

# Agreement on Quality Assurance and Environmental Issues

between

**Schlemmer GmbH**

**Gruber Straße 48  
85586 Poing**

*called "Schlemmer" in the following*

and (please enter address or company's stamp)

**X**  
**X**  
**X**  
**X**  
**X**

*called "Supplier" in the following*

## 1. Subject of Contract

The Agreement on Quality Assurance and Environmental Issues is valid for all business transactions between Schlemmer and the Supplier, including all their relevant sub-suppliers or sub-suppliers working in their name, sister companies and subsidiaries.

The agreement regulates all requirements for development performances and /or products as well as production materials for serial products by Schlemmer, which are made / or supplied by the Supplier to Schlemmer during the validity period of the contract.

Each and every differently worded quality and environmental agreements between the Supplier and Schlemmer become invalid and are exclusively replaced by this agreement on quality assurance and environmental issues.

Agreements and guidelines with regard to our Conditions of Purchasing / Suppliers' Management remain untouched by this agreement and are valid in their relevant present issue.

## 2. Requirements of the Quality Management System (QM-System)

We always demand an efficient QM-system. The following guidelines in their relevant up-to-date version serve as basis:

- **DIN ISO 9001**
- **ISO/TS 16949**

For parts, which are due for the automobile industry, we request at least a certification according to **ISO 9001**. Ideally however, a certification according to ISO TS 16949 should be achieved.

The Supplier is obliged to follow the zero-fault-target and has to optimise his performance continuously to achieve this goal. Production and testing equipment, which have been made available by Schlemmer, must be marked as customer property and must then be integrated into the Supplier's quality management system as their own production and testing equipment.

The Supplier's quality assurance measures must be entered in regulation documents (quality management manual, process and working instructions, production management, test plans etc.). Schlemmer must be allowed to view these documents upon request.

## 3. Environmental Protection

Furthermore Schlemmer requests the Supplier to follow the national guidelines for environmental protection. It is expected that the environmental situation at the Supplier's is continuously and efficiently improved in accordance with the international standards of environmental management such as **DIN EN ISO 14001** or **EG-Öko-Audit-regulation**.

## 4. Declarable Substances and Reach

The Supplier must ensure that all legal and safety technical regulations for health damaging, poisonous and dangerous substances are adhered to with regard to products to be supplied and applied production processes. The procedure is to be executed according to the **GADSL "Global Automotive Declarable Substance List"** ([www.gadsl.org](http://www.gadsl.org)) respectively "List for declarable substances in the automobile construction" (VDA 232-101). Up to date safety data sheets are to be attached automatically to the delivery.

The Supplier must present a copy of the confirmation on pre-registered substances at the time of purchase by Schlemmer and mention a contact person at Reach. Schlemmer must also be informed at once about changes to materials respectively replaced components, also concerning Reach. Further information on: [www.reach-clp-helpdesk.de](http://www.reach-clp-helpdesk.de).

## 5. Right of Audits and Internal Audits

The Supplier permits Schlemmer to enter his premises in order to execute quality audits. As long as nothing else has been agreed upon, the audit will be a process audit according to the present VDA standard. Environmental questions are audited in accordance with the requirements of ISO

14001. Necessary and appropriate restrictions with regard the Supplier's company secrets will be respected.

## 6. Duty to Inform / Information about Amendments

In order to assure a continuous quality, the Supplier must inform the purchasing department at Schlemmer immediately about changes with regard the following items. A new sampling process must be agreed with the QS1 Quality Engineering in Poing. Only after Schlemmer has given the go ahead, the Supplier is permitted to supply.

- Amending the used materials
- Overhaul and maintenance of tools
- When using an alternative raw material within the recipe
- Relocating the production respectively the manufacturing site
- Using a sub-supplier for part of the work (contract manufacturing)

Schlemmer must be informed at once in case of foreseeable delays in deliveries respectively problems with regard the quality of already supplied products.

## 7. Development / Planning

In case the order for the Supplier contains development activities, then the contract partners must record the requirements in a specification. The Supplier is obliged to set up a project management already during the planning phase of products, procedures and other cross departmental tasks and to permit Schlemmer to view the project deadlines.

## 8. Initial Samples

Initial samples are products, which have been produced entirely with production means for serial production and under serial production conditions. The initial sampling and probable amendments to the sample have to be executed by the Supplier according to VDA 2 Step 3 or QS-9000/ PPAP (Production Part Approval Process) Level 3, if nothing else has been agreed in writing. The product's ingredients must be named within the scope of initial sampling by using the IMDS (International Material Data System). Information under [www.mdssystem.com](http://www.mdssystem.com).

Before sampling takes place, the Supplier is obliged to present the development department at Schlemmer in writing with all applications for amending drawings /specifications or release of deviations.

