

4.4.2 During the performance of the Supply, the Supplier shall identify and analyse all potential risks in its own manufacturing process through FMEA-type methods and shall implement suitable actions and controls to prevent defects from occurring. Moreover, for all critical characteristics of its own manufacturing process, the Supplier shall carry out adequate process capability studies which shall guarantee, except otherwise indicated by the Purchaser, a Cpk index > 1.33 and shall monitor such capability through a suitable statistical analysis (SPC). The Cpk, also called Performance index, measures the capability of the process to manufacture Products that meet requirements over a certain time range, taking into account variability, as well as whether the process deviation or not from the reference values.

4.4.3 If the Purchaser points out certain critical characteristics of the Product in its Technical Documentation, the Supplier shall carry out verifications and controls and put in place all

suitable controls and actions to exclude such critical aspects and shall monitor its own manufacturing process to guarantee that the Purchaser's requirements are met.

4.5 Identification and preservation of the Product

4.5.1 The Supplier shall suitably identify the Product during all steps of the manufacturing process, highlighting the results of the controls carried out throughout the performance of the Supply (conforming – nonconforming) and the status of the Product before and after the relevant work step.

4.5.2 Whenever it is specifically requested in the Technical Documentation, the Supplier shall affix an appropriate mark (name or initials) on each Product intended for the Purchaser.

4.5.3 During the performance of the Supply, the Supplier shall ensure suitable conditions of storage of the Product and a withdrawal management in accordance with the FIFO (First In First Out) method.

4.6 Deposited samples (typical or limit)

4.6.1 If the Purchaser has requested a Product with characteristics (as to appearance, aesthetics, etc.) that are difficult to be indicated or reproduced in drawing and/or which are to be made binding for the purposes of the performance of the Supply, the Purchaser shall be entitled to request from the Supplier the delivery of a few typical or limit samples reproducing such characteristics ("**Reference Samples**").

4.6.2 If the Reference Samples pass the approval tests by the Purchaser, the Purchaser shall be entitled to proceed to the lead-sealing of some of the Reference Samples delivered, one of which shall be returned to the Supplier ("**Lead-sealed Samples**"). During the Supply, the Lead-sealed Samples shall be used by the Parties as comparison samples for the control of the Supply, and in any case of complaints for nonconformities of the Product.

4.7 Pre-series for homologation

4.7.1 For the approval of the Product by the Purchaser, the Supplier shall submit and send to the Purchaser a lot of Product made with the final equipment, which the Supplier intends to use in its own manufacturing process for the purposes of the Supply ("**Pre-series**"). The Pre-series lot shall be opportunely identified by the Supplier with the indication "Pre-series" on each package or container, and on the shipping document (bill of lading), as well.

4.7.2 Together with the Pre-series batch, the Supplier shall also provide the Purchaser with the documentation carried hereunder:

a) the **inspection certificate** (documents type 3.1 or 3.2 according to the EN 10204 standard) or **test report** containing the surveys made on the supply batch; both shall include the **declaration of conformity** to the purchase order or be accompanied by a document type 2.1 according to the EN 10204 standard or document according to the ISO/IEC 17050 standard;
b) **certificate of the material** (if not already included in the certificate under previous point a));
c) **certificates specified in the drawing**;
d) **technical datasheet**;
e) **safety datasheet, if required under law**;
f) **declaration of conformity to the European Directives and Regulations (e.g. RoHS, ELV, ATEX, Food contact, REACH, etc.);**

g) **flow chart and/or control plan and/or PFMEA (only if required by Quality/Technical Dept.)**;
h) **PPAP dossier** (specifying the applicable level) and **IMDS report (International Material Data Sheet),** if the material is intended to be used in the Automotive sector or when explicitly required by the Purchaser;
i) **FAI dossier**, in of materials under traceability used in the panels for the Transportation & Mobility DIN 6701 or if explicitly required by the Purchaser.

4.7.3 The correctness and completion of the Product documentation, provided by the Supplier according this Agreement, do not exclude or limit the Supplier's responsibility regarding any, flaw, nonconformity, defects, malfunctions or lack of Product quality. It is understood that the Purchaser has not the duty to verify if said documentation is correct and complete, and can freely use and place the Product on the market, relying on that documentation, as its responsibility remains within the exclusive Supplier's competence.

4.8 Supplies following the homologation passed with positive result

4.8.1 Together with each Product series batch, the Supplier shall supply to the Purchaser the documentation carried below where expressly requested by the Purchaser (through a written communication or indication in the Technical Documentation or in the Purchase Order by email o by the dedicated portal):

1) **certificates specified in the drawing** or required by the Customer;

Upon Purchaser's request, in case of **material under traceability** or material classified as "**Critical Item**" in the drawing, it is also necessary to receive:

2) **inspection certificate** (documents type 3.1 or 3.2 in accordance with the EN 10204 standard) or **test report** containing the surveys related to the supply batch; both shall include the **declaration of conformity** to the Purchase Order or be accompanied by a document type 2.1 according to the EN 10204 standard or document according to the ISO/IEC 17050 standard;
3) **certificate of the material** (if not already included in the certificate under previous point 2)).

4.8.2 La correctness and completion of the Product documentation, provided by the Supplier according this Agreement, do not exclude or limit the Supplier's responsibility regarding any, flaw, nonconformity, defects, malfunctions or lack of Product quality. It is understood that the Purchaser has not the duty to verify if said documentation is correct and complete, and can freely use and place the Product on the market, relying on that documentation, as its responsibility remains within the exclusive Supplier's competence.

4.9 Inspections at the Supplier's premises

4.9.1 With the acceptance of the Purchase Order, the Supplier expressly allows the Purchaser's staff and its Customers or government Authorities to access the Supplier's premises, upon reasonable notice, in order to carry out the necessary verifications and controls on the manufacturing process and verifications on the quality and conformity of the Product to the characteristics and requirements under this Quality Agreement.
For the purposes of this paragraph, the Supplier expressly authorises the Purchaser upon such accesses to use the Supplier or the Purchaser's control and testing equipment.

4.9.2 It is understood that the performance by the Purchaser of any inspections, verifications, controls, testing, approvals and/or trials on the Product pursuant to this Agreement shall not

imply exclusion or limitation of the obligations undertaken by the Supplier towards the Purchaser under this Agreement.

4.9.3 The Purchaser reserves the right also to carry out audits at the Supplier's or its Partners' premises, with notice and together with Customers and the government Authorities, in order to evaluate and/or verify its organisation and Management System (Quality, Environment, Logistics, etc.) also with reference to Purchaser-specific requirements (e.g. Cleanliness for Supplier of the Automotive sector, Products suitability with foodstuff, etc.).

4.9.4 The Purchaser reserves the right also to carry out process audits according to the standard VDA 6.3 or equivalent standard at the Supplier's premises in order to evaluate its manufacturing process capability to realize a product conforming to the Purchaser's request.

4.10 Supplier Evaluation

4.10.1 All sectors except Automotive

4.10.1.1 The evaluation of the Supplier is based on a global performance indicator (Vendor Rating VR), which takes into account the following elements/aspects:

NO.	ELEMENT	WEIGHT ON THE TOTAL VR
1	QUALITY	60%
2	SERVICE	30%
3	SAVING	10%

Depending on the VR value, the Supplier is evaluated as follows:

VR VALUE	CLASSIFICATION
VR ≥ 85	EXCELLENT
70 ≤ VR < 85	GOOD
60 ≤ VR < 70	SUFFICIENT
50 ≤ VR < 60	INSUFFICIENT
VR < 50	TO BE REPLACED

On a monthly basis, the Purchaser shall transmit to the Supplier a report (QM Vendor Performance) which contains a set of information related to its performances referred to a period of 12 months rolling. The report carries the VR value compared to the yearly target value, Claim Index (CI) value, the number of delivered batches, the number of Non Conforming Supply Notification form (SFNC) issued by the Purchaser, the number of 8D reports filled in by the Supplier and accepted by the Purchaser, the ratio between the total number of 8D reports issued by the Purchaser and those received back from the Supplier and accepted by the Purchaser.

4.10.1.2 In case of unsatisfactory performances (VR< 60) the Supplier shall take suitable actions as soon as possible, and however within such time as not to delay or prejudice the Supply, in order to reach the indicators minimum level required by the Purchaser (VR > 60).

4.10.1.3 In case of Claim Index performances CI < 90, the Supplier will be included inside the Purchaser's "Black List" and will be required to take suitable actions, as soon as possible and in any case within such time as not to delay or prejudice the Supply, in order to reach the minimum index level required by the Purchaser (CI > 90).

