Quality Assurance Agreement with Suppliers (QAA)

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1 Preamble

Our value and position on the market are decisively influenced by the quality of our products. The quality of your deliveries has a direct influence on our products. Our suppliers are, as our partners, responsible for the quality of their products.

The present QAA with Suppliers includes the framework conditions and is intended to, on the basis of the following set of rules, implement a joint quality strategy in order to ensure smooth operations between our **suppliers** (hereinafter "**Supplier**") and **Oskar Rüegg AG, Buechstrasse 18, 8645 Jona, Switzerland** (hereinafter "**Purchaser**") and to minimise costs. It describes the minimum requirements for the Supplier's management system.

This QAA must be recognized for products and services to be delivered to the Purchaser.

1.1 Area of application

This Quality Assurance Agreement (QAA) is a component of the "General Terms and Conditions of Purchase", which can be viewed at http://www.oskar-ruegg.com/de/downloads.html, as well as a component of all orders and deliveries by or to the Purchaser.

2 General requirements

2.1 Quality management system

The Supplier is hereby obligated to the permanent use of an effective quality management system that, in terms of its structure and operational size, is based on the current version of IATF 16949, ISO 9001 at the least, and certified through an accredited certification agency.

If the Supplier loses its IATF 16949 or ISO 9001 certification, we must be informed of such within 5 business days.

The recognition of this QAA is a basic prerequisite for a supplier relationship with the Purchaser.

The following must be guaranteed for an effective QM system:

- continuous and provable improvements to processes, procedures, and products
- delivery quality
- reliable delivery in terms of deadlines and quantities
- effectiveness and efficiency in the implementation of corrective measures
- communication at all levels
- new and modified projects carried out correctly in terms of content and schedule

Existing suppliers that cannot provide evidence of certification must promptly obtain certification in ISO 9001 at the least and provide evidence of such.

This quality management system is intended to achieve the mutual goal of <u>Zero Errors</u>
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We reserve the right to audit quality management systems, processes, and products of the Supplier, or to have such audited by third parties. The authorised representative of the Purchaser is to be admitted within normal business hours after prior appointment.

The information specified in the preceding is intended only for clarification and places no restrictions on the regulatory framework specified above.

2.2 Language of business

The language of business will be the national language of the ordering plant, or English as an alternative.

2.3 Quality targets

The Supplier shall specify internal and external quality targets in order to measure and assess the quality achieved. The following minimum requirements apply in this context:

- Determination of the internal and external error rates on PPM basis (parts per million)
- Determination of the internal and external error costs
- The OR may agree, together with the Supplier, upon quality targets for the products to be specified. Measures for non-achievement may also be specified.

The Supplier's liability for defects or damage compensation claims due to improper delivery remains unaffected.

2.4 Environment / health and safety / EU standards / directives

The Supplier is hereby obligated to comply with national regulations concerning environmental protection, energy use, and work safety. Work spaces and work processes are to be designed such that there be no undue effects on the employees or on the products. The Supplier is required to obtain certification or, at the least, implement the management system for environmental protection, energy conservation, and work health and safety.

2.5 Conformity of raw materials, components, packaging, and operating resources

- **RoHS 2 Directive 2011/65/EU** on the restriction of the use of certain hazardous substances
- **REACH Regulation 1907/2006/EC** on the Registration, Evaluation, Authorisation and Restriction of Chemicals
- **EC Directive 2000/53/EC** on the confirmation of compliance with heavy metal bans to regulate the recovery of materials from motor vehicles via recycling
- **EC Directive 2003/11/EC** on the heavy metal bans (supplement to Directive 2003/53/EC)
- **EC Directive 2006/122/EC** PFOS (perfluorooctane sulfanates)
- **EC Directive 2002/96/EC** on waste electrical and electronic equipment
- **VDA list VDA-232-101** and **GADSL** on declarable substances, ingredients in components, and materials
- **Use of so-called “conflict materials”**

The product delivered contains none of the substances listed, nor are any such substances used in its production.

The Purchaser expects samples and products delivered (regardless of the respective product status) to be in compliance with the law and, if required, already registered by the Supplier directly or its upstream suppliers.

2.6 Project planning

Extensive planning is needed to ensure the high quality requirements of our customers. For this reason, systematic, order-based planning must be a key component of the QM system.

As part of the overall project management, a project planning phase that meets the requirements of this QAA must be carried out to ensure compliance with product quality and deadlines for all new or modified products. This also applies for subsuppliers used.

Project progress reports are to be presented in coordination with us. We must be made aware of who is responsible for the project.