All deviations must be mentioned in the relevant initial sampling report and must be specially marked (changing the specification, special release, date). Initial samples with deviations, for which no application has been made, will not be processed by Schlemmer.

Where function relevant features are concerned, the Supplier has to establish and document by analyses that the used production facilities are suitable. Should the characteristic values as laid down by Schlemmer not be achieved, then the Supplier will have to optimise his plants or execute suitable tests on the manufactured products, in order to exclude faulty deliveries. The requirements according to VDA 2 or PPAP (Production Part Approval Process) are applicable. The following values therein contained are especially mentioned:

- short time processing ability:  $Cmk \geq 1.67$
- preliminary processing ability:  $Ppk \geq 1.67$
- long term processing ability:  $Cpk \geq 1.33$

Each initial sample delivery must be packed separately from the serial products and marked: INITIAL SAMPLE/NO SERIAL RELEASE.

In case of incomplete respectively initial sample test reports, received only after a reminder, reclamation in form of an 8D-report will follow. To this end a lump sum processing fee amounting to 200,--€ will be invoiced.

## **9. Quality Assuring Measures**

A testing schedule for products to be supplied to Schlemmer has to be established and must be presented upon request. Risk analyses must be verified by FMEAs. In case of renewed start-up respectively amended products and / or processes, initial sampling according to item 9 must be executed. In order to assure the quality, the Supplier maintains a suitable testing system in the areas of Goods-in, Production and Despatch. Testing means used during the processing (also those made available by Schlemmer) are to be subjected to regular check-ups.

## **10. Product Safety, Product Liability and Documentation**

The Supplier is responsible for the quality of products produced and supplied by him.

The Supplier has to do all that is organisationally and technically possible and reasonable to increase product safety of his parts and those of sub-supplier in order to minimise the risk of product liability.

The Supplier ensures and obliges his sub-suppliers that

- there is a solid quality awareness present in the whole company,
- the required product safety is guaranteed while developing new components,
- product safety is especially considered during quality planning,
- the quality of finishing processes is ensured and can be verified,
- by suitable series accompanying quality measures, the risk of manufacturing faulty products is minimised,
- it is ensured that faulty products are detected early enough during the manufacturing process through suitable measures (minimising costs / wasting added value),
- quality data and legally required evidence tests are documented thoroughly in order to prove that the manufacture of products is in agreement with the laws and safety standards,
- where the record keeping periods for quality relevant data are concerned, the requirements of VDA 1 "Documenting Evidence" are to be observed. Record keeping of e.g. lorries and white goods are to be especially observed.
- there is a tracking system in place to retrace and limit if necessary, influences of faults on products and materials,
- an extensive information and training of responsible personnel has taken place and can be substantiated, with regard to the subject "Product safety and Product liability".

## **11. Examinations**

As far as Schlemmer drawings are available and products manufactured in accordance with them, the Supplier has to check and document the marked testing and function measurements. In case of deviations, Schlemmer's Technical /Development departments must be informed. Deliveries with certain product properties are documented by an acceptance test certificate of the supplied batches. Further tests and information require a product related agreement between Schlemmer and Supplier.

## **12. Capabilities of Machines and Processes**

The Supplier is responsible for establishing the proper function related features and suitable optimising of production plants or suitable testing methods.

For all concerned function relevant features, the suppliers must execute and document detailed analyses of the suitability of used machineries. In case a machine ability value of  $cmk \Rightarrow 1.67$  is

not reached by the Supplier, then by optimising his plants respectively by relevant test of his products he must prove that he can ensure a faultless delivery.

During the whole running serial production the Supplier must prove and document the process ability of  $Cpk \geq 1,33$  for all function relevant parts by means of suitable processes ( e.g. static process regulation or manual control chart technique). Should this not be fulfilled, then the quality of the delivery has to be ensured by 100% examinations at Goods Out and must be marked accordingly. Evidence of machine and process capabilities must be established in regular intervals and be presented upon request.

### **13. Transport and Special Deliveries**

The Supplier delivers according to the packaging respectively delivery instructions as laid down in the order documents. The FIFO-principle must be adhered to at all times. The Supplier is obliged to document and evaluate the number and costs as well as the reason, why special deliveries are necessary. Upon request he will present Schlemmer with a listing of costs. Apart from that the Conditions of Purchasing of the Suppliers' Management apply.

### **14. Checking at Schlemmer's Goods In**

Contrary to 377 HGB, the checking at Schlemmer's Goods In is restricted to visually recognisable transport damage. Identifying the identity and quantity is done according to the packages, checking for the agreed test certificates and a random check of the values as entered in the test certificates. The Supplier will be informed immediately in writing by Schlemmer about deficiencies of the delivery. The Supplier will waive the fact of a delayed complaint.

