Quality Assurance Agreement (QAA)

for external providers regarding

Machining and Surface Treatment
- **forged wheels for the automotive industry**

- hereinafter referred to as Supplier -

of

OTTO FUCHS KG

Derschlager Straße 26
58540 Meinerzhagen

- hereinafter referred to as Buyer -

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1. Preamble

This Quality Assurance Agreement (QAA) contains the general conditions between the Buyer and the Supplier which are necessary to achieve the desired zero-defect target. The QAA refers to external services in relation to the machining and surface treatment of the forged wheels provided by the Buyer, which are intended for the customers of the Buyer (or OEM) in the automotive industry.

The QAA describes the minimum requirements for the Supplier's management system and is an important part of the purchasing conditions or the contract between the Buyer and the respective Supplier. The acceptance of this QAA by the Supplier is the prerequisite for the commissioning of the external service by the Buyer.

2. Responsibility of the supplier

The Supplier is obliged to comply with the legal and official requirements concerning his business processes. The continuous improvement of its processes, as well as adherence to the delivery and quantity reliability belong to the quality policy of the Supplier, to achieve the desired zero- defect target.

The placing of an order with a third party is not permitted without the written consent of the Buyer. If an order is placed after the Buyer has given its consent, the Supplier shall also oblige its sub-supplier to comply with the contents of this Quality Assurance Agreement (QAA).

3. Supplier's management system

3.1 Quality management

The Supplier commits himself to permanently apply an effective quality management system which has been set up in accordance with its structure and company size based on the latest revision of IATF 16949/ VDA 6.1 or comparable and is certified at least in accordance with the latest ISO 9001 edition. The requirements of the certification standard, extended by the requirements of this QAA, must be implemented in the quality management system (QMS) of the Supplier.

The contents of this QAA reflect the requirements of the Buyer, the IATF 16949 and the additional specific requirements of the customers of the Buyer (CSR) for the quality management system of the suppliers (see Appendix 1 for information).
The Supplier is obliged to promote the awareness of his employees with regards to product

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conformity, product safety and ethical behavior. The necessary qualification of the technical and inspection personnel shall be maintained by regular training measures. The necessary work instructions and specification documents must be available to the employees at the workplace. The Supplier shall appoint and qualify a Product Safety Officer (PSB).

The supplier checks the effectiveness of his manufacturing process in an annual self-audit in accordance with the VDA 6.3 (process audit) and VDA 6.5 (product audit) guidelines or according to the respective customer-specific specifications (see Appendix 1). The Buyer reserves the right to demand proof of the audits carried out.

3.2 Management of sub-suppliers

The Supplier is obliged to maintain a documented overview of the sub-suppliers qualified by him.
The Supplier is responsible for ensuring that all necessary information in the supply chain is passed on from the Buyer to its sub-supplier.
The Buyer may demand from the Supplier documented evidence of the effectiveness check of the quality management system of the sub-supplier.
The Supplier shall be obliged to enable the Buyer to audit the sub-supplier concerned and to contractually agree this with his sub-supplier.

3.3 Sustainability, environmental protection, energy use and occupational safety

The Supplier is obliged to comply with his national and regional legal regulations with regards to environmental protection, energy use and occupational safety. Workplaces and workflows must be designed in such a way as to prevent unacceptable effects on employees and components. The supplier must comply with the "Supplier Code of Conduct of OTTO FUCHS KG", which can be found in the supplier portal at www.otto- fuchs.com.
The applicable legal and official requirements of the exporting country, the importing country and the country of destination specified by the Buyer for the use of the forged wheels, insofar as they are notified to the Supplier, must be fulfilled.

The Supplier is responsible for the legally compliant handling of all production waste (scrap and chips). The provision of external services for the Buyer must meet the specified quality, environmental and safety criteria; the equipment and machinery required for this must be used safely for their intended purpose. The necessary instructions and regulations must be available to the employees at the workplace. The implementation and certification of the management systems for

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environmental/energy/occupational health and safety shall be considered in the Supplier's corporate planning.

