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The Parties named below have concluded this Agreement as follows:

Flaig+Hommel LLC, 7, Bauman St., 606524 Zavolzhie, Nizhny Novgorod region

hereinafter referred to as «Flaig+Hommel»

The Company: _____

The Company address: _____

hereinafter referred to as «the Supplier»

Preamble

The cooperation of the above contracting parties shall be established on a long-term basis upon this Agreement acceptance. The support shall hereby be rendered in expanding business relations and the idea of their continual improvement shall be promoted. The Parties to the Agreement undertake to properly perform any customer and resource oriented activities.

1. The Ground

This Quality Assurance Agreement shall apply to all products (materials, goods, services, etc.) to be supplied as well as to spare parts.

2. Principal Guidelines and Objectives

The Supplier shall be obliged to maintain the effective and up-to-date Quality Management System in order to assure the required product quality conformance.

Quality characteristics and any other properties of products shall be a part of this Agreement. Required characteristics of products (parts, materials or services) shall be ensured in each delivery. For any modifications whatsoever the prior consent of Flaig+Hommel shall be required. The Supplier shall timely notify on any scheduled changes. The Supplier shall be responsible for ensuring the availability and sufficiency of productive capacity (availability of materials) for services to be provided (deliveries to be performed). The Supplier shall bear the full responsibility for lack of any defective products in delivery.

3. The Quality Management System + Technology Level, Legislative + Administrative Regulations

The Supplier's Quality Management System should comply with DIN EN ISO 9001, as an alternative to IATF 16949. The requirements of the currently effective revised edition of the relevant standard shall be an integral part of this Agreement. The Supplier shall regularly perform the assessment and possible improving of its internal processes as well as audits of the technology and product quality management system. The relevant documentation must be presented to F+H upon request.

F+H shall be entitled to determine through auditing whether the quality assurance measures comply with the Customer's requirements. The said auditing may be carried out as a process audit or as a product audit and it must be timely agreed with the Supplier before the scheduled date. System audits of the certification bodies approved by the Customer shall be thereat taken into account. There shall also be regarded the Supplier's reasonable and admissible restrictions for keeping its production and business secrets.



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- The Supplier shall carry out the D/TLD (Q-Form) audit of a relevant group of goods and submit the title page at the request of Flaig+Hommel.
- AIAG – CQI-9 Special Process: Heat Treatment System Assessment ;
- AIAG – CQI-11 Special Process: Plating System Assessment ;
- AIAG – CQI-12. Special Process: Coating System Assessment ;

The title page of the special process audit shall be annually provided to Flaig+Hommel without any request.

The Quality Management System Requirements should be applied by the Supplier to the Subsupplier, if the Subsupplier's products directly affect the quality of products to be delivered.

4. Ecology, Hazardous Substances, Disposal

Our Suppliers' additional goal should be the continuous improvement of the internal management for the environmental and occupational safety system. It implies the availability of the appropriate certificate of ISO 14001 (in the latest effective version) and OHSAS 18001 or SCC (in the latest effective version).

The Supplier shall use only those materials and processes which comply with all requirements, laws and regulations for environmental protection and occupational safety valid in the country of the manufacturer and in the country of the consignee, especially in respect of any hazardous substances, compounds and products.

- The prohibition to use heavy metals under the EU Used Cars Directive (2002/525/EG).
- The compliance with official regulations: The Supplier undertakes that all items and materials used in the final product shall comply with all legal regulations.
- The Supplier agrees to record at the request of Flaig+Hommel all materials used in its product to the International Material Data System, IMDS - system.
- To comply with specific customer's requirements for conservation, disposal, components, etc.
- To follow the chemicals handling requirements.

5. Representation of Persons in Charge

Our VW customer demands to appoint a Product Safety Commissioned Officer (PSCO). Flaig+Hommel shall apply this requirement to its Suppliers. The Supplier shall carry out the appropriate training and represent in writing a responsible contact person and the deputy of the latter.

6. Product Planning

Any potential sources of defects should be identified in advance in order to take any targeted preventive actions. For this purpose the appropriate planning should be carried out before serial deliveries or changes of a product (process), which shall include at least the following actions:

- The analysis of the product manufacture feasibility/ verification of contracts
- FMEA process (failure modes and effects analysis)
- Inspection planning and the study of capabilities of measuring instruments for special characteristics



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- The acquisition and implementation of manufacturing facilities (mechanisms, verification tools, ...)
- SPC (Statistical Process Control), if applicable
- The first article inspection
- Packaging
- Control of sub-suppliers

Any additional requirements shall be agreed in accordance with the project, for example:
The Customer and the Supplier may carry out the product planning based on the VDA (German Automobile Manufacturers Association) or QS-9000 series:
"Quality Assurance in Series Production" VDA 4,
"Supply Quality Assurance" VDA 2,
or
QS-9000/APQP (Advanced Product Quality Planning)
or IATF16949

6.1 Special Characteristics

Flaig+Hommel shall provide particular (special) characteristics to the Supplier on a drawing or a list. Such characteristics may be classified as significant and critical (safety-related) ones. Regardless thereof, the Supplier shall determine any additional special characteristics associated with the product manufacturing technology.

Especially controlled characteristics (special characteristics) require a proof to be provided for the equipment and process capability, ($Cmk > 1.67$, $Cpk > 1.33$). At the request of Flaig+Hommel information on the process capability shall be provided.

7. The Product Quality

The Supplier agrees to monitor and document its quality assurance activities and activities in respect of products to be supplied, which follow from drawings, specifications, order text and applicable regulatory documents. The Supplier agrees to provide, if necessary (at the request of Flaig+Hommel), the access to its quality documentation (if necessary, to customers of Flaig+Hommel).

8. Quality Objectives and Zero-Error Strategy

The Supplier of parts, services (heat treatment, metal plating, metal cutting services, etc.) must not exceed the defect rate in the delivery and at the stages of processing more than 50ppm. Suppliers of materials (calibrated rolled products, sheets, pipes, etc.) must ensure the defect level 0.05% in deliveries and at processing stages from the number of deliveries to Flaig+Hommel.

In any case, the determination of the said defect level shall not relieve the Supplier from the obligation to constantly try to improve its activities and strive for achieving the "zero defect" goal.

Thus, all internal and external quality data and associated quality costs must be recorded, analyzed and continuously improved until all target figures are attained. In case of any specific features, quality target figures and implementation dates should be agreed as per a joint improvement program.

9. The First Article



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9.1 The First Sample Inspection

New parts must be delivered from the first sample test report in accordance with the VDA edition, Part 2, Quality Assurance of Deliveries or comparable regulations (e.g. PPAP). The documents presentation level agreed by default is Level 2. If Flaig+Hommel needs for Level 3 of the submission of documents, the Supplier shall ensure thereof.

The first products must be manufactured using series production facilities and under series production conditions. The Supplier is required to complete all specifications as per a drawing, technical reference data and standards.

As agreed with Flaig+Hommel, the Supplier shall provide an EMPB inspection report before the first delivery. The Supplier shall provide the first sample test report and the samples themselves. The number of required samples of the first product should be at least 5 pieces. This quantity is oriented at an assigned level. The permit for the release of the first samples does not relieve the Supplier from the liability for its products quality in future deliveries.

The minimum set of documents for the EMPB inspection to be supplied with samples shall be as follows:

- Title page, measurement record;
- Control plan, test schedule;
- Index of capability ($C_{mk} > 1.67$; $C_{pk} > 1.33$) for special characteristics (if any);
- Test report for WAZ material (EN 10204 „3.1“);
- Drawing (if available, a copy of the standard) with the designation of all characteristics and specifications;

9.2. IMDS-data

Flaig+Hommel recommends to record information on the chemical composition of a material in the IMDS system (International Material Data System; Internet address: www.mdsystem.com). The ID number of such recorded data in the IMDS system shall be entered to the field of the title page of the first sample test report. If it is impossible to record thereof in the IMDS system, information shall be provided as a separate sheet of a special form. Information shall be provided to Flaig+Hommel at the request.

10.0 Obligatory Documenting, Designation, Special Archiving

The Supplier shall be obliged to continuously document information on tests performed and on results thereof. Flaig+Hommel shall have the right of access to such test documentation. The quality documentation shall be so prepared by the Supplier as to provide for the assessment, unambiguous reference to a relevant product, the place and time of the product manufacture.

The quality documentation should be kept at safe location and may be quickly searched for. At the request of Flaig+Hommel any quality information must be provided within reasonable shortest time. The storage period for such quality documentation: reports, test results, statistical information, etc., shall be at least 15 years. For documentation to parts and characteristics subject to special archiving, proceed as specified in VDA 1.

11.0 Delivery/Logistics

The Supplier shall make sure according to its own QMS activities that the delivery quality has not been affected during the transportation to Flaig+Hommel.

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Each container or single package must be identified using labels, tags, tally sticks. The delivery identification must be clearly understood and easily readable.

12.0 Changes

Any changes in products or processes which affect the quality of manufactured products must only be made with the permission of Flaig+Hommel.

Flaig+Hommel must be timely and comprehensively informed on the Supplier's changes in order to be able to verify thereof for all areas of their distribution. The Supplier shall bear the responsibility for the product quality following the adoption of change by Flaig+Hommel.

13.0 Production Defects

13.1 Fault Detection at the Supplier's Site

In case of the manufacture process failure or the detection of the product quality deviations the Supplier shall arrange the sorting and labeling of the product units at all stages of the manufacture. The Supplier shall exclude the delivery of any suspected defective items to Flaig+Hommel. In those cases when the Supplier considers the product to be fit for delivery, an application shall be made to Flaig+Hommel to obtain the permission for such a deviation. Upon obtaining such a special permission the Supplier shall be entitled to ship the said parts to Flaig+Hommel. Such a delivery must be specially marked. The Supplier shall inform Flaig+Hommel on the mode of marking for such a special delivery. Reasons for deviations should be analyzed and improvement measures should be implemented. Such measures shall be advised at the request of Flaig+Hommel.

13.2 Claim Management

If any problem has arisen, the relevant information shall be provided to the Supplier.

After the receipt of the initial information about any claims the Supplier shall inform a contact person in Flaig+ Hommel within 24 hours on working days (the next working day) about the Supplier's immediate actions for the replacement of inappropriate goods or any other required measures in order to ensure the delivery.

Claims should be immediately analyzed by the Supplier regardless of the time of their identification, either upon the receipt of the goods or during the further processing or at the stage of use. The Supplier shall document all actions, apply any appropriate corrective actions and submit a report to the Customer under Form 8D or any other form of corrective actions. If the Supplier is guided by the requirements of 8D, the following terms are established for the information provision: 24 hours for D0-D3; 10 working days for D4-D6; 30 days for D7-D8. Costs associated with the claim will be charged to the Supplier within the scope of the contractual relationship.

14.0 Supplier Development

In case of the provision of services of inadequate quality as well as repeated deliveries of inappropriate products Flaig+Hommel may initiate appropriate measures to develop the Supplier. The Supplier shall be obliged to take appropriate measures to implement recommendations of Flaig+Hommel, to develop its QMS ensuring defect-free deliveries of products.

15.0 Incoming Inspection of Products

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Flaig+Hommel shall inspect the deliveries of goods for their identification, quantity and damage in transit.

The checking of the product geometric dimensions and properties shall only be carried out at the qualification stage and further as needed.

The Supplier shall perform the final inspection of the products and shall document the results thereof.

As agreed with Flaig+Hommel, test results may be enclosed in hard copy form to the delivery.

16.0 Re-qualification Inspections

The Supplier agrees to perform at least once a year (or under a special agreement with Flaig+ Hommel) re-qualification inspections of the product. Such an inspection may be carried out as per groups of typical parts, i.e. parts with similar manufacturing processes.

The scope of the inspection is the same as for the first sample. The results of the said re-qualification should be documented and made available at the request of Flaig+ Hommel.

17.0 Designated Sub-suppliers

If Flaig+Hommel provides a list of approved sub-suppliers to the Supplier for purchasing certain products for Flaig+Hommel, the Supplier should use relevant products of those specified in this list. The cooperation with sub-suppliers from the said provided list shall not relieve the Supplier from delivering high quality products.

