
Quality Assurance Agreement

between

KACO Group

and all affiliated companies as per Annex 3

- hereinafter referred to as "KACO" -

and

Supplier

Street address

City

- hereinafter referred to as the "Supplier" -

In the context of this Quality Assurance Agreement, the Supplier shall be subject to the requirements set forth for

S1-Suppliers

if one or more of the following conditions applies:

- KACO obtains more than 10% of the total purchasing volume from the Supplier
- the parts characteristics are safety- or homologation-relevant
- significant influence on the function of the KACO products processes (as classified by Development)
- suppliers who provide parts for series production, unless the parts are of minor importance.

S2-Suppliers

if one or more of the following conditions applies:

- suppliers who provide or produce substances, components or auxiliary and operating materials for production purposes, if they affect quality
- suppliers who provide parts of minor importance or for non-automotive customers, or who provide parts intended exclusively for the independent aftermarket.

S3-Suppliers

- suppliers who work according to KACO process specifications.

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1. Scope and goals

The foundation for collaboration as specified in this QAA is sustainable, comprehensive supplier quality capability based on an effective management system. This Quality Assurance Agreement applies to suppliers who provide drawing parts, suppliers who provide or produce substances, components or auxiliary and operating materials for production purposes, if they affect quality. It also applies to suppliers who produce according to our specifications, to suppliers who buy and sell goods, and to dealers/traders. It is an integral part of the following Agreements:

- the applicable Framework Supply Contract
- the applicable Individual Supply Contract
- the General Terms and Conditions of Purchase

The Quality Assurance Agreement is valid upon signature, as long as deliveries are made under the individual supply contracts or until a follow-up quality assurance agreement is entered into with KACO.

This Quality Assurance Agreement and all related agreements have the status of customer requirements as defined by the IATF 16949 and VDA/AIAG standards. Unless otherwise stated in this document, the terms used here shall have the meaning that is defined in the relevant regulations.

The quality of our products and the satisfaction of our customers have the highest priority in our company, a supplier to the automotive industry. Purchased products also contribute significantly. It is therefore essential that all products that are delivered to us be manufactured with processes that meet the highest standards and undergo constant improvements in productivity and quality performance. To ensure that Supplier products maintain consistently high quality, technical and organizational minimum requirements for the Supplier's management system are defined below.

This Quality Assurance Agreement shall become part of all contracts concluded with the Supplier. The Quality Assurance Agreement also applies to all contracts concluded between KACO Group companies and the Supplier, as well as companies affiliated to the Supplier. Companies affiliated to a party are all companies which exercise a controlling influence over the party or over which the party exercises a controlling influence. A controlling influence is presumed to exist when one entity can directly or indirectly influence the management and policies of the other company, regardless of whether this occurs through majority ownership, majority voting or otherwise.

2. Requirements to the quality and environmental management system

2.1 Requirements

The Supplier assures KACO that it will comply with all relevant requirements arising from IATF 16949, ISO 9001, ISO 14001 and the VDA/AIAG documentation as laid out in the following table. Insofar as IATF 16949 is applicable in accordance with the following table, the latest version of the IATF 16949 with normative effect shall form part of all contractual agreements with the Supplier.

Sustainable action is a core value of the KACO Group and is part of our Company Guide Lines. We define sustainability as compliance with environmental and social standards, employee rights and occupational health and safety. We also expect our suppliers to commit to these principles and to support us in their implementation throughout the supply chain.

KACO Supplier requirements	S1 Supplier	S2 Supplier	S3 Supplier
Recognition of the Quality Assurance Agreement (RD_S530_01)	X	X	X
Conclusion of a non-disclosure agreement	X	X	X
ISO 9001 certification by an accredited certification body	X	X	
IATF 16949 certification by an accredited certification body (if applicable)	X		
ISO 14001 certification by an accredited certification body	X		
VDA 6.3 process audit and further customer requirements, min. classification: A (KACO checks IATF-16949-certified suppliers every 5 years and non-IATF-16949-certified suppliers every 3 years.)	X		X
Short rating of suppliers (every 5 years for IATF-16949-certified suppliers, every 3 years for non-IATF-16949-certified suppliers, as per SD_S910_27). Min. result: green/yellow, deviations are not allowed)		X	
Environmental survey (SD_S530_01)		X	X
Compliance with VDA/AIAG publications	X	X	X
VDA 6.3 potential analysis (result: yellow or better)	X		X
Appointment of a product safety officer (name, email, telephone number)	X	X	X
Self assessment: "Questionnaire CSR" SD_S530_07	X	X	X

Table 1: KACO Supplier requirements

S3 suppliers are obliged to develop and implement an ISO 9001 management system and to have it certified by an accredited certification body. S2 and S3 suppliers undertake to further develop their quality management system in accordance with IATF 16949 and to work towards appropriate certification.

