QUALITY MANAGEMENT AGREEMENT

Between SUSPA GmbH
Mühlweg 33
90518 Altdorf, Germany
together with its subsidiaries

hereinafter referred to as **SUSPA**

and

_____
Name of Supplier

_____
Address

_____
City / Zip code

hereinafter referred to as **Supplier**

1 Purpose

SUSPA is a leading manufacturer of impact absorbers, crash management systems, gas springs, hydraulic dampers, vibration dampers, and electrical, pneumatic, and hydraulic height adjustment systems. Our customers are automotive manufacturers, original equipment manufacturers (OEM) and various users in industry. In consideration of our customers and for the continuous development and preservation of our competitive position, SUSPA together with its suppliers agree to make continuous efforts to align products and manufacturing processes towards the highest quality and environmental standards.

With this quality management agreement, SUSPA together with its suppliers emphasize a uniform quality and environmental philosophy. SUSPA and the supplier obligate themselves to comply with consistent quality and environmental standards as well as with the following terms.

The basis for a long-term business relationship between the contract partners is a trustful partnership and cooperation with the goal to fulfil the requirements of the customer and of SUSPA. Customer satisfaction must be assured and sustainable.

This agreement is valid for all purchase contracts (basic agreements, blanket orders and individual orders), i.e., for all deliveries and services from the supplier and its domestic and foreign subsidiaries to SUSPA and SUSPA's domestic and foreign subsidiaries, as well as to companies working on behalf of SUSPA.

2 System Quality in the Supply Chain

2.1 Information Obligation of the Supplier

The supplier undertakes to provide data as part of a supplier self-assessment by entering it in the SUSPA Supplier Relationship Management System (SRM) and to keep them updated. Part of the supplier self-assessment are, for example questionnaires

regarding the Corporate Social Responsibility (CSR), the type of material and measures for a supplier evaluation and valid certificates are to be made available in SRM.
These are based on the current version of the drive sustainability questionnaires (https://www.drivesustainability.org/).

The supplier commits to conclude a confidentiality agreement with SUSPA, F 26 03.01 and F 26 03.02 respectively).

2.2 Quality and Environmental Management System

The supplier must set up and maintain a certified QM-system according to the requirements of DIN EN ISO 9001 or alternatively IATF 16949 or VDA 6.1.

If the supplier delivers components which will be integrated in automotive products, the QM-system has to fulfil all requirements of IATF 16949. The supplier must support this by a continuous development of the system in terms of the requirements of IATF 16949. This also includes the Sanctioned Interpretations (SI) of the International Automotive Task Force.

Also, the supplier of a product which becomes part of an automotive product has to have the OEM-automotive customer specific requirements available and must also know and apply those requirements. Typical examples are the VW-group requirements "Formel-Q-Capability" and "Formel-Q-Konkret". Compliance with customer specific requirements is the responsibility of the supplier (normally through online internet pages of the OEM automotive customer).

Moreover, the supplier must set up and maintain an environmental management system which meets the requirements of EMAS or DIN EN ISO 14001. The supplier should obtain appropriate certifications.

The supplier must have emergency plans in order to ensure that SUSPA will be supplied at an acceptable level even in emergency cases such as interruptions in the power supply, labour shortages, downtime of essential company resources, etc.

The sub-suppliers of the supplier have to be included in the quality and the environmental management system. SUSPA has the right to access the supplier's quality and environmental manuals and procedures if they are relevant for the production of parts.

2.3 Auditing

If the supplier has not achieved a certification according to the requirements of point 2.1 of this agreement, the supplier must have an accredited institute certify his quality management system within 12 months after conclusion of this agreement. The supplier must deliver to SUSPA a time schedule for the completion of the certification.

At any time, SUSPA has the right to verify the effectiveness of the supplier's quality assurance measures by a quality audit and to check at the supplier whether the products comply with the contract. During such audits SUSPA will also check on a sampling base the compliance with customer specific requirements (for example, VW-Formel-Q-Capability or VW-Formel-Q Konkret).

