QUALITY ASSURANCE MANUAL FOR PURCHASED PRODUCTS AND SERVICES BRANO GROUP, a.s. (and companies forming a concern with BRANO GROUP, a.s.)

Issue: 14
Version: 0

Issue No 14/version 0 contains changes in chapters 1 and 8.
Issue No 14/Version 0 supplements chapter 1) in point 1.2. with the physical location of the valid version of this document and the supplier's obligation to search for the valid version and follow the valid version.The supplier is informed about the revision of the document through the additional text of the purchase orders.
Chapter 8) has been supplemented with the evaluation of suppliers in the area of Information Security.

Valid from: 1.7.2025

Compiled by:

Ing. Petr Škrobánek
BG Purchasing Director

Ing. Miloslava Večerková
QMS Manager

Nikol Kretková
Manažerka kvality nákupu

Ing. Petr Petr
BG Quality Director

Annexes:
Annex 1 – Price list of lump-sum compensations for expenses and damage on the side of BRANO GROUP, a.s.
Annex 2 – Product quality plan – Assurance Quality Agreement
Annex 3 – 8D Report

Abbreviations used:
BG – BRANO GROUP, a.s.
PFD – Process Flow Diagram
QMS – Quality Management System
ON BG – BG Organizational Standard
SBU BG – BG Strategic Business Unit, an independent business unit within BG
OEM – Original Equipment Manufacturer
IATF – International Automotive Task Force
CSR – Customer Specific Requirements
FAQs – Frequently Asked Questions
SIs – Sanctioned Interpretations
APQP – Advanced Product Quality Planning - the framework of procedures and techniques used in product development, especially in the automotive industry.
PPAP – Production Part Approval Process
VDA – Verband der Automobilindustrie - The German Association of the Automotive Industry
FTA – Fault Tree Analysis
CSL1 – Controlled Shipping Level 1 – 100% output quality control of the product provided by the supplier
CSL2 - Controlled Shipping Level 2 - additional product quality control. CSL 2 covers 100% control over the production process carried out by the supplier's employees. CSL 2 is 200% control. In the case of CSL 2, CSL 1 remains valid, and an additional check is carried out by a certified sorting company
P/N – product number
MSA – Measurement System Analysis
PQP – Product Quality Plan (Quality Assurance Agreement)
TE – Total Evaluation
FIFO – First In First Out - a strategy in which the goods are always removed from the oldest (= first stocked).
SFN- Serienfähigkeitsnachweis - Proof of serial qualification

1) INTRODUCTION

1.1 Quality Manual purpose

The QUALITY ASSURANCE MANUAL FOR PURCHASED PRODUCTS AND SERVICES BRANO GROUP, a.s. (and companies forming the concern BRANO GROUP, a.s.) (hereinafter referred to as „Quality Manual“) describes and defines requirements on suppliers of companies forming the concern BRANO GROUP, a.s., (hereinafter referred to as „BG“) and serves as a „Quality assurance agreement“ between BG and its suppliers.

The shared objective of the supplier and BG is constantly improving the quality and reliability of products. This can only be achieved using intense cooperation between individual process stages and by the application of quality management systems according to IATF 16949.

Ever closer partnership cooperation between the customer and the supplier is a prerequisite for increasing each other's competitiveness. Therefore, BG expects intense cooperation from the suppliers focused on prevention and quality planning in all process stages, especially in the stages of planning and implementation of product and process development.

1.2 Quality manual application area

The „Quality Manual“ serves to define BG requirements to suppliers, and at the same time stipulates procedures desirable for ensuring the quality of purchased products and services. The main objective of this „Quality Manual“ is to ensure the stable quality of products and supplies in due terms and for agreed prices so that it is subsequently possible to reduce the scope of incoming inspection.

The requirements of this „Quality Manual“ should also be transmitted by the supplier to its subsuppliers.

The current version of the manual is available at the following link:
https://www.brano.group/cs/download#documentsforsuppliers

Suppliers are informed about any updates through purchase orders and are responsible for ensuring they are using the latest version.

2) BG REQUIREMENTS FOR THE QUALITY MANAGEMENT SYSTEM OF SUPPLIERS

2.1 Supplier's quality system

The supplier of a product or service must at least demonstrate certification of its quality management system according to ISO 9001, in the valid version, the certificate of which was issued by a certification body that was granted the accreditation mark of a member of the IAF Multilateral Agreement on the Mutual Recognition of Accreditation Results (IAF MLA; International Accreditation Forum Multilateral Recognition Arrangement)), and where the main scope of the accreditation body includes management system certification according to ISO/IEC 17021, unless the customer is BG or BG specifies otherwise. The conditions are also to ensure the specific requirements of BG for purchased products and services (MANUAL FOR ASSURANCE OF THE QUALITY OF PURCHASED PRODUCTS AND SERVICES OF BRANO GROUP, a.s.), specific requirements of OEM BG customers and minimum requirements for the quality management system according to the current document Minimum Automotive Quality Management System Requirements for Sub -Tier Supplier in case of ISO 9001 certification only. OEM BG customer specific requirements and minimum quality management system requirements are available to everyone on the IATF portal in the "OEM Requirements" (Customer Specific Requirements-CSR) section. Those suppliers who do not have access to the OEM portals will request the BG central purchasing department to send a CSR. Fulfillment of these requirements is an integral and necessary condition for the inclusion of a supplier in the "List of BG Approved Suppliers".

The product supplier also undertakes to implement continuous improvement of quality management systems with the aim of fulfilling compliance with the requirements specified in IATF 16949:2016, according to paragraph 8.4.2.3, as amended, and also undertakes to monitor on the IATF portal changes in the requirements for the security of the so-called quality system. "FAQs" and "Sis", also comply with all legal regulations in the field of environmental protection. The best proof of a supplier's ecological behavior is a certificate according to ISO 14001 or EMAS. In case of issuing a new certificate, changing the scope of activity, validity or withdrawal

of the certificate, the supplier must immediately inform BG in writing, within three working days at the latest to the email address: nakup@brano.eu.

