



Release	Date of release	Changes
07	20.10.2022	Definition of exit conditions regarding Escalation model
08	25.05.2026	<ul style="list-style-type: none"><li>• Clarified scope of the escalation model with a clear distinction between the project phase and serial production.</li><li>• Added content regarding supplier monitoring and updated the escalation model.</li></ul>

## TPV AUTOMOTIVE`S SUPPLIER QUALITY MANUAL

May 2026



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In the »TPV AUTOMOTIVES`s Supplier Quality Manual« definitios from »TPV AUTOMOTIVES's General Terms and Conditions of Purchase« and down mentioned explanations are used:

TPV AUTOMOTIVE	The company TPV AUTOMOTIVE d.o.o., which has concluded a Delivery Contract with the Supplier. Hereinafter referred to as the Buyer.
Supplier	The party receiving an Order and/or the party confirming the Order.
Buyer's Customer	Any legal entity that purchases goods from the Buyer.
<b>Products and Services</b>	Material (raw material), C-elements, Complex elements, Completion Services
<b>Material (raw material)</b>	Metal sheets, Tubes, Wires.
Sheet metal	Including, but not limited to Metal Sheets in coils and blanks of different dimensions (based on norm: hot rolled, cold rolled, galvanized, multi-phase, stainless and alumunium).
Tubes	Including, but not limited to stainless and steel tube, circular, rectangular, square and oval tubes, standard lenght or cut at requested dimension (based on norm: weldless cold drawn tubes, welded cold drawn tubes, welded cold sized tubes, welded cold sized square and rectangular tubes).
Wires	Including, but not limited to, wires in coils and rods, galvanized wires, welding wires in drums and coils.
KTL materials	Including, but not limited to materials for pretreatment, painting and waste water treatment plant.
<b>C-elements</b>	Standard and Nonstandard C-elements. Including, but not limited to, welding elements, self clinching fasteners, rivet elements, slide bearings, ball bearings, washers, spacers, clips, springs, rubbers, plugs, axles, mirrors, covers, composite parts of sealing sets.
Standard C-elements	C-elements based on DIN EN norms or standards of Buyer`s Customer or based on catalogue of Supplier. Including, but not limited to, welding elements, self clinching fasteners, rivet elements, slide bearings, ball bearings, washers, spacers, clips, springs, rubbers, plugs, axles, mirrors, covers, composite parts of sealing sets.
Nonstandard C-elements	C-elements based on the Buyers`s or Buyer`s Customer drawing. Including, but not limited to, welding elements, self clinching fasteners, rivet elements, slide bearings, ball bearings, washers, spacers, clips, springs, rubbers, plugs, axles, mirrors, covers, composite parts of sealing sets.
<b>Complex Elements</b>	Products and Services based on the Buyer`s or Buyer`s Customer drawing. Including, but not limited to, stamping parts, bending parts, cast parts, forged parts, plastic parts, complex assembled parts and aluminium profiles.
<b>Completion Services</b>	Including, but not limited to surface protection, surface treatment, metal refinement, plastification, metal treatment, sewing.



<b>Equipment</b>	All tooling (special and standard tools) and production equipment as well as any other assets that are required to produce the Goods including, but not limited to, know how, technology and the related documentation that is required to produce the Goods.
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## 1 Preface

The main quality purpose of the Buyer is to meet requirements set by the Buyer's Customer. All major requirements and expectations set by the Buyer's Customers make the Buyer fulfil higher quality requests related to Products and Services and Equipment. As the Buyer's Product and Service quality to a large extent depends on the quality of Bought-out Parts and Equipment, our goal is to establish and implement long-term partnership with Suppliers and in this way make sure the Suppliers themselves provide for continuous quality improvement.

In order to provide high quality, reliable and competitive Products and Services and Equipment, we have implemented management of quality system and continuous improvement, which can only be achieved with mutual beneficial relationship between the Customer and the Supplier.

## 2 Objective of quality management

As our Supplier, you are responsible for quality of Products and Services and Equipment delivered to the Buyer. The purpose of this Manual is to define the basic Buyer's requirements to the Supplier in terms of quality and therefore to provide long-term:

- high quality of Products and Services and Equipment,
- transparent communication,
- creation of conditions allowing for continuous improvement of efficiency and sustainability in the entire supply chain.

