Quality Management Agreement

between

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- referred to in the following as “SMIA” -

and

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- referred to in the following as “supplier”

1. Objective

The high expectations and demands made by SMIA customers on the quality of SMIA products require a corresponding safeguarding of the product quality for the suppliers of SMIA. This quality management agreement, referred to hereafter as the “QMA”, shall govern the execution of the joint quality assurance measures. The supplier shall also be required, in the framework of its quality management, to carry out quality planning, quality control, quality assurance and quality improvement. The goal of this agreement is to achieve a highest degree of product quality, the so-called zero-fault-goal. To guarantee this, all goods and services from the supplier must meet the agreed-upon and legally mandated requirements in their full scope. Pre-planning, effective process monitoring and fault avoidance are the highest directives in achieving this goal.

2. Scope

The provisions of this QMA apply to all existing and future supply, procurement and work contracts between SMIA and the supplier and are inter alia a component of the SMIA „Master Contract for Purchased Parts“, the SMIA Development Contract and the Purchasing Conditions of SMIA.

In connection with the new start-ups or pre-production series of products and in specific cases SMIA can demand negotiations concerning amendments or modifications to this QMA for the products (referred to in the following as „objects of contract“) that the supplier manufactures and/or has manufactured. In each case, these should deal adequately with the special requirements of quality on the object of contract.

Additionally SMIA reserves the right to revise this QMA at regular intervals, especially if this is demanded by the legal situation or changed requirements in quality assurance, especially on the basis of customers’ demands. In this case the revised QMA will be deemed as accepted by the supplier for existing contracts to the extent that it does not object to this within two weeks of communication of the changed version. In the case of new inquiries and new awards of contract the supplier is obligated to request the QMA that is current at the time the contract is concluded from SMIA. On award of the contract to the supplier, the respectively valid QMA becomes a fixed component of the contract to the extent that the supplier does not object to the QMA in whole or in part prior to the award of contract.

Additional measures for quality assurance, even if only installed temporarily, shall not be excluded by this agreement.

3. Quality Management System

The supplier commits to maintain a quality management system in accordance with DIN EN ISO 9001, to continuously develop it and to have it certified by "Third Party Audits".
The certification shall be constantly updated and in case of loss this must be communicated to SMIA immediately. The certificates must be sent to SMIA unprompted.

The supplier shall commit to the objective to introduce a management system according to the standard of the automotive industry "IATF 16949" and to certify the proof of the IATF approval by means of a certificate.

The following procedure is recommended to achieve this goal.

a) The management system ISO 9001 to complement the requirements of the MAQMSR (Minimum Automotive Quality Management System Requirements).

b) Assessment of compliance to IATF through “Second Party Auditors”

c) Execution of the certification according to IATF 16949 "Third Party Audit”

The requirements of the MAQMSR - Minimum Automotive Quality Management System Requirements are available for download at:

https://www.iatfglobaloversight.org/oem-requirements/customer-specific-requirements/minimum-automotive-quality-management-system-requirements-for-sub-tier-suppliers-2nd-ed/

4. Integrated Management Systems

a. Environmental management DIN EN ISO 14001

SMIA attaches a great importance to the environment and sustainability; this is also required from the suppliers within the supply chain of SMIA.
The supplier is recommended to obtain a certification according to DIN EN ISO 14001.

b. Energy management DIN EN ISO 50001

Through the controlled use of resources, the environment and the climate can be specifically protected. SMIA has committed to this goal and recommends that its suppliers introduce energy management in accordance with DIN EN ISO 50001

c. Occupational safety OHSAS 18001 / ISO 45001

SMIA is aware of its social responsibility and pursuits a variety of programs to improve occupational health and safety measures. This goal can only be achieved together, therefore the certification to OHSAS 18001 or ISO 45001 is recommended.

