Quality Assurance Agreement

between

KACO GmbH + Co. KG
Rosenbergstr. 22
74072 Heilbronn

- hereinafter called "KACO“ -

and

Supplier
Street
City

- hereinafter called the "Supplier“ -

In connection with this Quality Assurance Agreement, the Supplier is subject to the following conditions:

☐ S1 Suppliers

If one or several of the following conditions is/are applicable:
- KACO purchases more than 10% of the total purchase volume from the Supplier:
- Supplier of components with cc/s and cc/h characteristics (cc = critical characteristic, s = safety, h = homologation)
- Major influence on function of KACO products, processes (as classified by Development)
- Supplier which supplies components for serial production, if it holds more than subordinate significance.

☐ S2 Suppliers

If one or several of the following conditions is/are applicable:
- Supplier which supplies (or manufactures) substances, components or auxilery and operating material for production purposes, and which exert an influence on quality
- Supplier which supplies components of subordinate significance (or for non-automotive customers) or which supplies components that are intended exclusively for the aftermarket.

☐ S3 Suppliers

- Supplier which operates according to KACO process instructions.

Table of Contents

1. Scope and Objectives

The collaboration to be practised in line with this QAA is based on the Supplier's sustainable, comprehensive quality capability on the basis of an active management system. This Quality Assurance Agreement is applicable to all suppliers of drawing components, and applicable to suppliers which supply or which manufacture raw materials, components or auxiliary and operating material for production purposes and which exert an influence on quality. It is also applicable to suppliers which practise manufacturing in line with our instructions and to suppliers which purchase and sell goods, (traders). It is part and parcel of the provisions outlined below:

- respective framework supply agreement with delivery forecasts
- framework agreement
- KACO's terms and conditions

In the event of any contradictions, the provisions within individual agreements -- or the provisions of the Framework Supply Agreement -- shall take precedence over the provisions of this Quality Assurance Agreement. It shall take effect as from the time of signature, for as long as supplies are being delivered on the basis of individual supply agreements, or until a follow-up Quality Assurance Agreement is agreed with KACO.

This Quality Assurance Agreement and all associated agreements have the status of customer requirements as defined by ISO TS 16949 and the VDA standards. Unless otherwise stipulated in this document, the terms employed shall be subject to the standard definition laid down in the respective standards.

As automotive suppliers, we place the highest priority on the quality of our products and on our customers' satisfaction. This is also extensively affected by the quality of the purchased products. For that reason, it is an absolute requirement that the products supplied to KACO should have been manufactured on the basis of processes which fulfil the highest standards and which are subject to continuous improvement in productivity and in the quality achieved. For assuring a consistent, high level of quality in the purchased products, the technical and organisational minimum requirements upon the Supplier's management system are outlined below.

2. Requirements applying to the quality and environmental management system

2.1 Requirements

The Supplier is obligated to KACO to adhere to the requirements in line with the table on "KACO requirements upon Suppliers" as laid down in ISO TS 16949, in ISO 9001, in ISO 14001, and in VDA/AIAG documentation. To the extent that ISO/TS 16949 is applicable in line with the table set out below, it shall be part and parcel of all contractual agreements with the Supplier, in the version applicable at the time and with normative effect.

KACO requirements upon suppliers	S1 Supplier	S2 Supplier	S3 Supplier
Acknowledgement of Quality Assurance Agreement (RD_S530_01)	X	X	X
Conclusion of a confidentiality agreement	X	X	X
ISO 9001 certification from accredited certification company	X	X	
ISO TS 16949 certification from accredited certification company (where applicable)	X		
ISO 14001 certification from accredited certification company	X		
Process audit to VDA 6.3, minimum grade of A (Investigation conducted by KACO every five years with TS-certified suppliers, or every three years with non-TS-certified suppliers)	X		X
Brief assessment of suppliers (in line with SD_S910_27 conducted every five years in respect of ISO-certified suppliers, or at every three years for non-certified suppliers. Minimum result green/yellow, no deviations permis-sible)		X	
Environmental reporting (SD_S530_01)		X	X
Adherence to VDA/AIAG releases in line with Annex 3	X	X	X
Potential analysis (minimum result: yellow)	X	X	X

Table 1: KACO requirements upon suppliers

S2 suppliers which are ISO 9001 certified undertake to continue to develop their quality management system in line with ISO TS 16949 and to work towards the appropriate certification.

