Quality Assurance Agreement

for

- Systems suppliers
- Materials suppliers
- Components suppliers
- Services

between C+M Utescheny Spritzgießtechnik GmbH

Industriestraße 2 – 6

75059 Zaisenhausen

(hereinafter referred to as "customer")

and

click here to enter information.

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(hereinafter referred to as "supplier")

Version: 06.2016

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0 Preamble

The key factor which determines the competitiveness and position of Utescheny Spritzgießtechnik GmbH in the global marketplace is the quality of its products. The ultimate goal of the entire quality assurance programme is customer satisfaction. The agreed specifications, characteristics and reliability of the products we buy (components, raw materials, services), or any associated services, have a direct influence on the quality of the products bearing the name of C + M Utescheny GmbH.

This *Quality Assurance Agreement* (QAA) *with suppliers* is the binding definition of the technical and organisational conditions governing all deliveries or services provided to C + M Utescheny Spritzgießtechnik GmbH, which are required to reach the shared quality assurance goal of "zero defects". It specifies the minimum requirements expected from the supplier's quality management system.

The conclusion of this *Quality Assurance Agreement* represents an indispensable step for a future business relationship with Utescheny Spritzgießtechnik GmbH.

1 Supplier's responsibility for the quality of his products and services

The supplier is responsible for supplying products and services which are free from defects in accordance with the technical documents agreed in writing. He is responsible for verifying the completeness and accuracy of these documents and, if necessary, to request additional information from the customer. The supplier must be aware of the requirements placed on the product and if necessary request clarification from the customer.

If the supplier places orders with subcontractors, he is obliged to enforce the terms of this *Quality Assurance Agreement with Suppliers* (QAA) with his subcontractors.

The supplier's quality strategy must be directed towards a continuous improvement of his processes and services. The objectives are "zero defects", 100% delivery performance and the reduction of costs.

The supplier bears the agreed contractual responsibility for the products and services he provides.

The supplier further agrees to meet all confirmed deadlines, e.g. for delivery of samples, implementation of corrective measures, submission of status reports, etc.

2 Quality management system

2.1 General

The fundamental requirement for becoming a supplier of production equipment, production materials and service processes to Utescheny Spritzgießtechnik GmbH is certification under the ISO 9001 quality management system.

A strategic supplier undertakes to apply on a continuous basis a QM system suitable for the requirements of the automotive industry, which is documented by a valid ISO/TS 16949 certificate, or, in the absence of such a certificate, the supplier will submit evidence thereof within a period of three years. The supplier shall provide the customer with the name of his company's product safety officer.

2.2 Evidence of the quality management system

The supplier's certificates must as a rule be available for download from his website, if this service is not available it is the supplier's own responsibility to present his certificates to the appropriate staff member in the customer's procurement department without prompting. In this case, updates must be provided immediately following the expiration of the validity period or notification given after the withdrawal of a certificate. Failure to comply will result in a supplier assessment downgrade of one level in the ABC supplier status.
An updated supplier assessment report will be sent to the supplier by the customer on an annual basis.

2.3 Monitoring the quality management system, the process and product quality

The supplier is required to audit his internal process and product quality at regular intervals, but at least once a year he shall perform a self-audit (process audit) pursuant to VDA 6.3, which shall be available to the customer on request.

In the case of quality issues or system deficiencies on the part of the supplier, the customer has the right to conduct an audit at the supplier to determine his level of compliance with the customer's requirements. Depending on the circumstances, this may take the form of a technical discussion, a quality meeting or a process audit which will be conducted according to a schedule agreed in advance with the supplier.

If necessary the customer is also entitled to inspect the supplier's quality assurance measures together with a representative of the final customer, according to a schedule agreed in advance.

The supplier will grant the customer access to the areas concerned and allow him to inspect the relevant documents.

In the case of quality problems caused by a subcontractor, the supplier will permit the customer to conduct an audit at the subcontractor, in the presence of the supplier.

3 Environmental management

The legal requirements and allowable limits are the minimum standards that should be applied to all processes and services to be rendered. The customer will be given access to any test results required by the authorities. Test results relating to any processes and services rendered by subcontractors of the supplier are to be made available to the customer on request.

