



## QUALITY ASSURANCE AGREEMENT

### (QAA)

between

**Dr. Schneider Kunststoffwerke GbmH**  
Lindenstraße 10 – 12  
D-96317 Kronach – Neuses  
Federal Republic of Germany

hereafter called "**DR. SCHNEIDER**" –

and

Muster GmbH  
Musterstrasse 99  
D-99999 Musterhausen  
Federal Republic of Germany

- hereafter called the "**SUPPLIER**" -

- hereafter jointly called the "**CONTRACTUAL PARTNERS**"

## Preamble

As a supplier of complex products for the international automotive industry, DR. SCHNEIDER is obliged to guarantee the legally specified, contractually agreed and reasonably expected quality of its products and services to automotive manufacturers and consumers.

The organization has to document the process by means of which it is ensured that all processes, products and services provided externally meet the respectively applicable statutory and regulatory requirements of the exporting country, of the importing country and of the country of destination specified by the customer – provided that those requirements are communicated to the organization.

This QAA is the contractual specification of the basic technical and organisational framework conditions agreed between DR. SCHNEIDER and the SUPPLIER, which are required to achieve the joint aim of

**“Zero defect quality”**

## 1. Scope of application

The provisions of this QAA apply to all existing and future purchase contracts between DR. SCHNEIDER as buyer and the SUPPLIER as seller.

This agreement including its attachments shall govern the quality requirements for all development services and/or contractual products (purchased parts, raw materials, granulates, paints, etc.), which are carried out specifically for DR. SCHNEIDER during its period of validity or are supplied to DR. SCHNEIDER or companies affiliated to DR. SCHNEIDER in accordance with § 15 AktG (German Companies Act).

With this QAA, the CONTRACTUAL PARTNERS agree that at least the requirements of the ISO 9001 in its last valid version as well as the complementary regulations of the VDA publication series, volume 1 et seqq., respectively the reference book of the AIAG shall bindingly be applied to the supply relationship. If the supplier is certified according to IATF 16949, the CONTRACTUAL PARTNERS agree with this QAA that the guidelines of the IATF 16949 in its last valid version as well as the complementary regulations of the VDA publication series, volume 1 et seqq., respectively the reference book of the AIAG shall bindingly be applied to the supply relationship.

In case individual provisions of this QAA should conflict with other part- or project-specific contracts such as e.g. development contracts, individual contracts, PPM-agreements, etc., the corresponding provisions of those part- or project-specific contracts shall take precedence.

The SUPPLIER will oblige his sub-suppliers in the same or in a suitable manner to apply this QAA and to ensure the defect-free condition of his purchased materials.

## 2. QM - System

The SUPPLIER undertakes to develop, introduce, maintain and improve a QM-system in accordance with the latest standards of the automobile industry according to IATF 16949, at least, however, according to DIN EN ISO 9001, each in the respectively valid version, with the objective to obtain the certification according to the IATF standard of the automobile industry. As proof, the SUPPLIER shall present the valid certificate of an accredited certification company.

The SUPPLIER in particular ensures that: Its products and services

- are of the agreed upon quality and suitable for the intended purpose which also includes the function of the products and services at the interfaces to other products, and
- have the agreed properties,

The properties (specifications) of the contractual products are i. a. determined by specification sheets, drawings, reference and limiting samples and works standards.

In case the SUPPLIER is provided with tools (tools, devices, test equipment, etc.) by DR. SCHNEIDER for the performance of its contractual obligations, those tools shall have to be integrated in the supplier's QM-system like own tools, unless otherwise agreed. The terms of this surrender of tools by way of lending by DR. SCHNEIDER shall be subject of a *contract* to be agreed upon separately between the CONTRACTUAL PARTNERS.

### 3. Environment

The supplier is obliged,

- to supply environmentally-friendly and energy efficient products and packaging material;
- to adhere to the requirements of the EU End of Life Vehicles Directive concerning old vehicles (2000/53/EC) of 18th September 2000 in its relevant applicable version, in particular as regards Appendix II (certain substances and components, which are exempt from the prohibition) and the regulations of the IMDS (International Material Data System for the automotive industry);
- to notify DR. SCHNEIDER immediately in writing of all environmental risks, which could impact on the SUPPLIERs delivery capability;
- to constructively consider and improve the recyclability of its products (new materials) as well as to present a recycling concept at the request of DR. SCHNEIDER;
- to provide DR. SCHNEIDER with appropriate information on the re-use, recycling and disposal of the products and packaging material supplied;
- to disclose the results of tests required by law to DR. SCHNEIDER;
- to answer immediately and adhere to all relevant questions and regulations / limits notified by DR. SCHNEIDER concerning the use of hazardous substances;
- to provide an EU safety data sheet when delivering substances posing a danger to human beings and the environment in accordance with Article 31 in connection with Appendix II of the EC regulation no. 1907/2006 (REACH regulation);
- to advise DR. SCHNEIDER in writing when delivering products which, when used correctly, release hazardous substances;
- to implement an environmental management system in accordance with ISO 14001 or a standard of equal status. If the SUPPLIER is not certified in accordance with these standards by an accredited body, an appropriate schedule to achieve the certification criteria must be presented to DR. SCHNEIDER by the SUPPLIER .

