

by and between

LINDE + WIEMANN SE & Co. KG

Industriestrasse 4 - 12

D-35683 Dillenburg

and the companies specified in **Annex 1** to this Agreement, all represented by LINDE + WIEMANN SE & Co. KG

- hereinafter referred to as L+W -

and

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as well as all affiliated group companies

- hereinafter referred to as **Supplier** -

### **1.0 Purpose and scope**

The increasing growth in international competition is forcing each partner within the entire process chain to supply the best possible quality at a competitive price.

The quality of the products, finishes / services supplied and the quality capability of the Supplier are, therefore, criteria which govern all purchasing decisions of L+W.

Processes and products free from defects must, therefore, be developed, planned, realised and assured together with customers and suppliers. A basic requirement for this is the consistent avoidance of design and process-related causes of defect at the earliest possible stage through appropriate preventive, quality planning measures.

The guidance document for the development, implementation and continuous improvement of a comprehensive quality management system is ISO 9001 (in its currently valid version).

The Supplier is also responsible for analysing and tracking quality-relevant data at its sub-suppliers and service providers.

### **2.0 Scope of application, costs**

This Quality Assurance Agreement (hereinafter referred to as "Agreement") applies to all purchase orders for manufacturing materials (semi-finished products, finished parts, auxiliary and operating materials) and work which L+W places with the Supplier during the term of this Agreement, and supplements other contractual agreements between L+W and the Supplier. Products within the meaning of this Agreement are also work.

Individual clauses of this Agreement shall not apply if they are inconsistent with project-related or other contracts having priority e.g. development or purchase contracts. In the event of an inconsistency, the clauses of this Agreement shall, however, take precedence over General Terms and Conditions of Purchase or comparable General Terms and Conditions if validly incorporated in the contractual relationship.

Any product-related modifications are set down in the product-specific specifications and within the framework of quality planning for the respective product.

Unless otherwise expressly specified in this Agreement, the Supplier shall implement all measures and obligations resulting therefrom at its own expense.

### **3.0 Principles and objectives**

The Supplier must carry out its quality assurance measures to ensure that its products comply in any case with the specifications defined by L+W and that each product is provided

- in the agreed quantity
- at the agreed time
- at the agreed place
- in the agreed design.

This requires a zero-defects philosophy in conjunction with continuous improvement of performance.

#### **4.0 Supplier's quality management system**

To ensure the quality of its products, the Supplier undertakes

- to provide resp. immediately introduce, apply and maintain an effective quality management system (QM System) (immediately means that the QM System must be provided at the latest on a date which correspondingly ensures the assurance of the quality already of the first delivery);
- to apply only appropriate processes;
- to further develop its QM System according to IATF 16949 (currently valid version);
- minimum requirement is, however, certification according to ISO 9001 (currently valid version) and fulfilment of automotive-specific requirements.

Responsibility for the components to be supplied including further finishing processes (e.g. galvanic surface treatment, painting etc.) rests with the Supplier.

A PPM rate relating to the parts can be agreed by the parties. The PPM rate shall be calculated from the percentage of the defective parts supplied in the last six months prior to complaint in relation to the parts supplied in total during that time, extrapolated to one million.

Both parties agree that the PPM rate is only a value, if exceeded L+W can take further measures, which shall be subject to a separate agreement. If the PPM rate is not reached, this shall not in any event release the Supplier from liability and warranty claims.

If the Supplier purchases means of production or testing equipment, software, services, material or other sub-materials from sub-suppliers for manufacturing or quality assurance of the products, the Supplier shall include them by contract in its quality management system or shall itself ensure the quality of the sub-materials. This shall not affect other obligations relating to sub-suppliers stipulated in this Agreement.

#### **5.0 Initial samples and safeguarding of series**

Initial samples are parts manufactured completely under series conditions which are tested by the Supplier in respect of all defined characteristics.

The results are recorded in initial sample test reports (according to VDA / PPAP) and compared with the specifications. If type releases or special material suppliers are required of L+W by the customer, corresponding proof must be submitted by the Supplier.

As required, installation and/or functional tests shall be carried out in the L+W production.

Successfully completed initial sampling is the basis for release of the respective product for series production. If initial sampling is rejected, complete subsequent sampling shall be required; this may not give rise to any postponements in the overall process. Expenses resulting from the new submission of further initial samples shall be invoiced to the Supplier unless the Supplier is not responsible for the necessity of subsequent sampling.