All deviations from the requirements set out in clause 2.1 must be agreed in advance with KACO purchasing department to establish appropriate measures – for example – shorter assessment periods. In the case of new certificates or changes to the Supplier's certification status, the Supplier shall promptly and spontaneously notify the competent KACO purchasing department. The competent KACO purchasing department will determine any differing requirements (e.g. requirements specific to products). At KACO's request, the Supplier is prepared to introduce a system corresponding to VDA Volume 1. In the event that KACO's customer imposes particular requirements upon its suppliers' quality management system, the Supplier shall investigate these requirements and shall conclude an agreement with KACO regarding their feasibility.

2.2 Measures if failing to fulfil quality requirements

If the required classification – or the required audit result from a process audit, from a supplier assessment or from the brief assessment, etc – is not achieved, the Supplier undertakes within a reasonable period to implement effective measures in order to achieve the corresponding objective. Where applicable, KACO will support the Supplier in the process of fulfilling the requirements.

3. Auditing

3.1 Auditing of Supplier

KACO shall be authorised at any time to conduct a brief assessment or a system, process or product audit at the supplier, in line with the requirements of this QAA and in line with the standards applicable under this QAA. In certain cases, the audit may also be conducted by

KACO's customers or by persons authorised by KACO. In this context the Supplier shall grant to KACO, to KACO's customer or to persons authorised by KACO – after prior notification and during normal business hours – unimpeded access to all production sites, test centres, warehouses and adjacent areas, together with the opportunity to examine all quality documents. The person conducting the audit is authorised to produce copies of all quality documents and to take them away. Reasonable restrictions stipulated by the Supplier, in the interests of protecting its know-how, are accepted.

3.2 Auditing of Sub-supplier

The Supplier is also obligated to make agreements with its sub-supplier to enable KACO and/or KACO's customer to conduct an audit at the sub-supplier corresponding to the provision laid down in clause 3.1.

4. Product- and production-related requirements

4.1 Product requirements

KACO shall provide the Supplier with all necessary or available product requirement information (e.g. drawings, function descriptions, specifications, delivery & packing requirements). The Supplier shall examine the provided product requirements and confer with KACO upon any missing or deficient information.

The supplier must adhere to the product requirements provided by KACO. KACO shall determine special characteristics (product characteristics and process parameters) in the drawings and specifications. These are crucially important for the assembly, durability, function and quality of products, and must therefore be the subject of particular attention from the Supplier in planning and implementation. In this context, for example, the abbreviations listed below are employed:

[W + ordinal number] = important product characteristics
[P + ordinal number] = important process parameters
D [W + ordinal number] = critical product characteristics
D [P + ordinal number] = critical process parameters
[PT + ordinal number] = Pass Through
[IS + ordinal number] = Initial Samples

The Supplier shall investigate these requirements and make its own analyses – for example by Design-FMEA, Process-FMEA etc. – concerning the special characteristics. The Supplier is also obliged to define any special characteristics itself and to treat them in the same way as any characteristics determined by KACO.

4.2 Restricted substances

The Supplier ensures that its products do not contain any statutory prohibited substances. Furthermore, the KACO restricted-substances list, which can be downloaded from www.kaco.de, must be adhered to.

4.3 IMDS

Except of standard parts, the material data and substance composition must be entered by the Supplier on the IMDS system (International Material Data System – http://www.md.system.com). The IMDS-ID number must be indicated on the cover page for the sample report. Any procedure that deviates from the above must be negotiated with KACO's purchasing department.

4.4 "Conflict Minerals"

In order to protect mineworkers in Central Africa from exploitation and inhumane working conditions in the People's Republic of Congo, and in its neighbouring countries, on 22 August

2012 the U.S. Securities and Exchange Commission (“SEC”) established documentation and disclosure obligations with regard to "conflict minerals". In this context, "conflict minerals" are gold, tin, wolfram, tantalum (and tantalite, also referred to as coltan). To the extent that the Supplier's products contain any of the above-mentioned raw materials, the Supplier must ensure that the raw materials do not originate from the affected territories and that the respectively applicable rules from the Dodd-Frank Act are adhered to.

4.5 Statistical performance values

For special characteristics, the QS standard requirements regarding statistical capability indicated on the drawings shall apply. QS 4 is the standard for process capability, unless otherwise specified by KACO’s purchasing department. For IS (Initial Samples) characteristics the statistical value must be indicated exclusively in the initial sample report. Other evaluation processes must be approved by KACO's quality assurance, within the control plan.

QS Standard	Preliminary process capability, machine capability, Ppk index, Cmk index Short-term process capability	Continuous process capability Cpk index
QS 2	No process capability requirement (stability is required)	No process capability requirement (stability is required)
QS 3	≥ 1.33	≥ 1.00
QS 4	≥ 1.67	≥ 1.33
QS 5	≥ 2.00	≥ 1.67
QS 6	≥ 2.33	≥ 2.00

Table 2: Statistical performance values

4.6 Feasibility of product requirements

The Supplier must conduct a complete examination of technical and financial feasibility, in consultation with the affected departments, and must issue any appropriate change requests promptly. This also relates to the Supplier's expertise as a manufacturer to issue any indications of missing or incorrect requirements from KACO The result of the feasibility study must be presented to KACO on form SD_S 520 02.

