

Agreement on Quality Assurance for Suppliers (12/2007)

Between

Böllhoff GmbH
Archimedesstraße 1 – 4
33649 Bielefeld

- hereinafter called “Böllhoff“ –

and

- hereinafter called “Supplier“ –

the following agreement is made:

Preamble

Product quality had become increasingly important with regard to product safety, customer satisfaction and the avoidance of charges. Böllhoff current incoming inspection causes costs which it wishes to eliminate by agreeing with suppliers a Quality Assurance System. For these reasons Böllhoff only wants to obtain products from the Supplier which are of perfect quality and which are examined by the Supplier. This requires current quality inspections due to a qualified quality security system by the Supplier. It is our common target to reach a quality level of zero defects.

For the duration of the successful conversion of this Agreement Böllhoff will – regarding its orders - prefer Suppliers, which are qualitable in the same way, if their price level and their product availability is accordingly.

1.0 Scope of purpose and application

- 1.1 This agreement is concluded with the object to create a supply partnership of mutual benefit, which is orientated on a long-term basis.
- 1.2 This agreement is therefore taken as a basis for all future purchases and supplies between Böllhoff and the Supplier and it is a indispensable part of the relevant contracts concluded.
- 1.3 Contracts for future delivery, especially prices and conditions of payment will be agreed between the parties separately.

2.0 Quality assurance by the Supplier

- 2.1 With the contract of purchase the Supplier assumes the responsibility towards Böllhoff to do everything regarding the latest state of engineering with the object to deliver goods which are free of faults.

The objective must be a zero defects strategy.

The Supplier ensures that he provides an effective Quality Management System according to ISO/TS 16949:2009 or DIN EN ISO 9001:2008 or an equivalent system, which guarantees the regular high quality of the products delivered by him to Böllhoff. The Supplier undertakes to improve and complete this system regularly corresponding to the state of engineering or following any agreements with Böllhoff. The Advanced product quality planning (APQP) process for parts which should be supplied to Böllhoff has to be in accordance with HPQP or VDA Guidelines.

- 2.2 The Supplier is directly responsible for the observance of this agreement and for the quality of the products and services delivered by him to Böllhoff corresponding to the features, which are in the respective contract of purchase, the technical documents or otherwise required by Böllhoff or agreed with Böllhoff.

3.0 Technical features and technical documentation

- 3.1 The features and tolerances relevant to the quality, which are to be observed by the Supplier, are to be taken from the order standard or the technical documentation being part of the contract of purchase. Technical documentation means the drawings, patterns, delivery conditions, standards or similar information given by Böllhoff. The Supplier ensures that the production, the inspections and the deliveries will always be effected according to the latest valid order standards and the technical documentation presented to him.

- 3.2 Internal production drawings, production and inspection plans as well as rules and regulations in a necessary scope have to be established by the Supplier on the basis of the order standards and the technical documentation.

- 3.3 Every contract has to be checked by the Supplier in order to guarantee that

1. the contract requirements are suitably documented;
2. any requirements deviating from the technical documentation or any other requirements or agreements have been clarified;
3. the Supplier is capable of meeting the contract requirements.

4.0 Inspection requirements and conduction of inspections

The Supplier has to conduct the following inspections:

- 4.1 Quality Planning

To ensure the product quality for all new and changed products, a quality plan according to QS 9000 APQP or VDA-Guideline is required.

Main items are:

- Production (machines, fixtures, tools, operational procedures, preventative maintenance).
- Capacity and procurement (materials, machines, tools, fixture, test equipment, sub-contractors).
- Handling, storage, preserving, packaging and dispatch.
- Environmental protection during processes and the recycling of products and packaging.
- Reliability analysis, product security, (producibility analysis, availability analysis).
- Quality planning e.g.
 - FMEA
 - SPC, MFU
 - Control plan
 - Production process plan
 - Measuring equipment capability
 - Test plan, referring safety crucial features, especially DMBA (products with extra filing), S/C (significant characteristic) and C/C (critical characteristic) relevant features,
 - Annual requalification test

4.2 The inspection for raw material, purchased material and services shall be in line with the main and secondary features as determined in ISO/TS 16949:2009 or DIN EN ISO 9001:2008. Aforementioned raw materials and products which are part of the raw materials, products or the performance furnished opposite Böllhoff, may only be processed or inserted if the agreement with the standards of orders and/or technical information is determined. It must be ensured that the material according to the manufacture load can be retraced.