#### **6.0 Information and documentation obligations**

The Supplier undertakes to maintain a complete product lifecycle. Customer-specific requirements shall be passed on to upstream suppliers.

The Supplier undertakes to perform and document requalification auditing at least once a year. L+W shall have the right to inspect documentation of the requalification auditing at any time.

Materials shall be evidenced by the inspection certificates respectively required.

The Supplier shall archive all documentation to provide evidence of the delivery quality for the duration of at least 5 years for product and process characteristics, for which documentation is **NOT** obligatory, and 15 years for product and process characteristics, for which documentation is obligatory. Electronic archiving is desirable.

#### **7.0 Auditing of the Supplier**

The Supplier agrees to auditing (system audit, process or product audit, potential analysis) after reasonable prior notice by L+W resp. by customers of L+W. For this purpose, the Supplier grants L+W, its customers or persons engaged by L+W free access to all manufacturing facilities, testing facilities, storage premises and adjacent areas as well as inspection of all quality-relevant documents during normal business hours. The person performing the audit shall have the right to make copies of the quality-relevant documents and take them with him/her.

Proportionate restrictions of the Supplier shall be accepted to safeguard its company secrets but this in close consultation with L+W resp. the customer of L+W.

### **8.0 Auditing of sub-suppliers**

The Supplier is obliged to conclude agreements with its sub-suppliers, on the basis of which L+W resp. the customer of L+W shall have the right, in the event of quality problems caused by services and/or deliveries by sub-suppliers, to perform an audit at the sub-supplier in question according to the criteria outlined in para. 7.0, if not enforceable vis-à-vis the sub-supplier despite proper efforts which are to be proved to L+W on request, criteria which are as close as possible to them. Proportionate restrictions of the sub-supplier shall be accepted to safeguard its company secrets. The Supplier shall, within the scope of any non-disclosure resp. confidentiality provisions with the sub-supplier, however, take account to the greatest possible extent of the auditing right of L+W resp. customers of L+W.

In return, L+W undertakes by this Agreement to treat the information resulting from the auditing as confidential, also vis-à-vis the sub-supplier.

### **9.0 Changes to the product, process or similar changes**

The Supplier is not authorised to change products, processes, technical data, specifications, materials, quality criteria, dates, delivery quantities, relocate manufacturing facilities without the written consent of L+W. This also applies to agreements which, contrary to expectations, can no longer be complied with, even if the deviations only became known after delivery.

The Supplier shall document all changes to the product and changes relevant to the product in the process chain in a product lifecycle and shall treat them according to requirements (VDA / PPAP).

In the event of an unauthorised change, L+W shall have the right to cancel the corresponding order at any time within six months of becoming aware of the change.

The Supplier shall bear the costs incurred by L+W as a result of an unauthorised deviation. This shall not affect further claims of L+W.

### **10.0 Incoming goods inspection by L+W**

The obligation of L+W to carry out an incoming goods inspection pursuant to Section 377 HGB [German Commercial Code] is limited to inspection relating to deviations from the ordered type and/or ordered quantity on the basis of delivery documents (inspection of quantities and identification). Furthermore, L+W shall check the delivery for externally identifiable transport damages. The inspection and, if a deviation and/or damage is determined, notice to the Supplier shall be effected immediately, at the latest within 14 days of delivery. Inspections and notices other than those stated above are not incumbent upon L+W vis-à-vis the Supplier.

### **11.0 Handling of complaints**

If deviations from the agreed product quality are identified on the basis of inspections, further processing problems, customer complaints or other examinations, L+W shall inform the Supplier immediately in writing. If there is no case of Section 377 HGB according to paragraph 10.0 above, failure of L+W to provide immediate information shall not affect its claims, especially arising from statutory warranty and/or liability. The Supplier shall take measures immediately after the first information for prompt analysis and correction.

If a delivery is blocked, the Supplier shall be responsible for limiting work in process. The Supplier undertakes, after the problem becomes known, to take immediate action / measures concerning the cause/absence of defects for subsequent deliveries and to inform L+W of this in writing within 24 hours in the form of an 8D report to point D3. Points D4 + D5 of the 8D report shall also be transmitted to L+W in writing within 3 working days. A final statement shall be given in writing in the form of a completed 8D report within 10 working days.

If a series defect occurs, L+W shall have the right to reject the complete batches affected.

This shall not affect further claims of L+W, especially such claims arising from statutory warranty or liability.

If the Supplier fails to provide a statement in due time, L+W shall have the right, without setting a further extension, to take the appropriate / necessary measures itself.