4.7 Special processes

To the extent that, in the manufacturing, there are any special CQI processes according AIAG and whose results on the product can only – if at all - be verified at a later date the monitoring and requalification must be included in the control plan.

4.8 Measuring equipment

The Supplier ensures that only suitable measuring equipment which comply with the provisions of law is used. The used measuring equipment must comply with MSA requirements. Alternatively, following consultation with KACO, the requirements according VDA Volume 5 may be followed.

4.9 Quality Assurance Representative

The Supplier and KACO shall keep each other informed as to contact persons. For this purpose, the Supplier shall use the attached form (Annex 1).

5. Development

If S1 and S2 perform any development services for products and processes on KACO's behalf, they must, in the process, fulfil the provisions of ISO/TS 16949 and APQP/PPAP. The applicability of any differing guidelines (e.g. VDA) shall be determined by KACO's purchasing department. All actions required in order to achieve successful production process and product approval must be conducted in line with the currently applicable APQP manual. The Supplier shall prepare a systematic planning in the context of project management and must consult upon it with KACO at an early stage. Any risks endangering the project or the schedule must be promptly notified to KACO's purchasing department.

In KACO's feasibility study for the project a risk analysis is conducted for the component and for the supplier, and the grade of the Supplier's APQP review is established. The handover of the development process to Production is conducted in writing. In this context, at least the following aspects are covered:

- Complete fulfilment of APQP
- Workplace ergonomics
- Health & safety
- Environment
- Approval of suppliers and of components
- Process requirements
- Legal/official requirements
- Emergency planning for environment and product/production
- Infrastructure
- FMEA as per VDA Volume 4 (product, process)
- Control plan/inspection plan
- Measuring equipment/fault simulation
- Maintenance
- Logistics, including packing
- "Lessons learned" knowledge

6. Initial samples

6.1 Preparation of initial samples

Initial samples must be produced entirely with serial equipment and under serial production conditions. The quantity is at least 300 initial samples. Any differing rules shall be established by KACO's purchasing department.

The analysis of initial sample production must be conducted in line with APQP or upon request from the competent purchasing department, and must be reconciled with KACO's Quality Assurance. For all special characteristics, the Supplier must conduct analyses of the suitability of the used facilities, must document them and must pass them to KACO with the initial sampling. If initial sampling is conducted in line with PPAP, then it should also include the documentation in English, on original documents.

Each consignment of initial samples must be clearly marked "ERSTMUSTER" (= initial samples) on the container and on the consignment documents.

6.2 Reasons for initial samplings

The initial sampling procedure, together with customer notification, must be conducted (and repeated if necessary) in the cases correspondingly designated in line with PPAP or VDA. However, the following is not an exhaustive list:

- new or modified products

- after correction of a discrepancy on a previously delivered part
- use of other construction / material than was used in the previously approval
- production from new tools, dies, molds, etc.
- overhaul or modification of existing tools
- changes to production processes/methods
- relocation of tools and of production facilities
- change of suppliers of parts / material
- long-term production stop (>12 months)
- production or supply in the wake of a cessation of supply imposed by KACO as the result of quality problems.

6.3 Implementation of initial sampling

Initial sample reports are conducted in line with PPAP, submission level 3, unless otherwise agreed. For process engineering products, individual agreements must be made with KACO's purchasing department.

All deviations must be clearly indicated in the test report, the reasons for the deviations must be given and they must be released by an approved deviation request from KACO's quality representative. It is a mandatory requirement to carry out corrections and/or modify the drawing. Defect analysis and corrective actions must be implemented.

The costs for sampling are borne by the party responsible for the need to produce the initial samples.

The Quality Assurance department in KACO's recipient plant shall investigate the IS documents. The test decision is noted on the PSW and is applicable to all KACO plants.

6.4 Maturity level assurance

For each initial sample report, there must be assured a suitable system for ensuring the maturity of milestones in line with SD_W 340_37.

6.5 Approvals

KACO's approval of the product or the production process – including sampling – presupposes the documented fulfilment of all agreed requirements by the Supplier. With particular reference to the Supplier's particular specialist competence in its field, and taking account of the Supplier's justified interests in confidentiality (with particular reference to protected rights and obligations in relation to third parties), KACO must be able to rely on the correctness and completeness of all of the information given by the Supplier, without the need for KACO to investigate such information itself. Such reliance is implicit in KACO's granting of approval, in all cases. In no case does KACO's granting of approval amount to a legally established consent, approval or acceptance. It does not restrict the Supplier's comprehensive responsibility for the statements which it issues. The same applies in respect of special approvals or deviation permits.

