

The German language version is the original and the reference in case of dispute.

Quality Assurance Agreement (QAA)

between:

ALAC Elektrik-Mechanik-Vertrieb GmbH

In der Welsmicke 5
57399 Kirchhundem
Germany

and:

Company name

Street

Country

hereinafter referred to as ALAC

hereinafter referred to as „Supplier“

1. General

The capability of the Supplier to supply conforming products reliably is an important criterion for the ALAC purchasing decision. This Quality Assurance Agreement describes the requirements originating from the quality management system and the Supplier's level of environmental awareness.

2. Field of application, contractual object

This QAA applies together with all purchasing agreements concluded between ALAC and the Supplier unless other regulations have been agreed.

Any amendment to this QAA must be agreed in writing. Also, other specific supplements for specific projects may be agreed in writing in separate documents.

The Supplier commits its sub-suppliers to satisfying the duties he has agreed to in this QAA. On request, the Supplier provides ALAC with proof that he has reviewed the effectiveness of the QM systems of its sub-suppliers.

The documents and records relating to all the processes, procedures, inspections etc. mentioned in this QAA that apply to the contractual relationship between ALAC and the Supplier will be made available to ALAC on request.

The respective current versions of the regulations mentioned in this QAA will apply.

If any individual parts of this QAA become invalid, this will not affect the validity of the remaining provisions.

3. Goals

The highest possible quality and excellent delivery service are the most important of ALAC goals. The satisfaction of our customers is the yardstick for measuring the achievement of these goals.

ALAC also expects this awareness for quality and the connected goal of zero-defect quality from its suppliers.

For ALAC, environmental awareness is an integral part of the company policy. With regard to products, plant and other equipment, ALAC strives for continuous improvement of environmental conservation and demands that compliance with the statutory and any other environmental conservation requirements is ensured. This includes ensuring that all those participating need to take into consideration the environmental conservation requirements when making decisions about products, plant and equipment in order to jointly reduce the consumption of resources and consequences for the environment.

4. Confidentiality

The Supplier will undertake to treat confidentially all the non-public information it has been given by ALAC. The parties to the Agreement undertake to maintain confidentiality towards third parties with respect to all confidential information, business, company secrets, design and other technical documents as well as sales and marketing strategies. This confidentiality agreement shall apply for the entire term of the Agreement and shall expire no later than with the passing of 3 years following the end of the Agreement if the contractual parties have not defined another provision for an individual case.

5. Management system

The Supplier maintains a QM system in accordance with DIN/EN/ISO 9001 that has been certified by an accreditation company. The requirements stated in this system are binding for the Supplier. The Supplier is committed to continuously further developing its QM system to IATF 16949 or a similar QM system, the ultimate objective being certification by a company that is accredited by the IATF. The Supplier is committed to the zero-error goal and continuously optimizes its performance accordingly. The Supplier will allow ALAC, even with ALAC's customers, to audit the processes used to manufacture the parts and the manufactured products at the Supplier's premises and the premises of its sub-suppliers.

ALAC expects its suppliers to act in an environmentally-compatible manner and to be in compliance with the applicable VDA regulations and any applicable customer specific requirements.

ALAC encourages the introduction of an environmental management system that has been certified by an appropriately accredited company in accordance with ISO 14001 or EMAS.

6. Order documents / contract documents / amendments

ALAC provides the Supplier with the quality requirements made of the product / service in the shape of drawings, order guidelines, standards, inspection regulations etc. If the regulations are published by ALAC in the supplier gateway, the Supplier will undertake to check these regularly.

All technical documents required to support series development, such as specifications, drawings, parts lists, CAD data, must be checked for completeness and consistency by the Supplier upon receipt. If it is recognizable that the product requirements specified in the technical documents contain faulty, unclear or incomplete descriptions, the Supplier shall report this to ALAC unsolicited and in an appropriate form. The same applies if the product requirements can be replaced by more suitable, more economical and more effective procedures.

If necessary, other rules and regulations by the OEMs, DIN standards etc. in ALAC documents will be procured by the Supplier on its own responsibility.

The Supplier ensures that the requirements, even those relating to feasibility, are analyzed close to the actual project steps. Any missing documents that need to be provided by ALAC must be requested by the Supplier.

No deviation from the drawings, specifications and other technical documents, including reference sources and producer-related material designations, are allowed without written approval by ALAC.

All amendments will be agreed by ALAC and the Supplier in good time so that both parties can check the possible consequences and agree to them in writing before they are performed. In principle:

- The Supplier must have an internal system which ensures the use of all current guidelines.
- Every first delivery after an amendment must be marked with the blue card "Modified parts – store separately",
- The amended drawing number with the construction status / drawing amendment status must be stated on the documents e.g. delivery papers,
- After the first delivery with the new construction status / drawing status, no more deliveries with the old construction status / drawing status may be made.

The processes required to manufacture the parts and the used materials must correspond to the state-of-the-art, the valid statutory provisions and other applicable provisions, and if necessary, comply with the associated approval procedures and the rules and regulations pertaining to industrial safety, environmental conservation and hazardous goods laws. Furthermore in case of foreign production, the Supplier has a duty to inform itself about national and specific industrial laws and to take these into consideration.