The supplier is required to implement an environmental management system with DIN EN ISO 14001 or EMAS III certification in the medium term.

The REACH regulation on the Registration, Evaluation, Authorisation (and Restriction) of Chemicals took effect in the EU member states on 01.06.07. Under the REACH regulation, around 30,000 of the most commonly used chemical substances and all new substances subsequently developed are to be registered together with the appropriate safety data on each. Substances with a high toxicity (those in the SVHC category [Substance of Very High Concern]) require an additional application for authorisation to use. The supplier shall comply with these standards.

The RoHS [Restriction of Hazardous Substances] regulation covering the use of certain hazardous substances took effect in the EU member states on 01.07.06. The RoHS regulation limits the use of six dangerous substances and in doing so supports an efficient system of recycling used products containing these substances. The supplier shall comply with these standards.

4 Advanced product quality planning

The supplier must apply the basic principle of a "preventive and not a corrective" approach to quality control procedures. Systematic advanced product quality planning should be practised.

4.1 Production feasibility

The supplier receives technical documentation together with the order documents. The supplier is obliged to inform the customer of any documents which appear unclear, incorrect or incomplete. The customer will then issue written instructions accordingly or provide modified documents. The supplier must ensure that he has an internal distribution system to provide the relevant departments and sections with the latest version of all documents supplied by the customer of Utescheny Spritzgießtechnik GmbH. Documents which are no longer up to date should be archived and barred from further use.

The supplier must review the deliveries and services detailed in the purchase order with regard to their production feasibility. In this connection, production feasibility is defined as the suitability of the requested product for manufacture under volume production conditions, particularly with regard to parameters such as:

- Capacities/volumes
- Deadlines
- Technical specification
- Drawings
- Specifications
- Process capabilities
- Visual inspections

The production feasibility must be assessed for all new and modified parts/products. The customer will be informed in good time of any problems.

4.2 Quality meetings

The purpose of quality meetings is to reach a general consensus on the parameters of the quality requirements and on improvements in quality results. Quality meetings can be held as deemed necessary by the customer in consultation with the supplier in the course of the product or process development phase, or during volume production.

4.3 Project plan

The supplier will develop a project plan which will be used for project planning and implementation. The project plan will include the following milestones:

- Development of a construction FMEA (only for construction processes and where the supplier bears the construction responsibility)
- Development of a process FMEA with a starting point at the process planning phase
- Development of a control plan (incl. critical characteristics CC's and significant characteristics SC's)
- Planning and availability of the test equipment incl. verification of test equipment capability
- [1]Manufacture of non off-tool parts(if required)
- [1]Manufacture of first off-tool parts
- [1]Determine machine and process capability (for CC's and SC's)
- Conduct initial sampling using PPAP or VDA.2/PPF
- Conduct a capacity analysis e.g. (Run @Rate)
- Production start and system loading
- Start and finish dates, resources

1 = use if applicable

The supplier will provide status updates at agreed intervals to the customer's procurement staff member tasked with the project.

4.4 *Inspection planning and test equipment planning*

Using systematic inspection planning and test equipment planning enables the supplier to ensure that for new or modified products, production processes, etc.

- all significant characteristics relevant for quality are recorded,
- that the design and frequency of the test procedures are appropriate and
- the test equipment is suitably designed and in place before the zero series start.

All significant characteristics relevant for quality are included in the drawings and specifications. The definition of critical and significant product characteristics which must be given special attention in the inspection and test equipment planning must be carried out according to the FMEA findings and with the agreement of the customer.

A test plan contains the following information:

- master data (including manufacturer, designation, drawing number, technical modification status)
- documentation obligation and creator/user/date
- inspection characteristic(s) (minimum is all CC's and SC's)
- test equipment
- test frequency
- test method
- test definition (quantitative or qualitative)
- random sample size or 100% inspection
- corrective measures to remedy occurring defects and person responsible for implementation

4.5 *Conducting an FMEA*

An FMEA conducted by the supplier must be accessible to the customer by arrangement. The customer's construction and planning departments will assist the supplier with any system interface questions (FMEA interfaces).