Any deviations from the requirements in Article 2.1 must be agreed in advance with KACO Purchasing in order to define suitable measures, such as but not limited to MAQMSR (Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers). If there are new certificates or changes in the certification status, the Supplier must notify the responsible KACO Purchasing department accordingly and send the valid certificates immediately and without solicitation. The responsible KACO Purchasing department defines any requirements that differ from these (e.g. product-specific requirements). If KACO's customer makes special demands on its suppliers' quality management system, the Supplier shall go over these requirements and enter into an agreement on their feasibility with KACO.

2.2 Measures to be taken if quality requirements are not met

If the required classification or result is not achieved in the process audit, supplier evaluation, short rating, potential analysis or MAQMSR, etc., the Supplier undertakes to implement effective measures to achieve the goal within a reasonable period of time. Where appropriate, KACO will provide support to the Supplier in achieving the requirements.

3. Audit

3.1 Supplier audit

KACO is entitled to carry out a short rating or a system, process or product audit at the Supplier's premises at any time in accordance with the requirements of this QAA, with customer

requirements and the standards applicable according to this QAA. Where applicable, the audit can also be carried out by a KACO customer or by third parties. For the purpose of carrying out such an audit, the Supplier shall grant KACO, KACO customers or the third party free access, during normal business hours and after prior notice, to all production facilities, testing facilities, warehouses and adjacent areas and to all quality-relevant documents. The person carrying out the audit is entitled to make copies of all quality-relevant documents and to take them away. Appropriate restrictions by the Supplier to safeguard its know-how are accepted.

3.2 Sub-supplier audit

The Supplier is also obliged to enter into agreements with its sub-suppliers based on which KACO or KACO customers are entitled to carry out audits at the sub-supplier's premises in accordance with the provision in Section 3.1.

4. Product and production requirements

4.1 Product requirements

KACO shall provide the Supplier with all necessary and available product requirements (e.g. drawings, function descriptions, specifications, delivery and packaging instructions). The Supplier shall examine the product requirements that are provided and shall notify KACO in the event of missing or incorrect requirements.

The Supplier shall ensure that the products meet all applicable legal and regulatory requirements of the exporting country, the importing country and the country of destination specified by the customer.

The Supplier must comply with the product requirements provided by KACO. KACO defines special characteristics (product characteristics and process parameters) in the drawings and specifications. They are decisive for assembly capability, service life, function and quality of the products and must therefore be given special consideration by the Supplier during planning and implementation. The abbreviations listed below, among others, are used for classification:

[W + ordinal number] = important product characteristics

[P + ordinal number] = important product characteristics

D [W + ordinal number] = safety- and homologation-relevant product characteristics

D [P + ordinal number] = safety- and approval-relevant process parameters

[PT + ordinal number] = pass through

[IS + ordinal number] = initial samples

The Supplier reviews these specifications and prepares its own analyses (e.g. design, process, FMEA, etc.) in relation to the special characteristics. In addition, the Supplier shall also be obliged to define special characteristics itself and to handle these as characteristics defined by KACO are treated.

4.2 Prohibited substances

The Supplier shall ensure that its products do not contain any substances that are legally banned. Furthermore, the KACO List of Prohibited Substances, which can be downloaded from www.kaco.de, must be complied with.

4.3 IMDS / CAMDS

Except for standard parts, the Supplier must enter the material composition into the IMDS system (International Material Data System – <http://www.md.system.com>) or CAMDS system (Chinese Automotive Material Data System – <http://www.camds.org>). The IMDS/CAMDS ID

number shall be indicated on the cover page of the initial sample inspection report. Any different procedure must be agreed to with the KACO purchasing department.

4.4 Conflict minerals

To protect miners in Central Africa from exploitation and inhumane working conditions in the Democratic Republic of Congo and its neighbouring states, on 22 August 2012 the U.S. Securities and Exchange Commission (“SEC”) decided to impose documentation and disclosure obligations in relation to “conflict minerals”. Gold, tin, tungsten, tantalum (and tantalum ore, also called coltan) are conflict minerals. On 17 May 2017, EU Regulation (EU) 2017/821 of the European Parliament and of the Council laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas was adopted. If the Supplier’s products contain the above raw materials, the Supplier shall ensure that they do not originate from the affected areas and that the applicable provisions of the above laws are complied with.