7. Project management

The Supplier applies an interdisciplinary project management system and supplies ALAC with the name of the respective contact persons, at the least a project manager. The project management system takes into consideration the requirements specified by APQP, PPAP and VDA 2, VDA 4, part 3. and applies those standards that are customary in the automotive industry. The details need to be coordinated for each specific case.

The Supplier monitors the progress of the respective project and informs ALAC about this progress on a regular basis.

As far as possible, prototypes and pre-series parts should be produced under series conditions. The status of the parts has to be recorded in the shipping documents. ALAC and the Supplier need to agree upon the exact manufacturing and inspecting conditions and the documentation of the results (e.g. measuring records).

The development project is completed when ALAC approves the series. The pre-requisite for this step is verification that the required quantity can be produced with a controlled process in the given time in the defined quality. Details, e.g. the applied procedure (PPAP or PPF in accordance with VDA 2), of the submission level and the required documents and records are agreed for each project. The Supplier also applies the IMDS procedure for sampling. ALAC approval does not release the Supplier from his responsibility to produce the parts properly.

8. PPAP / PPF procedure during mass production

Written notification of the following cases needs to be given to ALAC in advance in the planning stage. ALAC will decide in each case whether the PPAP procedure or the PPF procedure as defined by VDA 2 needs to be applied:

- Amendments to the production method or processes,
- Relocation of production or manufacturing facilities,
- Design, specification or material amendments,
- Tool amendments,
- Change of supplier (products and services),
- Standstills of tools totalling 12 months or more,
- After a delivery stop caused by quality problems

All changes to the product and process will be documented in a part history. The Supplier will, by means of suitable documentation and archiving, provide proof that the requirements of the QM system and the quality requirements of the product were fulfilled.

9. Process quality

The Supplier guarantees systematic monitoring of production in accordance with its test plan by means of suitable test methods (other program and product-specific concepts can be agreed for production monitoring if necessary). During production, the Supplier will ensure, by means of inspections with respect to dimensions, the work material, functionality and usability, that the products are manufactured in accordance with technical guidelines.

The Supplier will, by performing relevant inspections, ensure that no defective products are shipped.

The Supplier reduces the increased risk of ALAC by means of suitable quality assurance methods and the documentation of their results. The following will be applied in this process e.g.:

- Capability analyses
- Pareto analyses
- Complaints statistics
- Series accompanying and result documentation

As part of the zero-defect strategy, the process flows must be verified statistically. For this, the Supplier defines, in accordance with the production processes the criteria for the verification of a capacity within the scope of the QIP. Control charts must be kept for the defined criteria. The capacity indices to be complied with are as follows:

- Short-term process capability $Cmk \geq 1.67$
- Long-term process capability $Cpk \geq 1.33$

Proof of the process and machine capacity must also be provided for the sub-contractor. If the required capacity is not attained, a 100% test is required. At the same time, the supplier must take measures to attain the required capacity. The Client must be promptly notified of such measures and provided with a corresponding schedule.

10. Inspections / audits

The Supplier takes systematic measures to ensure that all products comply with the drawings and specifications.

These measures may be e.g.:

- Incoming goods inspection
- Monitoring the process parameters
- Statistical process monitoring (SPC)
- 100% inspections for non-capable processes and product features
- Material tests / life span tests
- System audits / process audits
- Long-term tests
- Repeated initial sampling

The selection of necessary measures is oriented on the product requirements.

The Supplier defines requalification in the Control Plan. The target is to perform requalification once a year.

The Supplier arranges for those inspections that cannot be performed by the Supplier with suitable measuring, test and inspection equipment, to be performed by appropriately accredited institutes.

11. Training / qualification

The Supplier ensures that all those employees involved with the project and production are appropriately qualified and familiar with the tools and methods that need to be applied.

12. Corrective and preventive action, CIP

The Supplier applies a documented corrective and preventive action procedure throughout the company which ensures that the causes of any non-conformities of any kind are systematically established and permanently rectified / prevented. The performance of corrective and preventive action must be planned and the results reviewed separately.

Corrective measures for products are only permitted if the original condition can be reinstated without any amendments. Otherwise, permission needs to be obtained from ALAC in advance. In case of corrective measures for products, appropriate action needs to be planned and recorded in writing. Appropriately qualified personnel needs to be deployed to perform the corrective action. The Supplier applies a process for the continuous improvement of its processes throughout the company.

13. Customer satisfaction

All incoming shipments will become input for a supplier evaluation according to an internal system of ALAC. The Supplier will be provided regularly with a supplier evaluation about its performance by ALAC. Corrective action is initiated by the Supplier depending on its classification.

14. Identification and traceability

Within its area of responsibility, the Supplier maintains a system, which guarantees clear allocation of the parts to the respective drawing and processing status. If required, the system allows the deployed materials, machines, used parameters and the established test results to be allocated to the respective production batches to ensure traceability.