5. Quality Requirements

The quality demands arise from the order or the technical drawings, specifications, other technical documents as well as the authoritative laws and norms that form the basis of the respective price sheet for the master contract. Most specifically the contractually specified use, performance requirements, solidity, material suitability, reliability, appropriate and economically reasonable maintenance as well as the safety of the object of contract must be guaranteed by the production process. Basis for cooperation requirements, the series of publications of the VDA must be applied. Amendments or adjustments in requirements deviant to the VDA regulations (e.g.QS9000) can be done project- or customer-specific.

The supplier must make sure that production and delivery always proceed according to the currently valid documents especially according to the currently valid specification and drawings. It must maintain a procedure, with due consideration for any changes in the authoritative order and contract documents which assures that the most up-to-date contractually agreed-upon modifications are taken into account.

6. Pre-/Sub-suppliers / Access

In the procurement of materials or other goods and services from third parties, so called pre-suppliers or sub-suppliers, the supplier must make sure that suitable quality assurance measures, legal provisions and special requirements are observed and established in the business operations of the pre-/sub-suppliers, as SMIA demands of its own suppliers.

To this end the supplier will draft suitable documents on the necessary quality assurance measures and arrange corresponding measures with the pre-/sub-supplier. The supplier will also subject its pre-/sub-suppliers to conformity with the obligations that it assumes deriving from this contract.

The supplier will inform SMIA which pre-/sub-suppliers will be used and on request grant access to the documents with the pre-/sub-suppliers. The supplier must make sure that SMIA and customers of SMIA are granted, at all times, on request and prior arrangement, access to the business premises and facilities of the pre-/sub-suppliers in order to confirm the existence and function of the quality management system at the pre-/sub-suppliers. A change of pre-/sub-suppliers is only possible with the consent of SMIA.

7. FMEA / Quality and Test Planning

For each object of contract, the parties will make every effort to coordinate all product-relevant points with each other before the start of process and establish contacts with the responsible departments. The coordination with quality assurance and securing of special features have to be coordinated with SMIA and are to be documented. In the later process, this must be documented by means of certification of proficiency.
Features such as PFU, MFU and safety-critical features must be given especial attention and must be firmly anchored in the FMEA.
The supplier is obligated to conduct a fault, chance, and influence analysis, referred to in the following as a FMEA for every new object of contract and in each case prior to the start of serial production; thus in accordance with VDA [German Association of the Automotive Industry]- Bulletin 4 “Securing Quality before Serial Production” from the series “Quality Management in the Automobile Industry“ and maintaining throughout the entire production period. A process-FMEA always has to be drafted even if construction is not in the supplier’s field of responsibility. If the supplier is partially or completely responsible for construction, a construction-FMEA has to be completed in time. The FMEA has to include the interfaces with built-on parts, transport, assembly and the surroundings.

Specialised FMEAs must also be drafted for individual cases depending on the service to be performed.

Additionally, the supplier must complete quality management and testing plans. The documents must be submitted to SMIA for review. With the award of contract, the supplier affirms that it is aware of all demands and obligations and that it can implement the manufacture of the object of negotiations without restrictions.

The supplier has to submit a project specific time schedule accompanying the quotation. This time schedule has to include the most important milestones of the project as well as the deadlines prescribed by SMIA.

8. Machine and Process Capability

Investigation and assessment of the machine and process capability will be done based on VDA 4 in the current version. For all features relevant to function, the supplier must carry out and document detailed analyses of the production equipment in use. If the supplier does not reach a machine capability value of Cmk ≥ 1.67, it must either demonstrate a suitable optimisation of its plant or suitable tests of the manufactured objects of contract, which exclude a defective supply.

During on-going serial production the supplier must demonstrate a process capability value of Cpk ≥ 1.33 for all functionally relevant features by means of suitable procedures (e.g. statistical process regulation) for the entire production time and document this. If this value is not reached, it must secure its shipments with suitable testing methods (e.g. 100% inspection) and optimise the production process using all of its abilities in order to achieve the required process capability.