### **15. Know-How-Transfer / Secrecy**

Models, matrixes, templates, samples, design drawings, tools and other manufacturing means, as well as confidential information, which have been made available to the Supplier by Schlemmer, or are paid for completely by him, can only be passed on to third parties by a written consent from Schlemmer. Apart from that the Conditions for Purchasing of the Supplier's Management apply.

### **16. Procedure in case of Quality Deviations**

In case of complaints by Schlemmer the Supplier will receive a test report. Costs resulting from this test will be invoiced according to the principle of "he pays, who has caused the damage". The Supplier is obliged to compile a cause analysis. In case Schlemmer does not agree with the result, then Schlemmer reserves the right to engage an external testing laboratory and depending on the result, will pass the costs on to the Supplier.

Schlemmer will be informed in writing about immediate measures within 24 hours of the reclamation. The Supplier will issue further statements with regard the reclamation in due course. In case of delayed deadlines, Schlemmer must be informed at once about the reason and date, when the final statement is made. Delaying deadlines, without previous agreement, will be seen as acknowledgment and taking over the thus resulting costs.

The Supplier will inform Schlemmer in the shape of an 8D respectively 7D-report. The Supplier will present Schlemmer with the evidence of rectifying the situation within an agreed time set by Schlemmer.

The Supplier will be invoiced with a handling fee of 100,--€ per justified reclamation, plus other additional costs that have occurred in connection with this fault.

After a faulty delivery has occurred, the following two deliveries have to undergo a 100% Goods Out control and must be marked as such separately.

Supply of products with deviating specifications is only allowed after a written consent from the Quality Management in Poing and /or the relevant quality assurance of the company. The deliveries are only allowed for an agreed quantity fixed in writing or during a certain period, also fixed in

writing. Deliveries of special releases must be marked as such on all transport carriers and in the delivery documents.

### 17. Delivery Obligation

By implementing relevant measures, the Supplier ensures that based on the planned quantities by Schlemmer, delivery is guaranteed to take place. Deviations to this must be agreed between the Supplier and the Purchasing Department at Schlemmer. Apart from that the Conditions for Purchasing of the Supplier's Management apply.

### 18. Warranty / Guarantee / Liability / Insurance Obligation

Information about warranty, guarantee, liability and the necessary product liability insurances are laid down in the Conditions of Purchasing / Supplier's Management in its up to date version.

### 19. PPM- Agreement on Targets

Both companies pursue a "Zero Fault Strategy" by continuously optimising processes with the target 0 PPM. The Supplier will inform Schlemmer immediately as soon as deviations from the agreed target become apparent. PPM-values  $\geq 35$  are added negatively into the supplier's evaluation.

#### Explanation to the PPM- calculation:

$$\frac{\text{Faulty parts (within the period under review)}}{\text{Supplied parts (within the period under review)}} * 1.000.000 = \text{PPM}$$

- 1 Part = 1 part, if countable
- = 1 meter, if measurable
- = 1 litre for liquids
- = 1 kg for material

The unit, is equal to the unit that has been used by the Purchasing Department of Schlemmer GmbH when placing the order.

#### Quantity evaluation of faulty parts:

- Effectively established faulty parts by Schlemmer or their customers during a 100% check-up.
- Invoiced part of a delivered unit (checked quantity of a minimum of 100 pieces)

After a returned delivery of faulty parts to the Supplier, these are sorted out and the quantity passed on to Schlemmer, where the figures are included in the PPM-evaluation.

### 20. Suppliers' Evaluation

The suppliers are evaluated once a year.

Evaluation criteria: PPM respectively number of reclamations, time of response to reclamation, supply loyalty, efforts in the area of quality and environmental issues management system.

### 21. Contract Period

This agreement becomes effective with signing of contract by the Supplier. It can be terminated in writing by both sides within a period of 3 months. Together with the business termination the QSV comes to an end.

### 22. Contacts

Questions and discrepancies are to be clarified in writing with the Quality Management of Schlemmer in Poing.

**23. Remarks / Deviations:**

All changes and supplements to the Quality Assurance and Environmental Issues Agreement must be done in writing and be confirmed by the Quality Management Poing. Extensions and changes are attached as relevant documents to this agreement.

**24. General**

The supplier is obliged to inform Schlemmer at once about every foreclosure measures or the opening of bankruptcy or composition proceedings, and to undertake steps to protect rights for Schlemmer. This agreement and its execution are subject to the law of the Federal Republic of Germany. This is also valid, if individual services are taking place outside of Germany. Place of jurisdiction is Munich.

## 25. Signature sheet to the Agreement on Quality Assurance and Environmental Issues

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Date, Place, authorised Signature(s) Company xxx  
Stamp

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Date, Place, authorised Signature(s) Schlemmer GmbH  
Stamp