15. Measuring, test and inspection equipment, inspection facilities

All the Supplier's measuring, test and inspection equipment and facilities are subject to systematic monitoring and regular calibration. The deployed measuring, test and inspection equipment need to be suitable for the respective inspection process as defined in VDA5. Proper use and storage during times when the equipment is not in use has to be ensured.

16. Parts with special identification and archiving requirements

In addition to the regulations of DIN/EN/ISO 9001, the following applies:

- Documents that are required for the production of the part (e.g. drawings, process specifications) need to be archived and safeguarded against loss and damage for at least 15 years after the product has been phased out. Records that verify the proper condition of the parts (e.g. inspection records) need to be archived and safeguarded against loss and damage for at least 15 years after their compilation.
- The planning and production documents and records for CC features, the generation and procurement of which lies within the responsibility of the Supplier, need to be identified accordingly.

17. Supplied products

The Supplier treats those products supplied by ALAC (parts for further processing, tools, equipment, and transportation equipment) in a manner, which ensures no damage occurs. The Supplier informs ALAC when obvious non-conformities are discovered or in cases when it is not able to supply the services demanded by ALAC due to the discovered condition.

In addition, ALAC will also be informed in writing in case of loss of supplied products or when scrap is produced from supplied products.

18. Preventive and future-oriented servicing

The Supplier uses a verified servicing system of at least the following scope:

- Planning the servicing activities
- Availability of spare parts / emergency management for key processes
- Documentation and further development of the servicing activities

It ensures that permanent consequences for the environment caused by normal operations or unintended situations are avoided. This especially applies when handling water-polluting substances and pollutant emissions.

19. Packaging and delivery

The goods need to be delivered to ALAC so that damage to the parts is avoided. The Supplier shall perform drop tests to validate packaging and provide a quantified packaging specification. The applicable packaging specification always needs to be applied. The packaging needs to be clearly marked with a valid barcode-capable VDA goods label for identification purposes. If the goods are supplied in reusable containers, steps must be taken to ensure that the containers are supplied in their original state and are clean. Used goods labels need to be removed. Packaging must be recyclable or reusable. Soiling with dangerous substances as defined by the Waste Disposal Act needs to be avoided.

20. Control of non-conforming products / complaints / 8-D reports

The following applies in addition to the requirements of DIN/EN/ISO 9001: Products that are unmarked or suspected to be non-conforming at the Supplier's premises need to be treated as non-conforming products.

If non-conforming supplied parts are found, a complaints report will be sent to the Supplier. The issue has to be analyzed with high priority to detect the possible root cause, define countermeasures and ensure that no stalls in the supply chain occur. The decision about what to do with the parts is made together with the Supplier. The following are possibilities:

- Immediate return of the whole delivery
- Sorting and reworking on-site by the Supplier
- Sorting and reworking on-site by a company commissioned by the Supplier or ALAC

The Supplier is responsible for completing the necessary reworking, maintenance, refitting and sorting tasks and bears the costs of these tasks. The Supplier must submit a statement about the complaints report in the shape of an 8D report by a set deadline. If the Supplier does not react within the deadline, the goods will be returned to the Supplier at its cost. If the goods are sent back to the Supplier, the Supplier must agree on a replacement delivery of conforming goods with the order scheduler at ALAC. Costs that are incurred due to a complaint (e.g. special transportation trips etc.) will be borne by the Supplier if he is responsible for the damage.

21. Delivery service

To guarantee a secure supply of products to the customers, ALAC requires from the Supplier the attainment of a VDA reference figure of 0. (= 100% on-time delivery).

Based on customer demand, the Supplier will transfer an updated quantity/schedule list once a week. The Supplier will react quickly and flexibly to changes in demand in order to be able to process this demand at short notice.

The Supplier performs an extensive inspection (also of plausibility) of the received demand levels with regard to the quantities and schedules. If any supply problems or other unforeseeable circumstances are recognized, the Supplier will inform ALAC immediately.

The capacity plans are agreed with the Supplier and a demand fluctuation range is defined. Within this demand fluctuation range, the Supplier will guarantee a 100% supply.

23. Liability

The agreement of quality goals and control limits (malfunctions, ppm goals) does not affect the supplier's liability for warranty and damage claims made by ALAC due to non-conforming deliveries.

The Contractor is required to take out a business liability insurance policy having a reasonable coverage. This insurance policy must be maintained throughout the course of this Agreement. ALAC is entitled to review this policy.

24. Duration of the agreement

This agreement is not restricted to a set period. It can be terminated by one of the contractual parties in writing with a six month period of notice. The termination of this agreement does not affect the validity of the other current individual contracts until their final completion.

25. Governing law and dispute resolution

This Agreement shall be governed by and be construed in accordance with the laws of Germany. The UN Convention on Contracts for the International Sales of Goods (CISG) shall not be applicable.

Any dispute or claim arising out of or in connection with this Agreement or its validity shall be settled before the Regional Court of Siegen, Germany.

For **ALAC**

Date Place

Full Name

Position

Company stamp / Signature

For **Supplier**

Company

Date Place

Full Name

Position

Company stamp / Signature