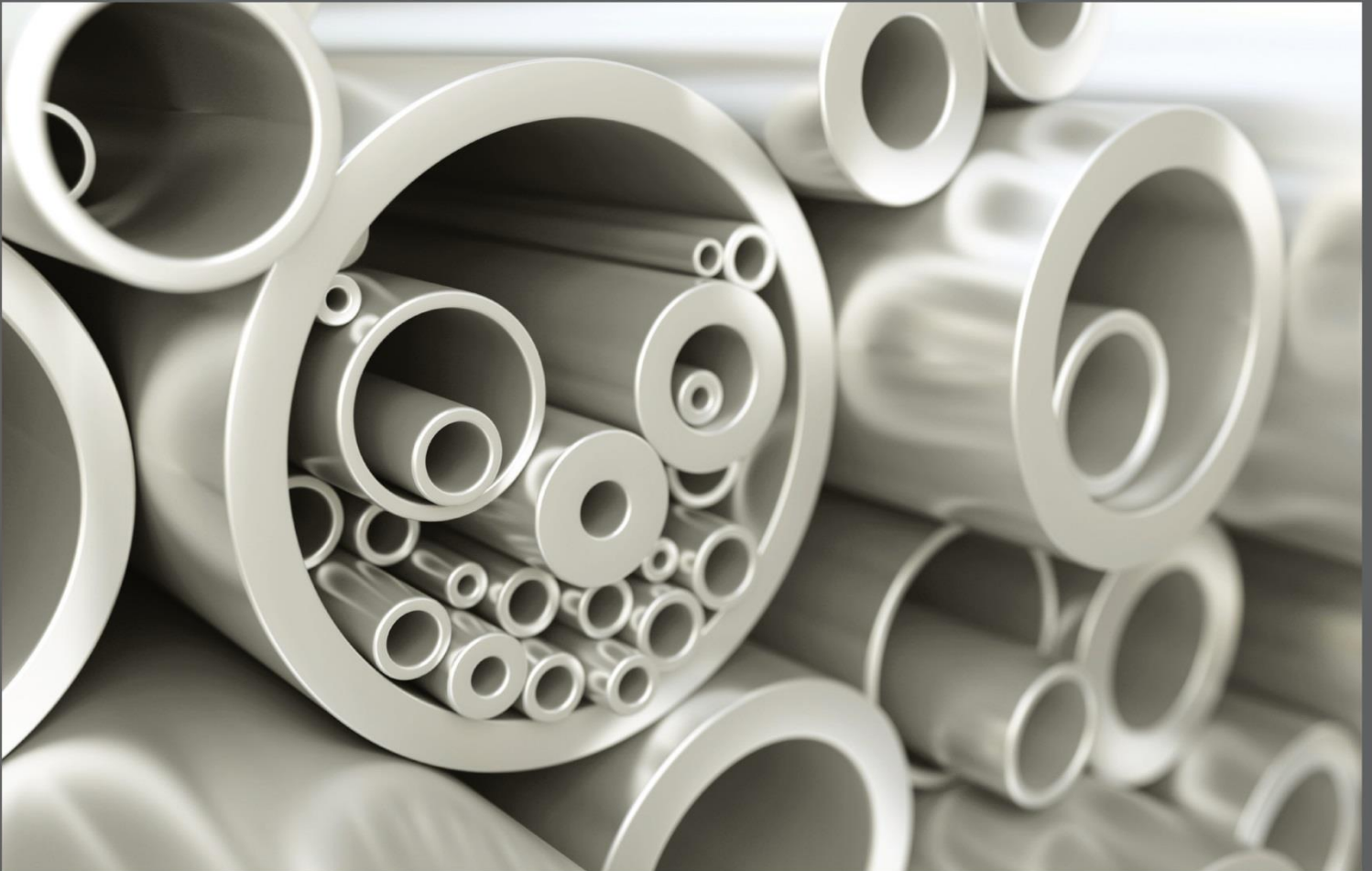


SUPPLIER QUALITY AGREEMENT



SUPPLIER QUALITY AGREEMENT

QUALITY AGREEMENT

between

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- hereinafter referred to as Customer -

and

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- hereinafter referred to as Supplier -

regarding the implementation of a Joint Quality Management System with the objective of securing the quality of both product engineering and the products themselves.

PREAMBLE (DESCRIBING THE OBJECT OF THE AGREEMENT)

Object of this Supplier Quality Agreement is the contractual definition of the technical and organisational framework conditions und processes between Customer and Supplier required to achieve the aspired quality objective. It describes the minimum requirements for the system designed to manage the quality assurance of the contracting partners.

This Supplier Quality Agreement has been drawn up to define the specific requirements of the production and product approval processes.

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1. GENERAL TERMS

1.1 Scope, subject matter of the Agreement

This Agreement settles the quality requirements for all engineering services and/or products, which will be provided during its life, specifically for the contracting partner, unless its scope has been limited to specific services and/or supplies, as defined in appendix 1.

