



Quality assurance agreement for suppliers

(Status 11/2019)

between

MS-Schramberg group of companies consisting of the following companies:

MS-Schramberg Holding GmbH

MS-Schramberg Werkzeug GmbH & Co. KG

MS-Schramberg GmbH & Co. KG

MS-Schramberg Sinter GmbH & Co. KG

MS-Schramberg System GmbH & Co. KG

hereinafter referred to as „**MS-Schramberg**“

and

x

x

x

hereinafter referred to as „**Supplier**“

Preface

The competitiveness and position of MS-Schramberg on the world market is decisively determined by the quality of our products. The impeccable quality and reliability of the products and services (hereinafter referred to as "contractual products") thus have a direct influence on the quality of the products of MS-Schramberg. The conclusion of this quality assurance agreement is intended to form the binding base and framework of the technical and organisational terms between MS-Schramberg and the supplier in order to achieve the common target of "zero-defects".



1. Scope of Application

This agreement applies to all deliveries (e. g. materials, assemblies, parts, services, products and services) delivered or rendered by your company. They are therefore an indispensable part of all purchasing contracts and thus of the business relationship with MS-Schramberg.

The stipulations of these agreements are general in nature. Requirements for individual contractual products are regulated in technical drawings, specifications or the contents of the order.

This agreement replaces all existing quality agreements between MS-Schramberg and the supplier.

2. Management Systems of the Supplier

2.1 Quality

The Supplier shall set up, maintain and further develop a quality management system in accordance with the following guidelines:

- The minimum requirement is a quality management system according to DIN EN ISO 9001, which covers the obligation to a Zero defect target and a continuous improvement of its performance.
- The basis of the MS-Schramberg quality management system is the IATF 16949 (latest version) and these standards is also the basis for cooperation with our suppliers.
- The supplier undertakes to comply with and prove compliance with the legal regulations and standards applicable to the respective contractual products.
- In addition, the supplier is obliged to contractually involve his sub-suppliers into his quality management system or to ensure the quality of the sub-contracted product himself.
- Insofar as MS-Schramberg provides the supplier with production and testing equipment, in particular tools and equipment in conjunction with the supply of products, those items have to be integrated into the supplier's quality management system unless otherwise agreed.

2.2 Environment, occupational safety and social responsibility

MS-Schramberg maintains an environmental management system according to DIN EN ISO 14001 and an occupational health and safety management system according to DIN 45001. MS-Schramberg also expects its suppliers to implement and further develop an environmental and occupational safety management system and thus a responsible and sustainable handling of all parties involved. This also obliges the supplier to comply with all relevant applicable laws and regulations.

All contractual products delivered to MS-Schramberg must be registered in accordance with REACH regulations (more information at <http://www.reach-info.de>). Upon request, the supplier must register its parts or materials in the International Material Data System (IMDS) (more information at <http://www.mdsystem.com>). Furthermore, the supplier undertakes to abide by the principles of the UN Global Compact (further information at <http://www.globalcompact.de>) and the Conflict Materials according to Dodd Frank Act Section 1502 (further information at <http://www.conflictreesourcing.org>).

Insofar as the supplier carries out work on the premises of MS-Schramberg, he shall comply with the relevant safety and accident prevention regulations of MS-Schramberg in force at the time and shall take into account instructions of MS-Schramberg regarding behaviour on the premises in accordance with the issued regulations for external company.



2.3 Information security

The fulfillment of tasks is increasingly dependent on the exchange of information.

Information and the processes, systems and networks that support it are assets that, like other business assets, are essential to our corporate group and must therefore be protected in an appropriate manner. Information security is the protection of (information) assets from a variety of threats and is used to secure and maintain business operations, minimize business risks, and maximize results and business opportunities. We expect our business partners to protect information assets in an appropriate manner and to address the implementation of an Information Security Management System (ISMS) (TISAX/DIN27001).

2.4 Proof of certificates

The supplier has to present the current certificates to the MS-Schramberg purchasing department without being asked. Withdrawal of the certificate must be reported to MS-Schramberg on your own responsibility. Certificates must include proof that they have been issued by an accredited certification company.