4. Supplier management of the buyer

4.1 Supplier qualification/ Supplier approval

The Buyer maintains an overview of the approved suppliers who are qualified for the machining and surface treatment of forged wheels for the automotive sector in accordance with the Buyer's approval procedure.

4.2 Supplier audits

The Supplier shall permit the Buyer, the Buyer's customers and the legal authorities to inspect its quality management system and the processes in its production facilities by means of an audit after consultation during the normal working hours of the Supplier.
For this purpose, the auditors shall have free access to the Supplier's areas involved in the execution of the order for the Buyer. Appropriate restrictions by the Supplier to protect its trade secrets will be accepted.
During these quality audits, the Supplier shall provide all necessary documents and information from all relevant levels of the Supplier's supply chain requested by the Buyer. The result as well as the agreed improvement measures are documented in the audit report by the Buyer.
The Supplier is responsible for the implementation of the audit measures and regular information on the processing status to the Buyer.

Reasons for an audit at the Supplier can include the following:

- Supplier qualification process
- Supplier development
- New procurement
- Start of production (acceptance of series production)
- Change in production process or inspection procedure
- Changes in facilities or production locations/ relocation
- Scheduled supplier monitoring
- Re-audit due to negative audit result (C-rating)
- Ongoing escalation proceedings on the part of the Buyer (see section 13)

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4.2.1 Process audits

The process audits are carried out by the VDA 6.3 qualified process auditors of the Buyer in accordance with the VDA 6.3 guideline, possibly extended by the Customer Specific Requirements (CSR).

4.2.2 QM system audits

The Buyer declares his support in the continuous further development of the QMS of his supplier based on IATF 16949 and the customer-specific additional requirements within the framework of the planned system audits. The goal is the achievement of the IATF 16949 certificate by the Supplier. The fulfilment of the MAQMSR requirements (Minimum Automotive Quality System Requirements for Sub-Tier Suppliers) is the first step to the IATF 16949 certificate. MAQMSR available for download at: http://www.iatfglobaloversight.org/wp/wp-content/uploads/2016/12/Minimum-Automotive-Quality-Management-System-Requirements-for-Sub-tier-suppliers-2ndEd-rev2.pdf

The information and specifications required for this are passed on by the Buyer to the Supplier. The Supplier's system audits are carried out by the Buyer's qualified auditors.

4.3 Supplier evaluation and classification

The classification of the supplier (A, B or C) by the Buyer is determined regularly on the basis of defined evaluation criteria: quality, logistics (adherence to delivery dates and quantities), purchasing (commercial issues, service) and sustainability (environmental be-havior and legal compliance). The quality of the external service is continuously evaluated by the Buyer and forms a quality score. This key figure can be negatively influenced by the result of the Supplier audit, certification status or by an escalation procedure initiated by the Buyer. The Sup-plier shall be regularly informed in writing of the result of the classification by the Buyer.

4.4 Supplier development

If the Buyer detects performance problems of the Supplier based on supplier monitoring, he shall initiate improvement measures at the Supplier. The Buyer shall pursue the possibilities of continuous improvement of the Supplier. The supplier audit is a form of supplier development; the exchange of information and experience between the Buyer and the Supplier also serves this purpose.

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5. Risk management/ Emergency plan

The supplier must ensure that all potential incidents within the supply and process chain that could adversely affect his ability to deliver are identified, evaluated and controlled by the risk management system on his own responsibility.

Possible events leading to an emergency are e.g. machine defect, personnel failure, loss of sub-contractor or power failure.
The appropriate remedial measures should be mapped in an emergency plan. The emergency plan must be checked annually for effectiveness by the Supplier and must be submitted to the Buyer upon request.
The Supplier must sufficiently insure himself against damages caused by his inability to deliver to the Buyer and his customers as well as for product liability cases.