4.5 Statistical capability indices

If there are special characteristics, the QA standard specifications given in the drawings apply in relation to the statistical capability indices. QS 4 is the standard for process capability, unless otherwise specified by KACO Purchasing. For IS (initial samples), the statistical values shall be presented for sampling purposes only. Other evaluation procedures must be approved by KACO Quality Assurance via the control plan.

QA Standard	Preliminary Process Capability, Machine Capability	Ongoing Process Capability Cpk Index
	Ppk Index, Cmk Index Short-Term Process Capability	Preliminary Process Capability
QA 3	≥ 1.33	≥ 1.00
QA 4	≥ 1.67	≥ 1.33
QA 5	≥ 2.00	≥ 1.67
QA 6	≥ 2.33	≥ 2.00

Table 2: Statistical Capability Indices

4.6 Feasibility of product requirements

The Supplier will transparently review the technical and economic feasibility of product requirements with all departments involved and, if necessary, submit proposals for changes at an early stage. This also applies to information resulting from the Supplier’s manufacturing expertise in relation to missing requirements or requirements that have been defined incorrectly or in an unclear manner by KACO. The result of the feasibility assessment must be transferred to KACO using form SD_S520 02.

4.7 Special processes

The supplier complies with currently valid AIAG CQI standards for special processes. Once a year, the Supplier compiles a self-assessment report on the relevant processes and submits the results to KACO without solicitation.

4.8 Measuring equipment

The Supplier shall ensure that only suitable measuring instruments that comply with statutory provisions, normative requirements and the MSA automotive standard are used. Alternatively, after consultation with KACO, the procedure can be carried out in accordance with the specifications of VDA Volume 5.

4.9 quality assurance representative /Product safety representative

The Supplier and KACO shall each provide the other party with information of the contact persons. The Supplier shall use the attached form (Annex 1) for this purpose.

4.10 PPM Agreement

PPM rates are determined with the Supplier in accordance with Annex 2 or in the relevant Individual supply contract.

These targets are a measure of the degree to which continuous quality improvement has been achieved. They will be taken into account in future placement of orders and price negotiations. If the Supplier is not able to meet the requirement regarding the permissible PPM rate with its technical capabilities, it is obliged to initiate CSL 1.

Regardless of the provisions in this QAA or in any other agreement between KACO and the Supplier, KACO and the Supplier shall be obliged to provide all communication and information which may be relevant to compliance with the agreements and failure prevention. The standard for this is determined by KACO's legitimate expectations of the Supplier's professional competence. The Supplier has an independent product monitoring obligation for its products in all areas of application, including competition.

No provision in this Agreement, including the PPM agreement, shall limit the Supplier's liability.

5. Development

If S1 and S2 suppliers perform development services for products and processes on behalf of KACO, they shall follow the provisions laid out in IATF 16949 and APQP/PPAP. KACO Purchasing decides on the application of any different guidelines (e.g. VDA). All necessary tasks to ensure a successful production process and product release have to be carried out according to the currently valid APQP guidelines. The Supplier organizes systematic planning within the framework of project management and discusses and agrees on it with KACO at an early stage. Risks that endanger the project or the schedule must be reported to KACO Purchasing immediately.

Where required, KACO shall be entitled to conduct an APQP review. Handover from development to production takes place in writing. Here, at least the following aspects must be covered:

- Complete processing of APQP
- Workplace ergonomics
- Occupational safety and health protection
- Environmental protection
- Release of suppliers and purchased parts
- Process specifications
- Legal/regulatory requirements
- Emergency planning (product, production, logistics, etc.)
- infrastructure
- FMEA according to VDA Volume 4 (product, process)
- control plan / inspection plan
- Inspection equipment (fault simulation, measuring equipment capability analyses)
- Maintenance
- Logistics with packaging
- Lessons learned knowledge

6. Initial samples

6.1 Production of initial samples

Initial samples shall be produced completely using series equipment and under series conditions. The volume shall be at least 300 initial sample parts. KACO Purchasing decides on the application of any differing regulations.