7. EPC Phase (Early Production Containment)

After KACO's approval of the initial samples an early production is carried out by the supplier. In this context, the agreed additional precautions and inspections of EPC must be applied by the Supplier.

7.1 Objectives of EPC

The following objectives are pursued, by way of EPC:

- Reducing risks to the Supplier, to KACO and to KACO's customer.
- Increase confidence that all delivered parts meet KACO’s requirements.

- Early detection of quality problems at the Supplier's location, and not merely once they reach KACO or KACO's customer.
- Increase involvement of the top management at issues through their visualisation.

7.2 EPC steps taken by KACO and by Supplier

Unless otherwise stipulated by KACO's purchasing department, the following measures must be established (and then applied) by KACO and by the Supplier during the PPAP phase:

- If EPC is required by KACO, then KACO establishes the timeframe or quantitative plan and any other requirements.
- The supplier determines the responsible personnel for the EPC process.
- The supplier develops a written control plan for the EPC phase (this may be additional or may be a constituent part of the serial control plan) together with additional measures, controls within the production process (machine settings, jigs, machining, reference parts, limiting samples, personnel qualification, maintenance, environment)
- The supplier plans downstream controls that are separate from and independent of standard production.
- If the Supplier discovers any deviations, then it promptly conducts immediate- and improvement measures.
- The supplier establishes additional measures for identification and test status (for example: EPC label).
- Supplier introduces additional measures to ensure the quality of the purchased material.
- Supplier adopts the measures required by KACO, such as labelling requirements, markings etc.

7.3 EPC exit criteria

Once the established conditions for quantity, time and/or outcome have been achieved at the supplier and at KACO manufacturing can continue at the serial production level. Agreements and KACO's agreed requirements must be adhered to.

7.4 Consequences of deviations

Failure to execute EPC may result in consequences as special classifications like “Controlled Shipping Level (CSL)”, etc.

If product-related deviations are detected within KACO, then EPC status must be continued, and measures must be implemented to fulfil exit criteria.

8. Serial deliveries

8.1 Quality Assurance

The supplier shall establish – by using statistical methods – controlled and capable processes with the obligation to achieve the required quality, to maintain it and to continuously improve it. He shall conduct suitable quality checks in order to ensure that the products fulfil the prescribed quality requirements. The scope and frequency of inspection/testing must be guided by the level of potential failure effects (FMEA), by the significance of the characteristic and by the achieved process capability.

The Supplier shall be responsible for all necessary measures to ensure the required quality. He is obligated to fault-free delivery of the contractual product (Zero Defect Requirement).

The product must be packed by the Supplier such as to ensure adequate protection against dirt, humidity and damage in transit.

The Supplier must adhere to the respectively applicable CQI standards for special processes. Once per year, the Supplier shall conduct a self-assessment for the relevant processes and pass the results to KACO.

8.2 Test obligations; Test documentation

If the required capability is not achieved, then a 100% inspection automatically becomes required. At the same time, the Supplier must implement corrective actions in order to achieve the required capability. The corrective action plan must be promptly sent to KACO.

The supplier is obligated to continuous documentation of the performed tests. KACO shall be entitled at any time – on prior notice and during normal working hours – to examine the test documentation. KACO shall be entitled to require from the Supplier at any time an inspection certificate corresponding to the requirements of DIN EN 10204, 3.1, for verification of compliance of special characteristics.

8.3 Process disruptions; PPM level

In the case of process disruptions and quality deviations at the Supplier, the rout causes must be analysed, improvement measures implemented and their effectiveness verified.
If defective components are detected in KACO's production, at KACO's customer or at any time thereafter within the warranty period, then the defective components - caused by the Supplier – are recorded. The failure rate (PPM) for assessment of supplied quality is calculated as follows:

$$\text{Failure rate in PPM} = \frac{\sum \text{Defective components}}{\sum \text{Delivered components}} * 1{,}000{,}000$$

The respective PPM level is negotiated with the Supplier in Annex 2 to this Agreement.

The PPM target designated in Annex 2 is an indicator for the level of achievement of continuous quality improvement. They shall be taken into account in future contracting and in future pricing negotiations. If the Supplier does not possess the technical capacities to fulfil capable the customer's PPM requirements, then the Supplier shall be obliged to implement CSL 1.