6. Document management and data protection

The Supplier's quality management system must contain a procedure for control of the quality specification documents and for archiving of the quality records that can be evaluated (see section 6.2). These records must be able to be assigned to the production orders and the machined forged wheels of the Buyer based on the Buyer's order number.
Access to quality records at the Supplier must also be guaranteed for the Buyer in the event of a company takeover or insolvency proceedings being initiated (see General Terms and Conditions of Purchase in the Supplier Portal of the Buyer - www.otto-fuchs.com).

6.1 Order documents

The Supplier is responsible for the execution of the order in accordance with the specifications with regards to the order documents (including order and technical documents) of the Buyer. The Supplier is obliged to check the completeness and consistency of the documents about his production process and, if necessary, to request further information from the Buyer necessary for the correct execution of the order. The Buyer's requirements for the external service about the supplied forged wheels shall be specified in his order, in the drawing and, if applicable, in the data records (3D) provided.

If one of the requirement documents listed in the order or the Buyer's specific QMS requirements relevant to the order (CSR - see Appendix 1) are not available to the Supplier, these must be requested from the Buyer. The revision status of the documents listed in the order (including technical drawing, specification) shall apply to the respective order of the Buyer.

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6.2 Data and document archiving

The specifications regarding archiving of quality requirement documents and quality records (e.g. test and measurement data) can be found in the statutory, customer-specific and industry-specific regulations. Documents relating to special characteristics and the PPF/PPAP documents (see section 9) must be archived for at least 15 years after the end of serial production (see VDA Volume 1).
At the request of the Buyer, the Supplier shall grant the Buyer access to this documentation.

The handling of digital product data (DPD), including data archiving, must be specified and implemented in writing in accordance with the Buyer's work instructions.

6.3 Data protection

The Supplier confirms in writing the secrecy of the information provided by the Buyer or the Buyer's customer in the declaration of obligation (see download in the Supplier Portal of the Buyer) as a prerequisite for the business relationship between the Buyer and the Supplier. Information, documents and other findings may only be passed on to third parties with the consent of the Buyer

7. Quality and inspection planning

7.1 Feasibility analysis / Risk analysis / P-FMEA

Within the scope of the inquiry or the first order of the Buyer regarding the processing of a new wheel (part-) number and each specification change (e.g. new drawing index), an analysis of the technical feasibility including the evaluation of the capacity planning must be carried out by the Supplier. The result of the feasibility analysis shall be communicated to the Buyer in writing as part of the quotation documents.
The Supplier shall apply appropriate preventive methods of quality assurance and error preven-tion ("core tools" - FMEA, MSA, SPC, PPF/PPAP, APQP) where applicable. The VDA Standards - VDA 2, VDA 4 and VDA 5 - provide orientation.

A procedure for the process FMEA must be defined in writing at the supplier and correspond to the VDA or the customer-specific (OEM) FMEA method. If applicable, the risks of the alternative manufacturing steps must also be evaluated in the process FMEA.

The special characteristics specified by the Buyer or the customer of the Buyer are defined in the technical drawing of the Buyer. These special characteristics shall be supplemented by critical pa-

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rameters from the Supplier's manufacturing process. The special characteristics must be considered in the drawing, in the production control or inspection plan and in the P-FMEA of the Supplier.

The archiving periods for the documents relating to the special characteristics must be observed in accordance with section 6.2.

7.2 Production control plan/ test planning/ documentation of inspection results

Unless otherwise requested by the Buyer, the Supplier shall define a production control plan (PCP) and an inspection plan (test criteria, test frequencies and measuring points) on its own responsibility in order to meet the agreed targets and specifications. If applicable, a PCP and an inspection plan for the alternative production routes, including the alternative control and monitoring methods and work instructions, must also be defined in writing. In accordance with the specified inspection plan for the respective external service, the Supplier shall keep systematic records of the results of the process monitoring, the quality inspection and the measures taken to eliminate defects based on the repeated commissioning of the external service. The corresponding documents shall be submitted to the Buyer upon request.

7.3 Production data sheet/ Work card

The Supplier must specify a production accompanying sheet (work card) with a list of the individual work steps that are necessary for the fulfilment of the Buyer’s order. This production data sheet shall run through production with the part to be machined and every work step or inspection carried out must be countersigned by the responsible employee.

