GENERAL

QUALITY ASSURANCE AGREEMENT

between

Edscha Holding GmbH
Hohenhagener Str. 26-28
42855 Remscheid
Germany
and its affiliated companies as listed in Annex 1

– Hereinafter individually or jointly referred to as "Customer" -

and

its Supplier

– Hereinafter referred to as "Supplier" –

Preamble

This General Quality Assurance Agreement (hereinafter referred to as "QAA") represents the contractual general framework conditions and processes between the Customer and the Supplier, which are required to achieve the desired quality targets.

This QAA describes the minimum standards required from the parties' management system with regard to quality assurance.

In addition, the parties may – in individual cases – conclude a product-related special supplementary quality assurance agreement. The Supplier must comply with the requirements laid down in such agreement.

1. General Agreements

1.1 Scope, Object of the Agreement

This QAA governs the quality requirements for all (also future) services and supplies performed by the Supplier for the Customer.

The Supplier undertakes to comply with the provisions of this QAA vis-à-vis both Edscha Holding GmbH and its affiliated companies as listed in Annex 1. Edscha Holding GmbH is permitted to amend this list from time to time and will inform the Supplier accordingly.

Single provisions herein do not apply if they are contradictory to prevailing agreements, especially development and/or supply contracts, but the QAA has priority to the General Purchasing Terms and Conditions of the Customer.

1.2 Supplier's Quality Management System

The Supplier undertakes to permanently apply a quality management system (at least ISO 9001 or IATF 16949) in the currently valid version.

If a QM system according to IATF 16949 is not existing, the Supplier undertakes to further develop, apply and certify its quality management system in accordance with IATF 16949. If the Supplier is exclusively a trading company and does not produce the goods to be delivered, a certification pursuant to ISO 9001 is sufficient. The respective certificate in force is to be entered into the Edscha supplier portal (hereinafter referred to as "ESP") at www.esp.edscha.com.

The Supplier appoints the name of the quality representative in the ESP who will coordinate and monitor the implementation of and compliance with this QAA and who is the person to contact regarding quality issues. A change of the quality representative must immediately be posted in the ESP.

1.3 Quality Management System of Sub-Suppliers

The Supplier must oblige its sub-suppliers to permanently use a quality management system in accordance with at least ISO 9001 or IATF 16949, in the currently valid version, so as to ensure that parts purchased, raw materials and/or externally refined parts of products are free of defects.

Upon the Customer's request, the Supplier must evidence by adequate documentation that its sub-suppliers comply with the quality management system.

The Supplier must accordingly oblige its sub-suppliers to this QAA.

1.4 Requests, Quotations, Orders, Contract Reviews

Purchase orders shall be exclusively placed with the Supplier in writing by the Customer's Purchasing Division, which shall also be the Supplier's sole point of contact. If there should be no such purchase order the Supplier has no entitlement to payment.

All documents attached to a request or order or referred to therein must be reviewed by the Supplier. If the Supplier should consider them inadequate or deficient clarification must be immediately sought from the Customer's Purchasing Division.

The Supplier is responsible for having available standards and directives/guidelines (such as DIN, EN, ISO, VDA, AIAG, Edscha Standards, Edscha Guidelines etc.) and is obliged to make sure that the documents are up-to-date and to uphold the latest versions. Edscha standards and Edscha guidelines may be requested from the Customer.

Before providing a quotation, the Supplier must carry out a feasibility assessment in light of his technical and capacitive feasibilities. The Supplier will subject all technical documents, such as specifications, drawing, bills of material, CAD files after receipt to a feasibility analysis pursuant to the ESP form 10.4.020, and immediately report any defects and risks as well as options for improvement to the Customer. This feasibility assessment (ESP Form 10.4.020) is to be sent to the Customer's purchasing division along with the quotation.

Technical, qualitative and other possible improvements plus conceivable problems must be stated in the quotation in writing. Constructive suggestions will be evaluated in a positive light when selecting suppliers.

All requirements stated in the request and order documentation or otherwise agreed must be adhered to by the Supplier in their entirety.

The Supplier must enquire of the Customer's Purchasing Division as to utilisation and product requirements.

1.5 Audit

The Supplier must allow the Customer and if desired, his customers, to perform audits after having talked to Supplier in order to assess if the Supplier's quality assurance measures meet the Customer's requirements. An audit may be performed by way of a potential analysis, project, process or product audit.

The Supplier must grant the Customer, and if desired, his customers, access to all production facilities, inspection areas, warehouses and related areas plus access to quality-relevant documents which relate to the services or supplies ordered by the Customer.

In general, the Supplier is responsible for audits performed at a sub-supplier's premises. At the request of the Customer, the Supplier must arrange for the Customer and/or his customers to perform an audit at the premises of his sub-suppliers. In this respect, reasonable restrictions required by the Supplier or the sub-supplier in order to protect business secrets are accepted.

The Customer shall inform the Supplier of the audit results. If – due to the results of an audit – the Customer demands that corrections to the procedure must be made by the Supplier, the Supplier undertakes to immediately establish an action plan, which must be implemented without undue delay. The Supplier must assess the success of such measures and must inform the Customer accordingly. The Customer is entitled to take part in the establishment and the implementation of the actions plan.

1.6 "Special Characteristics"

For products with special characteristics there are special verification requirements the Supplier must comply with. The rules in VDA volume 1 and the VDA volume on "Special Characteristics" as amended from time to time.

For the sake of uniformity amongst the various identification systems the Customer has brought in a uniform identification system stipulating the requirements to be met by the Supplier in Edscha Standard ESN R-01300.

The "*List of Customer Symbols*" referred to in the Edscha standard ESN R-01300 Part 1 only applies to the customer.

1.7 Designated Product Safety Officer / Duty to Provide Information

The Supplier must appoint a designated product safety officer and enter his details on the ESP. Any changes must be recorded on the ESP. The designated product safety officer must provide proof of appropriate product safety training.

In the event of failure to comply with legislative and contractual requirements regarding product safety the quality service division of the Customer must be informed immediately.

2. Agreements regarding Product Life

2.1 Design and Process Development

If the order to the Supplier contains development tasks, the requirements to be met with regard to that development shall be laid down in writing, e.g. in the form of a specification *(Lastenheft)*.
Upon acceptance of the order, the Supplier undertakes to operate a system of project management which must already be implemented from the planning stages of the products. It must also cover procedures and other cross-divisional tasks and must comply with the standards accepted in the automotive sector according to VDA or AIAG in the current version, and will, upon the Customer's request, provide the Customer with all documents required (pursuant to the regulations of the VDA, AIAG and the document 10.4.038 filed in the ESP).

From the start of the development, the Supplier must use adequate preventive methods of quality planning in order to guarantee the zero defects target. Preventive methods must, for example, consist of a feasibility study, design and process FMEA (analogously also the Product or Process FMEA), reverse FMEA, reliability study, verification and validation of the design and process development, etc.
The supplier shall review FMEA by using Reverse FMEA (R-FMEA) tool. In order to switch from Corrective to preventive actions, the supplier shall check at shop floor level their Existing FMEA and provide necessary activities to avoid occurrence or at minimum to improve detection of Non conformity.

2.2 Prototypes, Pre-production

In respect of prototypes, the Supplier must agree on the production and testing conditions with the Customer. Pre-production parts are to be manufactured under conditions similar to series production. The necessary tests and test records must be agreed on with the Customer's Quality Assurance Division at the preliminary stage.

The test results must be documented and attached to deliveries as per the documentation requirements for prototype and pre-production deliveries (document numbers 10.ESP.006 and 10.ESP.007) stated in the ESP.

Deliveries without complete documentation may be rejected by the Customer and can lead to a complaint. The resultant costs and expenditure must be borne by the Supplier.

Any variations from the specifications must be agreed on with the Customer's Development Division prior to delivery. They must be approved by it and documented.