Irrespective of the provisions of this QAA and irrespective of any other provisions laid down between KACO and the Supplier, KACO and the supplier are obligated to make any communication and to disclose any information that could be significant to the fulfilment of agreements and to the avoidance of failures. The corresponding criterion shall be determined by KACO's justified expectations as to the Supplier's specialist competence. The supplier is obligated to product monitoring (product monitoring obligation) in all fields of application including competition.

The Supplier's liability is not restricted by any provision within this Agreement, and specifically not by the objectives negotiated as designated in Annex 2.

8.4 Management of non-conforming products

Suspect products or products which are not marked ("quarantined products") must be kept in a quarantine store. The quarantine store must be organised in a way that prevents the possibility of inappropriate removal. The rework of quarantined products shall require KACO's approval. Quarantined products not accepted by KACO must be made unusable and scrapped. By no means may they be marketed. The management of quarantined products must be documented by the Supplier.

8.5 Assurance of supply

The delivery of the agreed quantity by the agreed date is a substantial contractual obligation upon the Supplier. In order to assure the fulfilment of this obligation:

- the Supplier shall pass to KACO, upon its request, an emergency plan which envisages suitable measures to continue the delivery even in the case of disturbances at production, products, logistics, procurement, IT and environmental problems.

- in the event of tooling damage or disruption to machinery, the Supplier shall organise suitable measures (e.g. rapid, contractually-assured access to toolmakers/machine servicing).
- the Supplier shall operate a maintenance/servicing system as per ISO TS 16949.
- the Supplier shall set in hand all other measures and precautions deemed necessary and appropriate.

8.6 Communication with KACO's customers

All communications with the customer concerning the products ordered by KACO must pass exclusively through KACO. Direct negotiations and agreements between the Supplier and KACO's customer shall be permissible only upon the prior agreement with KACO.

8.7 Deviations

If the product or the production process differs from the approved product or process, then the Supplier must hold a written deviation concession approval from the competent KACO purchasing department buying office before the product is delivered. The consignment must be marked up with a specifically agreed labelling coding.

9. Obligation for investigation and notification of non-conformances [as per §377 HGB (= commercial statute book)]

KACO conducts incoming goods inspection only in terms of obvious external (transportation) damage and obvious external deviations in terms of identity and quantity. If we discover any faults in this context, we shall report them promptly. We reserve the right to conduct further incoming goods inspection goods-inward inspection. Furthermore, defects will be claimed as [...] soon as they are established according to the conditions of the proper course of business. We shall report any defects as soon as they are detected, within the framework of the normal course of business. The supplier renounces the objection of a delayed notice of defect . To that extent, the Supplier waives the objection of delay in the reporting of any faults.

10. Documentation obligation

10.1 Required recordings

The Supplier shall record quality data in all areas. Upon KACO's request, quality data (e.g. concerning stability, statistical values and inspection certificates) must be made available. Quality records must be kept by the Supplier such that they are assessable and enable an assignment without doubt for the appropriate product, production place and date. At all times they must be stored securely and such that they are easy to retrieve and they must – upon request – be made accessible to KACO at short notice.

10.2 Storage

Quality requirement documents and quality records must be stored according to VDA Volume 1 "Documentation and Archiving". Particularly in cases of recalls, service campaigns or product-liability the Supplier must present within 48 hours the corresponding data on request. The Supplier's right to withhold performance is excluded. In the event of closing down of the business, KACO must be sent the recorded data on a suitable data medium.

11. Traceability

The Supplier must maintain, for all production batches and material batches an identification and tracking system which – in the event of non-conformities – enables the traceability to its sub-suppliers delivery batch. This system, furthermore, must provide traceability to the process data and inspection/test results belonging to the Supplier's corresponding production batch. The sys-

tem must enable to trace any other products in progress suffering the same quality deficiencies, and to analyse the root cause.

The Supplier must be able to trace and determine, beyond any doubt, when which products are supplied to KACO.

12. Delivery

The Supplier must label the delivery unit at least with the following details:

- Manufacturer or supplier
- Article designation and identification number
- Production batch number
- Quantity
- Trade name (where relevant)
- Batch code
- Date of manufacture, inspection/test or dispatch
- Expiry details, storage details
- Safety information and danger warnings
- Drawing revision (where manufactured according to KACO instructions)

Inspection certificates should be attached to the respective consignments in line with the correspondingly applicable KACO requirements (e.g. drawings, delivery regulations).

In individual cases, it may be necessary to provide additional information.

13. Supplier management

The Supplier must use only sub-suppliers with quality capability. The Supplier must apply this QAA within the framework of its supplier management procedures, towards its sub-suppliers. The application of the QAA and ongoing monitoring of sub-suppliers must be proved to KACO on request. All products and services purchased by the Supplier shall be approved according to the same procedure of approval of products and production (e.g. PPAP, VDA) as is applied to the corresponding KACO product.