In terms of planning and providing the quality, the Buyer gives priority to the preventive approach and principles of continuous improvements. The concept of continuous improvements shall be also implemented by the Suppliers, focusing above all on:

- »0 defect « in terms of quality,
- providing conforming deliveries,
- permanent improvement of Products and Services and Equipment as well as processes.

Nothing in this Manual shall impair the requirements of legal regulations and customer specific requests, which are binding on both the Buyer and its supply chain.



### 3 Quality Management system

Implementation of effective quality management system in accordance with ISO 9001 (current version) and developing a quality management system in accordance with IATF 16949 (current version), is prerequisite to establishing a long-term business relationship between the Buyer and Supplier.

Effectiveness of quality management system is demonstrated through:

- continuous and reliable improvements of Products and Services as well as processes,
- quality of Products and Services delivered (PPM, number of claims, costs of claims),
- on-time deliveries,
- successful implementation of corrective action plan,
- efficient communication on all levels,
- meeting the objectives of individual projects (schedule, quality and cost).

### 4 Quality planning

#### 4.1 APQP

When winning new Products and Services, the Supplier shall meet the APQP requirements or other requirements when so agreed and determined by the Buyer. The Supplier is required to appoint an expert qualified in preparing documents and implementing actions in compliance with the requirements established in the automotive industry (APQP, PPAP, MSA, SPC, FMEA or equivalent methods according to VDA). All related costs shall be included in Products and Services price.

#### 4.2 PPAP

Prior to series production, the supplier shall submit to the Buyer the PPAP file with the contents as described below, depending on the type of Products and Services.

The Buyer shall classify the Products and Services in following groups:

- Material (raw material)
- C-elements
- Complex Elements
- Completion Services



#### 4.2.1 Material (raw material) and Standard C-elements

The Buyer shall request the Supplier to submit the following PPAP elements for Material (raw material) and Standard C-elements (basic PPAP level 2):

- Lists of Requirements, coordinated and signed by the suppliers (List of Requirements for materials and standard bolt and screw material)
- Analysis results (certificates for materials)
- IMDS
- Documents relating to the laboratory compliance (ISO 9001, IATF 16949, ISO 17025)
- Part Submission Warrant (PSW)
- Additional documents (packaging data sheet)

#### 4.2.2 Nonstandard C-elements and Complex elements

The Buyer shall request the Supplier to submit the following PPAP elements for Nonstandard C-elements and Complex elements (basic PPAP level 3):

- Buyer's and Buyer's Customer Drawings
- Lists of Requirements, coordinated and signed by the suppliers (List of Requirements for all bought-out parts)
- Documentation changes
- Process synopsis
- Process FMEA (synthesis)
- Dimension reports (geometry measurement reports, CPK reports for special characteristics)
- Analysis results (certificates for materials, testing reports - IMDS number)
- Measurements systems analysis MSA
- Documents relating to the laboratory compliance (ISO 9001, IATF 16949, ISO 17025)
- Control plan
- Part Submission Warrant (PSW)
- Master sample (PPAP samples)
- List of control devices
- Additional documents (packaging data sheet)
- R&R report (performed by TPV Automotive or supplier self-assessment).



### 4.2.3 Completion Services

The Buyer shall request the Supplier to submit the following PPAP elements for Completion Services (basic PPAP level 3):

- Drawings (supplier's drawings and customer's drawings)
- Lists of Requirements, coordinated and signed by the suppliers (List of Requirements for completion services)
- Documentation changes
- Process synopsis
- Process FMEA
- Dimension reports (geometry measurement reports, CPK reports for special characteristics)
- Analysis results (certificates for materials, testing reports - IMDS number)
- Measurements systems analysis MSA
- Documents relating to the laboratory compliance (ISO 9001, IATF 16949, ISO 17025)
- Control plan
- Part Submission Warrant (PSW)
- Master sample (PPAP samples)
- List of control devices
- Additional documents (packaging data sheet).

In the event of special requirements made by the Buyer's Customer the Buyer may request to submit additional documentation.

Additionally requirement can be different from TPV AUTOMOTIVE d.o.o.'s requirements in case of different TPV AUTOMOTIVE d.o.o.'s Buyer requirement (for example change from level 3 to level 2).