The supplier is responsible for the specification and proper definition of the functionally relevant features and also for the suitable optimisation of the manufacturing facilities or suitable testing methods.

9. Zero-Fault-Objective

In the framework of quality management, the supplier is committed to the zero-fault-objective and must institute the required business processes and controls to this end. Possible sources of faults must be recognised early, the quality management system must be monitored and its smooth, comprehensive function must be assured.

For new starts and/or failure to achieve the zero-fault-goal, the supplier will present SMIA an action programme that guarantees achievement of this goal within a specified period of time. The supplier must implement this action programme of measures and immediately inform SMIA in the event of predictable, unfavourable deviations from this action plan.

If necessary, SMIA will jointly determine with the supplier in what timeframe and through what intermediate goals the zero-fault-goal must be achieved. The negotiation of a target range does not affect the warranty claims or claims for compensation for damages from SMIA due to defects in shipments and/or objects of contract. Moreover, the supplier is liable on the basis of the contractual provisions even for any defects if the frequency of faults lies in the limits of the agreed-upon target range.

The supplier must guarantee 100%-obligation to deliver conforming to the data in the drawing and all agreed-upon specifications and norms. This is an essential part of contract and is valid without any exception.

10. Inspection of Incoming Goods on Delivery to SMIA

SMIA will inspect the objects of contract immediately on receipt to determine if they conform to the ordered quantity and type and to determine if there are any transport damages on the packaging of the delivered objects of contract. SMIA will immediately report any defects in the objects of contract themselves to the supplier in writing as soon as they are identified in the course of a regular course of business. To that extent the supplier waives the objection of delayed complaint of defect.

In the case of agreed-upon direct delivery of the objects of contract to a third party or the final customers of SMIA, SMIA will not perform any inspection of incoming goods. SMIA will immediately report to the supplier any defects in the objects of contract, as soon as they are detected in the

course of a regular business process at the premises of the third party and/or final customer and are communicated to SMIA. The supplier waives the objection of delayed complaint of defect.

11. Complaint management/ Rules in the Event of Complaint Claims

With the signing of the QMA, the supplier is obligated to comply with the requirements given in the SMIA „Supplier Handbook, Complaint Rules“. The handbook is available in its current version at www.smia-automotive.com and at the supplier portal; it must be read prior to the start of contract and followed accordingly.

Claims / non-conformity reports can solely be rejected after detailed evidence is given that the defect is not within suppliers' responsibility. Burden of proof lies with the supplier.

12. Requalification Tests

In order to demonstrate a stable level of quality the supplier is obligated – on its own initiative – to carry out requalification tests at regular intervals (one year after the approval of the initial sample by SMIA, then annually). As governed in the IATF16949 of the currently valid edition, all products must be tested regularly according to the production controlling plans, taking into account the applicable customer specifications for material, dimensional precision, norm conformity and function. The supplier must secure the results of the requalification test and forward them to SMIA within three (3) days after request.
In special cases, supplier and SMIA can coordinate and set the scope of these tests for a specific case.

13. Transport

In the framework of its quality management programme, the supplier must make sure that quality of the deliveries and the objects of contract are not affected by transport to SMIA or to third party. Consequently it will only use transport equipment and packaging for deliveries which meet these requirements and which are approved by SMIA. The regulations “Set of rules for logistical Connection” has to be fulfilled.

14. Delivery Certification

Completion of the objects of contract in conformity with the specifications must be certified with an acceptance inspection certificate according to DIN EN 10204 3.1 and this must be included with the delivery papers for each shipment from a production lot. The supplier will make sure that it is possible to determine which object/s of contract are or could be affected by a defect immediately upon recognition of any defect. Such by means of suitable identification marking, e.g. manufacturer name, date of manufacture, location of manufacture of the object of contract or, if this is not possible, in some other suitable way.