The supplier also allows SUSPA to audit the supplier's environmental system and environmental activities. If the supplier does not have a certified environmental system yet, SUSPA has the right to check environmental aspects in development and design as well as in the production of the parts which are delivered to SUSPA.

In the same way customers of SUSPA are also entitled to examine and evaluate the quality and environmental system of the supplier on

request. The supplier agrees to hand over auditing results of other customers to SUSPA.

The supplier carries out internal audits or self-assessments and makes the results available for SUSPA on request. On request supplier must use SUSPA forms to document the results of supplier`s internal audits.

3 Planning

The quality requirements on all delivered products are determined bindingly by SUSPA in the technical documents (drawings, parts lists, standards, technical conditions of delivery- and acceptance, etc.)

In the framework of preventive quality planning and to assure a defect-free manufacturing of the supplied parts at an early stage, the supplier has to plan, carry out and document the following activities:

- Documented feasibility evaluation in the tendering stage
- Timetable including milestones for the project until product and process approval including a detailed tool planning schedule
- Execution of a Design-FMEA for the product (only if the supplier is responsible for the development)
- Determination of the functional relevant quality characteristics for the part in cooperation with SUSPA
- Development of a process plan (flow chart)
- Execution of a Process-FMEA
- Execution of a feasibility evaluation and a written confirmation of the feasibility to SUSPA (for example with form F0603.05)
- Derivation of a Control Plan (for example, called in German PLP = Produktions-Lenkungs-Plan) including planning of product audits and re-qualification audits
- Determination, development and sourcing of necessary tools, fixtures, gages, and test/inspection equipment
- Carrying out capability studies for all test/inspection equipment
- Providing work and test instructions for the entire manufacturing process
- Carrying out machine and process capability studies
- Setting up and maintaining control charts for functional relevant characteristics
- Determination and agreement of the type of packing
- Manufacturing and provision of initial samples under serial production conditions and provision of an initial sample inspection report according to VDA or PPAP (for example with form F0605.01)
- Confirmation of the REACH conformity. Confirmation of the ROHS conformity and/or update/maintenance of the material data into the IMDS according to the requirements as described in the SUSPA quality planning form F0603.05 or accordingly.
- Documentation of all technical changes in the product life cycle

SUSPA is allowed to access these documents on request for examination and agreement.

4 Execution Quality

All deliveries must comply with the technical, physical, and all additional specifications of SUSPA. The supplier must observe all legal, official, environmental, and other regulations.

4.1 Prototypes, pre-series parts, initial sample inspection process

Sections 4.1 to 4.7 are the standard provisions for SUSPA. Some SUSPA subsidiaries may have additional specific requirements for Sections 4.1 to 4.7. Supplier must verify the specific requirements, including for example PPAP or VDA initial sample requirements, with the individual SUSPA subsidiaries.

Within the product development phases, the supplier must manufacture and deliver prototype- or pre-series parts to SUSPA. For the validation of the development results, the supplier of prototype- or pre-series parts, the supplier has to provide measurements to SUSPA according to the following:

A) New tools or after process changes

- Measurement of all drawing characteristics at 3 parts for each cavity/form/machining station.
- Specific material reports acc. to EN 10204 stage 3.1

B) After tool modifications

- For all characteristics which are influenced by the optimizations/changes 3 parts of each cavity/form/machining station
- All identified special inspection characteristics, if already specified, at 3 parts.
- Specific material reports acc. to EN 10204 stage 3.1

The design of the measurement report must ensure easy, quick, and individual verification of every drawing requirement.

The documentation must be performed until Initial Sample Reports are approved by SUSPA.

Before the start of serial production, the supplier is obliged to present initial samples with an initial sample inspection report. The supplier has to agree upon the details on the sampling effort and the relevant documentation with the responsible quality managers of the receiving SUSPA plants. The supplier has to provide the agreed capability results at the latest when the supplier presents the initial samples to SUSPA.