In the event of culpable violations of the above obligations by the SUPPLIER the supplier shall indemnify DR. SCHNEIDER from any third party claims asserted against DR. SCHNEIDER in context with such a violation of duty and shall reimburse DR. SCHNEIDER for all damages resulting from the violation of duty.

### 4. Audits

The SUPPLIER shall permit DR. SCHNEIDER, its contractual partners to which DR. SCHNEIDER delivers products that contain contractual products ("customers"), as well as the OEM, if applicable, to perform audits with regard to contractual products, systems and processes of the SUPPLIER at the SUPPLIER's premises. For this purpose, the SUPPLIER shall grant DR. SCHNEIDER, its customers and the OEM respectively their respective representative's access to all business premises and inspection of all documents, including procedural and operating instructions to the extent to which this is required for the execution of the audit and coordination of quality measures. The CONTRACTUAL PARTNERS shall agree on the date for the audit in good time.

DR. SCHNEIDER reserves the right to assess the SUPPLIER's sub-suppliers' QM and logistics systems. The SUPPLIER shall support DR. SCHNEIDER in the execution of the audit.

As required and upon making a prior appointment, the SUPPLIER shall provide access to the SUPPLIER's production facilities to DR. SCHNEIDER employees and/or to the employees of DR. SCHNEIDER's customers during normal business hours.

### 5. Documentation, information

The documentation of the results of the quality tests and audits carried out at the SUPPLIER's premises including correction measures which have been planned and carried out, shall be performed in such a way that the SUPPLIER can prove completely with their help that drawings and performance specifications and specifications concerning the whole development and delivery period were met and can be verified.

The SUPPLIER is obliged to keep the entire relevant documentation for the contractual products for the production period and the period of the spare parts supply plus one calendar year, unless otherwise stated in individual agreements based on customer-specific requirements. For special features, the SUPPLIER shall be obliged to keep the documentations for a minimum of 20 years after the last delivery of the products (including spare parts supply). On request of DR. SCHNEIDER, the SUPPLIER shall provide the documentation and grant DR. SCHNEIDER access to and inspection of the SUPPLIER's records.

In case the agreements of the CONTRACTUAL PARTNERS with regard to product properties/quality characteristics, processes, deadlines, delivery quantities, etc., cannot be adhered to, the SUPPLIER shall inform DR. SCHNEIDER immediately. This also applies if the SUPPLIER does not notice the deviations until after the delivery of the products to DR. SCHNEIDER. In the interests of a quick and efficient solution, the SUPPLIER shall immediately disclose all of the data and facts required to clarify the deviations and inform of planned corrective measures.

All changes to the contractual product as well as changes to the technical documents/specifications require express approval in writing from DR. SCHNEIDER. Verbal agreements between the CONTRACTUAL PARTNERS are invalid.

### 6. Producibility / Project management

Upon DR. SCHNEIDER's request to submit a tender (new products, constructional changes, etc.), the SUPPLIER shall check whether all of the required information is available and whether it is producible.

Producible in this context means that the requested products or changes to the product can be manufactured without any restrictions, in particular with regard to the technical and commercial requirements such as:

- capacities / quantities
- deadlines,
- prices,
- performance specifications,
- drawings, CAD data
- specifications,
- process capabilities for critical and significant features (CC; SC; SPC and functional dimensions)

under series production conditions.

The SUPPLIER shall immediately inform DR. SCHNEIDER in writing of any defects, risks and possible improvements discovered during this process.

With his contractual order acceptance the SUPPLIER confirms that the contractual products are producible.

After receipt of the requirement specifications, the SUPPLIER is obliged to prepare performance specifications and to maintain these during the term of the contractual product.

In case the supplier is also commissioned with the development of the contractual products, the requirements and objectives for the contractual products to be developed are generally set out in writing between the SUPPLIER and DR. SCHNEIDER in a *development contract*.

The SUPPLIER undertakes to apply project management (compare VDA series and/or AIAG, APQP) already in the product development process. DR. SCHNEIDER reserves the right to check the project progress at the SUPPLIER's facilities at any time after giving prior notice. All of the required information must be given to DR. SCHNEIDER and the inspection of all project-relevant documents must be allowed.

### 7. Delivery quality

#### a. Zero-Defect Objective

The SUPPLIER is obliged to ensure the „Zero-Defect-Quality“ and the „Zero-Defect Objective“. In a PPM agreement, the CONTRACTUAL PARTNERS may set down limit values for the supplier rating in ppm (parts per million). Moreover, the limit value determined in the supplier rating is applicable.

The agreement on ppm limit values does not constitute a quality level accepted by DR. SCHNEIDER. All contractual products identified as defective shall not be accepted and objected to at the expense of the SUPPLIER. In case the agreed limit values cannot be reached, the SUPPLIER shall issue an activity plan and hand it over to DR. SCHNEIDER purchasing/supplier management.

#### b. Goods receipt and notice of defects

The SUPPLIER is responsible for the delivery of the ordered contractual products according to the agreement. Immediately upon receipt of contractual products, DR. SCHNEIDER shall check whether they correspond to the ordered quantity and type as well as whether there are any externally visible defects/transport damages. This check is solely performed by means of a simple visual inspection. DR. SCHNEIDER shall promptly notify the SUPPLIER in writing of any defects to the contractual products themselves as soon as they are identified according to the circumstances of a proper course of business. To this extent, the SUPPLIER waives the objection of belated notification of defects.

In case of a later detection of defects (so-called latent defects), DR. SCHNEIDER shall also report them promptly after their detection.

DR. SCHNEIDER shall not be obliged to conduct further inspections and provide further notifications other than those mentioned above.

#### c. Defective contractual products, corrections, preventive measures

The SUPPLIER is obliged to immediately interrupt and correct the production process if it identifies a defect in the product or the service to be rendered during the production process. The SUPPLIER shall ensure that, in this case, all unmarked or suspect products are classified as defective and directed accordingly, i.e. they are not delivered. Before an out-of-spec product is used, processed or submitted to any reworking, the SUPPLIER shall obtain the release respectively approval from DR. SCHNEIDER.

If defects are detected at DR. SCHNEIDER, DR. SCHNEIDER shall notify the SUPPLIER of any defective contractual products of the SUPPLIER, including test report and/or e-mail. The SUPPLIER shall be provided with the rejected/objected contractual products including notice of defect(s) for analysis purposes, unless otherwise agreed.

In case of a defective delivery, DR. SCHNEIDER is entitled to withhold payment in proportion to the value until proper fulfillment.

The SUPPLIER shall bear all costs for the rectification of defects. DR. SCHNEIDER furthermore reserves the right to claim compensation for the additional processing work which goes beyond the normal scope, in particular for the documentation of the defect and the handling for its customers. DR. SCHNEIDER shall invoice such compensation separately based on a time sheet. DR. SCHNEIDER currently prices a working hour. The SUPPLIER is fundamentally free to prove that no damage, or significantly less damage, was caused to DR. SCHNEIDER.

The SUPPLIER will process the complaint in accordance with the “8D Report” (VDA eight discipline problem solution and documentation process). Insofar as no other deadlines are specified in DR. SCHEIDER's complaint, the SUPPLIER shall process it upon receipt in accordance with the following schedule:

- ≤ twenty-four (24) hours: the immediate action must be communicated and implemented effectively;
- ≤ two (2) working days: the short-term remedial action shall be communicated and initiated;
- ≤ five (5) working days: proof of the effectiveness of the short-term remedial action;

≤ ten (10) working days: the long-term remedial and preventive action shall be communicated and initiated. The complaint shall be deemed accepted if the feedback to the notice of defect(s) is not submitted within a period of 10 working days. In case the SUPPLIER should fail to adhere to the periods, Dr. SCHNEIDER shall be entitled to initiate measures or have measures initiated by third parties and charge the costs to the SUPPLIER. The corrective action „worker training“ is generally insufficient and will not be accepted by DR. SCHNEIDER. Exceptions may only be approved if it is possible to prove the effectiveness of the measure.

#### **d. Product Safety Representative PSB**

To ensure the contractual product safety to DR. SCHNEIDER, the SUPPLIER shall appoint a product safety representative (PSB) who possesses the appropriate knowledge regarding the produced product, regarding product safety and product liability law as well as methodological knowledge regarding risk assessment and who is able to prove this knowledge. The SUPPLIER is obliged to qualify the PSB on a regular basis. All requirements on the product safety according to the guidelines of the automobile industry mentioned in item 1 third paragraph have to be complied with by the SUPPLIER.

### **8. SUPPLIER evaluation**

By the 20th day of the month following the calendar quarter, DR. SCHNEIDER shall perform the SUPPLIER rating (supplier code/ABC rating).

Rated and assessed are, among other things, the following DR. SCHNEIDER criteria:

- SUPPLIER's QM system;
- quality performance
  - quality number for the delivery of defect-free products;
  - fulfilment of the ppm agreements;
- delivery performance (quantity, deadline);
- Delivery reliability (including special shipments)
- Special status information from the customer as regards quality or delivery.

SUPPLIERS rated B or C shall send a detailed activity plan to DR. SCHNEIDER. In case the SUPPLIER does not react sufficiently or he does not react at all, B suppliers shall be rated as C suppliers. C suppliers shall be excluded from the bidding process.

### **9. Liability, „Warranty Field“, Insurance**

The agreement on quality objectives, quality measures as well as intervention limits (e.g. ppm objectives) shall not affect the contractual and statutory liability of the SUPPLIER, in particular for warranty and compensation for damages due to bad delivery. The SUPPLIER shall be liable to the full extent for its subcontractors and for any fault of its upstream suppliers as it would be for any fault of its own.

Supplementary to the framework purchasing contract, the following shall apply to defective contractual products which are already used in the field: if DR. SCHNEIDER should receive defective contractual objects from the end customer to analyze the cause (diagnosis), DR. SCHNEIDER shall provide the defective parts received by the customer to the SUPPLIER to carry out the diagnosis at DR. SCHNEIDER's or, upon agreement, also at the SUPPLIER's premises. The SUPPLIER shall inspect the defective parts or respectively decide in consultation with DR. SCHNEIDER about any further diagnosis. In case the SUPPLIER should fail to deliver the result of the examination to DR. SCHNEIDER within the period specified in item 7c), the SUPPLIER acknowledges its responsibility for the defectiveness of the affected defective parts. In individual cases, the CONTRACTUAL PARTNERS may also agree to perform a joint causal investigation. In this case, the CONTRACTUAL PARTNERS shall define the responsibilities based on joint result of the examination and allocate the costs according to the costs-by-cause principle. The CONTRACTUAL PARTNERS shall promptly endeavor to come to an agreement regarding the measures to be taken, in particular in case of settlement negotiations. If it is, in context of the sample diagnosis, found that the cause is solely attributable to the SUPPLIER, DR. SCHNEIDER shall be entitled to claim comprehensive compensation of the costs charged by the end customer in the course of field failures, in particular based on usual agreements with the end customer regarding acceptance rates or adverse factor. If it turns out that both DR. SCHNEIDER as well as the SUPPLIER are responsible for the cause, the SUPPLIER shall be obliged to pay its share of the compensation mentioned in the previous sentence in the amount of the cause contribution to DR. SCHNEIDER.



The SUPPLIER shall be obliged to take out insurance against all risks of the product liability as an automotive parts supplier, to maintain this insurance and to provide evidence of this insurance to DR. SCHNEIDER prior to the conclusion of the contract and, upon request, at any time, at least, however, once a year, each in January. This shall be done by submission of a current insurance confirmation. The same shall apply with regard to the conclusion and evidence of a business liability insurance to an adequate and appropriate extent. The evidence shall be submitted to: einkauf@dr-schneider.com.

**10. Contract period, termination**

This QAA shall come into force upon signature by both CONTRACTUAL PARTNERS. It is concluded for an indefinite period of time and may be terminated by every CONTRACTUAL PARTNER's subject to a written twelve (12) months' prior notice to the end of a calendar year, unless a shorter or longer period of notice was agreed upon between the CONTRACTUAL PARTNERS for a specific project. The shorter or longer period of notice shall apply in such a case.

The termination of the QAA shall not have any effect on the continuation of the contracts concluded between the CONTRACTUAL PARTNERS during the application of this QAA. The terms of this QAA shall continue to apply to those contracts.

**11. Miscellaneous provisions**

Changes and/or supplements to this QAA, including this provision, must be made in writing to be valid. The required form can only be waived by a declaration in writing.

If and insofar as individual provisions of this QAA are or should become invalid or unfeasible, the remaining provisions of this QAA shall remain unaffected by this. Should any gap in the provisions of this QAA requiring completion be discovered, this shall be regulated in accordance with the discernible wishes of the CONTRACTUAL PARTNERS.

This agreement shall be governed by German law under exclusion of the UN Convention on Contracts for the International Sale of Goods (CISG). The exclusive place of jurisdiction shall be Coburg. However, DR. SCHNEIDER shall be entitled to take legal action at the SUPPLIER's principal place of business.

**12. Supplementary provisions**

The following provisions in their respective version shall be an integral part of this agreement and shall apply supplementary to this QAA, whereas the currently up-to-date versions are enclosed as attachment with this QAA.

- Customer-specific requirements - quality (Annex 1)

The respectively current terms are available on the homepage of DR. SCHNEIDER: [www.dr-schneider.com](http://www.dr-schneider.com) on the supplier portal "FTAPI". There, it is also possible to download other important documents, such as the application concession supplier products, if required.

Kronach - Neuses, .....

Musterhausen, .....

Dr. Schneider Kunststoffwerke GmbH

Muster GmbH

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