15. Directed Parts / Directed Suppliers

If parts and/or suppliers for the scope of supply are directed by SMIA the supplier is not released from liability for faultlessness of the object of contract. The supplier is entirely responsible for quality and has to take appropriate measures to grant the requested quality standards.

16. Quality Records

The supplier is obligated to keep records, on the basis of which it is possible to document the entire sequence of quality assurance measures actually completed from the receipt of the order to delivery of the object of contract, especially measurements and testing results, in order to allow a complete documentation of evidence in cases of damages.

The obligation to keep these quality records extends over the runtime of the manufactured product and for three more years after the end of production. Articles that are subject to documentation or archiving obligations are subject to a retention period of 20 years after the end of serial production (= **E**nd **O**f **P**roduction). The documents must be made accessible to SMIA for evidentiary purposes at any time.

Quality records are all **product-related** quality records such as development and testing reports, initial sample reports, records of deviations in quality as well as test records, defect reports, inspection charts, lab reports, quality records **related to the testing equipment** such as master data list for the product and the acceptance protocol for testing equipment, protocols for the suitability of the measurement instruments and measurement imprecision, **QM-system-related** quality records such as system audit reports, system audit result summaries, **customer-related** quality records such as evidence for contract review, customer complaints, customer ppm-evaluations, customer audit reports, **supplier-related** quality records such as delivery evaluations, supplier evaluations, and **personnel-related** quality records such as personnel training and personnel qualifications. Also included are the required Q-records corresponding to VDA Volume 1 as well as all environmentally relevant data.

17. Parts with Special Documentation Requirements

Legal and regulatory provisions, as well as the constantly growing customer requirements related to product liability, demand particular diligence with particular features. Special documentation requirements therefore absolutely must be observed and must be taken into account already at the point the offer is submitted.

All documents related to safety-critical features must be marked as such and must be kept for at least 20 years.

These safety-critical features must be consistently and completely documented and must provide at all times information about production procedures, testing equipment, tests completed, batch tracking, project planning and delivery papers.

In case of withdrawing of a supplier, all papers and records concerning safety-relevant parts/products must be surrendered to SMIA as long as the retention period has not yet expired.

18. Initial Sampling

In the framework of ordering an initial sample, the supplier will be informed of the respective request concerning the scope/presentation level of sampling.

If the presentation level is not explicitly defined, presentation level 3 for the production process and Product Release Procedure (German abbr. „PPF“) according to VDA Volume 2 or presentation level 3 of the Production Part Approval Process (PPAP) is to be applied.

In case of parts produced from a multiple mould sampling is to be worked out for 5 parts per mould cavity. They have to be indicated separately in the test report.

For each sample presented, 7 parts/products per cavity, if applicable, coming from the batch belonging to the sample and labelled as initial samples, must be made available to the corresponding contact person at SMIA, unless otherwise agreed.

SMIA reserves the right to charge the supplier costs of testing in the framework of initial sample testing if there are clear repeated defects.

18.1. Production Control Plan

A production control plan has to be created according to IATF16949 appendix A which must include the complete process from receipt of goods up to shipment of the object of contract towards SMIA as well as all customized standards and requirements such as product audit and requalification. Know-how gained from product or process FMEA as well as experience with improvement potential from similar projects/processes are to be included in the production control plan in the sense of “lessons learned”.
All documents referred to within the production control plan must be submitted to SMIA upon request. Dimensional and functional tests that are effected for process release, during serial production and for final inspection are to be indicated in the production control plan. A measuring/testing equipment capability examination according to VDA Volume 5 has to be carried out for all test equipment and measurement devices mentioned in the production control plan. It has to be submitted to SMIA together with the initial sample report and the production control plan. Subsequent changes of the production control plan are to be clearly marked as such and require examination and release by SMIA.

VDA Volume 4 and IATF16949 explicitly describe the correct preparation of a production control plan.