### 4.3 SPC

For the purpose of process control, we use different statistical methods (Statistical Process Control), e.g. sampling, control cards, process capability Ppk, Cpk, capability of measurement testing equipment, etc. Before using any method, the size of the sample shall be defined in accordance with VDA standard or PPAP (latest version).

If not otherwise required, the process capability shall be deemed to be validated to provide appropriate quality in the following cases:

Characteristic	Sampling	Series production
Safety-relevant, regulatory	<b>Ppk <math>\geq 2.00</math></b>	<b>Cpk <math>\geq 1.67</math></b>
Important characteristics	<b>Ppk <math>\geq 1.67</math></b>	<b>Cpk <math>\geq 1.33</math></b>



#### 4.4 FMEA

**FMEA - Failure Mode and Effect Analysis** is an analytical preventive technique, which identifies potential failures before they occur. It allows to anticipate a failure, reduce costs of failure identification and minimize the risk of failures. The Supplier shall use this technique or an equivalent one for risk assessment in the event of developing a new process, changing a process, deviation from required quality, and regular quality improvement activities.

#### 4.5 MSA

**MSA (Measurement Systems Analysis)** evaluates the quality of the current measurement system and affects the control of process parameters and characteristics of Products and Services. The Supplier shall make the analysis for the following systems:

- Measurement system variations (variable characteristics are those whose values can be expressed numerically), e.g. sliding gauge, micrometer, dial indicators, altimeter, ...
- Attributive measurement system (attributive or descriptive characteristics), e.g. gauges control devices GO-NO GO, ...
- Complex measurement systems (measurement systems where the same part can not be measured twice – repeatability and reproducibility measurement systems).

#### 4.6 Presentation of initial samples

The Supplier shall present the initial samples for all Products and Services delivered to the Buyer. Presentation of initial samples is used to evaluate the compliance of Products and Services with their definition. When presenting initial samples the Supplier shall follow the rule that Products and Services are made with series production Equipment and are submitted when the following circumstances occur:

- a new product,
- a product modification,
- product made with a repaired or new tool,
- product made on a new production line,
- a production process modification,
- after production disruption longer than 6 months,

Initial samples shall be sampled from minimum quantity of samples produced in 1 to 8 hours or from at least 300 consecutive produced parts as it is prescribed in PPAP. Quantity of initial samples shall be from 1 to 5 pieces, depending from the previous agreement.

The Supplier shall label all delivery documents and packaging with »initial samples«. Samples shall be numbered with the consecutive number and with Buyer's identification number. The complete documentation of the samples shall be sent by electronic mail to the contact person indicated in the



Delivery Contract (each document in a separate file). Physical initial samples shall be sent to the contact person indicated in the Delivery Contract. The Buyer reserves the right to charge any additional costs incurred by a new sampling in the event of non-compliance of the samples with the Buyers requirements.

Results of sampling may be as follows:

- Approved
- Approved with reservation (Other)
- Rejected

In the event of »rejected« or »approved with reservation«, the Supplier is bound to make a plan of corrective actions in agreement with the Buyer with the aim to achieve the result »approved«.

#### 4.7 Special characteristics

In order to meet high legal and regulatory requirements (such as those related to the responsibility for Products and Services) as well as increasing Buyer's Customer demands, the Supplier shall pay a special attention to the specification, implementation and inspection of special characteristics. Non-compliance with determined and agreed requirements may result in significant consequences such as recalls or Product and Services replacements. This may lead to ban of sales or loss of image or orders.

For all functions marked with a special characteristic, it is necessary to record all data, measurement values and documents as presented in »Supplier logistic manual TPV AUTOMOTIVE« for a full examination of all controlled production processes, tests, etc. as required by the latest version of VDA standards.

Special characteristics may be:

- safety-relevant characteristics – are all those product or process characteristics where non-compliance with requirements has effect to vehicle end user safety or effect to the environment safety. Products with safety characteristics are basically components of the vehicle that have active or passive influence on the safety of the vehicle (e.g. brakes, steering...).
- regulatory characteristics – are all product or process characteristics which must be fulfilled to assure compliance with legal regulations.
- important characteristics – are those characteristics of product or process which compliance must be assured to assure functionality, suitability of operation or further processing of the product.
- other characteristics – are those characteristics of product or process, which we want to informatively label for the easier and more efficient planning of the equipment, product, production process and measurement process.