The FMEA will be developed under the guidelines in VDA Vol. 4, "Quality assurance before series production". FMEAs must be completed by the deadlines in the project plan and must be updated accordingly.

5 Quality assessment of construction results

To ensure a production process based on a preventive approach and continuous quality improvement, the supplier guarantees that a quality assessment of the[1]construction results (development concept, development samples) will be carried out and will be included in the design reviews. The basis of the assessment will be the product specifications and the requirements specifications. If the results deviate from the quality standards of the product/requirements specifications, the supplier must develop and implement corrective measures. The costs-by-cause principle will apply. **1 = use if applicable**

6 Evidence of process capability

Independently of the supplier's obligation to define further inspection characteristics for series production, he is obliged to carry out process capability studies specifically for characteristics which may influence functional capability or safety, or which may have a significant influence on quality.

These characteristics must be selected and specified as early in the process as possible and evidence of their process capability must be produced. The minimum selection criteria are, that they are all critical and significant characteristics:

- [1]Preliminary process capability Pp; Ppk > =1,67
- [1]Process capability (long-term) Cp; Cpk > =1,33

The supplier must present evidence of the process capability of the agreed inspection characteristics. The process capability study must be carried out under the guidelines in VDA Vol. 4, "Quality assurance before series production". Utescheny Spritzgießtechnik GmbH is entitled to request and be granted access to the relevant documentation as needed.

If the required process capabilities are not reached, the supplier or the supplier's subcontractor must immediately initiate appropriate process improvement and inspection measures to ensure that the quality goal is met.

Evidence of process capability is an integral part of the initial sampling.

1 = use if applicable

7 Sampling

Product samples are required before series production starts as evidence that the quality requirements as outlined in the drawings and specifications have been fulfilled.

Sampling is conducted under the VDA PPF or PPAP guidelines. The process to be used and the required submission level will be agreed with the supplier.

If minor deviations from the drawings or specifications are discovered during inspection of the initial samples and these cannot be reworked promptly, the supplier must request a special product release in advance of the sampling deadline. The customer will issue a special release after consulting with the supplier. If a submission is rejected or only conditionally accepted (special release), on receipt of the results, the supplier must promptly submit an activity plan outlining the steps he will take to achieve an unconditional product release from the customer. The submission date of a revised sample must be agreed in writing.

Products must not be dispatched to the customer until the supplier has received a product release or can present a special release issued by the customer.

A regular requalification process based on product groups will be implemented, for the account of the supplier. The requalification of specific products in series production requires written confirmation and in such cases the frequency and scope must be agreed with the customer. In the absence of a specific agreement the applicable policy will be: annually, based on the initial sampling date."

8 Process verification (Run@Rate)

The customer reserves the right to conduct a process verification procedure (e.g. Run@Rate) in order to verify and ensure that the quality assurance procedures in place are such that the process capability of parts or components complies with the quality requirements (the designated Q-characteristics in drawings and specifications), meets the VDA PPF and PPAP guidelines, that the manufacturing processes are in line with the control plan and the production output is consistent with the contractually agreed volume of production units per designated time period (units per shift or day). In particular cases this must also be agreed in writing.

For this purpose, the quality assessment of the production process includes the following components:

- initial sampling
- evidence of process capability
- planning documents
- production flow

During the implementation of Run@Rate, all standard production tools and systems must be in operation. Deviations from this standard must be discussed in advance.

Evidence must be produced that the planned performance targets have been met under series production conditions with planned levels of manpower and required production equipment.

The customer and supplier will schedule the date and scope of the assessment with sufficient advance notice.

The supplier is responsible for the preparation and implementation in consultation with the customer, the subsequent evaluation is the customer's responsibility. Any deviations will be compiled in a corrective action plan and must be rectified by the supplier. As required, in the case of major deficits, the assessment will be conducted again. A favourable verification process will result in series production approval.