18.2. IMDS – International Material Data Sheet

National and international laws concerning environmental protection and reuse/recycling established a standardised system (IMDS) which nearly every OEM is using. SMIA also uses this system and demands from all suppliers to work out and submit IMDS data for all objects of contract prior to the official initial sample report. The MDS identification number is to be indicated on the sample report cover sheet of each object of contract.

Basis and applicable standards for IMDS are GADSL, REACH and the European Parliament and Council Directive 2000/53/EG as of 18 September 2000 on end-of-life-vehicles.

19. Auditing / Verification

The supplier will give the party assigned by SMIA, on request and at any time after prior arrangement, the opportunity to audit, assess and verify the conformity with and effectiveness of the supplier’s QM system. Upon request, the supplier will grant SMIA access to its operations and plants during the regular business hours and will cooperate in this audit.

In the framework of its deliveries the supplier must also enable auditing of its pre-/sub-suppliers by SMIA. SMIA is entitled to participate in audits carried out by the supplier and its pre-/sub-suppliers,

to have such audits monitored by third parties authorised by SMIA or carry out such audits itself at the supplier's premises after prior arrangement.

Auditing of the supplier's QM-system will be done on the basis of the VDA-Publications Series, VDA Volume 6 et. seqq. in the currently valid edition.

Within quality planning, the supplier must draft audit schedules which must be worked out based on the requirements, such as specifications or drawings in the most up-to-date change status.

20. Capacity

Prior to the acceptance of any order, the supplier has to ensure that its shipments are guaranteed to be free of defects and that supply is assured.

To guarantee process-reliable supply to SMIA and avoid possible bottlenecks in delivery, emergency strategy plans must be drafted.

21. Information

SMIA and the supplier will maintain close contact to clarify questions of quality assurance, to prevent defects and to analyse any problems that do occur.
The parties will name in writing the employees responsible for quality management in their company (according to position 5.5.2 ISO9001 in the currently valid edition). They will be the contact persons for all questions concerning quality management.

Prior to any change in the system or procedure for quality assurance or to changes in materials, manufacturing processes, manufacturing location, purchased parts, data sheets and other documents, the supplier must inform SMIA of such change in a timely and complete manner. Changes may only be implemented if explicitly approved by SMIA.

22. Product Safety Representative PSR - Automotive

As per legal requirements of the Product Safety Act and the Product Liability Act as well as of customised standards (e.g. VW: Formel Q-Konkret: responsibilities of the PSR) the supplier is obligated to inform SMIA in written about name and contact data of its PSR. One PSR per production site must be designated for every stage in the supply chain with Name, Email, Phone- and Cell-phone number. To proof of competence a certificate for "Product Safety Representative PSR – Automotive" from an established training institute has to be submitted.

23. CQI Requirements AIAG

To achieve excellent and requested quality, it is absolutely important to have robust manufacturing processes and frequently stable validations at any time. Due to critical processes steps like heat treating (CQI-9), coat welding (CQI-11), coating (CQI-12), welding (CQI-13), soldering (CQI-17), molding (CQI-23) and casting (CQI-27) additional care is necessary. Therefore the suppliers and sub-suppliers of SMIA are requested to perform annual self-assessments specified to AIAG CQI requirements.

24. Validity Period

This QMA remains valid indefinitely and can be cancelled in writing with a notice period of 6 months to the end of a calendar year.

It will however remain in effect for all existing supply contracts/projects through the EOP and end of the replacement parts supply phase for the specific object of contract.

25. Concluding Provisions

Changes and amendments to this agreement are to be effected in writing. This applies also to suspension of the written form requirement.

Should a provision of this agreement be void or become invalid, the contract as a whole will remain valid. The parties are obligated in such a case to cooperate in the drafting of provisions that will most closely approximate the commercial intent of the invalid provision.

German law, under the exclusion of the CISG, applies to all disputes arising in connection with this agreement. The sole court of jurisdiction is Coburg.

Company stamp:		
Date:		
Signature:		
	SMIA	Supplier