These characteristics are defined in the List of requirements and/or technical documents attached here to and are specially labelled. The Supplier is bound to control and monitor special characteristics in accordance with the validated control plan and keep records on safety characteristics at least 15 years after completion of production (EOP).

Assignment of special characteristics from FMEA.

All risks, recognised by Supplier and also by Buyer must be evaluated with an analysis (usually FMEA). Based upon severity (S) of the potential effects it needs to be specified if the risk must be assigned as special characteristic. Specific characteristics are defined according to the severity (S) of the potential effects in the product and the process FMEA analysis.

Safety-relevant and Regulatory characteristics  <b>SR</b>	Important characteristics  <b>1</b>
Severity (S) in FMEA = 9, 10	Severity (S) in FMEA = 8

The supplier's documentation shall include marking of special characteristics in compliance with the Buyer system of marking, as indicated below:

Description of characteristic	Safety characteristics	Regulatory characteristics	Important characteristics	Other characteristics
<b>TPV AUTOMOTIVE d.o.o.</b>				
	Non-graphical code: <b>SR</b>		<b>1</b>	<b>2</b>

Note: see item 4.3

In case of a special characteristic related to the mechanical properties and/or chemical composition the supplier of **Material (raw material)** shall assure that all related requirements are achieved. As evidence of compliance with requirements, the supplier shall submit a 3.1 material certificate in accordance with EN 10204 norm. The Material certificate is requested for each delivery of Material (**raw material**). Material certificate and material label shall contain the corresponding TPV AUTOMOTIVE d.o.o. sign for special characteristics. Statistical report for process capability (Cpk) is not requested.

In case of special characteristic related to the dimensions of **Material (raw material)**, dimensions shall be within specified limits. Material label shall contain the corresponding TPV AUTOMOTIVE d.o.o. sign for special characteristics. Measuring report shall be made available on request. Statistical report for process capability (Cpk) is not requested.


In case of a special characteristics on dimensions of **C-elements, Complex Elements and Completion Services**, the Supplier shall confirm the process capability with statistical (Cpk) report (request referred to this manual or specific requirement from TPV AUTOMOTIVE d.o.o `s List of requirements). The Report shall be sent on request. Material labels shall contain the corresponding TPV AUTOMOTIVE d.o.o. symbol for special characteristics.



In case of special characteristics when the Supplier of **C-elements, Complex Elements and Completion Services** controls their own sub-contractors, the control shall be performed in the following manners:

- The Supplier shall obtain from the subcontractor of Material (raw material) the material certificate 3.1 in accordance with the EN 10204 norm;
- The Supplier shall require the subcontractor of Material (raw material) to implement the labelling of material certificates and material labels by using the corresponding symbol for special characteristics. The symbols shall comply with the system of special characteristics implemented by the Supplier or TPV AUTOMOTIVE d.o.o. In case the Supplier uses its own labelling system for special characteristics, a comparative table of special characteristic labels shall be provided;
- In case of a special characteristic on dimensions of **C-elements, Complex Elements and Completion Services** the Supplier shall require the subcontractor to confirm the process stability with statistical (Cpk) report;
- The Supplier shall provide the subcontractor of **Material (raw material), C-elements, Complex Elements and Completion Services** with all other requirements related to special characteristics specified in this Manual.

Storage of all documents subject to these requirements shall be done properly, in compliance with laws and regulations and groups of rules according to the latest VDA standard (microfilming is allowed), and the storage shall be provided at least 15 years after the period of use (according to VDA1, quality evidence with emphasis on special characteristics) if not otherwise required by the Buyer. In the event of bankruptcy of the Supplier, Buyer shall have the right to acquire all documentation related to the quality evidence for Products and Services delivered within the required period of 15 years.

All deliveries of Products and Services including safety and subject to regulations shall be clearly marked by the Supplier. Each packaging unit (mesh pallets, pallets, coils, etc.) and the material certificate shall bear the marking .

All sub suppliers shall be approved and they are bound to perform the same procedures of documentation as the direct Suppliers to Buyer.