4.3 Initial sample testing

For all parts which are ordered by Böllhoff for the first time a partial production commissioning process according to PPAP or if ordered according to VDA-Guideline must be carried out. Initial samples (usually 15 pieces) must be manufactured under production volume conditions. All items of the specification, the material and mechanical characteristics must be sampled.

Initial samples are further required:

- once the Supplier has changed sub-contractor
- once a specification has been changed
- if a production procedure has been modified
- once a production site has been relocated and is using new or relocated machines.

Volume production deliveries may only be made once Böllhoff has provided an initial sample approval. The examination of initial samples will be made free of charge for Böllhoff.

4.4 SPC-Process-Monitoring

For main items the Supplier must carry out a SPC-process-monitoring according to ISO/TS 16949:2009 or VDA guidelines during the production process. If there is no normal distribution existing caused by the production procedure (for example pressing) the Supplier must apply applicable testing procedures, which ensure the target to reach a quality level of zero defects. Methods of testing are also accepted, if the process capability is documented by a short-run-analysis (PPK \Rightarrow 1,67),

additionally an attributive check (“go”/“not go”) should be conducted by gages during production process. Tolerance limits of this attributive check should be appointed and achieved within statistical control limits.

- 4.5 Outgoing inspection of the merchandise regarding identity, packing and completeness of the consignment.
- 4.6 All inspections have to be designed and completely documented following the importance of the respective quality feature and the possible effects of faults. Statistically ruled and controlled production processes are required and documented by the Supplier for serial production.
- 4.7 All products, which the Supplier has to deliver to Böllhoff are of acceptable standard, if the Supplier proves process capability $PPK > 1,67$ and $CPK > 1,33$. If the process capability can not be proved, the Supplier proves a 100% control.

These ability indices for the main features are to be indicated in the QS 9000 PSW (Part Submission Warrent) and in the sample test report according VDA-Form respectively.

- 4.8 If there exists no proof of the process capability the merchandise may not be delivered or a 100% control must be made.
- 4.9 The inspections must be conducted with calibrated and suitable measuring devices, which are in kind and scale designed for all tests of the items as per the specified agreement. The test equipment must be checked at regular intervals. This should ensure that all devices are accurate and serviceable.

The inspection status of the products must be shown in order to ensure that a product is only despatched when it has passed the necessary quality inspections. Out of these markings the examiner responsible for the release must be recognizable.

In all company departments, which influence the production process of the products being supplied to Böllhoff, the Supplier regularly carries out internal audits, process-audits or product-audits closely following the requirements of ISO/TS 16949:2009 or VDA-Guidelines.

5.0 Documentation and storage periods

- 5.1 All quality assurance measures, “Quality management system”, have to be documented in a corresponding manual as well as, if necessary, in a supplementary, internal quality assurance rules and regulations.
- 5.2 The audits accomplished by the Supplier have to be documented accordingly. All documents, especially inspection reports, acceptance certificates, inspection reports of the test equipment shall be held by the Supplier for a period of 10 years.
- 5.3 All testing reports, inspection reports and all testing documents which were established by the subcontractor must be held by the Supplier for a period of 10 years, in case of delivery of DMBA - or SC/CC-products - for a period of 15 years.
- 5.4 All documents relating to tests of raw material, products and production, and all results of the control inspection of measuring and test equipment or documents which relate to concessions must be held for 10 years by the Supplier, in case of delivery of DMBA - or SC/CC-products for a period of 15 years.

5.5 On Böllhoff's request, those above mentioned documents have to be presented free of charge for Böllhoff.

5.6 The delivery of inspection certificates according to EN 10204 (DIN 50049) requires the additional agreement between Böllhoff and the Supplier.

6.0 Auditing of the Supplier by Böllhoff and Protection concerning the Customers of Böllhoff

6.1 In the interest of the mutual quality assurance, Böllhoff agents are authorised to view the production and quality management systems of the Supplier during visits.