2.3 Initial sampling

As proof that the Supplier is capable of fulfilling product requirements in the necessary quantity and quality the Supplier must conduct a performance test after consultation with the Customer (capacity study, verification of process capability) under conditions similar to series production as well as a statistical evaluation of the data.
Before series production begins, the Supplier must provide the agreed quantity of initial samples produced under conditions similar to series production and these must be released by the Customer. The initial sampling procedure must be conducted in accordance with VDA volume 2 as per the ESP template unless special requirements on product and process approval procedure should be defined by the Customer (e.g. Phased PPAP in accordance with AIAG).

A set of initial sampling forms is to be found on the ESP for use in the verification process; they form the basis of the initial sampling documentation. Where the Supplier uses his own initial sampling documentation forms this will be permissible provided that their substance complies with the ESP template requirements.

2.4 Series Production

Series production must be performed by applying the same processes and production conditions that apply to products made for approval. The product quality and its permanent improvement must be monitored by the Supplier through internal audits at regular intervals.

2.5 Requalification

A complete requalification test (pursuant to IATF 16949 in the current version) is to be performed annually by the Supplier, for the first time 12 months after successful initial sample release. The Customer will receive the results of the requalification in an initial sample cover sheet sent by the Supplier. Upon the request of the Customer, further evidence or the entire requalification test must be sent. A change sampling will be recognized as a requalification if this is submitted as the full sampling with all evidence pursuant to number 2.3.

2.6 Deviation Authorisation

If, in exceptional cases, the Supplier is not able to manufacture products in compliance with the applicable specifications, the Supplier must – prior to delivery – obtain special approval from the Customer's site receiving the products. In case the Customer authorises a deviation, the Customer reserves any rights.

2.7 Traceability

In addition, the Supplier is obliged to ensure the traceability of the products supplied. In the event of a defect being detected the Supplier must ensure that defective parts, products, lots, etc. will be segregated. In addition, the Supplier must ensure that the drawing version on which production was based can be identified. Such data or data modifications must immediately be communicated to the Customer in order to ensure that he is able at any time to assess the relevant facts.

2.8 Information, Changes and Documentation

Should it be ascertained that agreements such as quality characteristics, due dates and delivery quantities cannot be complied with, the Supplier must inform the Customer immediately. In addition, the Supplier will without delay inform the Customer of any deviations identified after dispatch. In the interests of a quick resolution, the Supplier must disclose the data and facts required.

The Supplier undertakes to carry out a PPA procedure in the event of changes requiring notification as per the VDA trigger matrix (VDA Volume 2) in the currently valid version.

The prior written approval from the Customer must be acquired by the Supplier. This prior written approval from the customer for the changes requiring approval does not release the Supplier from its obligation to immediately provide a new initial sample approval immediately after the indicated change before starting its services and/or other contractual performance, pursuant to the regulations under number 2.3, to the extent that nothing else has been agreed. The required scope of the documentation and quality evidence can be agreed upon with the responsible quality assurance department of the Customer.

All changes made to the product and regarding the process chain must be documented by the Supplier in a part history and must be transmitted to the Customer.

2.9 Self assessments according to AIAG-CQI standard

If the Supplier should set up processes for the Customer which are affected by CQI requirements (e.g. heat treatment, surface treatment, welding, soldering, molding, casting, etc.) the supplier will be obliged to conduct an annual self-audit in accordance with the relevant CQI standard (CQI-9, CQI-11, CQI-12, CQI-15, CQI-17, CQI-23, CQI-27, etc.) and to provide evidence thereof. If the Supplier uses such a processes of it's sub-suppliers' premises, the supplier is obligated to have the sub-suppliers perform an annual self-audit in the form of the relevant CQI audit cover sheet. The relevant audit cover sheet will be sent to the Customer upon request.

3. Testing Equipment and Operating Equipment to be provided

The Supplier is obliged to equip himself with testing equipment in such a way that all product characteristics can be verified by an expert. Where an external company is used for tests it must be appropriately and demonstrably accredited.

Production and testing equipment provided to the Supplier by the Customer must be handled by him with all due care and maintained in working condition (incl. its upkeep and maintenance). Unless otherwise agreed, the Supplier must mark this production and testing equipment as the property of the Customer. The Customer's conditions governing the provision of special operating equipment, in the currently valid version, also apply.