## 5 Change management

No modification in process or/and on Products and Services of the Supplier and their sub suppliers shall be implemented without a Buyer's approval. The Supplier shall provide a sufficient and timely amount of information in order to enable all necessary activities (assembly of samples, samples for Buyer's customers, validation, long-lasting testing and Buyer's customer approval). In the event of a modification of the Supplier's Products and Services, the general requirement shall be to mark the first deliveries with a special marking in accordance with Buyer's requirements.

The Supplier is obliged to keep and, if needed make a presentation of the history of changes of the relevant Products and Services or process. For each change, the Supplier is obliged to update the PPAP documentation in respect of agreement made with Buyer about the required PPAP level (see item 4.2),



and present documentation to Buyer. Product and Service or/ and process change can be released to series production only upon Buyer's validation of the documentation. Additional costs related to the repeated approval process will be charged to the Supplier, if origin of request is from Supplier's side.

The Supplier is responsible for development of their suppliers at least to the extent required in this document. Should the Supplier intend to change their supplier, they shall obtain Buyer's authorization as Buyer reserves the right to audit and release a sub supplier. Each change of Supplier, location or Equipment shall mean a new validation of Products and Services and process.

Should the Supplier identify a discrepancy of characteristics or reliability of Products and Services as to the agreed requirements, he shall immediately inform Buyer and start to eliminate non-conformities in compliance with requirements laid down in this document. Until the corrective actions are implemented and validated, Buyer may require implementation of special actions (e.g. higher level of inspection, 100% inspection, additional operational / process steps) for a certain period. In such a case, the Supplier is held responsible for any costs thus incurred.

## 6 Non-conformity management

As soon as Buyer receives the Products and Services, he carry out the incoming inspection sampling including the following inspection:

- identification of Products and Services,
- delivered quantities,
- deliveries with regard to possible obvious packaging, Products and Services deformation,
- A-test for Materials (Material certificates)
- Products and Services special characteristics.

Should a defect on the delivered Products and Services be identified at the incoming inspection, Buyer shall notify immediately the Supplier by issuing a formal claim. Supplier claims can be official (in case of TPV Automotive d.o.o. Buyer's claim, deviation on special characteristics, repeatable claims, deviation which generates costs for TPV Automotive d.o.o.) and unofficial (deviation has no influence to the TPV Automotive d.o.o.'s production process, deviation detected on incoming inspection which the supplier eliminates at his own expense before the occurrence of problems in production, complaints to carriers). In case of possible unidentified defects, due to the sampling inspection, which may be detected subsequently within the usual operating procedures, the Supplier shall be informed upon such detection. If the defect is identified after the incoming inspection within the Buyer process and the Buyer's Customer, this shall in no way reduce the Supplier's responsibility to deliver proper Products and Services in terms of logistics and quality.

A claim shall mean every identified deviation from requirements determined in terms of logistics and/or quality. After receiving a claim, the Supplier is obliged to implement corrective actions to prevent recurrence, reduce consequences and provide an undisturbed supply. Immediate actions shall be



presented within 24 hours after receiving the claim. Subsequent measures (8D) shall be presented within 5 calendar days unless otherwise agreed. The claim shall be closed in 10 calendar days. In order to determine the real cause and eliminate it, the following methods shall be used: 5 Why, Fishbone diagram and examination of action efficiency. For official complaints, we require a full 8D report and coverage of all costs. For informal complaints, we require an 8D report up to point D3. Since there are no costs incurred, we only charge an administrative fee. The Supplier shall use a team method to sort out the problems. In particular cases, the Supplier may make a written request to release Products and Services under specified conditions which is agreed with the relevant Buyer's services who can issue a derogation approval in writing.

The actions shall be presented on the form »103244 8D TPV AUTOMOTIVE suppliers« unless otherwise agreed.

Equipment non-compliance management is managed according 104445 General requirements for design, manufacture and delivery of equipment to TPV in 103324 Acceptation protocol.

Supplier is obliged to cover complete costs, which are consequence of determinate incompliance by the Buyer or Buyer's customer.

All related costs will be charged based on »TPV Automotive's Claims price list« which is available on the Buyer's web site [www.tpv-automotive.si](http://www.tpv-automotive.si).

## 7 Supplier monitoring

The Buyer performs quarterly and annual supplier evaluation and monitoring in order to ensure compliance of supplied products and services with the Buyer's requirements, Buyer's customer requirements, and the requirements of the IATF 16949 standard.