The evaluation of the initial sample production must be carried out according to APQP or according to the requirements of the responsible purchasing department and must be agreed with KACO quality assurance. For all special characteristics, the Supplier must carry out and document analyses on the suitability of the equipment being used and make these available to KACO as part of the initial sampling. If initial sampling is carried out in accordance with PPAP, this shall also include documentation in English on the original documents.

Each initial sample delivery shall be clearly marked as "INITIAL SAMPLE" on the packaging and in the delivery documents.

6.2 Reasons for initial sampling

The initial sample process or a notification from KACO must be carried out or repeated when the reasons specified in the PPAP or VDA occur. They include the following, among others:

- new or changed parts
- existing parts after correction of a failure
- use of unapproved designs/materials
- use of new tools
- refurbishment of existing tools
- change of manufacturing processes/methods
- relocation of tools and production facilities
- change in the sub-suppliers of parts/materials
- prolonged suspension of production (>12 months)

6.3 Conducting the sampling

Sampling shall be carried out in accordance with PPAP Submission Level 3, unless otherwise agreed. In the case of processed materials, individual contractual agreements must be concluded with KACO Purchasing.

Any deviations shall be clearly identified and justified in the test report and approved with a deviation permit by KACO's Quality assurance representative. In the event of deviations, appropriate failure analyses and corrective measures must be carried out.

The costs for sampling shall be borne by the party who is responsible for the reason for the production of the initial samples.

The quality assurance department of the ordering KACO facilities checks the sampling documents. The inspection outcome is recorded on the cover sheet and applies to all KACO facilities.

6.4 Maturity level assurance

A suitable maturity level assurance of the milestones according to SD_W340_37 must be provided for each sampling.

6.5 Releases

The KACO release of results relating to the product or the production process, including sampling, requires all agreed requirements to be fulfilled and documented verification by the Supplier. In view of the Supplier's special professional competence in its field and taking into account the Supplier's legitimate confidentiality interests, in particular with regard to industrial property rights and obligations towards third parties, KACO must rely on the accuracy and completeness of all information provided by the Supplier without being able to verify this itself. Releases by KACO are always based on this trust. They shall in no case constitute legal con-

sent, approval or acceptance and shall not limit the Supplier's full responsibility for its declarations. This also applies to special releases or deviation permissions

7. EPC phase (Early Production Containment)

After the release of the initial sample, early serial production will take place at the Supplier's facilities. Agreed additional EPC safeguards and tests shall be applied by the Supplier.

7.1 EPC Objectives

EPC pursues the following goals:

- Reduction of risks for the supplier, KACO and KACO customers.
- Increasing the level of confidence that all delivered products meet KACO requirements
- Timely discovery of quality issues by the Supplier rather than by KACO or KACO customers
- Greater involvement of top management in the event of problems through their visualization.

7.2 EPC - Measures taken by KACO and the supplier

Unless otherwise specified by KACO Purchasing, the following actions shall be defined and performed by KACO and the Supplier during PPAP:

- KACO defines the time and quantity schedule and the other requirements.
- The Supplier determines responsible staff for the EPC process.
- The Supplier develops a written control plan for the EPC phase (this can be extra or part of the series control plan) with additional measures, controls during the production process (machine settings, equipment, processing, reference parts, limit samples, staff qualifications, maintenance, environment)
- The Supplier plans downstream controls that are separate and independent from standard production.
- If the Supplier discovers inconsistencies, it shall implement immediate and rapid measures for improvement.
- The Supplier determines additional measures concerning identity and inspection status (e.g. EPC label).
- The Supplier secures purchased materials through supplementary measures.
- The Supplier implements the measures required by KACO, such as providing identifying information on packaging labels, markings, etc.

7.3 EPC exit criteria

If the established conditions with regard to quantity, time and/or result are achieved by the Supplier and KACO, production at the normal series level may commence. All agreements and customer requirements that have been agreed to must be observed.

7.4 Consequences of deviations

If implementation failures caused by the Supplier emerge in the agreed EPC phase, this can lead to a special classification issued by KACO, e.g. "Controlled Shipping Level (CSL)".

If product-related deviations are detected at KACO, the EPC status must be continued and measures to reach the exit criteria must be set.

8. Series delivery

8.1 Quality assurance

The Supplier creates controlled and capable conditions by using statistical methods and is obliged to achieve and maintain the required quality and to make continuous improvements. The Supplier carries out appropriate quality checks to ensure that the products meet the specified quality requirements. The scope and frequency of inspections shall be based on the

degree of potential impact of the defect (FMEA), the relevance of the characteristic and the achieved process capability.