L+W shall accordingly have the right to pass on all costs resulting from the complaint (deviation from the agreed product quality, see above) to the Supplier in accordance with statutory provisions.

The warranty period is 36 months after delivery to L+W.

### **12.0 Supplier assessment**

The supplier assessment shall be carried out annually. The Supplier shall be notified of the result in writing.

### **13.0 Quantity assurance concept**

In the event of damages to tools and/or breakdown of machinery, the Supplier shall take reasonable measures to ensure that the supply of products to L+W is assured (e.g. fast, contractually warranted access to toolmakers resp. machinery maintenance by the corresponding manufacturers). The Supplier shall operate preventive repair/maintenance to prevent process malfunctions.

### **14.0 Legal remedies for non-compliance with the quality assurance procedure and for violations of obligations to cooperate**

If:

- a. the Supplier fails to fulfil essential requirements of the contractually agreed quality assurance procedure; or
- b. the Supplier refuses, without legal reason, to provide essential information owed by contract; or
- c. the Supplier refuses, without legal reason, the implementation of an agreed audit or an audit legitimately required by L+W; or
- d. the Supplier violates other material obligations e.g. information obligations,

L+W shall have the right, notwithstanding any further claims, in particular:

- a. to refuse the acceptance of ordered products until the Supplier fulfils its obligations resp. proves that it complies with the contractually agreed quality assurance procedure resp. it submits specific corrective measures to L+W concerning the negative result for the audit performed.
- b. to rescind the series supply contract, contract for work or other contract existing between the parties, after an extension expires without effect, in whole or in parts; and
- c. to require reimbursement of additional expenses which L+W incurs because it has, by reason of the above-mentioned violations of contract, taken inspection measures which are more than just obligatory compared to **paragraph 10.0** unless the Supplier is not responsible for the above-mentioned violations of contract. The parties agree that L+W is neither obliged vis-à-vis the Supplier to take such further inspection measures nor that the taking of such further inspection measures constitutes an extension of the obligations pursuant to paragraph 10.0.

### **15.0 Term and termination of the Agreement**

This Agreement enters into force upon its signature by both contracting partners and is concluded for an indefinite period. It can be terminated with notice by either contracting partner, taking into account the provisions set forth below, subject to a period of notice of six months to the end of the month.

Termination of this Agreement with notice, especially of ongoing supply contracts or other agreements, including ongoing obligations to keep spare parts available and to supply spare parts, is excluded during the term of the business relationship with the Supplier.

This shall not affect the right of termination without notice for good cause.

Notice of termination must be given in writing by registered letter with return receipt.

### **16.0 Applicable law/Place of jurisdiction/Language of the Agreement**

In addition to the provisions of this Quality Assurance Agreement, the law of the Federal Republic of Germany shall exclusively apply.

Application of the United Nations Convention on the International Sale of Goods of 11.04.1980 is excluded.

The language of the Agreement is German. The Supplier shall be provided with an English translation upon request which is solely for information purposes.

Place of jurisdiction is Dillenburg. L+W shall, however, have the right to bring an action against the Supplier at the place of its registered office as well.

**17.0 Final provision**

Amendments to and modifications of this Agreement shall only be valid when given in writing. This shall also apply to this provision of written form.

If individual provisions of this Agreement are invalid in whole or in part, this shall not affect the validity of the remaining provisions. The parties shall immediately agree a new valid provision, the economic result of which is as close as possible to the invalid provision. This shall also apply if there is a gap that requires filling.

The following Annexes form an integral part of this Agreement:

Annex 1: List of the L+W Companies

The Supplier confirms that the following regulations (in their respectively valid version) in particular are known to it:

- "Quality Assurance for Supplies" VDA 2
- "Quality Assurance in the Process Landscape" VDA 4
- "Quality Assurance during the Product Lifecycle Standardised Processes for Handling Customers' Complaints" VDA
- QS-9000: PPAP (Production Part Approval Process)
- GADSL (Global Automotive Declarable Substance List)
- "Documented Information and Retention" VDA 1
- QS-9000:APQP (Advanced Product Quality Planning)

Dillenburg,

Date:

LINDE + WIEMANN SE & Co. KG, acting on its own behalf and the other L+W companies stated in Annex 1

Supplier:

i.V.

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Marc Stein, PP  
Head of Purchasing Programs

\_\_\_\_\_  
Name:  
Function:

\_\_\_\_\_  
Name:  
Function:

**Konzernmäßig mit L+W verbundene Unternehmen / Companies affiliated with L + W:**

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