Individual clauses of this Agreement may not be applicable inasmuch as they are in contradiction to Engineering Agreements or Purchase Agreements, which shall have priority.

To be effective alterations and amendments to this Agreement shall be taken down in writing. Specific alterations to the Supplier Quality Agreement have been set down in writing in appendix 2.

1.2 Supplier Quality Management System

Supplier commits himself to a permanent application of a Quality Management System under ISO/TS 16949:2002 or, as a minimum, to a system, which is in compliance with the contents required by the DIN EN ISO 9001:2000 standard.

Other regulatory systems, e.g. issued by the following organisations:

- VDA (Germany)
- AIAG (USA)
- EAQF (France)
- AVSQ (Italy)

shall become part of the Agreement when they have been agreed in writing only.

The supplier undertakes to strive for the attainment of ZERO DEFECTS optimising his performance in this respect.

To the extent of the Customer providing production means and/or inspection, measuring and test equipment within the frame of procuring supplies Supplier shall integrate the same into his own Quality Management System as he does with his own production means and/or inspection, measuring and test equipment, unless agreed to the contrary.

1.3 Sub-contractor Quality Management System

Supplier shall make all efforts to obtain commitments from his sub-contractors to comply with all obligations assumed from this Agreement. In a case where Supplier will be unable to enforce an assumption of obligations with his sub-contractors he shall inform Customer. The contracting partners shall attempt to come up with a solution reached by common consent.

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Customer may request from Supplier documented proof that Supplier has initiated appropriate action to convince himself about the effectiveness of the Quality Management System at his sub-contractors and/or the quality of sub-contracted parts.

1.4 Audit (at the supplier)

Customer has the right to find out by way of an audit, whether or not the implemented action to assure quality at the supplier will be capable of warranting Customer requirements. The audit may be conducted as system audit, process audit or product audit and shall be agreed in good time prior to its realisation. Consideration shall be made for audits conducted by accredited certifying bodies. Appropriate measures carried out by Supplier to maintain confidentiality of his operating secrets will be accepted. The kinds of audit to be applied shall relate back to DIN EN ISO 9001 and ISO/TS 16949.

In cases where problems crop up, which have been caused by services and/or supplies from sub-contractors, when Customer so requests, Supplier has the option to resolve the issue in the premises of the sub-contractor by way of a joint audit in the presence of Customer.

1.5 Documentation, information

The obligation to keep specification documents and evidence documents with a special retention period of 15 years (refer to VDA volume 1 "Furnishing evidence"). Supplier shall grant Customer, when requested, permission to inspect such documents.

Whenever it becomes apparent that agreements, which have been concluded, (e.g. about quality characteristics, dates of delivery or performance, volumes to be supplied) can not be complied with, Supplier shall be obligated to inform Customer to this effect as well as about the circumstances, which have caused such situation. In the interest of finding a quick solution Supplier is obligated to disclose all relevant data and facts.

Whenever Supplier detects an increase in the deviations in the actual quality from the specified quality of the products (deterioration in quality) he shall inform Customer without undue delay to this effect as well as about the planned corrective action.

Prior to their implementation Supplier shall notify Customer, as soon as possible, about any change in the production process, materials or supplied parts for the products, relocations of production sites, as well as alterations of methods and equipment used to inspect the products or other quality control action allowing the same to review, if any such proposed alteration might have a disadvantageous effect. The obligation to notify has been laid down in the regulation for the presentation of samples.

All alterations to the product and production process shall be documented in a product life cycle and treated in accordance with VDA volume 2 "Securing the Quality of Supplies".

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2. PRODUCT AGREEMENT

2.1 Engineering, Planning

Customer shall be responsible to provide Supplier with the specification plus all relevant documents, e.g. drawings, part lists, and CAD data, as early and as complete as possible. Supplier shall check the specification for completeness and absence of contradictions informing Customer about all deficiencies. The same shall be corrected by common consent.

Already during the planning phase for products, processes and other cross-functional tasks Supplier commits himself to apply Project Management allowing Customer, upon request, to inspect the project schedule.

During the engineering phase the contractual partners shall make consideration to apply suitable preventive action in the quality planning, e.g. manufacturing feasibility analysis, fault tree analysis, reliability calculations, FMEA, etc. (refer also to VDA volume 4 "Ring binder"). Lessons learned from similar projects (process flow diagrams, process data, capability studies, etc.) shall be considered. Characteristics with special demands on documentation and archiving shall be defined. (Compare to VDA Volume 1).

Customer and Supplier shall agree on and document manufacturing and test conditions for prototypes and pilot parts. The objective is to produce such parts as much as possible under conditions, which resemble a batch production.

For the agreed product characteristics and process characteristics Supplier shall conduct and document capability analyses of the production equipment used. In a case where capability parameters will not be achieved, Supplier either has to optimise his production lines or realise appropriate tests on the manufactured products to prevent deliveries of non-conforming parts.