6.1.2 In certain cases, in which delivery parts are manufactured according to the requirements of Böllhoff or the customer of Böllhoff or when the product technical or manufacturing technical Know-How derives from Böllhoff or the customer of Böllhoff, the Supplier grants customer protection for the customers that get acquainted with him out of the business connection with Böllhoff. The Supplier will not submit any quotes to a customer for these delivery parts for the duration of the business connection with Böllhoff. He will not take orders or attend these customers, unless a written declaration of consent of Böllhoff is existent. This promise refers to products, which are subject matter of Böllhoff. Böllhoff already has to deal with the supplier about these objects or they have to be enquired or ordered within the scope of the business connection. The Supplier will forward direct inquiries referring to the above mentioned products to Böllhoff for handling.

The Supplier grants Böllhoff protection for the duration of the business relation with Böllhoff concerning the customers, who become known to him due to the business relation with Böllhoff. In particular the Supplier is obliged not to offer these customers any offers or receive any orders. The Supplier will not supply these customers with the respective products, unless a written declaration of consent of Böllhoff is present. This promise refers to products which are business articles of Böllhoff and which Böllhoff already obtains with the Supplier or which he inquires or orders within the framework of business relation in the future. The Supplier will pass direct inquiries regarding the aforementioned products and services to Böllhoff for processing.

6.2 During a process audit it must be possible to view

- production processes otherwise this includes an impairment of the competition-ability,
- all quality-assurance measures and organisation components,
- the quality management manual,
- the documents according to the Quality Management System.

6.3 A valid certificate according to ISO/TS 16949:2009 or DIN EN ISO 9001:2008 is accepted as a proof of the quality status of the Supplier or sub-contractor.

6.4 In a doubt or in the case of reclamation's Böllhoff is authorised to audit the Supplier.

7.0 Quality deviations

7.1 As a matter of principle, only raw materials, products and services without any quality deviations must be delivered to Böllhoff.

- 7.2 Within the scope of a documented deviation process, raw material, products and services with quality deviations can only be delivered, if, from the Suppliers points of view, those items do not show any deficiencies, which influence the usability and the proper working condition in a negative way, and if these deviations do not cause any additional costs to Böllhoff and has Böllhoff's written consent.

If Böllhoff gives the deviation permission, the merchandise has to be despatched together with a copy of this deviation permission.

- 7.3 The Supplier has to ensure that any merchandise with defects without a deviation permission must not be delivered to Böllhoff.

- 7.4 In accordance with the determined quality inspection procedure, repaired or re-finished parts must be inspected again prior to a representation.

- 7.5 If any complaints arise after the despatch of the goods, the Supplier has to institute immediately all required measures, which become necessary to eliminate the complaint and to minimise the damage. In addition, he has to arrange to carry out counter checks to determine the reason for the complaint.

For legitimate complaints, Böllhoff must immediately be informed in writing about all instituted remedies apart from immediate reaction. For this purpose, a 8-stage-report must be used. The complaint process must only be terminated by the Supplier, when the effectiveness has been proven against Böllhoff. It is the aim that complaints have been worked on at short notice in order to sustain deliverability.

8.0 Storage, packing and transport

- 8.1 The Supplier has to observe the packing units and labelling required by Böllhoff. Any changes thereof are to be reconciled with Böllhoff for any individual case.

- 8.2 The Supplier has to pack any raw materials, products in such a way that transport, storage and ageing damage can be eliminated.

9.0 Incoming inspection of merchandise at Böllhoff

- 9.1 On account of this agreement and the quality inspections to be carried out by the Supplier, Böllhoff is authorised for the future, to check supplies by the Supplier only for quantity, identity (accordance with the packing marks and delivery notes) and for externally visible transport damages.

- 9.2 The Suppliers liability for quality deficiencies and product faults is not changed hereby. However, the Supplier explicitly waives the objection of a belated notification of deficiencies according to § 377 German Commercial Law Code (Handelsgesetzbuch).

- 9.3 If Böllhoff assesses a deficiency to the products being supplied by the Supplier, or if the reasonable suspicion arises that the merchandise could reveal a deficiency, Böllhoff will institute suitable measures in order to control the merchandise, and to prevent, if possible, the despatch of the merchandise, suspected to be defective, to their customers.