SUSPA will pay tooling costs, if any, only after SUSPA has granted the complete approval of the initial samples, including the necessary IMDS approval.

4.2 Procurement

The supplier commits his sub-suppliers to adhere to his duties from this agreement. The supplier must make a qualified evaluation and selection of his sub-suppliers and must support those sub-suppliers in quality planning and in the planning of environmental protective measures. SUSPA has to be informed in advance about intended changes of sub-suppliers. The changes have to be approved by SUSPA.

4.3 Production

In regard to the production equipment used, the supplier must prove a machine capability value of Cmk > 1.67 or a preliminary process capability of Ppk > 1.67 for all variable, functional relevant quality characteristics. For serial production a process capability value of Cpk > 1.33 has to be proven. If these values are not achieved by the supplier, the supplier must exclude defective parts from being

delivered to SUSPA by appropriate inspections and sorting or by optimization of the production process until the required capability has been achieved.

Deviating regulations regarding the aforementioned capability parameters, which result from customer-specific requirements, are defined and agreed in the context of advance quality planning for purchased parts.

The supplier has to develop and implement a suitable system for servicing, repair, and preventive maintenance of the essential production equipment.

SUSPA has to be informed immediately when quality setbacks occur. Quality deviations have to be reported by the supplier with a written defect report for approval by SUSPA prior to delivery. The approved defect report (approval of deviation) has to be available when the goods are delivered. The containers for transport have to be marked clearly.

4.4 Test /inspection equipment

The supplier provides test/inspection equipment in order to test/inspect all agreed characteristics according to the technical documents. The test/inspection equipment has to be agreed between the supplier and SUSPA. All test/inspection devices have to be investigated regarding their capability.

4.5 Tests / inspections

In order to avoid the delivery of defective parts, the supplier is obligated to carry out the required tests/inspections for all parts intended for delivery. Documentation, relevant characteristics, and test characteristics are particularly noted on SUSPA drawings.

4.6 Quality records

All quality documents have to be kept as long as the part is active plus one calendar year. Quality documents (e.g., control charts, test results) must be archived for 3 calendar years.

A test certificate according to EN 10204 has to be supplied to SUSPA together with the initial sample inspection report. The required certificate level is 3.1. Deviations to this level have to be agreed separately between SUSPA and the supplier. With series deliveries the test certificates have to be archived by the supplier and have to be shown or handed over to SUSPA on request.

4.7 Technical changes

If not otherwise specified, the supplier has to notify SUSPA of each change according to the trigger matrix in VDA 2 or PPAP manual submission requirements and the supplier has to provide initial samples with initial sample inspection report before the change becomes effective in series production deliveries.

The supplier must examine and update quality documents (FMEA, Control Plan, etc.) according to those changes. In particular cases, SUSPA may waive the sampling procedure by a written confirmation (waiver or deviation). Such a waiver does not absolve the supplier from the responsibility to deliver according to the valid specifications.

After receipt and test of the initial samples, the supplier must receive written approval from SUSPA before shipment to SUSPA. In case of new parts or technical changes the supplier has to indicate the first shipment clearly on the goods/packaging and on the delivery note (see 5.1).

5 Delivery Quality

5.1 Transportation / delivery

As a matter of principle, the supplier is only allowed to deliver defect-free products as the incoming inspection of SUSPA normally only includes an identification, visual and quantity check. SUSPA must always be able to use the received goods in the production without an incoming inspection.

The supplier must label each packing unit with the quantity and the SUSPA part number as well as the production date and lot number. All shipments must be clearly traceable by the data on the delivery note. The supplier commits himself to adhere to his delivery obligation by 100%. By suitable packing, the supplier must assure that the quality of the products is not affected in consequence of the transport to SUSPA. The supplier must fill out delivery documents completely and correctly.

After a change or revision, the supplier must mark the first three deliveries with distinct labels, for example F0603.20. This allows SUSPA to handle these deliveries in a special way, if needed.