2.2 Zero Defect Strategy

The supplier shall prove in their quality management system documentation the inclusion of the principle of zero defect into the organization's strategy and its practical implementation. This principle is an important part of a supplier's evaluation from the point of quality of supplies.

2.3 PPM

The supplier's PPM evaluated by the customer is calculated as follows:

(NOK quantity / total quantity delivered) * 1 000 000 = PPM

TARGET: PPM = 0

PPM is calculated in the month when the claim was closed by the customer. Monthly, annual, and cumulative PPM values are monitored. The max. PPM value for suppliers is 25 unless otherwise agreed. Exceeding the PPM value in the monitored period will negatively affect the customer's evaluation of the supplier.

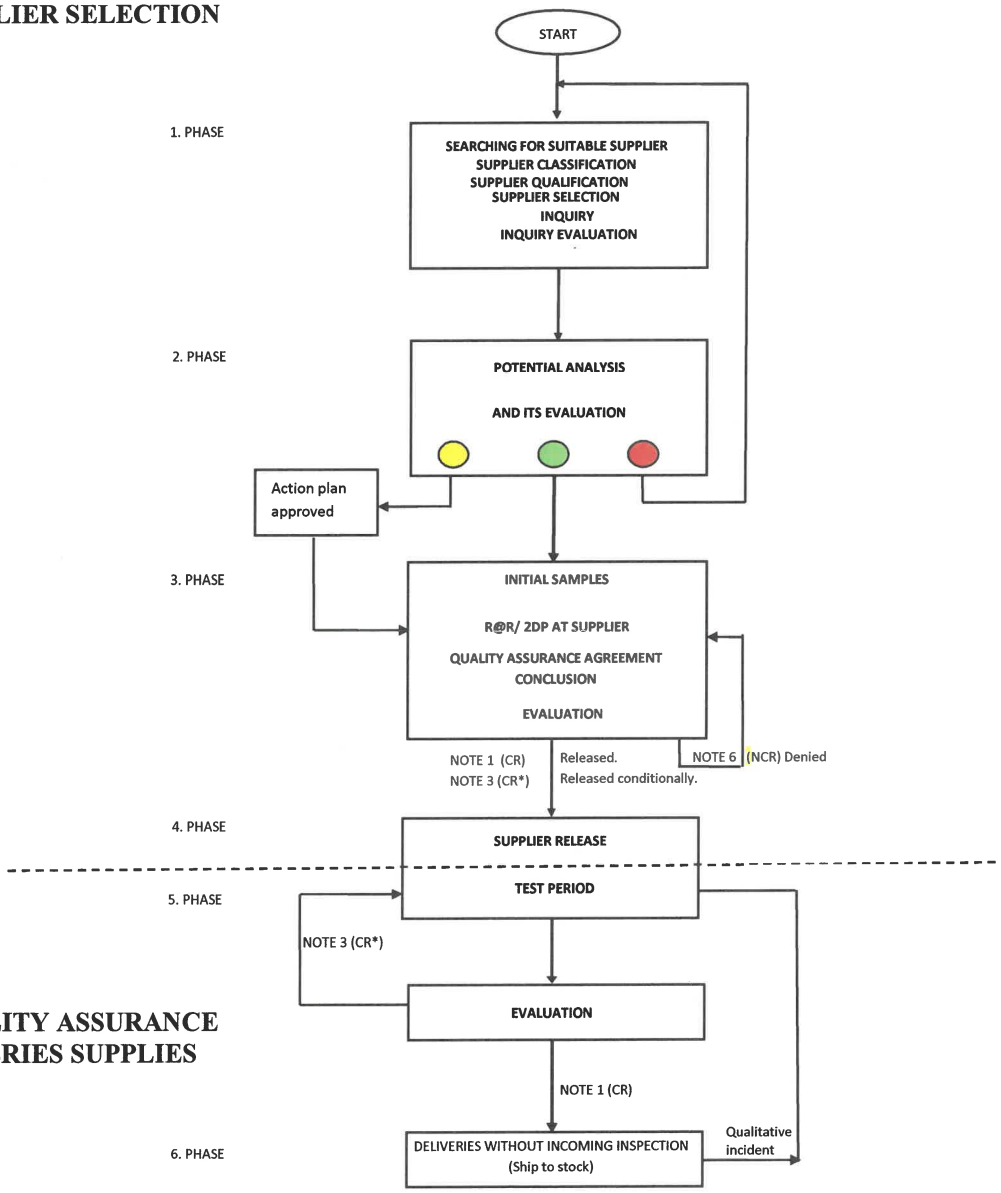
The supplier shall ensure the supply of parts at least on the PPM level required by the final customer (VW, Škoda, AUDI, BMW, Fiat, GM, Stellantis, VOLVO, Daimler, Tesla, Magna, Forvia, Gigant, Iveco, Autovaz, Lear, Suzuki, Toyota, etc.).

Note: Related BG directives can be requested from the corresponding quality departments of the individual SBU BGs.

3) PROCESS FOR ENSURING QUALITY OF SUPPLIES INTO BG

Ensuring the quality of supplies is the key process of BG's system of quality and purchasing management. The system includes prescribed steps and phases that describe the manner of concluding agreements between BG and suppliers, gradual releasing of supplies, and their verification. The procedure and individual phases of this process are defined by the following diagram:

SUPPLIER SELECTION



QUALITY ASSURANCE OF SERIES SUPPLIES

Explanation and description of individual phases of ensuring the quality of supplies to BG:

Phase 1 - Searching for suitable suppliers, classification, qualification, supplier selection

In this phase, potential suppliers are addressed, and the result of this phase is supplier selection. The selection of suppliers is governed by BG's internal standards.