4. Complaints, Measures

The Supplier is aware that the Customer does not get all defective parts back from its customers. The Supplier therefore hereby agrees that the Supplier too will only get back a small number of defective parts (for analysis purposes, amongst other things) and will not lodge any claims and/or objections in that respect. The Supplier undertakes to analyse any deviation and to promptly inform the Customer of the cause of the deviation and of the measures taken in order to remedy the defect and to avoid it in future in an 8D report sent no more than one week later; the Supplier must immediately review the success of the measures taken.

The Supplier is obligated to analyse every deviation and immediately act after the Customer has notified the Supplier of the defect, at the latest:

- On the following business day, they must provide an opened 8D report (D1-D3)
- Within 5 business days, to report the cause of the deviation, fault resolution and prevention measures taken in an 8D report as well as immediately review their efficiency.
- Within one month, present a finalized 8D report.

The content and the format of the 8D report must meet at least the requirements of the current VDA volume. There is a suitable template for this in the ESP.

Should the parts delivered by the Supplier

- not comply with the contract terms and particularly the specifications
- not be suitable for assembly for reasons that fall within the sphere of the Supplier
- or not be adequate for their subsequent use

and therefore, pose a risk that may stop production at the Customer, his affiliates as listed in Annex 1 and/or his or their customers, the Supplier must, in addition to it´s legal and contractual obligations – without undue delay and by agreement with the Customer – immediately take suitable corrective measures (replacement supplies, sorting work, rework/rectification, extra shifts, express transportation etc.). Expenses incurred as a result of this must be borne by the Supplier. Irrespective of the above, clause 6 of this Agreement applies.

The Customer expects a perfect and on-time delivery. If the Supplier falls into default with the provision of services, an escalation will be started, if required, pursuant to the Escalation Model 10.ESP.002 filed in the ESP.

5. Quality Targets

The Supplier has an obligation to the Customer to have the zero-defect target. If the zero-defect target cannot be achieved in the near future, the Supplier may - together with the Customer and for a limited period of time - determine maximum defect rates as interim targets (e.g. ppm agreements). If the Supplier ascertains that the envisaged targets cannot be achieved the Supplier undertakes to present to the Customer detailed action plans and implement these.

If the actual defect rate is below maximum limits agreed by the parties, this does not release the Supplier from it´s obligation to deal with all complaints and to work on continued improvements.
The agreement of quality targets and measures as well as action limits does not release the Supplier from his liability in respect of defect and damage claims from the Customer which arise from defects in supplies and/or services.
The Supplier will be informed whether it has reached the target at periodical intervals. In the event of deviations from the quality target an action plan must be presented by the Supplier within the period stipulated by the Customer, which must then be implemented by agreement with the Customer.

6. Reporting of Defects, Defect Liability, Liability

Article 11 (Notification of Defects), 12 (Liability for Defects) and 13 (Liability) of the General Terms and Conditions of Purchase of the Customer in the version relevant at the time of the order apply. These can be found in the ESP under www.esp.edscha.com. Upon written request, the Customer will also send these to the Supplier.

7. Environment Protection / Legality / Sustainability

The Customer is determined – by considering technical, economic and ecological aspects – to minimise negative impacts of his products on human beings and the environment.
In order to achieve this goal, the Supplier has to make a vital contribution.

For this reason, too, the Supplier is obliged to comply with the provisions of all applicable laws and regulations as amended from time to time and to establish and maintain an efficient environmental management system according to ISO 14001 or at least requirements of the same standard. The respective certificate in force must be entered on the ESP.
The Supplier undertakes to obtain all statutory and official permissions necessary for the production of his products and comply with the requirements resulting from these at all times.
The Supplier and its sub-suppliers are bound to observe the principles of the "Global Compact" published by the United Nations and hence to meet the Customer's ethical standards on sustainability. The Supplier undertakes to make all details and information required in the future regarding sustainability available to the Customer in the form stipulated by the Customer (e.g. questionnaires, suppliers' web portal).