This QAA shall also apply as a separate quality assurance agreement for suppliers stipulated by KACO's customer, independent of the contractual relationship between the Supplier and KACO's customer. The Supplier must, on its own responsibility, incorporate all requirements applied by KACO's customer, and supply information with particular reference to test methods, test equipment and processes - in commensurate application of ISO/TS 16949 - in order to ensure a reliable validation of the Supplier's and KACO's product at KACO's customer.

The Supplier is also responsible for the quality of purchased products, materials or services. The same shall apply if KACO and the Supplier have contractually agreed upon the sub-supplier and even if this has been approved by KACO.

14. Goods incoming inspection at Supplier's

The Supplier is obligated to conduct and document any incoming goods inspection on purchased products and on products provided by KACO in line with ISO/TS 16949. Incoming goods inspection methods are product specific and are determined by the safety-relevance of the purchased products. It must be ensured that only fault-free products enter in the next production process.

15. Change management

15.1 Changes initiated by KACO

KACO shall send the Supplier written notice of any required updates to drawings, specifications or any other changes. The Supplier shall assess the modification on the basis of a

feasibility study according to SD_S 520_02 and shall prepare an initial sample supplementary report concerning the applied modification.

The Supplier shall promptly implement the modifications requested by KACO. If the modifications entail increased costs for the Supplier, then the parties shall negotiate a separate agreement for cost coverage. The Supplier may not make the implementation of the modifications dependent on any cost ruling.

15.2 Changes initiated by Supplier

The Supplier can only implement changes to products, materials, processes, technical data, operational arrangements, specifications, materials, testing, test procedures, quality criteria, deadlines, supply quantities and the relocation of production sites after written approval of KACO's purchasing department. Notification of planned changes must be given in such a way as to enable KACO and KACO's customer to assess the effect of the modification on the product to be manufactured by KACO, or its effect on the application of the product by KACO's customer. KACO shall assess the changes with regard to their effects concerning design, function, performance, durability, production, assembly, availability and pricing. The same shall apply in respect of agreements which – contrary to expectations – can no longer be fulfilled, even if the deviations only came to light after delivery. In that eventuality, KACO must be notified promptly and the necessary further steps must be agreed with KACO.

Changed products may be delivered to KACO only after initial sample approval and after approval for delivery has been issued.

Each agreed determination, in particular the valid drawing status and index level, must be recorded in a parts history document, and mutually written confirmation. The part history document is the relevant document for the latest applicable status of agreement between KACO and the Supplier. In addition to component-related details, the part history document must also include (at least) information as to the nature, extent and date of:

- Tool corrections
- Process improvement
- Index changes
- New materials,
- All other related changes and
- Sampling

The part history document must be submitted upon request and also for purposes of sampling procedures.

The Supplier shall bear the costs incurred by KACO and its customer due to the fact of a deviation which was not approved. This does not exclude the possibility of further legal claims being substantiated.

In the event of any changes to the Supplier's organisational structure, such as managers, acquisition, incorporation and major organisational changes, KACO's purchasing department must be notified.

16. Supplier evaluation

The Supplier shall regularly receive, from KACO, an evaluation of the deliveries. If any complaints or disruptions are raised by KACO's customer, caused by the Supplier, then the Supplier shall be notified and the Supplier's evaluation adjusted accordingly.

The supplier is obligated to achieve an “A” classification for each material category. If the required classification is not achieved, then, within the deadlines laid down in requirement RD_S 530_03 “Supplier evaluation, report incoming inspection” effective measures must be taken in order to reach the objective.

17. Requalification testing

For each delivery item the Supplier shall conduct an annual requalification test in line with ISO TS 16 949. The requalification test must be incorporated by the Supplier in the Control Plan. The supplier shall document the results in line with the associated initial sampling procedure on which it is based, and pass it to KACO's purchasing department on request. In the event of failure to fulfil the requirements from the initial sampling procedure, the Supplier shall notify KACO's purchasing department.

Upon agreement with KACO's purchasing department, the requalification test may also be conducted on a combined basis for individual product categories.

18. Complaints or disruptions

The Supplier must set up and maintain an organisation for the management of complaints. At complaints or disruptions at KACO or its customers, KACO shall notify the Supplier. The Supplier shall handle the complaint or disruption in line with KACO's 8D report. The Supplier's own 8D report forms are recognised provided that they include the content of KACO’s 8D report.