The Supplier is responsible for all measures required to ensure the necessary quality. The Supplier is obliged to deliver the contract object free of defects (zero-defect requirement).

The product must be packaged by the Supplier in such a way that sufficient protection against contamination, moisture and transport damage is ensured.

8.2 Inspection obligations, inspection documentation

If the required capability is not achieved, a 100% inspection is automatically required. At the same time, the Supplier must initiate measures to achieve the required capability. KACO must be informed of these immediately with a schedule.

The Supplier is obliged to ongoing documentation of the inspections that are carried out. KACO is entitled to inspect the inspection documentation at all times during normal business hours following prior notice. KACO shall at all times be entitled to demand proof of compliance with important characteristics by the Supplier in the form of an inspection certificate in accordance with the requirements of DIN EN 10204, 3.1.

8.3 Process disruptions

In the event of process disruptions and quality deviations at the Supplier's premises, the causes must be analysed, improvement measures must be initiated and their effectiveness reviewed.

If defective parts are detected during assembly at KACO's premises, at the premises of the KACO customer or thereafter within the warranty period, the defective parts caused by the Supplier shall be recorded with information on the parts.

8.4 Control of defective products

All suppliers must comply with the requirements of IATF 16949, Section 8.7 ff. when controlling defective products or suspected defective products.

8.5 Securing supply

Supplying the agreed number of items at the agreed time is an essential contractual obligation of the Supplier. To ensure this

- the Supplier shall draw up an emergency plan which establishes suitable measures to maintain supply even under the influence of disruptions in areas such as, but not limited to production, products, logistics, procurement, IT, the environment, energy infrastructure and occupational safety. The emergency plan will be provided to KACO upon request.
- the Supplier shall, in the event of tool damage or machine malfunction, take appropriate preventive measures (such as, but not limited to rapid contractually guaranteed access to toolmakers, machine maintenance, etc.)
- the Supplier provides maintenance/ servicing according to IATF 16949.
- the Supplier shall take all other necessary and appropriate measures and precautions.

8.6 Communication with KACO customers

Communication relating to the products ordered by KACO with KACO customers shall be carried out exclusively by KACO. Direct negotiations and agreements between the Supplier and KACO customers are only permissible after prior agreement with KACO.

9. Obligation to examine and give notice of defects as per section 377 HGB

A KACO goods receipt inspection only takes place with regard to externally visible damage and deviations in identity and quantity. If this inspection uncovers nonconformities, we will immediately report these as part of a complaint. We reserve the right to carry out a more detailed goods receipt inspection. In addition, we shall submit a complaint concerning nonconformities as soon as they

are determined according to the conditions of the proper business process. In this respect, the supplier waives the objection of the delayed notification of nonconformities.

10. Documentation requirement

10.1 Record keeping requirements

The Supplier records quality data in all areas. Quality data (such as, but not limited to process capability, statistical process control and inspection certificates) shall be made available free of charge if KACO requests them.

Quality records are to be kept by the Supplier so that they can be assessed and be unequivocally assigned to the respective product, production location, production process, production date, etc. They must be stored so that they are safe and easy to find at all times; they must be made available promptly to KACO upon request.

10.2 Retention

Quality requirement documents and quality records shall be retained in accordance with VDA Volume 1 'Documented Information and Retention'. The Supplier shall make the data available within one working day on request, in particular, but not exclusively in the event of recalls, service actions or product liability cases. The Supplier's right to refuse performance is excluded. In the event of a termination of the business, recorded data shall be transferred to KACO using a suitable data carrier.

10.3 Recording of additional freight costs

The Supplier undertakes to keep records of additional freight costs and to forward these to KACO on request.

11. Traceability

The Supplier shall maintain a marking and traceability system for all production batches and material batches that allows identification of the sub-supplier's delivery batch in the event of quality defects. This system must allow identification of the process data, inspection results, components and materials in relation to the supplier's production lot, as well as other relevant data. It shall enable the detection of other products in circulation with the same quality defects and the analysis of the cause of the defect.

The Supplier must be able to trace the products without any doubt and to determine when it delivered which products to KACO.

12. Delivery

The Supplier must mark each delivery unit with the following information, at least:

- manufacturer / supplier
- product name and identification number
- production lot number
- quantity
- trade name (if relevant)
- batch identification
- date of manufacture, inspection, or shipping
- expiry, storage information
- safety and hazardous substance information
- drawing change level (if manufactured according to KACO specifications)

Factory certifications shall be attached to the respective deliveries in accordance with applicable KACO requirements (e.g. drawings, delivery specifications).