7.4 Testing and measuring devices

The Supplier must manage and continuously monitor all testing and measuring devices.
This includes regular calibration and determination of the measuring equipment capability of the inspection and measuring devices (see VDA 5 resp. MSA guideline).
Only calibration service providers accredited according to ISO/IEC 17025 may be commissioned. If test and measuring equipment is made available to the Supplier by the Buyer or by the Buyer’s customer, it must also be included in the Supplier's test equipment administration and returned to the Buyer (Test Equipment Administrator of the Buyer - Plant B8) before the expiry of the calibration date.

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7.5 Knowledge management / CIP

The Supplier defines continuous improvement as a holistic approach to his quality management system. The experience gained from previous projects and the analysis of deviations should be used to build up knowledge management (e.g. lessons learned). Within the framework of continuous quality improvement, the supplier must monitor analyses and reduce the reject rate and the proportion of rework by means of suitable measures.

8. Maintenance and servicing

To minimize downtimes of machines, equipment, and tools, the Supplier must implement suitable methods, targets, and indicators for preventive and predictive maintenance as well as tool management. The tool and machine maintenance performed as well as malfunctions and down- times shall be documented. Any clamping devices provided by the Buyer must be regularly inspected by the Supplier and protected against damage. If necessary, the Buyer must be involved (e.g. if the clamping device is damaged or lost).

9. Production Process and Product Release Procedure

9.1 General information

Before the start of series production, the process and product release procedure (initial sampling) must be carried out by the Supplier. The scope of sampling shall be agreed between the Buyer and the Supplier. Unless otherwise specified, VDA 2 (latest edition) submission stage 2 including the production control plan applies. The sample documents are to be sent to the Buyer (contact person in QA B8) and will be released there. Series production shall only be released after approval has been granted by the Buyer based on sampling. In case of incomplete sample documents or grade 6, the Buyer reserves the right to charge the Supplier for the consequential costs.

9.2 Process release at suppliers

During the internal process release, the Supplier provides evidence, that the parts were processed under series conditions in the required quality and in the specified quantity in a controlled and capable process. The process acceptance in accordance with the customer specific requirements (see Appendix 1) can be carried out by the Buyer himself, by the customer of the Buyer (OEM) or with the participation of both parties at the Supplier.

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9.3 Re-qualification test

The re-qualification test of the products and processes by the Supplier must be carried out annually within the scope of the initial sampling or after a longer standstill of the external service for the ordered components. If required, the re-qualification data must be made available to the Buyer. The annual re-qualification test must be anchored in the production control plan or in the Supplier's inspection plan (see section 7.2).

10. Incoming goods inspection, labelling, traceability, packaging, storage

During the incoming goods inspection, the Supplier shall inspect the components received from the Buyer for compliance with the quantity and identity as well as for externally recognizable transport and packaging damage. The execution of the goods receipt inspection must be documented by the Supplier. The marking of the components to be processed must correspond to the technical order specifications of the Buyer.
When machining the forged wheels of the Buyer, the parts identification of the Buyer (rolling and pressing date or machining date) must be taken over and during surface treatment (polishing, anodizing, etc.) the machining date of the forged wheel must be taken over. The adoption of the marking ensures the traceability of the forged wheels.

The production flow and the procedure for handling the wheels must be defined in such a way as to avoid deterioration of quality and damage. This also applies to transport, storage, packaging, preservation and dispatch.
The storage conditions of the products at the Supplier must exclude loss, theft, as well as damage and changes of the product characteristics by environmental influences.
Suppliers who send the machined parts directly to the customer of the Buyer (where applicable; OEM) must, after consultation with the Buyer, comply with the special packaging regulations of the end customer.

When returning the machined forged wheels to the Buyer, the packaging units must be labeled with a goods tag with the following contents: name of the supplier, material number (=wheel number of the Buyer), production condition, production order number of the Buyer and the number of units.
Non-conforming (n.o.k.) wheels must be marked with a locking sticker on the wheel and packed separately. The transport containers/frames of the Buyer must be kept clean by the Supplier.