The Supplier shall notify KACO of any containment action regarding the complaint, within one working day or within the period stipulated in KACO's request. Sections 1- 4 of the 8D report must be completed within five working days. No later than 10 working days after the Supplier has received the complaint, a closed 8D report must reach KACO. If analyses – due high complexity and/or analysis methods involved – will require longer times to complete, the Supplier shall ask KACO for a deadline extension.

Prior to the rework of complaint products a deviation request with a risk analysis must be submitted to the competent KACO quality assurance department for approval. If the rework is approved the re-supply of the complaint products must be agreed with KACO. The delivery documents and packing units must be marked with a note of the rework together with KACO's complaint number.

19. Controlled Shipping, CSL 1, CSL 2

19.1 Purpose of Controlled Shipping

The Controlled Shipping procedure is intended – in the event of serious deviations from the agreed quality or delivery performance – to enable the original objective to be achieved.

Controlled Shipping is a request from KACO to the Supplier to conduct additional tests for sorting out defective products if it has not yet been possible to effectively complete investigations of the real root cause**.**

KACO may require that – from level 2 – the Supplier's certification company should be notified of the supplier status. The Controlled Shipping exit criteria shall be determined by KACO. The costs arising as a result of Controlled Shipping shall be borne by the Supplier.

19.2 Procedure for Controlled Shipping, CSL 1 or CSL 2

KACO shall notify the Supplier of the established Controlled Shipping status, the Controlled Shipping Level and the corresponding details.

Essentially, there are two Controlled Shipping levels:

Level 1 (CSL 1):
Level 1 may be triggered by: repeated complaints, exceeding of the agreed PPM rate, a situation in which KACO expects that a nonconformity (in terms of duration, important, deliveries) constitutes a serious risk for KACO and/or its customers, field failures and information concerning in-house/external suppliers.
Level 1 comprises a problem-solving process and an additional inspection process. Within the Supplier's own premises, it establishes the inspection process such as to ensure that

KACO receives no defective products. The additional tests must be conducted by employees who are independent of Production and whose names have been specifically notified to KACO.

Level 2 (CSL 2):
If level 1 measures are not effective further measures may be required by KACO.
Level 2 may be triggered by: deviations in level 1 status, new information regarding the situation that triggered CSL 1.
Level 2 covers the requirements of level 1 and additional inspections by KACO or by a third party which has been appointed by the Supplier and approved by KACO, and which protects KACO's interests. At KACO's discretion, the additional tests may be conducted at the Supplier or at any other useful venue. The progress may be determined on site, by KACO, by persons authorised by KACO or by KACO's customer.

19.3 Exit criteria for Controlled Shipping, CSL 1 or CSL 2

The following exit criteria must be achieved for level 1:

- Data from 20 working days indicates that the measures have been effectively implemented. The period from time of implementation of the corrective measures is relevant.
- Documentation indicates that the real root cause has been detected.
- Documentation indicates that the corrective measures have been effectively implemented.
- The relevant documents have been reviewed and updated (FMEA, control plan, process flowchart, process documents, instructions, etc)
- Relevant statistical data are available.
- Additional KACO requirements are fulfilled.

For CSL 2, the criteria for exit from CSL 1 and the following criteria must be fulfilled:

- All measures from action plan have been completed.
- The effectiveness of all measures from action plan has been confirmed by KACO, by persons authorised by KACO or by KACO's customer.

20. Remedies in the event of infringements of this QAA

In the event that:

a. the Supplier fails to fulfil substantial requirements of the contractually agreed quality assurance procedure, or infringes a substantial requirement arising from this QAA, or that
b. the Supplier, for no justifiable reason, declines to release any important and contractually required information, or that
c. the Supplier, for no justifiable reason, declines to conduct an approved audit or one which was justifiably requested by ourselves, or that
d. the Supplier infringes any other substantial duties to cooperate, then

KACO shall be entitled:

i. to decline to accept ordered products until the breach of the contractual obligation has been rectified; and shall be entitled
ii. to cancel the existing supply agreements after a granted period of grace has expired without satisfaction; and shall be entitled
iii. to require compensation of the additional expenditures incurred by KACO due to the fact of KACO's having to conduct an extended incoming inspection due to the breaches of contract mentioned above.

This does not apply if the Supplier was not responsible for such breaches of contract. Notwithstanding Independent of this provision, KACO holds all statutory, legal rights in the event of the infringement of this Quality Assurance Agreement.

