



Quality Assurance Agreement For Suppliers of automotive components

Between

ACE GmbH

- Advanced Composites Engineering & Manufacturing -
In Oberwiesen 18
88682 Salem Neufrach

Hereinafter referred to as "Customer"

And

SUPPLIER

Hereinafter referred to as the "Supplier"



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0. Introduction

This Quality Assurance Agreement is the contractual specification of the technical and organizational conditions between Customer and Supplier that are necessary for the achievement of the agreed/desired quality objectives.

It details the minimum demands made on the suppliers' management system in terms of quality assurance and should help to prevent quality problems and guarantee smooth operations between the contractual Parties as well as minimize costs.

The quality of the parts supplied has considerable influence on the Customer's internal operations and the quality of the end product. The Supplier must act in strict compliance with this Agreement, and also with regard to product liability and warranty obligations.

1. General Agreements

1.1 Subject Matter of the Agreement and Scope of Application

- a) This Agreement regulates the quality requirements for all development services and/or products, which are provided and/or delivered especially for the contractual partner during the duration of the Agreement.
- b) This Agreement shall be applicable in addition to the Customer's conditions of purchase and shall be deemed part of the supply contracts.
- c) Individual clauses of this Agreement shall not be applicable if they are in conflict with Contracts which supersede them (i.e. development or purchasing Contracts).
- d) The Supplier shall be similarly required to ensure its sub-suppliers adhere to the same obligations set out in this Quality Assurance Agreement.
- e) Any amendments and additions to this Agreement are required in writing. This shall also apply to the amendment of the requirements for written form.

1.2 Supplier's Quality Management System

- a) In order to guarantee the quality of its products, the Supplier shall be required to use and maintain an effective quality assurance system in accordance with DIN EN ISO 9001 as a minimum requirement or a system which at the least fulfils all the requirements included in this Standard.



- b) The supplier undertakes to comply with legal environmental protection regulations and to work on reducing adverse effects on people and the environment in its work. For this topic, the introduction and further development of an environmental management system according to ISO 14001 is preferable.
- c) The aim of ACE GmbH is to ensure and improve sustainability in the supply chain, which is why we involve our suppliers in this process. The sustainability questionnaire for suppliers is used for self-assessment and as a first inventory that provides information about the current status of our suppliers' activities with regard to CSR / Corporate Social Responsibility sustainability.
- d) Especially for the automotive industry, other regulations are applicable, in particular the following:
 - VDA Standards (DE), Volume 1 ff
 - IATF 16949
 - The corresponding customer requirements such as Volkswagen Group Quality Management Agreement, Volkswagen Group Formel Q Capability, Mercedes Benz special Terms and Toyota Supplier Quality Assurance Manual

Which are likewise integral parts of the Agreement.

- b) The Supplier is committed to the zero-defect target, and must continually optimize its performance accordingly. If the Supplier cannot guarantee a zero-defect target, then ppm targets shall be determined annually in a ppm Agreement. If the ppm target is not met, then the Supplier must submit a list of measures, which must be implemented within an agreed period of time.
- c) Insofar as the Customer provides the Supplier with access to production materials and test equipment, these must subject to the Supplier's quality management system much like their own production materials and test equipment, unless agreed otherwise.
- d) Customer-specific production materials (tools, devices, test equipment) are the property of ACE GmbH and shall be clearly and permanently marked with its inventory, part and design numbers. These production materials must be fully included and calculated in the Supplier's maintenance activities. If necessary, the Supplier must itself initiate the necessary arrangements.

1.3 Sub-supplier's Quality Management System

- a) The Supplier shall ensure its sub-suppliers adhere to the same obligations set out in this Contract.
- b) The Customer can request documented evidence from the Supplier, which shows that the Supplier's sub-suppliers recognize the effectiveness of the quality management



system in place and/or the quality of the purchased parts has been guaranteed through suitable measures.

1.4 Supplier's Audit

- a) The Customer and its contracting entity are entitled to determine, by way of an audit, whether the Supplier's quality assurance measures guarantee fulfilment of the customer's requirements.
- The audit can be carried out as a system, process or product audit and must be agreed upon in due time before it is carried out. Audits from authorized certification authorities must therefore be taken into consideration. Reasonable restrictions on the part of the Supplier shall be accepted in order to protect its business secrets.
- b) In the case of quality problems caused by sub-suppliers' services or deliveries, the Supplier shall thus be required to allow an audit of the affected sub-supplier to be carried out.