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11. Series production / Complaints

The Supplier shall be obliged to apply appropriate control measures for series monitoring. When process disturbances and quality defects occur at the Supplier, the causes must be analyzed, improvement measures initiated, and their effectiveness verified by the Supplier. Depending on the deviation, appropriate error analyses are to be applied according to recognized methods. The documented failure analysis can be requested by the Buyer.

With the delivery of the machined wheels to the Buyer, the Supplier confirms compliance with all specifications for the ordered external service.
If, in exceptional cases, products not conforming to specifications are to have been manufactured for the Buyer, the supplier must submit a written request for a deviation from the specification and obtain a special release from the Buyer before the wheels are despatched (see download - Design Deviation Application in the Supplier Portal of the Buyer). Deviations which the Supplier has only recognized after delivery must be notified to the Buyer in writing without delay.

The Buyer shall inspect the wheels received from the Supplier upon receipt of the goods for compliance with the quantity and identity, externally recognizable transport and packaging damage and the associated delivery documentation.
Any deviations that occur will be reported to the Supplier immediately in writing in the form of a complaint report. The Supplier shall notify the Buyer of the immediate action to be taken in the event of a complaint (8D Report) within 24 hours. Furthermore, the Buyer shall inspect the goods delivered by the Supplier during its manufacturing process and, after their detection, notify the Supplier in writing of any defects that may arise in the process in the form of a complaint report.
In the event of any complaint, the Supplier must check the P-FMEA and the PCP/inspection plan and confirm this in the fully completed 8D report.

If, because of faulty deliveries, production downtimes are imminent at the Buyer's premises or at the premises of the customer of the Buyer because of defective deliveries, the Supplier must immediately remedy the situation, or the Buyer may take the necessary measures (e.g. sorting and reworking) at the Supplier's expense and with the Supplier's written consent.
All direct and indirect expenses incurred because of complaints to the Buyer or his customer and demonstrably attributable to the Supplier shall be borne by the Supplier.
For each complaint the Buyer charges a handling fee of €250, 00.
This is a minimum processing fee which serves to cover the administrative expenses of the Buyer in connection with the complaint. The Buyer also reserves the right to invoice the Supplier for the actual expenses incurred in the processing of the complaint due to the fault of the Supplier and which exceed the minimum processing fee.

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12. Information obligation

All certificates and customer approvals of the Supplier must be made available to the Buyer in the latest version. Changes in the approval or certification status must be notified to the Buyer without delay. If the Supplier receives a special customer status from the Buyer's customer (OEM) or if he loses the QMS certificate (IATF 16949, VDA 6.1 or ISO 9001), the Buyer must be informed immediately.

The supplier is obliged to inform the Buyer about organizational changes that affect his ability to deliver (e.g. sale, company takeover, change of management, change of personnel in key positions).

If it becomes apparent that agreements made (e.g. about quality features, deadlines, delivery quantities) cannot be met, or if the Supplier detects a deterioration in quality, he shall be obliged to inform the Buyer immediately in writing of this and of the detailed circumstances and to initiate remedial measures. He is obliged to disclose the relevant data and facts.

The Supplier shall notify the Buyer timely in writing prior to planned changes in production processes and test procedures affecting product quality or prior to the relocation of production sites. The Buyer shall decide whether the planned change is subject to sampling.
All changes to the product and production process must be documented by the Supplier in a product life cycle (change history).

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13. Escalation procedure

In the event of serious deviations from quality requirements, the Buyer reserves the right to initiate an escalation procedure with the Supplier.