Should the first **two** verifications fail to produce a satisfactory result, the customer is entitled to charge the personnel costs of all further verifications (travel, board and lodging and per diem) to the supplier's account.

9 Marking, storage and packaging

The marking of tools, products, parts and packaging must comply with the requirements agreed with the customer.

1. The supplier must mark his goods in such a way that at any time and at any stage of the process, from delivery into, until shipment out of the facility, the product status and inspection status is clearly visible.
2. Individual load carriers which are packed and ready for shipment require a sticker printed with the required master data. An attachment to the goods which is completely filled out, a so-called master label, is attached to the shipment.
3. The marking of the goods must be visible during transportation and storage.
4. In the case of new or modified products, in addition to the standard marking as outlined above, the first 3 deliveries should be clearly marked as "new/modified", or similar, using appropriate means of marking.
5. The supplier guarantees that the products will be delivered using suitable means of transport which have been approved by the customer and which prevent damage to the products. Packaging instructions can be found on the corresponding packaging specification sheet.
6. In the case of tools which have been produced and transferred into the possession of the supplier, special signs must be attached which document them as the property of the customer.

10 Traceability and documentation

The supplier undertakes to provide evidence a of QS documentation system, which is required to ensure the traceability of parts with specific characteristics.

Should a defect be found, traceability must be possible to the extent that a limitation of the number of damaged parts is feasible. The customer and the supplier will come to an agreement on the amount of data needed to achieve this goal and the required level of traceability.

For guidance on the creation and storage of documents, see the latest version of the VDA recommendations (Vol. 1 "Documentation and archiving"). Documents with specific archiving requirements, particularly those with safety-related characteristics (CC's) must be archived for a period of 15 years, other documents for at least 3 years.

In cases where the customer may be required to fend off claims by third parties, the supplier must grant him access to the relevant quality documentation and also hand over this documentation for a limited period should it be required by the customer as exonerating evidence.

11 Production/series control

The quality of the procured materials or parts is secured by the corresponding safeguards (inspection certifications, samples, etc.).

The supplier must use suitable inspection methods which are aligned with his control plan, to systematically monitor and secure his production. By monitoring and documenting his process parameters and product characteristics in a systematic way, he will ensure a stable and robust production process and thereby secure the quality of the products he produces. The causes of process interruptions and quality deviations must be analysed, corrective measures implemented and their effectiveness validated.

12 Series deliveries

The supplier guarantees the delivery of parts in accordance with the agreements regarding quantities and dates. The supplier will implement a preventive maintenance/service programme to avoid production disruptions caused by machine and tool outages.

13 Delivery of defective parts

Defective or suspect parts discovered in the wider supply chain at the customer, OEM or other third parties, must be selected, marked and separated accordingly. The source of the products will bear any costs and expenses.

To ensure that deliveries do not contain mixed products or external parts, specific delivery requests (e.g for assorted or single article packing) will be issued by the customer.

The supplier must not deliver any parts which deviate from the product specification or drawing unless he is in possession of a special product releaseissued by the customer.

14 Incoming inspection and defect notification

The customer will inspect the products delivered by the supplier on arrival, checking the identity of the products and also making sure there is no transport or packaging damage. The supplier will be notified of any deficiencies within 24 hours. The supplier is notified of any further deficiencies which were not immediately visible as soon as they are detected.

15 Complaints

The supplier will respond without delay to complaints regarding defective deliveries or services. The supplier will forward a report (8D Report) covering at a minimum the following points:

- Acknowledgement of the description of the deficiency (response within 24 hours)
- Immediate response initiated with 8D report. Pts. 1-3 require verification (damage limitation within 48 hours)
- Source of deficiency (within 10 working days)
- Corrective measures (remedy of source of deficiency within 30 working days), unless design-related.
- In individual cases longer processing periods may be necessary, to be confirmed with the customer.

16 Rejection of defective deliveries or services

Before segregation, rejection or rework on defective deliveries, customer and supplier will agree on next steps, with the goal of minimising the potential damages and costs.