8. REACH

The Customer is responsible for compliance with the REACH Regulation no. 1907/2006 and demands compliance with this regulation by its Suppliers and their sub-suppliers which supply products for the European sites of the Customer and its customers even if the Supplier and/or its sub-suppliers are located outside the European Union.
The Supplier is obliged to constantly make sure that the REACH Regulation is relevantly up-to-date and take the latest version into consideration.

9. Recycling

If the Supplier develops products or processes for the Customer, the Supplier must indicate, evaluate and comply with the respective environmentally compatible and efficient procedures on reusing substances, which must be technologically state-of-the-art and in compliance with the respective specifications for specific countries where the vehicles in which the Supplier's components are installed are to be supplied. The design is to ensure that recyclable components can be dismantled and this is to be demonstrated by an assembly analysis, if applicable. Plastics must be labelled according to VDA 260. The use of non-recyclable materials must be reduced or avoided, if possible.

10. End of Life Directive, Safety and Health Protection

1. If the goods to be provided by the Supplier are subject to the ordinance on surrender, return and environmental disposal of old vehicles, the Supplier is bound to uphold all statutory requirements in the ordinance, in particular:
   - The substance prohibitions (such as article 8 (2) AltautoV in conjunction with annex II of the directive 2000/53/EU) and to provide proof of this to the Customer at any time,
   - To record the relevant material data in the IMDS (International Materials Data System) or after prior approval by the Customer, in a comparable system such as the CAMDS and to provide the Customer with unlimited access to this,
   - For the services assumed by the Supplier for the Customer, or upon request by the Customer, the sub-suppliers of the Supplier, to provide the information pursuant to articles 9 and 10 AltautoV (disassembly information, information about the recycling of recyclable constructions and production etc.), and to assume the costs incurred by this.

In performing its services and services with regard to environmental protection, safety and health protection, the Supplier must conform to the applicable directives, legal, authoritative and other regulations and to the specifications of the Customer.

11. Conflict Resources (e.g. Conflict Minerals)

As an international partner in the automotive industry, the Customer is aware that it has both ethical and legal duties regarding the sourcing of raw materials (resources), especially in relation to conflict resources. "Conflict resources" are natural resources whose systematic exploitation and trade in a context of conflict can result in the commission of serious violations of human rights, violations of international humanitarian law or violations amounting to crimes under international law" (Definition: BICC Bonn International Center for Conversion).
The Supplier therefore undertakes to similarly ensure that its products are conflict-free and to guarantee compilation of a report on conflict minerals pursuant to section 1502 of the Frank Dodd Act. This means, for example, that the smelting of raw materials for conflict minerals must be fully transparent.

The Supplier undertakes, at the request of the Customer, to provide information on sources of such conflict resources and forward it electronically (e.g. using the CFSI template). This duty to provide information on the part of the Supplier also includes providing the relevant information to the Supplier's sub-suppliers.

The rule in the fourth paragraph of clause 7 paragraph 4 additionally applies. The Customer will, at the Supplier's written request addressed to the Customer's Purchasing Division, support the Supplier in procuring further information on conflict minerals.

12. Term of the Agreement

This QAA has an indefinite term. However, it can be terminated by either party on giving six months' prior written notice to the end of a month. The termination of this QAA does not affect the validity of any existing individual, development or supply contracts until they have been processed in full. The provisions of this QAA apply beyond the termination date to supplies and services already offered by the Supplier and to supplies and services which are initially rendered pursuant to this QAA and continue to be rendered up to full completion of the specific project concerned.

13. Final Clauses

Articles 24 (Applicable Law, Jurisdiction) and 25 (General Terms and Conditions) of the General Terms and Conditions of Purchase of the Customer in the version applicable at the time of the order apply to this QAA. These can be viewed in the ESP under www.esp.edscha.com. Upon written request, the Customer will also send these to the Supplier.

Applicability of the general terms and conditions of the Supplier are expressly excluded.

Annex 1:
Affiliated companies of the Customer

.....
Date, signature of Supplier

.....
Name of Signatory (Block Letters)

Company Stamp/Name and Address of the Supplier

Change History

Revision	Date:	Change:
000	17.09.2015	Document created
001	06.11.2015	Signature field added (page 13)
002	03.12.2018	Completely reviewed and replace Revision no.: 001