2.7 Special characteristics

Generally speaking, all product and process characteristics are important and must be maintained. Special characteristics – those that are important to functionality and process-critical quality, as well as those that require special evidence – demand special care, as deviations in these characteristics could affect the assembly capability, functionality, or quality of subsequent production operations as well as legal regulations in particular. These are determined by us and our customer and/or result from the design and/or process FMEA of the Supplier.

2.8 Products and characteristics that require special evidence

This includes products whose characteristics have a significant impact on vehicle safety or compliance with legal provisions. A corresponding risk is to be expected here under the circumstances of product liability. These products and their characteristics are listed in the technical documentation with us as well as with the customer.

The Supplier is hereby obligated to implement a corresponding system to handle those products and characteristics that require special evidence. Verification must comply with the content of the requirements of the currently valid standard and must be such that, in the event of damage, the due diligence practised can be proven (proof of exoneration).

Traceability must be built in so as to ensure unambiguous assignment from suppliers to production and inspection batches. A functioning tracking system that extends to subcontractors must be ensured.

2.9 Subcontractors – changing subcontractors

The Supplier is responsible for the performance of its subcontractors (subcontractors / suppliers / extended work bench commissioned by the supplier) according to the stated requirements. If the Supplier places orders with subcontractors, the subcontractor must also meet the requirements of this guideline.

We must be promptly informed of subcontractor changes, as this is subject to approval. Production process approvals as well as product approvals must be carried out.

We reserve the right to audit subcontractors as well; however this does not exempt the Supplier from its responsibility to the subcontractor and to us.

2.10 Process and product approval

The process and product approval procedure takes place following the production process and product approval procedure (PPF) of VDA Volume 2 or following the production part acceptance procedure of QS 9000 (PPAP).

Serial delivery shall occur only upon process and product acceptance on the part of the Purchaser. Process and product approval includes:

- the initial product sample approval
- the quality planning approval
- evidence of the corresponding submission stage

Complete payment of tool costs is made following a final process and product approval procedure that we conduct.

2.11 Changes to the product or process

Changes to the product or process require approval and are to be documented in a product and process protocol.

2.12 Complaints processing / warranty

Following a complaint from the Purchaser, error rectification measures are to be initiated immediately by the Supplier, and the Purchaser is to be notified in writing within 48 hours of the immediate measures taken. In addition, the Supplier must submit an 8-D report, with D1-D3, within 2 business days without being prompted.

In addition to the fees listed in the complaint, the Supplier shall bear all potential expenses / rework costs incurred in connection with the error report internally, along the supply chain as well as with the end customer.

We will verify the effectiveness of the measures the Supplier has taken as needed.

If, in the event of an impending machine / assembly downtime, the Supplier cannot provide any compliant goods or screen for such within 8 hours at the latest, the Supplier shall bear any costs incurred from this.

2.13 Supplier evaluation / escalation levels

The Purchaser shall provide the Supplier with an evaluation with regard to quality (achievement of aims and objectives), deadline, quantity, and price level at specified intervals, generally 1x annually. The evaluation is to provide a classification to A, B, or C.

For new inquiries, C suppliers are generally prohibited.

2.14 Supplier performance

We are prepared to continuously develop the management system of the Supplier on the basis of IATF16949 as well as customer-specific additional requirements. The information required for this will be forwarded to the Supplier. Supplier audits also serve as a means to exchange experience between us and the Supplier.

3 Planning

As part of a project management system, we generally request that our suppliers conduct systematic planning in accordance with VDA Volume 4 or QS 9000 APQP. This planning process is to include both parts manufactured by the Supplier as well as the parts purchased individually.

3.1 Feasibility analysis

If the Supplier makes an offer to us, we assume that a feasibility analysis has been carried out and that possible reservations regarding submission of the offer will be presented. If these are not indicated, we assume compliance with any and all demands.

3.2 Deadline planning

We shall assign project-related deadlines to the Supplier. The Supplier is to create a detailed schedule from this which includes all necessary actions and to coordinate this with us in advance.

3.3 Scope of planning

The minimum requirements and processes to be applied can be found in the rules policy.

3.4 Project evaluation

Project progress reports are the basis for regular project evaluation and must be submitted to us periodically without being prompted. We reserve the right to verify project progress.

3.5 Project approval

Approval to begin production may only be granted after a positive examination of all activities planned within the project. The supplier is to document, with date and signature, this approval for all persons responsible for quality assurance, production, planning and, if applicable, other areas.

3.6 Prototype production

For the initial delivery and for changes (index / material number), a prototype report must be presented for prototype parts.

3.7 Risk analysis / FMEA

Where applicable, the Supplier must take suitable preventative measures for quality planning and defect avoidance (Core Tools - FMEA, MSA, SPC, PPF/PPAP, APQP). An FMEA process must be defined in accordance with the AIAG or VDA methods.

The Supplier must comply with the special requirements we specified for documentation and archiving. The Supplier may supplement these with particular features of its own production process.