Moreover, the Supplier has to be informed in writing within 5 working days at the latest, after the deficiency has become known.

10.0 Product liability

- 10.1 As far as damage occurs due to a product supplied by the Supplier, the latter is liable within the limits of the legal regulations to the extent that the supplied product became responsible for this damage. In this respect, the Supplier explicitly discharges Böllhoff from their liability for the products supplied by the Supplier.
- 10.2 The Supplier is obliged, to keep a product liability insurance with a covering sum of at least 2.5 millions Euro globally per personal injury or material damage, which does not only include the extended product risk including foreign damages - if DMBA are obliged of delivery - and call-back actions for motor vehicles, but also the risk arising by the waiver to the objection of a belated notification of deficiencies.
- 10.3 On Böllhoff's request, the Supplier has to prove the validity and existence of such insurance to Böllhoff. The supplier has to inform Böllhoff immediately if there is any change or cancellation in the insurance coverage.

11.0 Observance of secrecy

The contract parties will treat all commercial and internal information received by either party due to this agreement as confidential. This information may not be disclosed to a third party either directly or indirectly, in full or in part and may only be used for the contractual determined purpose. This also applies to a time period after the termination of the agreement.

12.0 Duration of agreement

- 12.1 This agreement shall be effective with the signature of the contract and is concluded for an undetermined period.
- 12.2 This agreement can be terminated to the end of a calendar month at six months notice. The right to a termination without notice for an important reason is not affected hereby.
- 12.3 The termination has to be effected in writing.

13.0 Miscellaneous

- 13.1 Any changes or additions have to be effected in writing and must be signed by both contract parties.
- 13.2 This agreement shall be governed by German law.
- 13.3 If any section of this agreement is found to be completely or partly invalid, illegal or unenforceable in any respect for any reason, the validity of the remainder of this agreement shall continue in effect. Instead of the invalid or unenforceable stipulation, a suitable regulation shall be effective, which, as far as legally possible, gets closest to that, which the contract parties intended or would have desired in sense and for the purpose of the contract, as far as they would have considered this item at the conclusion of this contract.

13.4 As place of jurisdiction Bielefeld is agreed upon.

13.5 The following apply to this agreement

The Automotive-specific guidelines per Annex 1 (cross to confirm)

The IRIS-specific guidelines per Annex 1 (cross to confirm)

By signing this agreement, the vendor undertakes to fully implement the requirements per Annex 1.

Annex 1: Automotive and IRIS (International Railway Industry Standard) specific guidelines.

Bielefeld,

Böllhoff GmbH

Vendor:

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Annex1:

Automotive and IRIS (International Railway Industry Standard) specific guidelines

Quality Assurance Agreement

for Vendors to Böllhoff GmbH

Annex 1

Automotive and IRIS (International Railway Industry Standard) specific guidelines.

The Vendor undertakes to adhere to the following automotive and IRIS-specific guidelines and to submit the documentation to Böllhoff on request.

General Requirements

- Until implementation of the zero-defect target, a delivery quality of 50 ppm is deemed agreed.
- Every justified complaint over a fault level of 50 ppm requires that the Vendor assumes the costs incurred for de-installation and replacement, as well as the transport costs incurred for the substitute delivery

Automotive-specific Guidelines

The requirements of

ISO/TS 16949

Quality Management Systems

Special requirements on application of ISO 9001 for series and spare part production in the automotive industry.

shall be met in full.

IRIS-specific QM Guidelines for the Rail Vehicle Industry

The requirements of

IRIS – International Railway Industry Standard

Global Management System for the rail vehicle industry

shall be met in full.

Information on the QM specifications ISO / TS 16949 and IRIS

The current Technical Specification ISO/TS 16949 can be obtained via

VDA QMC
German Automotive Industry Association (VDA)
Quality Management Center (QMC)
Karl- Herrmann- Flach- Str. 2
D- 61440 Oberursel
Tel. +49-06171-912210
Fax: +49-06171-912214
E-Mail: info@vda-qmc.de

The current manual for the IRIS – International Railway Industry Standard
can be obtained via

UNIFE “Association of the European Railway Industries“

Internet address:

<http://www.iris-rail.org/>