As potential suppliers of products or services may be approached the supplier from the „BG Approved Supplier List" or such suppliers that provide a valid certificate of their quality management system according to ISO 9001 and subsequently comply with the procedure for including a supplier into the list stated above. This inclusion is managed and coordinated by the BG purchase department in cooperation with the relevant BG quality department.

Inquiry

Within this phase, requirements regarding the complete specification (drawing documentation, related standards and regulations, qualitative requirements, and special BG requirements as necessary) of the required product or service are forwarded to the suppliers. In case of ambiguities, the supplier is obliged to contact the purchasing or quality staff of BG and clarify them together before presenting the final offer to the customer.

Inquiry evaluation

Based on the provided specification, a potential supplier shall process an offer which shall be submitted to BG in the form of an e-mail, a bid sent by post, or an offer submitted at the BG web portal. By submitting the offer, the potential supplier confirms the completeness of the specification (drawings, standards, and other specifications) and the fact that they have understood the specification.

Phase 2 - Potential analysis (PA)

For potential suppliers that have met the demand criteria, BG Quality will schedule a PA to be performed. The goal of the PA according to the VDA 6.3 methodology is to verify the compliance of the processes/steps of the processes with the requirements and specifications. Recognized non-conformities are documented and evaluated as PA findings about the product and/or process risk in the audited organization or the supply chain.

The PA results provide information on the qualitative and capacity capability of the processes and highlight opportunities for improvement. The supplier is expected to prepare a plan of corrective measures (action plan) for the deviations detected during the PA, no later than the deadline specified in the notification of the result of the PA. PA is carried out by BG auditors, possibly with the participation of technical experts.

PA evaluation

The PA evaluation takes place by the VDA 6.3 methodology, according to the traffic light principle, "red", "yellow" or "green".

Evaluation of questions	Result
The requirements of the question are met.	
The requirements are met only conditionally.	
The requirements of the question are not met.	

Result:

- **„green"** – the supplier has the potential to realize the customer's requirements in the demand range. The supplier proceeds further in the supplier selection process.
- **„yellow" -** the supplier is conditionally recommended. The condition is to prepare and implement an action plan to achieve "green" status.
- **„red"** – the supplier does not have the potential to meet the customer's requirements in demand management. It does not continue with the supplier selection process.

Phase 3 – Initial samples

The initial (reference) samples serve for BG approval of supplied products or services. These samples represent products that have been manufactured using serial technology. Another necessary condition is a random selection of samples from production. Any known violation of this policy during the delivery of the first samples by the supplier is considered by BG as a quality incident.

The number of required initial samples is 5 pieces from each position (cavity, imprint...). An additional quantity is required by the customer for tests and build-test. The supplier is obliged to agree in advance on the quantity requested by the customer.

The initial sample test shall provide proof that specified requirements on product parameters and quality have been met before supplying of serial products starts. Sampling must be used to verify all quality attributes of a supplied product defined by the specification.

The initial samples must be supplied together with a complete testing report of the reference sample; when production involves the use of multiple same tools, a testing report for each tool or, in the case of multiple molds, for each position (imprint, cavity).

The supplier is responsible for conducting the test on the sample. The supplier shall submit the sample together with the required documentation according to PPAP or VDA 2 within the scope of the PPF procedure agreement. All costs related to sampling shall be borne by the supplier.

The final release of reference samples is carried out by the BG quality department or SBU BG, respectively.

Camera sampling:

The minimum number of first samples, as well as samples for new generations, is 5 pcs. If cameras enter multiple product types, BG reserves the right to request an increased number of camera samples. The supplier undertakes to supply an adequate number of samples at BG's request free of charge. If they do not do so, the supplier will be re-invoiced for all the costs of the end customer who requested the sampling, as well as the fee for the delivery of the wrong number of samples according to the valid Price List of flat-rate compensation for costs and damages of the BRANO GROUP, a.s. concern (hereinafter referred to as the "BG Price List") as amended, with the proviso that in the event of a change in the price list BG is obliged to inform the supplier of this change and its content.

Run@Rate/2DP at the supplier

R@R/2DP (2 Day Production) means the measurement of capacity with a min. reserve of 20 %, including share capacity which helps to ensure that the supplier's production process can produce high-quality products in agreed quantities. To secure the start-up volume quantitatively and qualitatively even in the early project phases and to recognize risks early on, acceptances are performed considering the ramp-up curve. With regard to the customer's specific requirements, demonstration of competence in series production may be required in the form of SFN1, SFN2, SFN3 acceptances. These needs-oriented requirements are considered in the project before the supplier is allowed to start serial production.

In most cases, R@R/2DP verifies daily production at the supplier, which can take up to 24 hours, depending on contractual quantity, unless otherwise agreed. The basic R@R/2DP time is the contractual daily production. R@R is carried out by the supplier at his own expense unless otherwise agreed.

Contract conclusion, Quality Assurance Agreement (PQP)

In this phase, a commercial supply contract is concluded and agreed upon with the supplier, which includes a link to the Quality Manual. The supplier must also confirm with his signature the specific BG requirements set by the BG quality department in the Quality Assurance Agreement (Product Quality Plan, hereinafter referred to as "PQP")

If the PQP is not approved by the supplier, then the supplier is fully guided by the quality manual.

Evaluation

In conclusion, there is an overall evaluation of the above-mentioned phases. The result can be the release, the temporary release, or the rejection of the supplier.

Phase 4 – Supplier Approval

Based on the evaluation of the results of the above phases, one of the decisions can be taken, see the table:

Release status of initial samples acc. to VDA 2:

1	CUSTOMER READY / READY FOR SERIES PRODUCTION (CR)	The product or service is released for serial deliveries.
2	SUITABLE FOR CUSTOMER CONDITIONALLY (CR*)	The product or service is released for series delivery. Parts with deviations from the technical data.
	NOT CUSTOMER READY / NOT READY FOR SERIES PRODUCTION (NCR)	The product or service is not released for serial deliveries. Parts with high deviations from the technical data. Resubmission of corrected samples is required.