2.5 Review of the management system, process and product quality

MS-Schramberg carries out an annual or quarterly supplier evaluation. The criteria of these evaluation can be inquired in the purchasing department. The supplier has the target of fulfilling 100% of the quantity and deadline adherence. Deviations are evaluated negatively in the supplier evaluation.

The supplier enables MS-Schramberg to verify the effectiveness of its quality system on site after previous scheduling. This includes assessing the supplier's potential in general as well as its process quality by means of a system, process or product audit. Audits can be arranged with a reasonable lead time or at short notice in case of complaints.

If necessary, MS-Schramberg is entitled to carry out a corresponding inspection together with an authorized person of the end customer.

The supplier grants employees of MS-Schramberg and, if necessary, also the end customer access to all production sites, test facilities, warehouses and adjacent areas, as well as access to the corresponding documents. In conjunction with this MS-Schramberg will with this contract accept any necessary and reasonable restrictions of the Supplier in order to secure its trade secrets.

If MS-Schramberg considers that quality assurance measures are necessary, the supplier undertakes to draw up an action plan without delay, to implement it in due time and to inform MS-Schramberg accordingly.

If quality problems occur that are caused by services and/or deliveries from subcontractors, the supplier organizes a joint audit at the subcontractor's premises.

3. Agreements on the contractual product

3.1 Contract product

The contractual products must correspond to the agreed quality assured by the supplier, the drawings, specifications, technical data sheets, any test documentation as well as the packaging and labelling agreements.

The specifications of the contract products are specified in detail by the technical requirements of MS-Schramberg, which are derived from:

- specifications and/or the product requirements
- drawings, material specifications, data sheets and/or descriptions of technical requirements
- provisions, rules and standards
- legal regulations



and which can be specified by MS-Schramberg, the supplier or the customer. The supplier always receives the latest technical documentation from MS-Schramberg in print or data form. Immediately after receipt of the documents, the supplier shall check whether they are free of defects, unambiguous and complete and shall notify MS-Schramberg in writing of any deviations or defective documents. The supplier shall also inform MS-Schramberg immediately of any risks and opportunities for improvement.

MS-Schramberg will define special characteristics in drawings or specifications. These special features can be defined as product features or process parameters and can impair the safety, function, use, service life or subsequent properties of assemblies or cause violations of the law. Such characteristics must be considered separately in process planning and process backup and must be subjected to a risk analysis.

3.2 Development and planning

The supplier undertakes to carry out project management in accordance with APQP as early as the planning phase of products, processes and other cross-divisional tasks. MS-Schramberg is to be granted access to the documents on request. In the development phase, the supplier applies suitable preventive methods of quality planning, such as feasibility analysis, fault tree analysis, reliability analysis and FMEA. The experiences (process flows, process data, capability studies, etc.) from similar projects have to be taken into account. Characteristics with special documentation and archiving requirements must be specified. In the case of production process and product release, the machine capability index and/or the process capability index for agreed characteristics shall be given. Prototypes and pre-series products are to be manufactured under series production conditions wherever possible. In the event of deviations, the supplier agrees the production and testing conditions with MS-Schramberg.

3.3 First samples

If MS-Schramberg orders first samples, the supplier shall submit the first samples of the product produced under series production conditions with accompanying first sample test report in the agreed scope on time before commencement of series delivery. The sampling must be carried out in accordance with MS-Schramberg specific sampling requirements and documented in a comprehensible manner. The parts are to be delivered in a separate and clearly marked form incl. the accompanying documentation.

If the initial samples are rejected during sampling and further sampling is required, new initial samples with the initial sample test report must be presented promptly.

3.4 Process planning, capability verification

The supplier carries out process planning (work schedules, inspection plans, equipment, tools, machines, etc.) for all characteristics. A process capability test must be carried out for the functional and process-related characteristics agreed with MS-Schramberg. As long as the required process reliability is not achieved, the manufacturing process has to be ensured and submitted to a 100 % - inspection and documentation process.