Prior to the start-up of any batch production the process approval and product approval must be effected in compliance with VDA volume 2. Customer shall give design approvals alternatively engineering approvals prior to the proceedings of process approval and product approval.

2.2 Batch production, traceability, identification, non-conforming part notices

In the case of process trouble and quality deviations in Customer's or Supplier's operations, the root causes need to be analysed, corrective action implemented and their effectiveness monitored. Should it become unavoidable in the exceptional case to deliver products, which are not in line with the specification, a special approval shall be obtained from the Customer ahead of time. Without undue delay Customer shall also be informed about non-conforming products, which are detected after their delivery.

Supplier commits himself to ensure the traceability of products delivered by him in accordance with a risk assessment. In the case where a non-conforming product has been

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detected, it must be possible to trace it back in a way that the segregation of non-conforming parts/products can be realised. Furthermore it must be ensured that all deliveries to the Customer will be made according to the First in First out principle. Customer will inform Supplier about the data required for the traceability.

With respect to the identification of products and their packaging Supplier has to comply with the requirements, as agreed with the Customer. It must be ensured that the identification of the packed products will be recognisable even during transport and storing. To be effective deviations from the existing obligation to an identification of parts/products require an Agreement in writing between Supplier and Customer.

Supplier ensures that the products are delivered in suitable packaging, which has been approved by Customer to avoid damage and deterioration in quality (e.g. from dirt, chemical reactions).

2.3 Inspections, Queries, Action

Supplier shall implement all tests, as required in the inspection plan, in order to be in compliance with the agreed objectives and specifications. Both parties to the Agreement have committed themselves the objective of Zero Defects.

In the batch production Supplier has to demonstrate his process capability for the agreed characteristics by way of suitable methods (e.g. statistical process control or manual control card technique) over the entire period of production.

Has the required process capability not been achieved then the quality has to be secured by applying tailor-made test methods. The production process shall be optimised to obtain the required capability.

After their arrival Customer will inspect the products procured from Supplier for compliance in volume and identity as well as damage, inasmuch as it can be detected from the outside.

Without undue delay Customer will notify Supplier about any non-compliance, as soon as it has been detected under circumstances of the regular process flow. To this extent Supplier shall waive his right to an objection on grounds of delayed complaint.

Inasmuch as it is appropriate for a proper process flow Customer will either check the manufactured assemblies, which include the delivered products, prior to the start of the subsequent production step or subject the final part to an inspection, where the said assembly has been integrated.

Unless agreed to the contrary non-conforming parts will be returned to Supplier for analysis. In case of dispute Customer and Supplier shall implement a common inspection thereof.

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In case non-conforming products are found in deliveries Supplier shall make all efforts to contain this situation (substitute delivery, sorting or rework).

3. LIABILITY

The Agreement on quality objectives and quality action does not affect Supplier's liability for Customer's claims to warranty and damages on grounds of non-conforming deliveries.

"This Supplier Quality Agreement shall give rise to no claims on grounds of liability for non-conforming products or damages on other legal grounds."

4. OBLIGATION TO SECRECY

In relation to his Customer Supplier commits himself to keep the following items secret.

4.1 Definition

Supplier has been defined as anybody who works for the Customer on the base of a valid framework agreement or in advance awaiting an engineering and/or supply agreement.

As operating secrets and business secrets shall be considered all information, data or data files transferred to Supplier within the frame of a framework agreement or through other media, be it verbally or in writing.

4.2 Obligation to secrecy

Supplier undertakes to keep operating secrets or business secrets of the kind mentioned herein above confidential, not to disclose the same to any third party, use it exclusively for the purposes, as agreed in the contract, taking all precautions to ensure the secrecy of the confidential information in accordance with this undertaking.

This includes that

- No disclosure about the information obtained will be passed on to third parties
- Appropriate safety precautions are taken in the processing and storage of data on EDP equipment and their transmission preventing at all times that third parties can access to these data.
- Use of and access to the information has been permitted for the realisation of the tasks as stipulated in the Agreement only.

4.3 Sub-contractors

In a case where Supplier involves sub-contractors, which he is entitled to, to comply with his contractual obligations and, in compliance with this obligation, he shall obligate the same to secrecy in writing as well.

4.4 Coming into effect, Life

The obligation to secrecy enters into effect on the day of signing this Agreement ending 5 years after the date, on which the business relation or cooperation is discontinued, unless an other arrangement to this extent has been made between Customer and Supplier in the course of a later agreement.

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4.5 Arbitration, Applicable law

Place of jurisdiction for all disputes arising from or in the context of the obligation to secrecy is Schalksmuehle.

5. Life of the Agreement

This Supplier Quality Agreement shall be effective for an unlimited period of time. Either party, however, may terminate the same in writing respecting a 3 months period of notice. The termination of this Agreement shall have no effect on current individual supply contracts up to their full completion.

Further requirements, which are specific to a customer/product.

Customer:

Date:	Name:	Function:	Signature:
.....

Supplier:

Date:	Name:	Function:	Signature:
.....