4 Process and product approval

4.1 Initial sample

Initial samples are products manufactured and inspected under series conditions (machines, systems, operating and testing materials, processing conditions).

The test results for all properties are to be documented in an initial sample test report (ISTR). The number of parts to be documented must be arranged with us. The initial sample is to be provided to the Purchaser with the initial sample inspection report and documents by the agreed deadline in accordance with the submission steps we have specified. When doing so, unique identification as an initial sample and entry of the production location are required. In order to identify the features, identical numbers must be used in the initial sample test report and in the current drawing we approved.

Modules that were manufactured according to a design we specified, including individual parts, are to undergo initial sampling and provided to us with an ISTR.

For products of the Supplier's own design, the Supplier is to sample the modules and provide them to us with an ISTR. Initial samples must also be carried out for individual parts and subassemblies, as needed. We must be allowed to inspect this documentation as needed.

Deviations from our specifications, which were not determined during process and product approval, authorise us to object to these at a later date, provided that we had not explicitly declared these individual, divergent items as accepted on the ISTR.

4.2 Initial sample documentation

Initial sample documentation is to be provided at the same time as the initial samples. Initial samples without initial sample documentation cannot be processed and immediate delivery of the documents will be required.

4.3 Justification for initial samples

Initial samples are required in accordance with the specified policies:

- When a product is ordered for the first time
- After the Supplier changes a subcontractor
- After a product change to all affected features
- After a change to the drawing index for all affected features
- After a delivery halt
- After a delivery interruption of more than one year
- For changes to the production process
- After using new/changed shaping devices (tools, each individual cavity for
- multiple mould cavities)

- After a relocation of production spaces or the use of new or moved machines and/or operating equipment
- After using alternative materials and designs

Exceptions to procedures and scope are only permitted in the following cases in coordination with us:

- Delivery interruption of more than one year
- Small series, customer service parts
- Standard and catalogue parts

4.4 Initial sampling according to data sets

Measurements must be made against the valid 3D data model or valid raw material specifications. The number of measuring points should be chosen so that it is possible to determine all geometries with certainty. Details on the measurements must be coordinated and agreed upon with our Quality Assurance / Measurement Technology departments.

4.5 Material data collection

Material data collection is part of the sampling process. Information is to be entered using the International Material Data System (IMDS) for automobile parts, in consultation with the Purchaser.

4.6 Approval status / approval with reservation

If the ISTR submitted by the Supplier cannot be approved due to deviations, or if only a limited partial approval (yellow approval) can be granted, the Supplier is therefore obligated to resample the divergent items within a reasonable period of time, and to present them accordingly.

For a limited approval (yellow approval), we are free to halt remaining payments until proof of rectification is provided by the Supplier.

5 Additional requirements

5.1 Storage periods for quality-related documents and records

The Supplier must specify storage periods for quality-related documents and records. In doing so, the following minimum requirements must be followed. If longer storage obligations arise from customer requirements, these must be communicated separately, otherwise the following conditions apply exclusively:

15 years for:

- documents and records for products with specific verification requirements
- records for special audits

3 years for:

- records on quality services without specific verification requirements (Q control charts, test results, PPM charts, etc.)
- records of QM evaluations, internal audits, etc.

1 year after product release for series and spare parts needs:

- material test reports, purchase contracts, supplements, etc.
- records of process, product approvals

The storage deadlines apply from the creation date of the records. These specifications do not replace any legal requirements.

5.2 Special audits

Special audits are audits that go beyond standard serial audits, for example, capacity audits, reliability audits, and technically intricate examinations. The Supplier is to carry out special audits for initial sample in accordance with our specifications, and, furthermore, to continue the ongoing production monitoring with the number of parts and test frequency determined together. Test parts must originate from current serial production and the test results must be traceable to the production batches.

In the event of negative test results, the Supplier must immediately halt any further delivery of the products, determine the cause of the fault, initiate suitable corrective measures, and document them.

We are to be informed immediately by the Supplier (Purchasing and Quality Assurance). Subsequent steps are to be coordinated with us.

5.3 Workstation approval

All production and assembly workstations must be approved before beginning production at series start. This must involve all work steps in production and assembly. The results are to be documented. Persons responsible as well as completion deadlines must be specified when taking corrective and improvement measures.

After the specified measures have been completed, another audit must be carried out in consideration of the previously indicated deviations. The results must again be recorded in writing.

5.4 Product audits / process audits

Through regular product and process audits (in accordance with the audit plan and event-based), the Supplier must ensure that all specifications (production, testing, labelling, preservation, cleanliness, packaging, delivery documents, etc.) are fulfilled. The results, including the measures taken, are to be documented. The Supplier shall carry out an annual self audit of its manufacturing process in accordance with VDA 6.3 and VDA 6.5. We are to be provided with the results of the self audit upon request. The efficacy of the measures must be proven. The product audits can also be carried out and proven for “product families”.