3.5 Test methods, test equipment

The supplier is obliged to equip himself with test equipment in such a way that all contractual products can be tested.

If necessary, the supplier and MS-Schramberg must coordinate test methods and the test equipment used. For the special features, it is necessary to carry out a test equipment capability analysis in order to prove reproducible measurement results. The test equipment must be subject to regular, appropriate and verifiable monitoring process.



3.6 Series production

A constant quality performance can only be achieved by a stable, statistically capable process.

In conjunction with this the supplier must use suitable control methods such as, for example, production-related records. In doing so process parameters that can influence product characteristics must also be documented.

In principle, no faulty product may be found in the sample to release a production lot. If a fault in the product is detected during the manufacturing process, the supplier must interrupt and correct the process. In this case, all products manufactured since the last random sample inspection with positive results (last good part) must be inspected 100 %.

In the event of process disturbances and quality deviations, the supplier analyses the causes, initiates improvement measures and checks their effectiveness. Corrective actions initiated must be documented in the records in a comprehensible manner.

In the event of rework, all specified series tests must be carried out. If it becomes apparent that the agreed quality features and/or the assured capacity cannot be complied with, the supplier shall inform MS-Schramberg immediately. The supplier shall also inform MS-Schramberg immediately of any deviations detected after delivery. In the interest of a fast solution, the supplier discloses all necessary data and facts.

If, in exceptional cases, the supplier is unable to deliver products in accordance with the specification, a written special release must be applied for at MS-Schramberg prior to delivery.

Note: For distributors of products, the requirements of point 3.6 shall be ensured by the respective manufacturers of the products. This must be contractually ensured.

3.7 Product labelling, traceability

The supplier must maintain a marking and tracking system for all production lots and material batches, which permits identification of the primary materials or external processing/service providers in the event of quality defects. It must also be possible to identify the process and test data associated with the lots/batches.

In the event of an error, traceability must be such that it is possible to identify defective products. In such cases, the supplier shall provide MS-Schramberg with the data required for traceability at short notice.

3.8 Free issue parts of MS-Schramberg

Free issue parts provided by MS-Schramberg must be included in the supplier's quality management system. The ownership must be ensured at all times by means of suitable markings. Free issue parts may also include tools, test equipment, containers or materials.

3.9 Purchasing sources specified by MS-Schramberg

Should it be agreed with MS-Schramberg to procure products (components, semi-finished products and materials) and services from sources approved by MS-Schramberg, this does not release the supplier from the responsibility to ensure the quality of the products and services procured.

3.10 Delivery, incoming goods inspection

The supplier delivers the contractual products in suitable and - as far as agreed - exclusively in MS-Schramberg approved containers / packaging to avoid damage and quality reductions (e. g. pollution, corrosion, chemical reactions).

The incoming goods inspection by MS-Schramberg is limited to the quantity and identity as well as storage and transport damages of the delivered products.



The supplier's outgoing goods inspection replaces the incoming goods inspection which MS-Schramberg has to carry out in accordance with § 377 HGB (German Commercial Code) and the supplier waives the defence of late notification of defects in accordance with § 377 HGB (German Commercial Code).

Complaints will be reported immediately. Defects that are not detected in this context shall be notified to the supplier immediately as soon as they are detected during a proper course of business.

3.11 Complaints, measures

The supplier undertakes to analyse any discrepancies in the event of complaints and to communicate the result to MS-Schramberg in 8-D format. The first response is expected within 24 hours, the final response within 3 working days.

MS-Schramberg reserves the right to demand rectification of these measures if they are not considered to be promising.

The supplier shall be invoiced for the additional costs incurred due to poor quality of the delivered products (line stoppage, scrapping, inspection, sorting, reworking and logistic costs, special shifts).

If MS-Schramberg sees itself obliged to retrieve and exchange contract products from end customers in the event of proven quality defects for which the supplier is responsible and/or to rework them on site or in-house, the supplier shall bear the costs. MS-Schramberg shall inform the supplier immediately of any quality defects that have occurred. The above paragraph shall also apply to quality defects which are detected by MS-Schramberg before delivery to the end customer.