Each new sub-supplier of such products should solely be engaged with the permission of Flaig+Hommel or its customers.

18.0 The Supplier Appraisal

The Procurement, Quality Management, Logistics Departments shall regularly appraise suppliers based on relevant performance indices. The current performance shall be compared to target indicators. The assessment shall be carried out at least once a year. The Supplier shall be informed about the results of the appraisal.

Among others thereat the following aspects may also be taken into account:

- The quality of products and services at the production site;
- The quality of deliveries or service of deliveries;
- Suppliers' contribution to the cost optimization;
- The capability to achieve high quality (audit, evidence of serial production capabilities);
- The management of projects and sub-suppliers (audit);
- The acceptance and implementation of this Agreement by the Supplier;

19.0 Production Safety/ Responsibility for Products/ Insurance

Flaig+Hommel recommends to the Supplier to arrange the insurance against risks of the delivery of inappropriate products, the product withdrawal from operation, etc. The Supplier shall be fully responsible for delivered goods. If defects are found after the expiry of the

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liability period, it shall be settled through negotiations between the Supplier and Flaig+Hommel pursuant to the concluded contract and current legislation.

20.0 Product Safety Commissioned Representative (PSCR)

In accordance with the requirements of Flaig+Hommel customers and pursuant to IATF 16949 Part 4.4.1.2 Product Safety, it is recommended to the Supplier to appoint a special officer named a Product Safety Commissioned Representative (PSCR).

The Product Safety Commissioned Representative shall act as an expert responsible for the assurance of the product safety or its safe manufacture as well as for eliminating risks, as it should reduce the likelihood of claims and increase the supplier's responsibility for the product.

To properly perform his duties, the Product Safety Commissioned Representative (PSCR) should comply with certain requirements to some required knowledge, skills and understanding of tasks to be performed. Requirements to the Product Safety Commissioned Representative (PSCR) are posted in a separate document on the Company's website <https://www.flraig-hommel.ru/suppliers>.

21.0 Corporate and Social Policy of Flaig+ Hommel

Flaig+Hommel has adopted the Corporate and Social Policy aimed at the compliance with human rights requirements; adherence to business ethics; environmental protection; achieving high customer satisfaction; attaining high business results which ensure the long-term existence of Flaig+Hommel and its partners.

Flaig+Hommel expresses the full hope that all of its Suppliers will familiarize themselves with the above policy and accept its provisions as guidance. Refer for the Corporate and Social Policy of Flaig+Hommel on the Company's web-site <https://www.flraig-hommel.ru/corp-policy>.

Express Your Opinion:

If information is available that any violation has been committed (is planned) or any other illegal action, which contradicts the Corporate and Social Policy of Flaig+Hommel, the Supplier may directly report thereabout to the service which it supports business relationship with; if any circumstances make it inadmissible for any reason, a message may be sent to corpcompliance@flraig-hommel.ru. Flaig+Hommel guarantees the confidentiality of all messages.

In any case all reports on the misconduct of Flaig+Hommel employees will be used to investigate such facts. The respondent anonymity will always and surely be preserved.

22.0 Validity

This Quality Assurance Agreement shall have no expiration date and it may be terminated subject to the six-month notice before the end of the calendar year. Nevertheless, it shall remain effective for all agreed delivery contracts till their validity expiry.

Amendments to some paragraphs or chapters of this Agreement are associated with a revision made (emphasized in italics) and may be re-specified or specifically processed only in relation to such amended paragraphs.

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Addendum:

- This Agreement shall be an integral part of the contract for the current delivery of components, materials, services;
- Some items of the Quality Agreement are not typical for the processes of suppliers of materials (Trading Companies), therefore, the additional approval by Flaig+ Hommel shall be required.
- The acceptance and fulfillment of the requirements of this Quality Agreement by the Supplier shall be appraised by Flaig+Hommel when forming the assessment of the Supplier's activities for the period.

Date, signature for Flaig+Hommel

Date, signature of the Supplier