The supplier evaluation system is based on monitoring key supplier performance indicators, whereby the evaluation criteria are adapted to the type of supplied product or service.

For suppliers of serial production material or products, the Buyer primarily monitors quality and logistics performance indicators such as:

- number of official complaints,
- PPM,
- Buyer's customer disruptions caused by the supplier,
- number of special transports caused by inadequate supplier performance,
- supplier responsiveness regarding logistics or quality complaints.

These indicators enable monitoring of delivery quality, stability of the supply process, and the supplier's impact on the Buyer and Buyer's customer's operations.

For suppliers of equipment, services, and other indirect purchases, criteria mainly related to the performance of the service or delivery, responsiveness, and fulfillment of contractual requirements are applied.



The following are primarily monitored:

- Number of complaints due to inadequate delivery and/or service,
- number of delays in delivery or service execution,
- existence and validity of a general / maintenance agreement, where required.

Based on the achieved number of points, suppliers are classified into the appropriate performance categories. The evaluation results serve as the basis for further supplier monitoring, determination of development activities, and implementation of necessary measures in the event of unsatisfactory supplier performance.

Quarterly Scoring Structure – Raw Materials, Purchased Parts and Subcontracted Services:

Criteria	Evaluation	Points
Number of official complaints (logistics and technical)	0 complaints	25
	1–2 complaints	15
	3–5 complaints	10
	> 5 complaints	0
PPM	0–500	20
	501–1500	15
	1501–3000	10
	3001–5000	5
	> 5000	0
Buyer's customer disturbances – Number of Buyer's customer complaints caused by supplier	0 complaints	30
	1 complaint	20
	> 1 complaint	0
Number of Premium Freight Shipments caused by inadequate supplier performance	0 special transports	15
	1 special transport	10
	2–3 special transports	5
	> 3 special transports	0
Responsiveness to logistics and quality complaints	Supplier adequately responsive	10
	Supplier partially responsive	5
	Supplier non-responsive	0



Annual Scoring Structure – Equipment and other purchases:

Criteria	Evaluation	Points
Number of complaints due to inadequate delivery and/or service	0 complaints	40
	1 complaint	32
	2 complaints	24
	3 complaints	12
	4 complaints	8
	> 4 complaints	0
Number of delays in delivery and/or service execution	0 delays	40
	1 delay	32
	2 delays	24
	3 delays	12
	4 delays	8
	> 4 delays	0
Valid general/maintenance agreement where required	Agreement concluded	20
	Agreement not concluded	0

The results of quarterly and annual supplier evaluations are published on the TPV Supplier Portal and shall be considered as an official notification to the supplier. Quarterly evaluation results are updated no later than one month after the end of each quarter. Annual evaluation results are updated no later than by the end of the first quarter.

The supplier is obliged to regularly monitor the TPV Supplier Portal and review the evaluation results.

In the event that the supplier achieves less than 75 points in the quarterly or annual evaluation, the escalation process shall be initiated in accordance with the provisions of Section 8 of this Supplier Quality Manual. The Buyer may additionally notify the supplier of the initiation of the escalation process by e-mail.

The supplier is obliged to prepare and submit a corrective action plan no later than within 14 calendar days from receipt of the notification regarding the initiation of the escalation process or from the date of publication of the evaluation results on the TPV Supplier Portal, if no additional notification has been sent.

Definition of evaluation periods:

- Quarter 1: January to March
- Quarter 2: April to June
- Quarter 3: July to September
- Quarter 4: October to December



Supplier classification according to the achieved quarterly or annual rating:

Maximum number of points = 100

- Rating A = 75–100 points
- Rating B = 50–74 points
- Rating C = < 50 points

## 8 Escalation model

### Scope of the Escalation Model

The escalation model defined in this chapter (E1–E3) applies to serial production.

During the project phase (APQP, prototypes, pre-series, PPAP), deviations are managed within the framework of project management (e.g. open issue lists, milestone reviews, APQP tracking) and are not subject to the standard escalation model.

Escalation during the project phase may only be initiated in the event of:

- SOP risk,
- failure to meet agreed milestones,
- supplier non-responsiveness or lack of cooperation.

In such cases, the issues shall be treated as project escalation outside the standard escalation model.