1.5 Documentation and Information

- a) Specifications and documentary evidence must be retained for 15 years (cf. VDA Volume 1 "Quality Evidence"). The Supplier must grant the Customer access to these documents upon request.
- b) Should it become evident that Agreements (for example: Quality features, delivery dates, supply quantity) cannot be adhered to, then the Supplier shall be required to inform the Customer immediately. In the interest of finding a quick solution, the Supplier shall be required to disclose the data and facts.
- c) If the Supplier notices an increase in the deviations between the actual and the specified features of the products (deterioration in quality), it shall be obliged to immediately inform the Customer about this and about planned remedial measures.
- d) The Supplier shall notify the Customer in good time before making any changes to production processes, machinery and/or production plants, instruments, appliances, materials or supplier parts for the products, or to the location of production sites, and changes to procedures or facilities for the inspection of products, or any other quality assurance measures, so that the Customer may verify whether or not said changes shall have a detrimental effect. In relation to this, see point 2.1.f.
- e) Only sub-suppliers nominated by Customer may be hired for procurement of customer-specific input materials and services. The Customer's permission must be obtained in the event of a change in sub-suppliers.
- f) All product modifications and all changes in the process chain affecting the products must be documented in a product life cycle and must be carried out in accordance with



VDA Volume 2 “Ensuring the Quality of Supplies”. The product life cycle must be shown to the Customer upon request.

1.6 Nondisclosure Agreement

- a) The contractual Parties shall be obliged to deal with all internal information confidentially. A separate confidentiality Agreement may also be concluded between the contractual Parties, if necessary.

2. Agreements on the Product Life Cycle

2.1 Development, Planning

- a) If the order placed with the Supplier includes developmental work, the requirements specification shall be set out in writing by the contractual partners, i.e. in the form of a specification sheet.
The Supplier shall be obliged to use project management as early as the planning stages of products, processes and other cross functional tasks and to allow the Customer access to the project documentation.
- b) All technical documentation necessary for mass production such as specifications, designs, list of items, CAD data must be checked by the Supplier upon receipt for completeness and consistency.
If it becomes apparent, that the product requirements set out in the technical documentation include descriptions that are defective, unclear or incomplete, then these must be shown to the Customer in an appropriate form, without the Customer having to request so.
The same also applies if the products requirements may be replaced by suitable, economic and effective processes.
- c) The contractual partners agree to use suitable, preventative quality planning methods during the development stage.
Previous experiences (processes, process data, competence studies etc.) from similar projects shall be taken into consideration.
Features with special documentation and archiving requirements must be determined. Characteristics with special requirements for documentation and archiving should be defined. The VDA Band special characteristics serves as a starting point for the identification, definition, tracking, documentation and archiving of special characteristics. Special features are to be identified throughout the supply chain: - to be agreed between customer and supplier and - within an organization.
- d) Manufacturing and test conditions for prototypes and pre-series models must be coordinated between the Customer and the Supplier and documented.



The goal is to build prototypes and pre-production parts under conditions similar to mass production.

- e) The Supplier must carry out and document analyses of the suitability of the production facilities deployed for the known functional relevant features - regulated or agreed. If any of the determined characteristic capability values are not achieved, the Supplier must either optimize its systems accordingly or carry out suitable inspections of the produced products in order to exclude faulty deliveries.
- f) Prior to the commencement of mass production, the Supplier must obtain approval for process and product release according to VDA Volume 2 (EMPB or Initial sample test report) or Production Part Approval Process (PPAP).

This procedure also applies to:

1. Product amendments
2. Changes to instruments
3. Replacement of instruments
4. Process amendments
5. Material amendments
6. Design amendments
7. Relocation of production activities
8. Suspension of production activities of more than 1 year
9. Requalification according to customer specifications

If the Customer demands approval for design release, then this must precede production process and product release.

- g) The Customer must check the product to the required extent prior to commencement of mass production and must allow the Supplier approval for release - while taking restrictions into consideration, if any.
- h) The machine capacity index and/or the process capacity index for agreed features must be indicated during the approval for production process and product release.
- i) All purchased parts and materials used in the Supplier's production of the subject matter of the Contract must fulfil the with the respective legal provisions, i.e. with regard to environmental protection, safety regulations concerning electricity and electromagnetism, which are applicable in the country of manufacture and sale.

The REACH Regulation requires suppliers of articles to communicate information about substances in these articles that have been identified as substances of very high concern (SVHC).

According to Article 33(1) REACH, suppliers of articles have to inform the recipients of articles about SVHC contained in these articles above 0.1% weight by weight (w/w).



Suppliers have to provide sufficient information, as available to them, to allow safe use of the article including, at minimum, the name of SVHC.

All substances identified as SVHC are listed in the so called Candidate List (see website of the European Chemicals Agency (ECHA): www.echa.europa.eu/candidate-list-table), to which further substances are usually added twice a year. Supplier should inform the recipients of an article that contains a newly identified SVHC above 0.1% (w/w) as soon as the substance has been included in the Candidate list.

Furthermore, all materials and material groups must be specified in the initial sample test report in accordance with VDA 232-101 "Global Automotive Declarable Substance List", insofar as they are present in the products or may be released.

The Supplier shall also be required to enter all materials and material groups into the IMDS database as well as to carry out and document necessary material tests such as light resistance, weathering, flame resistance and odour resistance.

Material data sheets (MDB) must be placed in the Customer IMDS ID 48606.

- j) The Supplier must meet 100% of the delivery deadlines.
- The Customer shall supply, insofar as is possible, planning information and purchasing obligations, so that the Supplier is able to fulfil these demands.
- The Supplier shall bear the costs of any special and/or additional trips which it itself chooses to make in order to meet the pre-determined delivery deadlines.

2.2 Serial production, Traceability, Identification, Notification of defects

- a) In the event of process disturbance and quality deviations, the causes must be analyzed, measures for improvement must be initiated and their effectiveness must be checked.
- If, in exceptional cases, products are to be supplied that are not as per specification, a waiver must be obtained from the Customer in advance.
- The Customer must also be informed immediately of any deviations identified at a later stage.
- b) The Supplier shall be required to ensure the traceability of the products it supplies in accordance with its risk assessment.
- In the event that non-conformity is detected, traceability of this must be made possible so that the defective parts/products can be localized.
- The Customer shall provide the Supplier with the data required for traceability such as label with component marking, manufacturer code, date of manufacture, material batch, material number etc.
- c) The Supplier must always label outer packaging and individual packaging using VDA goods tags 4902 Version 4 and/or using KLT labels for small containers.
- For Suppliers, who do not use the VDA goods tags, the following basic information is necessary when labelling outer packaging and individual packaging:



Customer-Item Number; Customer-Revision State; Item Description; Filling Quantity/Quantity of Unit; Supplier Name; Supplier's Reference Number; (optional) Production, Dispatch or Expiry Date; Batch Number if necessary.

Additional information for any modifications should be signaled in color for "Attention, modified state". Deviating material must be clearly labelled as such.

2.3 Inspections, Complaints, Remedial action

- a) The Supplier shall stipulate at its own responsibility a test concept in order to fulfil the agreed targets and specifications.
It includes Inspection of incoming goods, Intermediate process checks and inspection of out coming goods as well as the necessary tests for bought-in parts or materials and assembly work packages.
The test concept shall provide the Customers for approval.
Both Parties are committed to the zero-defect target.
- b) During the current production, the Supplier must verify process capacity for all function-relevant features by means of suitable processes (i.e. statistical process regulation or manual control card technology) over the whole production time.
- c) The process capacity shall be proved by a 100% documented inspection of out coming goods with defined quality characteristics.
In the event of recurrent quality deviations, the customers may claim an appropriate list of measures
- d) The Contractor shall be obliged to execute re-qualification tests every year.
The re-qualification tests may occur as i.e. the first article inspection.
- e) The Customer shall check the products sourced from the Supplier upon receipt to conform that the correct volume and Identity of units has been supplied and that the correct products have been supplied as well as for externally identifiable damage. (Inspection of incoming goods).
- f) The supplier must check the agreement of the required quality assurance characteristics by using the inspection document DIN EN 10204 if the customer's request.
The Customer determines the type of the inspection document (i.e. inspection certificate 3.1) Characteristics are taken from i.e. engineering drawing, technical material specification, etc.
The inspection document shall be enclosed the shipping documents or shall be sent per E-Mail to Material_Certificates@ace-composite.com
- g) The Customer shall notify the Supplier immediately of any consignment defects detected in the course normal business operations.
For every notification of defects (test report), the Customer is entitled to fine the Supplier with a minimum from 75.00 €.



- h) The Customer shall provide the Supplier with any abnormal parts for analysis.

- i) If faulty goods are supplied, then the Supplier shall be required to immediately take measures in order to minimise any damage as well as to permanently eliminate any errors (replacement of delivery, sorting and subsequent work).
Where necessary, any costs incurred due to fault of the Supplier (subsequent work, additional costs, handling of parts, movement of materials etc.) shall be passed on from the Customer or end customer to the Supplier.
The Supplier must always provide a written statement detailing any causes of the problem and measures that have been taken to avoid future faults. (e.g.: 8D Report in accordance with VDA).



3. Liability

- a) The Agreement on quality targets and measures, as well as intervention limits (incidents, ppm targets in a statistical sense) does not exempt the Supplier from its liability for all warranty and damage claims made by the Customer due to defects in the goods supplied.
- b) The Contractor shall be obliged to provide proof of professional liability insurance with an appropriate scope of coverage. This must be maintained for the duration of this Agreement. The Customer is entitled to view the insurance.
- c) If claims are made by a third party against the Customer on grounds of non-negotiable liability that is not related to fault, then the Supplier shall intercede upon the Customer's behalf as if the Supplier were directly liable for the third party's claim; however, this is only in compliance with its internal obligation to pay compensation according to the Product Liability Act (PHG).

The primary manufacturing responsibility for the purchased parts and materials incorporated into the final product lies with the supplier and, if applicable, his sub-suppliers. The supplier must therefore do everything possible, both organizationally and technically, to ensure product safety and thus minimize the risks of product liability. This requires that a product safety officer (PSB/PSCR)* is appointed and trained on site for each stage of the supply chain. The supplier provides an on-site Product Safety Officer (PSB/ PSCR)* and transmits his contact details to the customer.

**PSB=PSCR=Product Safety & Conformity Representative*

4. Duration of the Agreement

This Quality Assurance Agreement shall apply indefinitely. Either Party may terminate this Agreement in writing, allowing a six month notice period. The termination of this Agreement shall not affect the validity of current individual supply contracts until their full completion.

Customer:

Supplier:

Place, Date, Signature

Place, Date, Signature