The Supplier is obligated to provide evidence for and maintain the necessary qualifications of its inspection personnel through regular training measures.

5.5 Capability indicators

Refer to VDA Volume 4 Part 1 (Quality Assurance prior to Serial Application) or QS 9000 for information on how to determine capability indicators.

The following apply as a minimum:

- Short-term process capability Cm, Cmk equal or > 2.00
- Long-term process capability Cp, Cpk equal or > 1.67

During internal process acceptance, the Supplier must prove that it can produce products of the required quality and quantity in a controlled and suitable process under standard conditions. We may participate in the process acceptance procedure at the Supplier's production location.

5.6 Centred production

Centred production is the aim for controllable characteristics. A controlled and suitable process is to be maintained and documented for these special characteristics via continuous, systematic evaluations of test results in accordance with the rules policy using statistical process control (SPC). Special, non-controllable characteristics, such as tool-related characteristics, and special, non-actionable characteristics require a limitation in workpiece tolerance in consideration of all statistical process control constraints, e.g. machine/process, measuring method, test equipment uncertainty, and a corresponding determination of the intervention limits. Screening outside these intervention limits is to be avoided. Non-actionable characteristics must also be documented in the 100% audit using statistical methods.

5.7 Approval of deviations

For deviations in our technical documents, a delivery approval must be obtained from us before delivery, as a general rule. We must be informed immediately for goods that have already been delivered. We alone are to determine how to proceed subsequently.

5.8 Requalification

The Supplier is obligated, upon our request, to present the requalification of all delivery products. Requalification includes a full verification of all specifications given in the drawing as well as their applicable requirements. Evidence is to be provided to us accordingly in written form upon request. There is an option to limit requalification for critical functional characteristics in written coordination with us.

5.9 Risk management / emergency plan

The Supplier must ensure that all risks that could adversely affect its ability to deliver within the supply and process chain have been identified and evaluated, on its own responsibility, and managed via risk management. Possible risks may be, for example, machine defects, personnel deficits, loss of subcontractors, or power failures. Suitable corrective measures must be specified in an emergency plan. We are to be presented with this emergency plan upon request. The Supplier must be adequately insured for the damage caused by its inability to deliver to us as well as for product liability cases.

5.10 Escalation process

In the event of serious deviations from quality requirements, we reserve the right to initiate an escalation procedure with the Supplier. Potential triggers for introducing an escalation process are the following:

- repeated incorrect delivery despite finalised problem solution (8D)
- repeated production interruptions for customers due to incorrect deliveries
- repeated/critical complaints from our customers, caused by a Supplier defect
- field failures or recall campaigns through our customers, caused by a Supplier defect
- insufficient Supplier complaint management
- impending production downtime at one of our customers' locations, caused by a Supplier defect
- critical measures from the supplier audit are not implemented
- defective project handling on the part of the Supplier
- special status of the supplier with our customers
- loss of QMS certification (ISO 9001, or IATF 16949)

We have implemented a three-level escalation process. Smooth production and project handling is to be ensured through a structured escalation process with the Supplier, and any problems that have arisen are to be solved or eliminated permanently.

Escalation level 1:
In the first escalation stage (problem solving by Supplier unsuccessful), the Supplier is to be invited to a discussion with us to go over the problem and to define scheduled corrective actions.

Escalation level 2:
The Supplier needs external help to solve the problem. This level includes a defect analysis that is to be conducted on the Supplier's premises or on our own premises. We may carry out this problem analysis as a process audit. The agreed action plan is to be coordinated by the Supplier within the specified timeframe. We reserve the right to carry out a verification of corrective measures on Supplier premises.

Escalation level 3:
Unsatisfactory results in level 2 leads to the introduction of level 3 (supplier is not suitable) or even to prohibition of the supplier. Our customer will be included in escalation level 3, provided the events concern a supplier specified by the customer, or if there is a risk to the customer.

De-escalation:
For positive results in the performance review of the respective escalation step, the Supplier is to be informed that the escalation has been lifted (de-escalation). The de-escalation process is carried out in steps.

5.11 Labelling, tracking

The production flow and the handling procedure for products must be determined in such a way as to avoid the deterioration of quality and damage. This applies in particular for transport, storage, packaging, preservation, and shipping. Parts must be labelled in accordance with technical specifications. The traceability of process and product data on the production batch up to the starting material used must be ensured.

5.12 Packing and storage requirements

The storage requirements for products at the Supplier must exclude loss, theft, and damage as well as changes in material properties due to environmental influences. Special packaging provisions are to be observed.

As of 06/2019