In consideration of the priority to secure production and to continue deliveries, the following steps will be taken:

- return of defective goods and replacement without delay
- segregation by the supplier, third-party sorting company or the customer
- rework by the supplier, third-party sorting company or the customer
- substitution by the customer

The first three (3) product deliveries following correction of the deficiency must be marked accordingly (see 9.4 above).

17 Repeated occurrences of quality or delivery problems

In cases of quality or delivery problems that occur repeatedly, or significant product failure rates/rejections, for which the supplier is responsible, the customer is entitled, following consultation with the supplier, to assign his staff to conduct a VDA 6.3 problem-solving analysis or process audit at the supplier's premises.

In addition, a quality meeting will be held to explore the problems relating to quality, delivery performance, etc, and to develop and implement appropriate remedial measures.

According to the nature and frequency of the problems the meetings will be held at the appropriate level in the supplier's organisation (escalation process):

- Level I: Clerical staff level
- Level II: Department head
- Level III: Company management

Explanation, Level I: The problem can be solved at clerical staff level, no further measures are required, an escalation is prevented.

Explanation, Level II: The problem cannot be solved at clerical staff level, the clerical staff member informs their department head in order to eliminate the imminent escalation. The department head notifies company management and neutralises the escalation through suitable measures with the supplier.

Explanation, Level III: The measures taken by the department head and supplier do not fully neutralise the escalation. The department head passes the problem to company management for further action.

Information may be communicated to the immediate supervisor orally and/or informally by email.

In the case of repeated quality or delivery problems, failure to meet the [1]PPM target or the agreed reject rate, the customer has the right to impose a penalty of EUR150.00 on the customer for each complaint report. **[1] = use if applicable**

18 Modifications

New products, or modified samples must follow the customer's requirements. New products and modifications must be completed on the basis of the VDA PPF / PPAP sampling guidelines.

The supplier must inform the customer of any deviations in the agreed systems, particularly in the case of production transfers to different facilities, internal production transfers within the same facility are subject to a corresponding evaluation and approval process. Production is permissible on several identical machines, equipment or systems. In the context of emergency contingency planning, the supplier is permitted to purchase

materials from several sub-suppliers. In such cases the supplier guarantees that these sub-suppliers comply with the supplier guidelines, are certified and/or approved.

Parts history must be documented from the start of sample development until the conclusion of series production. The parts history must include at a minimum the following information: part name, number, modification status of the drawing or construction stage, description of modifications, delivery date of sample, delivery date of series, sampling.

19 Confidentiality

The parties mutually guarantee that any information or knowledge they receive from one other, however received, will be treated as confidential and, pending written authorisation, will not be disclosed or otherwise made available to third parties other than for the purpose for which it was originally intended.

This guarantee will remain in effect for a period of 3 years from the expiration date of this agreement.

20 Written form requirement

Amendments or additions to this agreement are valid only in written form. This also applies to a waiver of the written form requirement.

21 Validity and term

This Quality Assurance Agreement shall enter into effect on the date of execution thereof by the supplier and the customer. It shall have an unlimited term and may be terminated by either the supplier or the customer by giving 6 months' prior written notice by registered letter to the other party. The right to termination for cause remains unaffected.

The termination of this agreement shall have no effect on the validity of existing contracts to supply products, which shall remain in force until their full completion.

22 Final provisions, law, jurisdiction

In the event that any individual provisions of this contract become invalid or may become unenforceable, or become invalid or unenforceable following the conclusion of this contract, the validity of all other provisions of the contract shall remain unaffected. An invalid or unenforceable provision shall be replaced by a valid and enforceable provision which has an economic result similar or identical to the economic result the parties to the contract intended to achieve with the invalid and unenforceable provision. The above provisions shall also apply in the event that the contract should prove to be incomplete.

This agreement is subject to the law of the Federal Republic of Germany, with the exclusion of the UN Convention on the International Sale of Goods.

It is agreed that the courts in the place of business of the purchaser shall have the domestic and international jurisdiction for all contractual and ex-contractual disputes.

This jurisdiction excludes any other jurisdiction, in particular such jurisdictions that may be legally provided by personal or material association.

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Zaisenhausen, this day of	click here to enter information.

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