The supplier must keep records of additional freight charges, special occurrences, and causes (for extra shipments). The records must show both the charges covered by the supplier and by the sub-suppliers.

5.2 Definition of delivery quality

5.2.1 Failures or defects

The terms failure and defect are defined as non-conformance of an agreed requirement.

Defective parts will be claimed by SUSPA using a formal Complaint Report.

5.2.2 Evaluation of delivery quality

Irrespective of the number of identified defective parts, SUSPA measures the relative delivery quality by counting and weighing the number of claimed delivery lots and the number of Complaint Reports.

Supplementary ppm-evaluations may be generated if necessary and helpful for the supplier development.

ppm-value = defective parts / delivered parts x 1 000 000

For ppm consideration the date of failure recognition at SUSPA applies. If SUSPA cannot determine the number of defective parts, then the entire lot must be defined as defective until the supplier reports other verifiable failure figures. In case of wrong deliveries or wrong packaging, the entire lot must be defined as defective.

5.2.3 Targets for delivery quality

Target values for delivery quality of purchased products are

Zero complaint reports
Zero claimed deliveries
Zero ppm.

In exceptional cases differing targets, e.g., for series start up phases, must be justified and agreed in writing. The initiative and demonstration of needs for revised targets have to come from the supplier.

5.2.4 Supplier Assessment

SUSPA evaluates each supplier at least once a year along the following criteria:

- Customer-driven quality
- (yard holds, field returns, production stop by SUSPA customer caused by supplier of SUSPA)
- Supplier quality

- On-time delivery
- Supplier response (due to defect complaint report)
- Premium freight (premium freights from SUSPA to customer, caused by supplier of SUSPA)
- Special status

With these criteria the supplier will be classified as A, B or C supplier. B and C suppliers must develop and inform about measures that will enable an A classification in the short or medium term.

5.3 Processing of complaints

Shipments which do not conform to the determined quality requirements are to be handled as follows:

- SUSPA informs the supplier about the faulty shipment. The supplier has to analyse the impacts and possible first causes of the defect within 24 hours and has to report the first results in an 8D-form to SUSPA including immediate corrective measures within 24 hours. Form F1401.02 8D-Report may be used.
- Within 2 weeks, the supplier must comment within the time period as specified in the complaint report using an 8D report form. The supplier may use his own appropriate 8D forms or the SUSPA-8D form (F1401.02). If the supplier's form is not appropriate, SUSPA will request to use the SUSPA-8D form. The supplier has to pay special attention to effectiveness checks of measures and to protecting similar processes or products as well as FMEA updates.
- The VDA standard Field Failure Analysis & Audit Standard is applied.
- SUSPA will document (for example with form F0603.13) actual accumulated costs and charge those costs to the supplier.
- The complete shipment can either be returned or scrapped by SUSPA at the expense of the supplier. The supplier must provide a substitute shipment promptly, if required in the complaint report. The supplier must deliver the shipment without separate calls or orders by SUSPA.
- If SUSPA is forced to keep their own delivery commitments towards a customer in terms of deadline, SUSPA may have a sorting inspection or rework carried out at the expense of the supplier, unless the supplier provides his own employees for such a sorting inspection or rework.
- Determined long-term containment actions have to be added to the FMEA by the supplier. The Control Plan has to be adapted if necessary.

6 Miscellaneous

6.1 Quality, environmental and product safety representatives

The contract partners appoint each a quality and an environmental representative, who has to coordinate the execution of this agreement and who has to bring about or make decisions associated with the agreement.

Automotive customers including the VW-Group and its trademarks require the nomination of Product Safety Representatives (PSR) within the supply chain. If the SUSPA supplier is part of the supply chain of a product to an automotive customer, then the supplier has to nominate a PSR and to report name and contact data to SUSPA. The requirements to a PSR according to the VW-group may be taken from the VW internet page.