For the purpose of effective problem resolution and ensuring the required quality and safety for the Buyer's customer, the escalation process described below has been defined.

The purpose of implementing the escalation model is:

- rapid response to identified deviations from specified or agreed values,
- achieving a balance between the Buyer's interests and the Suppliers' responsibilities,
- continuous cooperation with Suppliers in the field of quality.

The supplier development escalation model consists of three levels and is designed to support supplier development through continuous monitoring and improvement. Each level requires immediate action by the Supplier. Failure to implement activities at one escalation level leads to the next escalation level and may ultimately result in supply restrictions.

The escalation process shall be initiated upon fulfillment of one of the escalation triggering criteria defined in Section 8 of this Manual. The Buyer shall notify the supplier of the initiation of the escalation process either by e-mail or by publication of the evaluation results on the TPV Supplier Portal.

The deadline within which the supplier must present the corrective action plan is 14 calendar days following receipt of the Buyer's notification regarding the initiation of the escalation process or publication of the quarterly or annual rating on the TPV Supplier Portal.



Schematic representation of escalation levels:



Level	Meaning of Level	Trigger Conditions	Supplier Activities
E1 – Increased supplier supervision	Supplier shows increased risk regarding quality or process stability.	<ul style="list-style-type: none"> <li>&gt; quarterly or annual rating B</li> <li>&gt; repeated nonconformities or complaints</li> <li>&gt; supplier does not achieve rating A in three consecutive evaluation periods</li> </ul>	<ul style="list-style-type: none"> <li>&gt; analysis of the causes of deterioration</li> <li>&gt; The supplier shall prepare a corrective action plan and submit it to the Buyer for review.</li> </ul>
E2 – Controlled supplier	Supplier represents increased business risk due to unsuccessful actions or recurring issues.	Unsuccessful E1 measures; recurring nonconformities after E1; annual rating C.	<ul style="list-style-type: none"> <li>&gt; Extraordinary supplier audit according to questionnaire 1000014 "Supplier Audit". The audit shall be performed by the Buyer or, subject to prior approval, by the supplier itself.</li> <li>&gt; Systemic corrective action plan and presentation of action plan at Buyer's site</li> <li>&gt; weekly reporting on the implementation of actions.</li> </ul>
E3 – Critical business risk	Supplier seriously endangers quality, delivery stability or Buyer operations.	Unsuccessful E2 measures; safety or recurring complaints; serious threat to delivery stability to Buyer's customer.	<ul style="list-style-type: none"> <li>&gt; Preparation of stabilization plan for deliveries and processes</li> <li>&gt; weekly progress reporting.</li> </ul>



Escalation Level	Exit Conditions
E1 – Increased supplier supervision	All corrective action plans closed, including actions after supplier audit.
E2 – Controlled supplier	Systemic corrective actions implemented and effectiveness confirmed by the Buyer.
E3 – Critical business risk	Recovery plan implemented and supplier stabilization confirmed by the Buyer.

## 9 Audits

The Supplier shall perform regular audits (at least once a year) and in case of problems additional exceptional Products and Services and process audits (generally according to VDA 6.3 and VDA 6.5 upon an advanced agreement with the Buyer) with the aim to ensure continuous improvement of production process.

Buyer, Buyer's Customer or a third party determined by Buyer shall have the right to make an audit of the Supplier or their subcontractor in order to assess the efficiency of the quality management system and continuous improvements (system, process and Products and Services audit). Buyer respects the Supplier's restrictions in terms of protection of industrial property. The audit shall be carried out upon an advanced agreement with the Supplier, and the information shall be treated as confidential. In the event of unexpected major defects or damages, Buyer shall reserve the right to make an immediate visit to the Supplier and inspect the process management.

The results of audits shall be exclusively used for making decisions on Supplier selection and determining necessary actions for improvement.

In the event of reproducible exceptional audits which are an integral part of escalation, Buyer shall be entitled to the reimbursement of costs by the audited supplier.

After reception of the audit report, the supplier is bound to implement the appropriate actions related to the identified non-conformities within the agreed deadline.



## 10 Requalification tests

The supplier is obliged to perform requalification tests for all characteristics of the Products and Services as required at the PPAP validation. In accordance with IATF 16949 standard and Buyer customers general requirements, the Supplier shall carry out the requalification procedures at least once a year. The evidence of performed requalification shall be sent to the Buyer within 48 hours of the request and it shall be free of charge. The requalification documentation is reviewed by the Buyer.