Release status of initial samples acc. to PPAP:

1	RELEASED	The product or service is released for serial deliveries.
3	TEMPORARY RELEASED	Supplies are released for a limited period or a limited quantity. There are defined requirements that the supplier must meet to obtain the status „RELEASED". A new test of samples can be requested.
6	REJECTED	The product or service is not released for serial deliveries. Resubmission of corrected samples is required.

A decision of release can be supplemented with comments, e.g., a conditional time-limited release, a description of non-conformities encountered during sampling, tasks whose completion is required for releasing of samples with rating 1, etc. Releasing of a sampling procedure shall not rid the supplier of responsibility for the quality of supplied products. Inconsistent reports and incompletely supplied documents may lead to the rejection of the sampling procedure and the charging of a fine according to Annex 1.

Note: For the final settlement of the costs of the part development project between the supplier and BG, unless otherwise agreed, it is necessary that the products or services are evaluated by BG for NOTE 1 and then the end of sampling between BG and its customer with the result "RELEASED".

Phase 5 - Test period

The objective of this phase is to verify the quality of deliveries. Deliveries are subject to incoming inspection at BG. The test period lasts 2 months and is valid for at least 3 serial production deliveries. If a quality incident occurs during the test period, the test period is repeated.

Phase 6 – Deliveries without incoming inspection

The status of supplies „without incoming inspection can only be obtained by suppliers who have completed the preceding phases. The supplier is informed of achieving phase 6 by a representative of the BG quality department. Products supplied with this status are released from BG without any receiving inspection.

Every quality incident leads to immediate interruption of supplies without receiving inspection and to the reintroduction of phase 5 – The test period.

BRANO GROUP TARGET – 100 % PRODUCTS/SERVICES

WITHOUT INCOMING INSPECTION

4) QUALITY PLANNING AT SUPPLIERS – PRODUCT AND PROCESS DEVELOPMENT

4.1 Bases of quality planning at supplier's

This chapter describes BG requirements in the stage of product or process development at the supplier. The supplier is expected to plan, organize, and implement processes and inspection activities in such a way that the level of quality applied to a product is ensured.

Achieving the required quality level requires systematic quality planning at the supplier. This section contains a list of requirements applied by BG to their suppliers whose fulfillment must be planned, documented, and evaluated.

4.2 Terms of quality planning at suppliers, product safety, and liability for product

The supplier shall create the conditions necessary to ensure a smooth process of supplies. One of the basic conditions is ensuring communication between the supplier and BG. For this reason, the supplier shall ensure appointing contact persons. BG expects from their suppliers that they will appoint contact persons in charge of at least the areas of business/logistics and quality and Product Safety and Conformity Representative PSCR, including their deputies, to ensure proper dealing with all issues related to the safety of supplied products and liability for product. The supplier shall inform BG within **three business days** of any changes through an email sent to nakup@brano.eu.

These contact persons shall be available non-stop. The objective is to ensure due and timely solving of all questions and issues related to a given project. Contact persons shall be stated already in the stage of the inquiry procedure.

4.3 Supply quality planning – prescribed documentation

In the stage of supply quality planning (product/process development), the supplier shall process documentation corresponding to **VDA 2** (within the scope of the PPF procedure agreement) **or PPAP** (according to the agreed level), as amended if not agreed otherwise (e.g., Q3P for PSA).

The minimum scope of required submission, unless otherwise specified by the final customer, is determined by the BG quality department below:

- Cover sheet
- Samples
- Customer technical approval (drip drawing)
- Inspection certificates 3.1. according to EN 10204 (for metal parts with surface treatment, also document the certificate of surface treatment incl. corrosion test results)
- MDS report
- Product selfassessment
- Process self-assessment
- Capacity verification
- Part history
- Tool History
- Control plan
- Design FMEA (D-FMEA) – only in the case of product development
- Process FMEA (P-FMEA)
- Process flow diagram (PFD)
- Dimensional results for min. 5 pcs from each cavity

- Results of other tests acc. to the specification
- Results for special characteristics
- list of measuring and testing devices
- preliminary process capability (Ppk) for controlled/ special characteristics
- measurement system analysis (MSA) studies for gauges designed for controlled/special characteristics
- AAR appearance report (acc. to the specification)
- Packing instructions with a transport prove that supplied parts will not be damaged

BG also carries out a build-test, with min. 300 pcs under serial conditions.

- **Inspection certificate 3.1 according to EN 10204** - must be sent to the customer with each serial delivery electronically to the e-mail address that the relevant BG quality department will communicate to the supplier. The title of the e-mail message must include the delivery note number and the part number incl. the drawing index. The certificate must contain:
  - Inspection certificate No.
  - Issue date
  - P/N incl. drawing index and product description
  - Delivery note No. incl. quantity
  - results of checking dimensions for 5 pieces and results of special characteristics acc. to specification

  The supplier is responsible for the correctness of the certificate. The supplier acknowledges that the customer checks the certificate only randomly. If nonconformities are found in the certificate, the customer is entitled to issue a claim and initiate a claim procedure.
- **MSA** – documentation of the qualification of measuring and testing devices. The supplier shall provide proof of qualification for all measuring instruments stated in the corresponding control plan. Procurement of testing means must consider the possibility of conducting checks of relevant parameters (e.g., function, dimensions, build-up, assembly).
- **Process capability** - BG requires monitoring of long-term process capability for checked/special characteristics unless otherwise agreed (for more see ch. 5.3)
- **Confirmation of production capacity** – The supplier shall ensure sufficient production capacity according to expected supply volumes. A minimum reserve capacity of 20 % is requested.
  - **Emergency strategy** – The supplier undertakes to develop an emergency preparedness program by the requirements of IATF 16949 as amended, within which it must at least ensure the continuity of supplies in the event of failure of key suppliers, breakdowns of key machines, tools, and equipment, recurring natural disasters, fire, lack of personnel, logistical difficulties, ecological accidents, interruption of energy supplies, inability to use production premises, claims from the "field", etc.
- **APQP time plans** – setting objectives and creating a time plan (APQP) with marked milestones is expected for new projects as part of systematic planning.
  - **Control plan** - BG requests processing of the control plan (specified in IATF 16949, as amended), defining and describing all inspection steps throughout the process from receiving of goods to shipping. Processing the control plan shall be based on a valid PFD and shall incorporate results of P-FMEA. Process parameters should be considered here as well. The control plan is the basic document for the process of supplied product quality planning. When the plan is being processed, the following procedure shall be followed:

Processing the control plan shall be carried out according to the latest version of APQP. The control plan shall be submitted to the BG quality department for assessment and approval if required (safety parts). The control plan shall be processed for every single part, possible subassemblies, and assemblies of a supplied product.