If the supplier does not succeed in restoring the agreed quality level within the mutually agreed period of time, MS-Schramberg can use an external service provider at the supplier's expense to provide support.

The supplier's liability for defective delivery or delayed delivery shall remain unaffected by the above provisions.

In the event of repeated quality problems, MS-Schramberg reserves the right to include the supplier in escalation levels CSL1 or CSL2. Any costs arising therefrom shall be borne by the supplier.

CSL 1 (Controlled Shipment Level 1):

In order to avert further damage to MS-Schramberg and its customers, the supplier is obliged to carry out a 100 % inspection. In addition, the supplier must submit an appropriate action plan by defining further measures for quality improvement. Exit from CSL 1 is only possible after proof of the effectiveness of the measures and only after approval by MS-Schramberg.

3.12 Requalification

Unless otherwise specified, the products delivered to MS-Schramberg must be verifiably subjected to an annual requalification test in which all dimensions, functional characteristics and the material specified by MS-Schramberg are checked for compliance. MS-Schramberg must be provided with corresponding proof within 2 days on request.

3.13 Product liability

The supplier undertakes to maintain a product liability insurance policy with sufficient sum insured for genuine financial losses and in particular the insurance coverage in the stated amount must guarantee to cover sorting, dismantling and installation costs.

Furthermore, the supplier is obliged to maintain a liability insurance policy for recall of motor vehicles with sufficient sum insured.



4. Information and documentation

4.1 Request for change approval

The supplier undertakes to apply for...

- Changes in production processes, equipment, procedures and materials (also for subcontractors)
- Changes in subcontractors
- Changes in test procedures and equipment
- Relocation or construction of production sites
- Relocation or construction of production facilities at the site

in due time and in a manner (at least 6 month) that MS-Schramberg can check whether the indicated changes can have a detrimental effect.

The written consent of MS-Schramberg must be obtained for this purpose.

4.2 Documentation

The supplier must keep records of the quality assurance measures, in particular of measured values and test results, and keep these records and any samples of the products in an orderly manner. The archiving period, beginning with the last delivery of all documents and records relevant to the contract and product, is at least 15 years for safety-critical parts (see VDA Volume 1 "Verification of records"). Otherwise, the statutory retention period applies. The documents and records must be stored and disposed of in such a way that they are not accessible to third parties. Upon request, the supplier shall grant MS-Schramberg access to the records and hand over any samples. The supplier has a documented procedure for controlling both external and internal data and documents and implements this effectively.

5. Duration of agreement, termination

This agreement is not limited in time. It can be terminated in writing with a notice period of six months to the end of the year. This does not affect the validity of contracts under this quality assurance agreement, that is to say the provisions of the quality assurance agreement continue to apply to such contracts until the end of their respective term.

The termination for important reasons remains unaffected.

If the supplier violates essential provisions of this agreement, MS-Schramberg can terminate existing supply contracts without notice after unsuccessful warning. In the event of this termination, the supplier shall not be entitled to any compensation claims against MS-Schramberg.

6. Final provisions

Amendments and additions to this quality assurance agreement must be made in writing. Should any provisions of this quality assurance agreement be invalid in whole or in part, this shall not affect the validity of the remaining provisions. In this case, the contracting parties shall agree on an effective provision which comes closest to the economic purpose of the invalid provision. The same applies to any gaps. The agreements made in other contracts with the supplier shall apply in addition, insofar as this quality assurance agreement does not contain any more specific regulations. The law of the Federal Republic of Germany shall apply to this agreement. The application of the United Nations Convention on Contracts for the International Sale of Goods (CISG) is excluded. The exclusive place of jurisdiction for all disputes arising from the contractual relationship is Rottweil.

Arbitration is excluded.



Place/Date: _____

Signature of supplier
Name in plain text:

Place/Date: _____

Signature MS-Schramberg
Name in plain text: