Quality Assurance Requirements (QAR)

for suppliers of

OTTO FUCHS KG

Derschlager Straße 26
D-58540 Meinerzhagen

- hereinafter referred to as the Buyer -

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1. Preamble

These Quality Assurance Requirements (QAR) contain the framework terms and conditions between the Buyer and Supplier, which are required to bring about the envisaged Zero Defect Objective.

They describe the minimum specifications required for the Supplier's management system in accordance with the group of suppliers and industry sector to which the Supplier has been allocated.
Acceptance of the QAR is a prerequisite for supplying products to or rendering services for the Buyer.

2. General agreements

2.1. Supplier's responsibility

The Supplier is responsible for performing or rendering its work or services in accordance with the specifications set out in the Buyer's technical documents.
The Supplier undertakes to check that the documents are complete and request further information, as required, from the Buyer to ensure that work stated in the Buyer's order is performed correctly.
Continual improvement of the Supplier's work and services and its systems, and 100% delivery reliability, are part of the Supplier's quality policy.
In the event that the Supplier places an order with third parties, the Supplier shall be responsible for the quality of the products it buys in and it shall be required to implement the specifications of this QAR in relation to its subcontractors. The Buyer may demand that the Supplier provide documented proof that it has reviewed the effectiveness of the quality management system in place at its sub-suppliers' business enterprises.

2.2. The Supplier's quality management system

The Supplier undertakes to implement, on an ongoing basis, an effective quality management system which has been put in place in accordance with the structure and size of its company based on the current version of ISO 9001.
This international standard is to be regarded as the basis for the QM system requirements, and is to be supplemented by the sector and customer specific standards depending on the type of the ordered products or services.
The Buyer's requirements with regard to the certified quality management system are conditional on allocating the Supplier to the respective Supplier group (see table 1). The additional requirements that are customary in the sector (automotive, space and aviation, rail and construction) are stated in the guidelines and specifications of the OEMs and respectively Buyer's customers.

If the Supplier does not hold a valid certificate for its quality management system (QMS), its QMS shall be reviewed in a registration audit conducted by the Buyer, and required improvement measures are to be recorded in writing.
If the Supplier forfeits its approval or certificate, the Buyer is to be informed of this without delay.

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The Supplier undertakes to comply with its national statutory regulations governing environmental protection, energy usage and occupational safety. Work places and processes are to be designed such that they do not have any negative impact on the products. Furthermore, the Buyer recommends that the Supplier implement appropriate management systems- environmental management system, energy usage management system and occupational safety management system.

Table 1: Supplier groups- requirements for the certified Management system

Requirements \ Supplier group	**Supplier with own product development** (bought-in parts, which remain in/on the finished product)	**Supplier of pre-machining** (extended workbench)	**Supplier of surface treatment** (chemical or mechanical)	**Supplier of Final Machining** (machined parts ready for installation, delivered directly to the Buyer's customer)	**Supplier of raw materials** (primary material, metal)	**Tool supplier**	**Manufacturer of hazardous substances, chemicals, oils, greases, preservatives for products**	**Laboratories** (material or dimensional testing, calibration etc.)
Certificate ISO 9001	X	X	X	X	X	X	X	
Certificate ISO/TS 16949 or VDA 6.1*)	X			X	X			
Certificate EN/AS 9100 **)	X	X		X	X			
Certificate ISO 14001 or EMAS ***)	X		X		X		X	
Accreditation acc. NADCAP or ISO/IEC 17025 and/ or customer approval *)**)					X**)			X
OEMs industry-related requirements for the QMS in the supplier chain (including Nadcap-special processes, requalification, capability, IMDS, internal audits, traceability etc.)	X	X	X	X	X	X	X	X

Key:
*) - for applications in the automotive industry
**) - for space and aviation applications; acc. to customer requirement
***) - Environmental management system

2.3. Review of the QM system, process and product quality at the Supplier's premises

Following consultation, the Supplier shall grant the Buyer or the Buyer's customers and the responsible authorities permission to review its quality management system and the processes in place at its production facilities by way of an audit during the Supplier's normal working hours. To that end the auditors shall be granted unrestricted access to the areas of the Supplier's premises used to plan, develop and manufacture the products to be supplied to the Buyer. Reasonable restrictions imposed by the Supplier to protect its business secrets shall be accepted.

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During these quality audits the Supplier shall make available to the Buyer the necessary documents and details, and provide any information requested by the Buyer. A record is to be kept of the result of the site visit and improvement measures, which may be necessary.

Clearance shall be required from the Buyer before contracts may be placed by the Supplier with third parties. The Supplier undertakes to enable the Buyer to conduct an audit at the premises of the sub-supplier concerned at the terms and conditions named above, and enter into a contractual agreement on this with its sub-supplier.

2.4. Documentation, duty to provide information

The Supplier's quality management system must contain a process for control of quality documentation and for archiving of evaluable quality records. These must be capable of being matched with the products and processes.

Requirements regarding the archiving of quality specification documents and quality records are stated in the statutory sets of regulations and in those sets of regulations for customers or the sector. Documents relating to critical characteristics are to be archived for at least 15 years after serial production is discontinued.

At the Buyer's request the Supplier shall grant the Buyer the right to inspect these documents.

When agreed requirements (eg. Quality properties, delivery dates and quantities) could not be fulfilled or quality slumps are recognized at the supplier, he is obliged to notify the Buyer in writing without delay. Information about details and corrective actions implemented have to be reported. The supplier is obliged to disclose all data and facts, respectively.
(Translation of the upper text section corrected on 30th Aug. 2017)

The Supplier shall notify the Buyer in sufficient time prior to planned changes of production processes and testing procedures that have influence on product quality, as well as to planned product modifications or the relocation of production facilities. The Buyer shall decide whether or not the process and product approval process need to be provided because of the planned change.
Any changes of the product and production process must be documented in a product life cycle.

3. Agreements on the product / service

3.1. The Buyer shall specify the technical requirements regarding the product or service in its order and where applicable, in a specification (e.g. drawing; technical requirement). The Supplier has to confirm compliance with this specification requirement in writing.

The confidentiality of the information from the Buyer or from the customer of the Buyer, the supplier confirms in writing in the Confidentiality Agreement.

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If the Buyer is required to provide digital product data (DPD) to carry out the order, the Supplier has to handle these data in accordance with the valid revised work instruction no. 12 “Handling DPD in the case of subcontractors of OTTO FUCHS” specified by the Buyer.

3.2. Project planning, development, process and product approval

The Supplier shall check the order documents at its disposal to confirm that they are complete and consistent with its production process. The Buyer is to be informed if it identifies defects while checking the documents.

The Supplier undertakes to apply consistent project management during the planning phase by incorporating all the involved departments, and grant the Buyer the right to inspect the project documents if necessary.

The Supplier must implement suitable preventative methods for quality planning and defect prevention.
The Supplier is to comply with the characteristics stipulated by the Buyer, which include particular specifications in terms of documentation and archiving. The Supplier may supplement these by way of critical characteristics from its production process.

The process and product approval process is to be conducted prior to the start of series production.
The contents of the first article inspection documents to be supplied to the Buyer are defined in the customer specific and industry-related sets of regulations or if necessary are to be stipulated by the Buyer.

3.3. Series production, duty to provide information

The Supplier undertakes to use suitable control measures for monitoring series production.
If process disruptions and quality defects occur at the Supplier’s premises, the causes must be analysed, improvements instituted and effectiveness reviewed.
In the event that products are manufactured for the Buyer in exceptional cases that are not in line with the specifications, the Supplier must file an application for a concession and obtain special approval from the Buyer prior to delivery. The Buyer is to be notified without delay of deviations identified by the Supplier only after delivery.

By way of supplying the product, the Supplier confirms compliance with all specifications for the ordered product or the contract for work and services.

3.4. Labelling, traceability, packing

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The production flow and process for handling products must be stipulated such that detrimental effects on quality and damage are avoided. This applies, in particular, to transport, storage, packaging, preservation and shipping.
Parts must be labelled in accordance with the Buyer's technical order specifications.

In respect of traceability, the Supplier shall implement an identification system that complies with the product requirements, i.e. the ability to individually trace parts that require serial numbers is to be guaranteed and the ability to trace batches regarding process and product data for parts that require batches is to be guaranteed.

The Supplier must store the products in conditions that rule out loss, theft, damage and changes in the material characteristics due to environmental effects.

The Buyer's specific packing regulations are to be observed. Each package in a consignment must have a goods tag attached to it that is visible from the outside. The load carrier may only be labelled otherwise if this has been agreed with the Buyer.

3.5. Inspections, complaints and measures

The Supplier shall be responsible for stipulating an inspection plan designed to meet agreed targets and specifications. It shall be responsible for ensuring that the products comply with agreed specifications.

The Supplier is to keep records of the quality monitoring steps taken, quality control measures and measures taken to eliminate defects that can be systematically evaluated.

Proof of quality documentation, which is to be enclosed with the products supplied to the Buyer, is stated in the order specifications.

The Buyer shall check the products it receives from the Supplier for compliance in terms of quantity and identity and regarding externally visible transport and packing damage. The Supplier is to be notified without delay of complaints made as a result of this.
If the Supplier supplies products directly to the Buyer's customer, the incoming goods check shall be incumbent upon the customer who is to report any complaints it may have to the Buyer. Moreover, the Buyer shall inspect the goods supplied by the Supplier in the course of the production process as it would in accordance with a proper business transaction and in doing so notify the Supplier in writing of defects by submitting a written complaint report.

The Buyer shall provide the Supplier with a respective defect report with an 8D- report for a reply. The Supplier is to notify the Buyer of appropriate immediate measures to rectify defects and maintain production at the Buyer's premises or at the works of its customer within five working days.

If the Buyer or the Buyer's customer suffers production downtime as a result of faulty deliveries, the Supplier must, without delay, ensure that remedial action is taken or the Buyer may take the

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necessary measures (e.g. sorting and rework) following written approval by the Supplier and at the Supplier's cost.

All direct and indirect expenses incurred by the Buyer or its customer as a result of complaints, whereby such expenses are proven to have been caused by the Supplier, shall be borne by the Supplier.

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

4. Warranty and liability

These quality assurance requirements shall not restrict the Supplier's warranty and liability law obligations in accordance with the delivery contract and the statutory requirements.

5. Supplementary provisions

In the absence of provisions to the contrary in these quality assurance requirements or elsewhere, the Buyer's general terms and conditions of purchase known to the Supplier are deemed applicable.

These quality assurance requirements shall apply until they are replaced by a new version (see Supplier's portal: www.otto-fuchs.com).

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