5) QUALITY ASSURANCE CONDITIONS IN SERIES PRODUCTION

5.1 General

As part of serial production, BG requires the supplier to meet production quality parameters, other conditions, and activities. Based on BG's request, the supplier is obliged to prove these using responsibly kept records.

5.2 Releasing products acc. to VDA 2 or PPAP

Suppliers must ensure that the submission of VDA 2 or PPAP documentation and samples complies with the requirements of the VDAQMC manual VDA Volume 2 or the AIAG PPAP manual as amended. The required level of submission for VDA documentation accorging to scope of the PPF procedure agreement **or** for PPAP documentation level 3, unless otherwise determined by the BG quality department (also in German/English at the request of BG).

The supplier is obliged to inform BG and start the sampling process in the following cases:

- new part or product
- removing a nonconformity of a previously submitted part
- change or renovation of tools
- change in design, specification, or material (new drawing modifications status)
- deliveries stopped due to unsatisfactory quality
- change in production method or production process
- transfer of production or deployment of new production equipment
- change in supplier or subsupplier chain
- production stopped for more than 12 months.

5.3 Process capability

The preliminary process capability study is required for each significant (checked) / critical characteristic. The following limit values apply to selected important characteristics unless otherwise agreed upon in writing:

- preliminary process capability Ppk $\geq$ 1,67
- long-term process capability Cpk $\geq$ 1,33 with continuous improvement to Cpk $\geq$ 1,67)

In some cases, a long-term capability of Cpk $\geq$ 1.67 (according to CSR OEM) may be required. The supplier must verify this fact and agree with BG.

5.4 Statistical process control

The supplier must prove and document the ongoing quality of its processes through statistical process control methods if required by the specification. If an unstable or inoperable process is detected, the supplier must take steps to eliminate the instability/inoperability.

The supplier monitors the statistically checked dimensions specified in the technical documentation and sends their results to the customer upon request.

5.5 Safety parts (D/TLD) – products with special characteristics

Products with special characteristics are referred to by the customer as "D-parts". BG defines special characteristics that are marked in the technical documentation accordingly. During sampling and deliveries, the supplier must demonstrate the fulfillment of properties and parameters important for the safety of the operation of the final product (so-called D - characteristics). During the review of the contract, the supplier will also check the feasibility of these parameters and confirm this in writing. As part of the supply of D-parts, the supplier is also obliged to ensure the following:

- requalification of D-parts at least once every 12 months (validity of requalification is maximal 12 months)
- conducting an audit of D-parts according to the current catalog of D/TLD questions using the Formel Q methodology
- archiving quality records according to section 5.7 of this manual
- safety characteristics shall be proven by the supplier at least once every 12 months using the corresponding testing report.

The supplier must implement the special characteristics into its documentation (e.g., supplier drawings, internal control plans, record documentation, etc.).

To verify the fulfillment of the relevant requirements, the supplier is obliged to carry out and document a self-audit at his production site minimal every 12 months under his responsibility according to the current catalog of D/TLD questions, the period of validity of the self-audit is a maximum of 12 months.

5.6 Inspection activities and functionality tests in the phase of pre-series and serial production

A dimensional check and functional test according to applicable technical standards of BG and the final customer of BG related to material and functional properties shall be carried out for every product as specified in the corresponding control plan. Results shall always be available to BG customers for review.

All activities related to verification, validation, monitoring, inspection, and testing must be carried out by the technical requirements. This must be ensured and documented throughout the duration of the project.

To demonstrate compliance of the product with the given requirements, the supplier must ensure that all test equipment is monitored, calibrated, and used correctly and that this fact is fully documented. The supplier must own the necessary testing and measuring equipment or use certified external laboratories.

A measurement system analysis (MSA) must be performed for each type of measuring or testing device specified in the control plan.

5.7 Requalification

To ensure quality, the supplier must plan, carry out and record regular requalification of its supplied parts specified in IATF 16949, as amended, and according to the VDA volume "Robust Production Processes". The BG customer requires complete requalification at least every three years, for "D-parts" or products acc. to CSR OEM within one year of the last requalification. The supplier defines requalification tests, including frequencies, in the control plan.

If the supplier fails to ensure the requalification of their supplied parts in time, the supplier shall be charged a penalty according to the valid BG price list (refer to Annex 1). All requalification tests shall be paid for by the supplier. The supplier sends information about the performed tests to the customer without prompting to the e-mail address of the appropriate BG quality department.

5.8 Maintaining quality records and quality system documentation

The supplier is responsible for sorting, maintaining, and archiving quality system documentation according to VDA 1. All quality system documents shall be archived for 5 years. Documents related to mandatory documented parts and components (D-parts and D-characteristics) shall be archived for a minimum period of 30 years after the end of production. At BG's request, the supplier is obliged to allow the review of these documents and to allow BG's representatives access to its production facilities.

Quality system documentation is understood as drawings, tables, production releases, technical delivery terms, testing regulations, sample reports, and other quality-related records. Quality-related documentation includes proofs of planned activities, selection, and qualification of employees, suitability/qualification of testing equipment, tool records (including maintenance and ownership), as well as analyses of process capability and correspondence.