4.10.2 Automotive sector

4.10.2.1 The evaluation of the Supplier of Products destined to the Automotive sector is based on the following indicators:

NO.	TYPE	INDICATORS
1	DELIVERED PRODUCT CONFORMITY TO REQUIREMENTS	**PPM**
2	CUSTOMER DISRUPTION, INCLUDING RETURNS FROM THE FIELD	No. of non conformity reports following Customer's returns (**NCR TYPE "R"**)
3	DELIVERY SCHEDULE PERFORMANCE – ON TIME DELIVERY	On Time Delivery In Full (**OTIF**)
		Quantity Reliability (QR)
		On Time Delivery (OTD)
4	CUSTOMER'S SPECIAL NOTIFICATIONS RELATED TO QUALITY/DELIVERIES	No. of non conformity reports following CSL1, CSL2, CSL3, NBH status (**NCR TYPE "S"**)
5	FIELD RETURNS	Field returns N.A.

On a monthly basis, the Purchaser will transmit to the Supplier a report containing the performances relating to the indicators above compared to the target values yearly defined, and will communicate, when existing, any end-Customer's notifications on returns from the fields (NCR "R") or notifications on special status (NRC "S") following nonconformities occurred during the Supply.

4.10.2.2 In case of not satisfactory performances**,** the Supplier of Products destined to Automotive sector shall take suitable actions as soon as possible, and in any case within such time as not to delay or prejudice the Supply, in order to reach the indicators minimum level required and yearly agreed with the Purchaser.

4.11 Continual Improvement

During the performance of the Supply, the Supplier shall pursue, implement and ensure the continual improvement of its manufacturing process, by applying all such analyses, methods and technical solutions as to prevent the recurrence of defects and/or potential risks of defects in the Product, and reach the "zero defect" target.

4.12 Self-certification

The stipulation of this Quality Agreement between the Purchaser and the Supplier is necessary, although not sufficient, in order for the Supplier to be included in the Purchaser's Self-certification System and in the list of Suppliers with which the Purchaser defines and maintains preferential relationships.
This clause is not applicable to the Suppliers of Products for Automotive, Aerospace, Eolic as well as ATEX/IECEx sectors.

4.13 Control of Supplies from Partners

Whenever the Supplier avails itself of the work of Partners within the performance of the Supply for the manufacturing of all or part of the Product or of components thereof, the Supplier shall be directly liable for their actions with respect to the conformity of the Product to the terms and conditions of this Quality Agreement and of the other contractual documents which regulate the Supply of Products to the Purchaser.
For the above purposes, the Supplier shall verify, before entrusting an assignment to a Partner, that it has sufficient and suitable means and equipment to carry out the tests and trials as indicated in paragraph 4.3 above.

5 NONCONFORMITIES OF THE PRODUCT

5.1 Management of nonconformities

5.1.1 The Product supplied shall conform to the technical and quality requirements as indicated by the Supplier in the Technical Documents and to any other conformity or testing documents required by the Purchaser under this Agreement. The Purchaser shall not be bound to assess the Product conformity at the time the Product is delivered or received, being understood that the Purchaser reserves the right at its sole discretion to carry out controls on the Product Supply, or on samples, without being subject to any forfeiture with respect to the terms and conditions for reporting the defects and without this resulting in any limitation of the obligations undertaken by the Supplier to the Purchaser under this Agreement.

5.1.2 In the event that the Product should be found defective or nonconforming to the technical, quality and quantity requirements under this Quality Agreement, to the Purchase Order and to the Technical Documents, the Purchaser shall inform the Supplier within 30 (thirty) days from the discrepancy detection.

5.1.3 The Purchaser shall notify the Supplier of the presence of a defect or nonconformity found in the Product, regardless of any acceptance by deviation pursuant to the following art. 5.4, by sending “Non Conforming Supply Notification” (SFNC) forms and an “8D Report” specifying the nature of the defect or nonconformity, accompanied by the results of the tests carried out on the Product and, where possible, by samples of the defective Product.

5.1.4 On receiving the SFNC Non-Conforming Supply Notification, the Supplier shall immediately verify all Products in its stocks (including those of any Partner), in order to verify that no other Products with such defect or nonconformity will be delivered to the Purchaser.

5.1.5 In case of Notification of defective or nonconforming Products, the Purchaser shall be entitled, by previously notifying the Supplier thereof:

a) to return Ex Works (Incoterms as applicable case by case) the entire lot of the Product, or part thereof, which was found to be defective or nonconforming pursuant to the following paragraph 5.2
b) to submit the nonconforming Product to selection and/or reworking with costs to be charged to the Supplier including the ones regarding its management or pursuant to the following paragraph 5.3
c) to terminate the Supply agreement.

5.1.6 The Supplier will undertake in all events timely all necessary actions, starting from the date of the SFNC Notification, in order to remove the causes of the defect and/or nonconformity; the Supplier shall indicate to the Purchaser’s Quality Department, by filling in the “8D Report” previously received and to be returned to the Purchaser, the root causes of the defect or nonconformity and the plan of both containment and corrective actions adopted, or which the Supplier intends to adopt in order to prevent the problem from recurring, as well as the relevant implementation dates.

5.1.7 In the cases under this article, if the defect or nonconformity of the Product is found to be ascribable to the Supplier including but not limited to Supplier’s design and manufacturing process, the Purchaser shall be entitled to compensation of all damages directly or indirectly incurred in consequence of the Product being defective and/or nonconforming or unsuitable

for use, and to receive a refund of all costs incurred by the Purchaser in relation to the defect or nonconformity of the Product due to a cause ascribable to the Supplier.

5.2 Returns

5.2.1 On Purchaser's request, the Supplier shall ***withdraw***, at its cost, all defective or nonconforming Products within the dates indicated in the SFNC Notification form and to replace them within 7 (seven) days of receiving the Notification or, in case of termination of the Supply agreement, to issue a credit note in favour of the Purchaser within 7 (seven) days of the Notification, for an amount equal to the Supply amount.

5.2.2 In case of failure by the Supplier to comply with the deadline for the withdrawal of the defective Products, the Purchaser shall return such Products, and the costs for the transport and handling of the defective or nonconforming Products shall be fully charged to the Supplier.

5.3 Sorting out and/or Reworking

On Purchaser's request, the Supplier shall sort out and/or rework the nonconforming or defective Product at the Supplier's cost and with the Supplier's resources including, for example even limited, labour, equipment, instruments, transport costs, etc.
For the purposes of this paragraph, whenever possible, the Purchaser shall be entitled, at its discretion, to put its own resources at the disposal of the Supplier.

5.4 Deviation

5.4.1 Whenever the Supplier has a necessity to supply the Product at terms other than those required by the Technical Documents and/or the Purchase Order, the Supplier shall previously send a request for deviation to the Purchaser's Quality Department, in order to obtain a written authorisation for the delivery of the Product.

5.4.2 The Supply of the Product "accepted by deviation" shall be delivered with a clear indication of the nonconformity, the deviation number, the date of issue and the name of the Purchaser's contact person who authorised such deviation.

5.5 Management of nonconformities found at users

5.5.1 For the purpose of this Agreement, the following terms shall have the meaning attributed thereto:
"**Endemic Defect**" shall mean any defect or nonconformity relating to safety, reliability, quality, manufacturing process, design, and/or hidden defects, which by its nature is likely to occur in all of the Products or in such part of the Products which is of the same type;
"**Epidemic Defect**" shall mean a defect or nonconformity of the same type affecting one point five per cent (1.5%) of the total delivered Products incorporated into or assembled with – directly or indirectly - the final application put on the market. Such percentage shall be calculated in a rolling period of twelve (12) months starting from the delivery of the first serial Product.

5.5.2 In case of Endemic Defect or Epidemic Defect or where required for safety reasons or on regulatory authority request, the Purchaser or its Customer has the right to take all measures it deems appropriate, including a recall operation of all Products and/or the applications/appliances which they are incorporated in or assembled with.

5.5.3 For any decision related to the measures to be taken and the recall operation, the Parties shall share all necessary information and documentation and work together in good faith to determine the nature and extent of applicable measures; the Supplier is expected to have an active role in such decision and development of measures. In all cases, the final decision will be at the Purchaser's discretion.

5.5.4 In case the Supplier is responsible for the Endemic or Epidemic Defect, the Supplier shall be liable for all damages, losses, costs and expenses associated with or arising out of such Defects, the recall or other measures undertaken by the Purchaser or its Customer.

5.5.5 The Supplier warrants and guarantees that each Product is free from Endemic and Epidemic Defects for the following periods: (a) ten (10) years as of the delivery date of the Product to the Purchaser or its delegated, in case the defective or nonconforming Product may cause injuries, death, or otherwise affect the safety or health of persons or may cause damages to third party's goods or properties under the applicable product liability regulation; or (b) thirty-six (36) months as of the delivery date of the Product to the Purchaser or its delegated, in all other cases.

6 CHANGES

6.1 Any change to the Product, design, manufacturing process, production site, materials, Partners or any other change that may affect the correct performance of the Supply in accordance with the terms and conditions under this Quality Agreement or the performance, quality, characteristics and reliability of the Product must be timely notified by the Supplier to the Purchaser in writing. Any nonconformities of the Product to the characteristics indicated in the Technical Documents and/or the Purchase Order must be timely notified by the Supplier to the Purchaser's Quality Department, as soon as the Supplier has become aware of them and however within the date on which the Product has been made available to the Purchaser for collection, being applicable the provisions set forth in paragraph 5.1.2 above.

6.2 Any change may be implemented by the Supplier only with the written approval of the Purchaser.

6.3 For the purposes of this paragraph, the Supplier shall keep an updated registration of the starting dates of all implemented changes, with the expressed authorisation of the Purchaser, and shall define an identification system capable of identifying the starting date of the changes implemented to the Product and/or the manufacturing process.

6.4 Each discrepancy found by the Supplier between the Technical Documents and the Purchase Orders must be timely notified by the Supplier to the Purchaser in writing.

7 INSURANCE POLICY

The Supplier shall stipulate and maintain in force throughout the performance of the Supply a suitable insurance policy with one or more leading insurance companies, giving evidence thereof to the Purchaser; such policy shall cover all risks of loss and damage to the Supply until the delivery, and all damages of any nature caused by the Products to the Purchaser and/or to third parties, including any Products being recalled from users.

8 DISPUTES, APPLICABLE LAW AND COMPETENT COURT

8.1 The contractual Supply relationship, including this Quality Agreement and its annexes, as well as the relevant supply contracts executed under this Quality Agreement, are governed by the United Nations Convention on Contracts for the International Sale of Goods, Vienna 1980 (even if Purchaser and Supplier have their registered office in the same Country); for all matters not governed by the abovementioned Convention, the substantial law of the Country where the registered office of the Purchaser is located at the date on which the Purchaser entered into the sale and purchase contract of the Products, will apply subordinately, with the express exclusion of the conflict of laws provisions.

8.2 Any dispute or controversy that may arise out of or in connection with the contractual Supply relationship, this Quality Agreement or its annexes, as well as the relevant supply contracts executed under this Quality Agreement, shall be settled exclusively by the court of the place where the registered office of the Purchaser is located at the date the lawsuit is taken; as an exception thereof, the Purchaser shall always be entitled to take legal actions against the Supplier before any other court having jurisdiction.

The Purchaser	**The Supplier**
……..	……..
Place ……..……...……	Place ……..……...……
Date ……...……..	Date ……...……..
Position ……..……	Position ……..……
Name ……..…….	Name ……..……
Signature ……..	Signature ……..

Pursuant to the applicable law, the Supplier declares to have read, understood and specifically accept the following clauses of this Agreement:

- Article 2: subject;
- Article 3.2: limitation period to claim the Technical Documentation;
- Article 3.3: contractual documents;
- Article 3.4: applicability of the applicable mandatory requirements and the special product / process characteristics (ref. 0.40.01) to Partners;
- Article 4.1.3: limitation period for a declaration of nonconformity;
- Article 4.1.6: traceability of the production batch;
- Article 4.3.5: expenses allocation for the execution of tests;
- Article 4.9.1: inspections at Supplier's;
- Article 4.9.3: audits at Supplier's and/or Partners';
- Article 4.9.4: process audit according to VDA 6.3;
- Article 4.10: Supplier evaluation;
- Article 4.11: continual improvement;
- Article 4.13: control of the Partners' supplies;
- Article 5.1.1: no obligation to assess the Products at the delivery date or at their acceptance;
- Article 5.1.2: extension of the limitation period to denounce the defects;
- Article 5.1.7: compensation for damages;
- Article 5.2.1: withdrawal of the defective Product;
- Article 5.2.2: consequences for late withdrawal of the defective Product;
- Article 5.5: management of nonconformity found at users;
- Article 6: changes;
- Article 8.1: applicable law;
- Article 8.2: jurisdiction.

The Supplier

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Place ……..……...……

Date ….……...……

Position ……..……...

Name ……..……

Signature ……..