6.2 Other related documents

If special technical conditions of delivery and acceptance were stipulated for the product, they are part of this agreement.

6.3 Declarable or restricted substances

German and European laws, government, and other regulations, particularly in the field of environmental protection as well as the scrapped car regulation have to be considered.

The specifications and requirements of the EU directives/regulations ROHS 2002/95/EG and REACH 1907/2006 in their relevant revisions in particular must be observed. The supplier must continuously respect and apply the resulting obligations such as restricted or forbidden use, duties to report or to register.

If SUSPA requires conformity declarations regarding ROHS or REACH, the supplier must present it in writing in due form.

If automotive products are concerned or if SUSPA requires it, the supplier must declare purchased parts in the International Material Data System IMDS (http://www.mdsystem.com/imdsnt/startpage/index.jsp). The supplier must follow application restrictions and/or duties of declaration according to the valid GADSL (Global Automotive Declarable Substance List – www.gadsl.org).

If other customer specific lists exist regarding the restricted use of substances harmful to health or to environment, the supplier must provide the requested declarations.

The supplier confirms a supply chain policy in line with the Annex II of the OECD Due Diligence Guidance in the current version.(https://www.oecd.org/publications/oecd-due-diligence-guidance-for-responsible-supply-chains-of-minerals-from-conflict-affected-and-high-risk-areas-9789264252479-en.htm)

Furthermore, the supplier must comply with the formalities acc. to Regulation (EU) 2017/821 of the European Parliament and Council of May 17, 2017, and the Dodd-Frank Act relating to conflict materials. (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R0821) The CMRT or EMRT report form must be provided upon request. (https://www.responsiblemineralsinitiative.org/reporting-templates/cmrt/ or https://www.responsiblemineralsinitiative.org/reporting-templates/emrt/)

6.4 Period of validity

This agreement is valid for an unlimited period and can be terminated in written form with a 6-month notice before the end of a calendar year. However, this agreement stays valid until the end of all agreed supply contracts.

6.5 Confidentiality

SUSPA assures the supplier of confidentiality regarding all obtained knowledge.

6.6 Severability Clause

This contract stays valid even if particular determinations are proved to be invalid. The concerning determination is to be construed in such a way that the original aimed economic and legal purposes are achieved as far as possible.

Supplier acknowledges that SUSPA and supplier may have other written and signed agreements that apply to its supply relationship, including for example, SUSPA's PPAP approval policies, regional laws, end user regulations, and applicable industry standards (Underwriters Laboratories, Inc. ("UL"), Canadian Standards Association ("CSA"), etc.) for each country in which products will be manufactured and sold.

If at any time a provision of any such separate written and signed agreement, law, regulation, or standard directly conflicts with any provision of this Agreement, then that separate written provision will prevail over only the conflicting part of this Agreement. No verbal agreement will prevail over this Agreement. All of this Agreement's provisions without such conflict will still be in force.

In addition, no changes will be made by supplier to a part, materials, process, design or specifications without SUSPA's prior written approval. Any such changes will require a part to be resubmitted for approval. Nothing in this section is in lieu of, modifies or limits any warranty or indemnity provisions in this Agreement, or SUSPA's remedies, rights or damages.

6.7 Product liability

The supplier obligates himself to contract appropriate public liability insurances and product liability insurances and to provide the required evidence. Property of SUSPA as well as property of SUSPA customers which SUSPA provides the supplier to produce the purchased parts, like e.g., tools, must be insured against damage and loss.

6.8 Choice of law and other provisions

This agreement is to be construed according to the laws of the country and region where SUSPA plans to receive the goods and services, excluding the provisions of the United Nations Convention on Contracts for the International Sale of Goods and any conflict of law provisions that would require application of another choice of law. Any action or proceedings by SUSPA against supplier may be brought by SUSPA in any court(s) having jurisdiction over supplier or, at SUSPA's option, in the court(s) having jurisdiction over SUSPA's location, in which event supplier consents to jurisdiction and service of process in accordance with applicable procedures. Any actions or proceedings by supplier against SUSPA may be brought by supplier only in the court(s) having jurisdiction over the location where SUSPA plans to receive the goods and services.