21. Co-applicable standards and directives

The following major external standards and directives, in their currently-applicable issue at any time, are a constituent component of this QAA:

- **DIN EN ISO 9001** "Quality management systems – Requirements"
- **ISO/TS 16949** "Quality management systems – Particular requirements for the application of ISO 9001 for automotive production and relevant service part organizations"
- **VDA series** "Quality management in automobile industry" with all volumes
- **DIN EN 10204** "Metal products – types of inspection documents"
- **DIN EN ISO 14001** "Environmental management systems – Requirements with guidance for use"
- **AIAG series (e.g. APQP, PPAP, MSA, CQI standards)**
- **APQP, PPAP** and the associated rules
- **GADSL**, Global Automotive Declarable Substance List
- All applicable legal regulations (e.g. REACH)

Both contractual partner must independently ensure that these regulations are up-to-date.

22. General provisions

Amendments of and addenda to the present agreement must be in writing and signed by the parties in order to be valid. This also applies to this term.

The language of contract shall be either German or English. In the event of any contradictions between the German version and the English version, the German version shall prevail.

Should any provision of this Agreement be or become invalid, then this shall not affect the validity of the Agreement as a whole. In such an eventuality, rather, the Parties shall replace the invalid provision with such a provision as equates as closely as possible to the intended financial effect of the invalid provision.

This Agreement shall be subject to German law.

All disputes arising from this Agreement or in connection with this Agreement shall be resolved before an ordinary Court, in the event of failure to reach amicable resolution. The place of jurisdiction shall be Heilbronn or – at KACO's discretion – the site of the KACO plant which issued the order.

KACO GmbH + Co. KG	**Supplier**
Town, date	Town, date
Name (indicated in clear type)/function	Name (indicated in clear type)/function
Signature, stamp	Signature, stamp
Name (indicated in clear type)/function	Name (indicated in clear type)/function
Signature, stamp	Signature, stamp

Annex 1: Contact data sheet

Please indicate the names of the contact persons for the areas of responsibility indicated in each case.

The supplier's quality assurance representative whose name is indicated below shall be the contact person for the implementation and co-ordination of quality assurance and for any other quality-related matters. The contact person shall be authorised to make decisions in this context.

Company name	
Surname, first name	
Function	
Telephone number	
Mobile telephone number	
Fax number	
Email	
Address	
Language(s) spoken	

Contact person for questions concerning logistics:

Company name	
Surname, first name	
Function	
Telephone number	
Mobile telephone number	
Fax number	
Email	
Address	
Language(s) spoken	

Contact person for emergencies of any type. Must be reachable even outside of normal working hours.

Company name	
Surname, first name	
Function	
Telephone number	
Mobile telephone number	
Fax number	
Email	
Address	
Language(s) spoken	

Annex 2: PPM Agreement

In the interests of continuous improvement of processes and of achieving the highest level of quality, the following PPM specifications are established for monitoring period 20__:

Part number	Component designation	PPM

If no separate PPM agreement is made for successive years, then the values agreed here shall continue to apply until further notice.

KACO GmbH + Co. KG

Town, date

Name (indicated in clear type)/function

Signature, stamp

Name (indicated in clear type)/function

Signature, stamp

Supplier

Town, date

Name (indicated in clear type)/function

Signature, stamp

Name (indicated in clear type)/function

Signature, stamp

Annex 3: List of applicable VDA/AIAG documents

	KACO requirement	Ruling under separate agreement
VDA series		
VDA Volume 1: Documentation and archiving		**X**
VDA Volume 2: Quality Assurance for supplies		**X**
VDA Volume 4: - Methods - DFMA	**X**	
VDA Volume 4: - Process models - Six Sigma		**X**
VDA Volume 4: - Risk analyses - FTA fault tree analysis		**X**
VDA Volume 4: - Risk analyses - Product and process FMEA	**X**	
VDA Volume 4: - Process models - DFSS (Design for Six Sigma)		**X**
VDA Volume 5: Capability of Measurement Processes, Capability of Measuring Systems, …		**X**
VDA Volume 6: Quality audit fundamentals	**X**	
VDA Volume 6, Section 3: Process audit	**X**	
VDA Volume 6, Section 5: Product audit	**X**	
VDA Volume 11: “Successful implementation – targets and soft facts”		**X**
VDA Volume 19: Inspection of technical cleanliness		**X**
VDA Volume 19, Section 2: Technical cleanliness in assembly		**X**
VDA Volume - Product creation – A process description, covering special characteristics (SC) -		**X**
VDA Volume - Product creation – Maturity level assurance for new parts		**X**
VDA Volume - Marketing and service – Field failure analysis		**X**
VDA Volume - Quality assurance during the product life cycle - Standardized process for handling customer’s complaints		**X**
AIAG series		
PPAP	**X**	
MSA	**X**	
SPC		**X**
FMEA		**X**
APQP	**X**	
CQI Documents for special processes	**X**	