Documentation of the supplier's activities to ensure and comply with the quality requirement must be provided at any time upon request. The BG customer reserves the right to verify compliance with the requirements at suppliers as part of process audits, technical revisions, or other visits to suppliers, possibly with the participation of a BG customer representative or an OEM representative.

5.9 Maintenance

Suppliers are required to use preventive maintenance methods when appropriate on production tools and equipment. It is essential to demonstrate the systematic and consistent execution of these planned activities, including the availability of critical spare parts to ensure supplies to the BG.

5.10 Production traceability

The supplier shall ensure that materials, parts, semi-finished products, and final products are marked and stored in such a way as to exclude any confusion or mix-up and to guarantee traceability.

5.11 Part history

The supplier is obliged to keep a history of the supplied products, document and send this part history at the request of BG. The document must include a list of all changes (description, part number, the reason for the change, date of serial production ramp up, as well as the implementation date of each process chain change concerning the delivery note number of the first delivery to ensure traceability).

5.12 Management of non-conformities

If the supplier detects during inspection activities a non-conformity of a product with a valid specification (drawing documentation, etc.), they shall immediately inform the BG quality department of this finding. An exception for the supply of parts non-conforming to specifications may be approved only based on the BG quality department's written approval of an application for approval of a deviation submitted by the supplier.

An approval of deviation is always limited to a certain quantity of parts or for a certain period of supplies. The supplier shall ensure the marking of all deliveries made to BG within the given deviation in a pre-agreed manner.

6) SUPPLIER'S ACTIONS IN CASE OF CLAIM

If a qualitative or logistical nonconformity is identified with the delivered products, BG will immediately inform the supplier of this fact by telephone or in the form of a written claim from 0.km or the field. The full cooperation of the supplier and its sub-suppliers is required. In the event of a claim, BG reserves the right to charge the supplier administrative costs associated with the claim in the amount according to the valid BG price list (see Annex 1). After receiving a claim, the supplier shall immediately ensure the following requirements:

6.1 Immediate measures – within 24 hours

The supplier is requested to take immediate measures to prevent the occurrence of another non-conformity. Immediate measures usually include the following.

Measure at BG:

- Immediately after being informed of a claim, the supplier shall ensure its correcting, re-sorting of the supply, and replacing the defective products with faultless, at their own cost, incl. the travel costs and expenses of BG employees sent to repair.
- If the supplier fails to ensure re-sorting of the faulty pieces on their own within 24 hours from receiving a report of a defect or non-conformity of products, BG is entitled to charge the supplier the costs related to sorting of defective products (100% inspection) at the amount according to the valid BG price list (see Annex 1) and the supplier pledges to pay these costs.
- If the supplier fails to respond within 24 hours, BG is authorized to initiate the sorting of defective products by an external company on behalf of the supplier.
- In the event of a threat to the timeliness of deliveries of final parts from BG to the customer due to defective products of the supplier, BG is authorized to start sorting defective products immediately at the expense of the supplier even before the expiration of the above 24 hours. BG informs the supplier about this fact in advance.
- If the supplier is unable to repair the claimed product on site, the product will be repaired at BG at the supplier's expense if possible.

Measures at supplier:

- 100% sorting of products in all stages of implementation, including products on the way, this 100% check is to be carried out until the implementation of the corrective measure and its verification, and further for the next 3 deliveries or min. for a period of 2 months (see trial period). All such deliveries must be marked "100% inspected" including the reason for the inspection.

6.2 Corrective measures

Corrective measures are intended to ensure the elimination of the causes of non-conforming delivery and to ensure 100% quality of subsequent deliveries. The 8D Report form is used for processing the action plan of corrective measures, see Appendix No. 3 of this quality manual.

BG expects the supplier opening of the 8D Report within 24 hours and sends the completed processed 8D Report to the BG quality department within 14 days if not agreed otherwise in writing. The 8D report must be completed in all its parts, at the request of BG also in a foreign language (German, English).

Initial 8D Report shall contain:

- D2 Problem /defect description
- D3 Immediate measures

A completed 8D Report shall contain a detailed description of the root cause (determined, e.g., using the 5 Whys method, i.e.:

- D4 Root cause analysis
- D5 Possible corrective measures and their verification
- D6 Implemented corrective measures
- D7 Preventative measures against defect reoccurrence
- D8 Thanks to the team (ideas for improvement, lessons learned)

If long-term corrective measures cannot be introduced immediately, an action plan shall be made with deadlines, and this action plan shall be regularly updated as requested by the BG quality department and sent to BG until its completion.

- If the supplier requires a claimed piece for analysis, it will be sent to him at his expense. In case of repeated occurrence of the same defect (failure of measures in the 8D Report), the supplier is obliged to immediately implement CSL1, i.e.: 100% inspection of all products (internally or externally).
- Processing working/sorting instructions for 100% inspection and submitting it to the appropriate BG quality department for approval.
- Sending a report of detected defects to the appropriate BG quality department once a week.
- CSL1 can be terminated at the earliest after 20 calendar days without any defect

If CSL1 proves to be ineffective (defect reoccurrence) BG is authorized to ensure CSL2 on the BG side, i.e., 100% inspection by a selected external company of all products entering BG at the supplier's expense. Working/sorting instructions for the inspection of products shall be approved by the BG quality department and submitted to the external company. The supplier shall provide all necessary aids, measuring instruments, and premises for the external company conducting CSL2. CSL2 can be terminated after min. 20 calendar days without any defect and verification by BG that all measures taken are effective.

6.3 Claims from the field

If it is discovered or suspected that a claim from the field (warranty claim) is the result of a defective product, material, or service of the supplier, the suppliers will be informed of this fact using a written claim from the field. Suppliers are expected to fully cooperate in the investigation, root cause analysis, and definition and implementation of corrective actions. Suppliers should have a process in place to process, analyze, investigate, report, and remediate field complaints from customers.

The supplier acknowledges that in the case of claims from the field, not all claimed parts from services are returned to OEM, as this would represent disproportionately high costs. In these cases, only a few returned parts (usually min. 4 pcs.) are analyzed, representing representatives from the entire market. Based on the analysis of these pieces, the so-called technical factor is then calculated, which represents the percentage share of the supplier's fault, which then contributes to the payment of the total warranty costs.

7) AUDITS

The goal of the audit is to verify the compliance of the monitored processes/steps of the process with the requirements and specifications. The customer requests or performs the following types of audits:

1. **Potential analysis according to VDA 6.3** - used for new suppliers or existing suppliers with a new production site, new technology, or new product. The potential analysis is performed by the BG auditor, either at the supplier's location or remotely.
2. **Supplier self-assessment** – a preliminary assessment of the maturity of the supplier's management, which is carried out by the supplier in the form of filling out a questionnaire based on the request of the BG auditor.
3. **Process audit according to VDA 6.3** - used by suppliers supplying parts intended for the automotive industry. The validity period of the audit is 5 years. The audit is performed by the customer, either at the supplier's location or remotely.
4. **Supplier self-audit according to VDA 6.3** - used by suppliers supplying parts intended for automotive customers, except for customers from the VW Group. The supplier must conduct and document the audit every 12 months (with a maximum validity period of 12 months).
5. **Supplier self-audit according to VDA 6.3 with implemented requirements of the VW Group, Formel Q** - This is used for suppliers supplying parts specified by VW Group customers. The supplier must conduct and document the audit every 12 months (with a maximum validity period of 12 months).
6. **D/TLD audit** – product audit according to the VDA methodology for products with special characteristics. The supplier must conduct and document the audit every 12 months (with a maximum validity period of 12 months)..
7. **CQI audits** - performed by the supplier at the request of the BG auditor.

As part of the QMS audits carried out by the BG auditor, the supplier undertakes to provide information regarding the organizational structure of management and the assurance of quality, safety, and environmental protection. It also undertakes to answer all questions regarding methods of ensuring the quality of the delivered product. BG undertakes to the supplier not to pass on the information provided by the supplier during internal audits to third parties and considers it confidential. The supplier must implement and documented the above requirements of points 1 to 7 and submit the BG to the customer upon request. The supplier undertakes to allow BG representatives access to determine the degree of product quality assurance. The date of the process audit will be announced by BG 5 working days in advance. A condition of the process audit is the demonstration of the production of the delivered products. In exceptional cases, in the event of a threat to the smoothness of deliveries or a significant deterioration in quality, BG reserves the right to perform an audit, a so-called **technical review**, without prior notification. In such a case, the supplier must provide BG representatives with access to the area of the company/production of the sub-supplier.

7.1 Process audit evaluation

Process audit evaluation is conducted by VDA 6.3.

A supplier with B-rating must implement improvement programs and corrective measures within 6 months to get A-rating.

BRANO GROUP TARGET - 100 % SUPPLIERS WITH PROCESS AUDIT RATING A

8) SUPPLIERS'ERS EVALUATION

BG evaluates the eligibility of suppliers every month. The maximum achievable total of points for all evaluated areas is 100. The evaluation in individual areas is as follows:

Q (quality)	**Evaluation in quality**	**max. 50 points**
OTD (on-time delivery)	**Evaluation in logistics**	**max. 15 points**
P (price)	**Evaluation from the point of costs**	**max. 10 points**
TC (technical cooperation)	**Technical cooperation level**	**max. 20 points**
IS (Information Security)	**Level of information protection**	**max. 5 points**

The formula for the supplier total evaluation is as follows:

Q + OTD + P + TC + IS = TE (max. 100 points)

Note:

If a direct supplier to the automotive industry is not certified according to IATF 16949/ISO TS 16949 but has a valid ISO 9001, their quality evaluation is multiplied by the coefficient of 0.97. If a direct supplier does not even have a valid ISO 9001 certificate, their quality evaluation equals to „0" points. The same applies if the certificate loses its validity.

Suppliers are classified as follows based on results achieved in suppliers' evaluation:

Rating	Compliance degree	Rating description	Definition of measures/requirements
A	>=90%	qualitatively qualified supplier	- Customer'sr's requirements regarding development/serial production met - without serious individual weak points - measures for continuous improvement are continuously implemented
B	80-89%	temporary qualitatively qualified supplier	- improvement program scheduled, feasible in an acceptable period - action plan with corrective measures required - additional audit
C	0-79%	qualitatively unqualified supplier	- defininging immediate measures - business hold - implementation of improvement and innovation program at supplier required - additional audit

Every supplier is sent the result of the evaluation once a year.

Suppliers with ratings "B" and "C" are informed in writing about the result of the evaluation for the monitored period (month) in the following months. An action plan with deadlines containing corrective measures to eliminate the reasons for the deteriorated rating is required from these suppliers. A supplier that has achieved a B rating result due to a claim does not need to send an action plan if it has already submitted an 8D report and implemented corrective measures that eliminated the root cause of the complaint.

Suppliers rated „C" are included in the escalation program.

8.1 Escalation program

The principle of escalation describes the internal course of BG's reaction in case a supplier is rated „B" and „C". The supplier, based on their conduct, is included in the escalation program, whose purpose is to ensure sufficient pressure on the supplier to improve their efficiency. A supplier who does not fulfill his obligations or whose actions may cause unreliability of deliveries in terms of quality or quantity to the customer may also be included in the escalation program. The individual stages of the escalation program include the following:

Escalation stage 1 – an authorized BG employee must immediately inform the supplier and request the implementation of corrective measures.
Escalation stage 2 - Involvement of the relevant (middle) management of the supplier, while an improvement program at the level of middle management is required.
Escalation stage 3 - Involvement of the relevant TOP management. Downgrading the supplier to the "C" category, while an improvement program is required at the level of TOP management.