Neither SUSPA nor supplier may assign, delegate or subcontract any of its rights or obligations under this agreement without the prior written consent of the other party. Subject to the foregoing, this agreement will inure to the benefit of and be binding upon the successors and permitted assigns of SUSPA and the supplier.

Notices required or permitted with respect to this agreement must be given in writing to the above addresses by personal or courier delivery, registered or certified mail with return receipt, facsimile transmission with confirmed receipt, or electronic mail with confirmed receipt.

This agreement may be modified or waived only by a separate writing signed by SUSPA and supplier expressly modifying or waiving a provision of this agreement.

This agreement does not reduce or replace the protections contained in the Uniform Trade Secrets Act.

A breach of this agreement by supplier will cause continuing and irreparable injury to SUSPA and remedies at law will be inadequate. In the event of any actual or threatened violation of this agreement by supplier, SUSPA will be entitled to a temporary restraining order, to injunctive relief against supplier, and to any other appropriate equitable relief.

SUSPA may disclose confidential or proprietary information to supplier and supplier's employees. Supplier must keep such

information confidential. Supplier can disclose such information in whole or in part only with written authorization from SUSPA.

Supplier agrees to return to SUSPA all copies of any SUSPA-provided confidential information promptly upon SUSPA's request. If return of any portion of the confidential information is impossible, or on SUSPA's request, then supplier must promptly destroy or delete all such confidential information and certify the disposal to SUSPA.

6.9 Literaturhinweise

- DIN EN ISO 9001 Quality Management Systems
- DIN EN ISO 14001 Environmental Management Systems
- EG-Öko-Audit-Regulation Nr. 1836/93
- AIAG Standards: PPAP, APQP, SPC, MSA, FMEA

Source:
Beuth Verlag GmbH, Postfach 11 45, 10772 Berlin

Quality Management in Automotive Industry

- IATF 16949 Quality Management Systems
- VDA Vol. 1: Documentation and Archiving
- VDA Vol. 2: Quality Assurance for Suppliers
- VDA Vol. 4 (Part 1-3): Quality Assurance in the Process Landscape
- VDA Vol. 5: Capability of Measurement Processes
- VDA Vol. 6 (Part 1): QM-System Audit
- VDA Vol. 6 (Part 3): Process Audit
- VDA Vol. 6 (Part 5): Product Audit

Source for ISO/TS and VDA booklets:
Verband der Automobilindustrie e. V. (VDA)
Qualitätsmanagement Center (QMC)
Lindenstraße 5, D-60325 Frankfurt

Typical customer specific systems requirements from automotive customers for example but not limited to the following:

- VW-AG (Group) "Formel Q Capability"
- VW-AG (Group) "Formel Q Konkret"
- BMW Group Quality Management in the purchasing and supplier network
- BMW Group Customer Specific Requirements (in addition to the requirements of IATF16949)
- Mercedes Benz Special Terms
- GM Customer Specifics
- GM Global Supplier Quality Manual
- Jaguar Land Rover Quality Requirements
- Ford Motor Company Customer-Specific Requirements
- and many others more

Source:
Internet pages of Automotive Customers

6.10 SUSPA Forms

F 0603.05	Quality Planning for Purchased Parts
F 0603.13	Registration additional Expenses due to Supplier Errors
F 0603.20	Identification Change of Index
F 0605.01	Assessment of Initial Samples
F 1401.02	8D-Report for Suppliers

6.11 Signatures

This document may be executed in one or more counterparts each of which will be an original, but all of which together will constitute one agreement. The Parties agree to accept facsimile signatures as original signatures.

SUSPA GmbH				**Lieferant**		
Date		Signature Material Management		Date		Signature Sales / Management
Date		Signature Quality Management		Date		Signature Quality Management