For Bought-out Parts, Complex Bought-out Parts and Completion Services Supplier shall deliver to the Buyer following:

- Completed self-assessment questionnaire
- Latest updated drawing
- Control plan
- Measurement report (min 5pcs)
- Test results according to the drawing requirements
- Process capability for special characteristics
- Certificate for the material
- Valid certificates for ISO 9001, IATF 16949

Exceptionally, requalifications may also be requested for Materials and Standard Screw Materials in the case of customer request or additional needs of TPV AUTOMOTIVE d.o.o.

## 11 Documentation management

The supplier shall make detailed records on implementation of quality management actions including the documentation related to the initial samples, trainings, requalifications, physical initial samples and complete documentation related to special characteristics. In addition, the supplier shall store such documentation at least 15 years after the end of production (EOP). In terms of the documentation management, the Supplier shall meet the VDA standard and specific requirements defined by the Buyer.

If the need arises, the Supplier shall allow Buyer to access and support the documentation and sample analysis, and submit the requested samples and documentation.

The Supplier shall present the required documentation and samples within no more than 24 hours from such request. This shall in particular apply to the characteristics of Products and Services for which a proof for statistical capability of process is requested.

The Supplier shall attend to the functional project management in the stage of Products and Services and process design and other extensive tasks. This all shall be documented in accordance with the VDA standard or in accordance with appropriate equivalent.



## 12 Concept of order completion

In the event of failure and/or disruption of Equipment, the Supplier shall ensure, through implementation of appropriate measures, that Products and Services shall be available to the Buyer (e.g. quick intervention by toolmakers and maintainers provided by a contract made with relevant equipment manufacturers, safety stock of material). In order to avoid delivery disruptions, the supplier is obliged to implement a system of preventive maintenance.

Its capabilities shall be validated by the Buyer or the Supplier and proved within the project stage; they shall be ensured at any time. The supplier shall also develop emergency plan to ensure uninterrupted deliveries to the Buyer.

## 13 Packaging and labeling of deliveries

The supplier shall provide the storage of products in a way to protect them from damage or change of material characteristics due to environmental impact. Unless otherwise determined, the supplier shall provide for the necessary packaging and its identification in accordance with the »Supplier Logistics Manual TPV AUTOMOTIVE« and specific packaging regulations validated by the Buyer. Packaging procedures must be agreed and confirmed by the Buyer.

The Supplier shall provide proper labelling of Products and Services in accordance with Buyer's requests which are listed in »Supplier Logistics Manual TPV AUTOMOTIVE«

Supplier must be capable in each moment to determinate which Products are subject of possible failure at the Buyer or Buyer's Customer. In accordance with this request Supplier must establish proper system of Products and Services marking.

## 14 Outsourced materials/suppliers

When the Supplier is determined by the Buyer's Customer, the conditions can be stipulated directly by the Buyer's customer.

It is considered that the Buyer's customer has transferred all requirements to the Supplier and the Supplier acknowledges and accepts such requirements. In such a case, the Buyer shall be informed by the Supplier about implementation and observance of all conditions.

In case the Buyer was not informed by the Supplier about the possible agreements between the Supplier and Buyer's Customer point 6 of this document must be respected.

The Supplier is obliged to deliver to the Buyer, as a legal entity controlling the supply chain towards the Buyer's Customer, the complete quality documentation which has been agreed and validated between the outsourced Supplier and the Buyer's Customer.



## 15 Authorised Economic Operator (AEO)

TPV AUTOMOTIVE d.o.o. is the holder of an AEO license (authorized economic operator). The Supplier undertakes to provide the necessary security conditions related to compliance with customs and tax legislation, systems for keeping business and transport records that enable appropriate customs controls, solvency, security and safety standards, and appropriate training and professional qualifications.

## 16 Glossary

APQP - Advanced Product Quality Planning

FMEA - Failure Modes and Effects Analysis

PSW - Part submission warrant

PPAP - Production Part Approval process

SPC - Statistical Process Control

R&R - Repeatability and Reproducibility

8D - 8 Disciplines Methodology

EOP - End of Production

MSA - Measurement Systems Analysis