Category "C" suppliers may not be requested for new projects. The supplier is obliged to inform the certification body with which he is certified according to IATF 16949, reps. ISO 9001, on obtaining a special status. The supplier is obliged at regular intervals to submit ongoing reports on the resolution of defined non-

conformances and the fulfillment of defined deadlines. The effectiveness and efficiency of the implemented measures can be verified by a process audit carried out by the customer at the supplier.

For successful de-escalation, the supplier is required to prepare and send an action plan, which includes defining the root cause, proposing, and implementing the corrective measures it has implemented and verifying the effectiveness of these measures unless otherwise agreed.

9) SUPPLIER'S LIABILITY, SANCTIONS

In the case of insufficient quality caused by the supplier, BG is entitled to exercise the agreed rights to warranty performance. The BG price list for compensation for damages and contractual penalties is given in an annex to this document. The supplier undertakes to pay BG all claimed damages and penalties contained in the attached BG price list. The supplier acknowledges that for these purposes BG is also entitled to set off claims for damages or penalties against the supplier's receivables.

9.1 General liability

The supplier bears the primary manufacturing liability for products supplied to BG and used in a final product, both for quality and safety. BG is not responsible for defective products that were not detected by random incoming inspection. BG expects suppliers and subsuppliers to create such organizational and technical conditions that will increase the safety of their supplied products and minimize product liability risks. The supplier is obliged to follow and fulfill the applicable legal requirements as well as specific customer requirements and specific product requirements (such as Formel Q Konkret, Formel Q Capability, Formel Q New parts Integral and references to technical guidelines and standards) unless otherwise agreed. In the event of a court dispute, it is governed by Czech law.

9.2 Logistical non-conformities

Logistics is considered an integral part of quality at BG. If logistical non-conformities occur, the corresponding delivery is considered non-conforming, and the supplier is charged the necessary costs associated with its solution according to the valid BG price list (refer to Annex 1).

9.3 Packing

Packing of serial parts, or alternative packing as necessary, and their marking, including materials used shall be defined in the form of a packing instruction and approved in cooperation with an employee from the BG logistics department. Marking of packing shall take place according to the packing instruction approved by BG. The supplier shall inform of any deviations in advance. If additional expenses on the side of BG arise, the compensation for damage shall be governed by the BG price list. The supplier is liable for the cleanness of supplied packing units, free of any contamination. If a packing unit is damaged, unapproved alternative packing is used or valid documentation is not supplied, BG reserves the right to reject such delivery and issue a logistical claim according to the BG price list.

The packing must ensure the protection of the supplied products or materials during transport, handling, and storage. The supplier is obliged to follow the FIFO principle.

9.4 Non-conformities in the quality area

The supplier shall compensate BG for all eligible costs occurring due to his non-conforming supply. Furthermore, he is obliged to pay any costs arising from internal sorting in BG, which were necessary to solve the immediate measures established in the solution of non-conforming delivery, in the amount according to the valid BG price list. These costs are applied to the supplier by the appropriate BG quality department.

9.5 Environmental protection

Products, materials, and mixtures supplied to BG may only contain or release such substances that are specified according to the (EU) Directive No. 1907/2006 „Directives for registration, evaluation, approval, and

limiting of chemical substances (REACH)", as amended, registered in due terms and approved for the planned use. Furthermore, the duties shall be observed that are specified in VW 91101 „Standard for vehicle environmental protection; Vehicle parts, materials, operating fluids; Prevention of use of harmful substances", as amended.

The supplier must continuously monitor the customer's environmental requirements and relevant legal requirements and demonstrate compliance with these requirements. The supplier is obliged to submit current and complete documentation related to IMDS (International Material Data System) requirements in the database www.mdsystem.com and www.conflict-minerals.com.

9.6 Conflict Minerals Policy from Conflict-Affected and High-Risk Areas

The BG expects its suppliers to avoid the direct or indirect use of minerals that are found to be conflict-affected. Minerals are ranged as conflict-affected if non-state armed groups are supported directly or indirectly through the extraction, transport, trade, handling, or export of those minerals.

Information regarding smelters or refiners for minerals such as tin, tantalum, tungsten, and gold used by suppliers or sub-suppliers must be disclosed to BG upon request.

BG recommends using the Conflict Minerals Reporting Template published by the Conflict-Free Sourcing Initiative (CFSI) for this purpose, which can be downloaded from the website: http://www.responsiblemineralsinitiative.org

We ask our suppliers to observe their due diligence in this regard throughout the supply chain. This includes the implementation of measures, which assure that the minerals used – particularly tantalum, tin, tungsten, and gold – do not directly or indirectly finance or benefit armed conflicts.

These due diligence requirements are in addition to the above-mentioned sustainability requirements in terms of environmental protection, employee rights, transparent business relations, and a fair market environment, which are an integral part of the application of due diligence.

9.7 Conflict of documentation

In case there is a collision between some articles or items of this Quality Manual and a business contract or PQP, business contracts and PQP have priority over the Quality Manual only if they have stricter criteria in the quality area of purchased products.

This Quality Manual for suppliers of BRANO GROUP, a.s., was issued with effect from 1.7.2025 and it is a part of all contracts for the supply of goods and services for any of the companies forming a concern with the company BRANO GROUP, a.s., if such a contract contains a reference to this Quality Manual.

An integral part of this Quality Manual is Annex 1 „Price list of lump-sum compensations for expenses and damage to BRANO GROUP, a.s., valid from 11.11.2022 and other Annexes according to the text.

If there is a conflict between the English and Czech versions of this Quality Manual, the parties note that the Czech version has interpretive advantages.

In Hradec nad Moravicí on 30.6.2025

Ing. Petr Škrobánek
Purchasing Director
BRANO GROUP, a.s.

Ing. Pavel Juříček, Ph.D.
Chairman of the Board
BRANO GROUP, a.s.

Ing. Petr Petr
Quality Director
BRANO GROUP, a.s.