Possible triggers for initiating an escalation process:

- repeated faulty delivery despite completed problem solution (8D)
- repeated production disruptions at the Buyer's premises due to faulty deliveries
- repeated/critical complaint by the Buyer's customers, caused by errors of the Supplier
- field failure or recall action by customers of the Buyer, caused by defects of the Supplier
- inadequate complaint management on the part of the Supplier
- imminent production stoppage at the Buyer's or the Buyer's customer's premises, caused by defects of the Supplier
- critical measure resulted out of the supplier audit is not implemented
- insufficient project processing of the Supplier
- special customer status of the Supplier at the Buyer's customer (e.g. Controlled Shipping Level 1-2-3; C- classification etc.)
- loss of the Supplier's QMS certificate (ISO 9001, IATF 16949, VDA 6.1)

The Buyer has implemented a three-stage escalation procedure.
Through a structured escalation procedure with the Supplier, the smooth production and project flow is to be guaranteed and any problems that have arisen are to be solved or eliminated in the long term.

Escalation level 1:
In the first escalation stage (problem solution by Supplier not successful), the Supplier is invited to an interview with the Buyer, during which the problem is discussed, and remedial measures are scheduled.

Escalation level 2:
Stage 2 of escalation (external help necessary to solve the problem with suppliers) follows stage 1 if the result is unsatisfactory.
In escalation stage 2, a failure root cause analysis needs to be carried out, which takes place on site at the supplier or at the Buyer's premises. This problem analysis can be carried out as a supplier audit by the Buyer. The agreed action plan is to be approved by the Supplier within a specified time frame.

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Escalation level 3:
An unsatisfactory result of escalation level 2 leads to the introduction of level 3 (supplier is not suitable) or even to a supplier block. The Buyer's customer is included in escalation level 3 if it is a supplier specified by the customer of the Buyer or if there is a risk for the Buyer's customer.

De-escalation:
If the result of the effectiveness check at the respective escalation level is positive, a message is sent to the Supplier informing him that the escalation (de-escalation) has been lifted.
The de-escalation process is carried out in stages.

14. Warranty and Liability

This Quality Assurance Agreement shall not limit the Supplier's warranty and liability obligations of the Supply Contract and the statutory provisions. The warranty agreements agreed between the Buyer and the end customer (OEM) shall apply.

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15. Supplementary provisions

The Buyer has published the information relevant for suppliers in his supplier portal under www.otto- fuchs.com. The relevant documents have been published. The Supplier is obliged to implement the latest status of the requirements. Unless otherwise agreed in this Quality Assurance Agreement or elsewhere, the Buyer's General Terms and Conditions of Purchase known to the Supplier shall apply.

This Quality Assurance Agreement is valid until it is replaced by a new revision.
The latest edition of the QAA including Appendix 1 (CSR) can be found in the Supplier Portal of the Buyer under www.otto-fuchs.com .

Meinerzhagen, the _____ _____

Place, Date

OTTO FUCHS KG
-Buyer-

- Supplier

_____ _____

ppa Jürgen Müller
Head of Metal Purchasing
OTTO FUCHS

Name, position, stamp

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Appendix 1: Customer-specific requirements for the QMS (CSR)

Basic documents for QAA - machining and surface treatment - forged wheels automotive (informative)

Automobile manufacturer (customer of the Buyer)	Customer Specific Requirement (CSR)
VW	IATF 16949 CSR's of VW Group Formula Q-Concrete
	Formula Q Capability
	Formula Q Capability Plant
	Formula Q- New parts
Bentley	TSD 4238
AUDI	Q specification Audi LAH 893010
Porsche	Quality Management Agreement between Porsche AG and its suppliers (QMV)
Daimler AMG	Customer Specific Requirements of DAG MB Special Terms
Renault	RENAULT GROUPE "Customer-Specific Requirements for use with IATF 16949"
BMW (Rolls Royce)	BMW GROUP Customer-Specific Requirements in addition to IATF 16949:2016 - Customer Specific - Requirements **GS 90018-1, GS 90018-2** Requalification of product and process with suppliers

Change history:

Rev.1 (March 2019): translated in English; references to ISO/TS 16949 in the text removed; Appendix 1: issue status of CSRs removed
Rev.0 (November 2017): first edition based on IATF 16949:2016

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