Additional information may be required in individual cases.

13. Supplier management

The Supplier may only use quality capable sub-suppliers. The Supplier has to apply this QAA accordingly within the scope of its own supplier management in relation to its sub-suppliers. Application of the QAA and ongoing monitoring of the sub-supplier shall be proven to KACO upon request. The release of all goods and services procured by the Supplier is carried out according to the same product and production process release procedure that is applied to the relevant KACO product.

This QAA shall also apply to suppliers specified by KACO customers (directed parts suppliers) as an independent quality assurance agreement, regardless of the contractual relationship between the Supplier and the KACO customer. The Supplier shall be directly responsible for implementing all requirements of KACO customers and providing all information, in particular with regard to the inspection methods, as well as inspection equipment and procedures in accordance with IATF 16949, in order to ensure the safe validation of the Supplier's product and KACO's product by KACO customers.

The Supplier is also responsible for the quality of the products, materials or services it purchases. This shall also apply if KACO and the Supplier agreed by contract on the source of supply for the purchased products and KACO has approved it.

14. Incoming goods inspection by the Supplier

The Supplier is obliged to carry out and document an incoming goods inspection of procured products and products made available by KACO in accordance with IATF 16949. The incoming goods inspection methods are product-specific and are based on the safety relevance of the purchased goods. It must be ensured that only defect-free products can enter the further production process.

15. Changes

15.1 Changes initiated by KACO

KACO shall notify the Supplier in writing of any changes that need to be made to drawings and specifications, and of any other amendments. The supplier evaluates the change using a feasibility assessment acc. To SD_S520_02 and creates an initial sample inspection report on the effected change.

The Supplier shall promptly carry out any changes requested by KACO. If the changes cause increased costs for the Supplier, the parties shall enter into a separate agreement on the costs to be borne. The Supplier cannot make implementation of the changes dependent on settlement of the costs.

15.2 Changes initiated by the supplier

The supplier shall be entitled to make changes to products, materials, processes, technical data, procedures, specifications, materials, inspection procedures and methods quality criteria, deadlines, delivery quantities, sub-suppliers and relocation of production sites only with the prior written consent of KACO Purchasing. The same applies to corresponding changes by the sub-supplier. The notification of planned changes must occur in a manner that KACO and the KACO customer can assess the effect of the change on the product to be manufactured by KACO or its use by the KACO customer. KACO will assess the changes in terms of their impact on design, function, performance, durability, manufacture, assembly, delivery capability and price. This also applies to agreements which against expectations can no longer be complied with, even if the deviations are detected only after delivery. In this case, KACO must be promptly informed and the necessary measures must be discussed and agreed with KACO.

Modified products may only be delivered to KACO after initial sample release and issued delivery release.

Each joint determination, in particular the valid drawing and index status, must be recorded in a part history and mutually confirmed in writing. The part history is the authoritative document for the latest valid agreement status between KACO and the Supplier. In addition to part-specific data, the part history shall, among other indications, at least contain information on the type, scope and date of:

- tool corrections
- process optimizations
- index changes
- new materials
- all other relevant changes
- samplings

The part history must be made available on request and for sampling.

The supplier shall bear the costs incurred by KACO and its customers due to unauthorised changes. This does not exclude further statutory claims.

KACO Purchasing must be informed of any changes to the supplier's organisational structure, such as mergers, acquisitions, affiliations and major organisational changes.

16. Supplier evaluation

KACO regularly assesses the delivery performance of the supplier. If KACO customers have complaints or experience disruption attributable to the supplier, the supplier will be informed and the evaluation will be adjusted accordingly.

The supplier commits to achieving an A rating in each material group. If the required classification is not achieved, effective measures to achieve the goals must be taken within the framework of an 8D report by the deadlines set by KACO.

17. Requalification testing

The supplier shall conduct a requalification test annually in accordance with IATF 16 949 for each delivery item. The Supplier shall include the requalification test in the control plan. It documents the results in the same manner as those of the sampling process on which they are based and makes them available to KACO Purchasing on request. If the requirements of initial sampling are not met, the Supplier shall promptly inform KACO Purchasing.

After agreement with KACO Purchasing, the requalification test can also be carried out individual product groups.

18. Complaints or disruptions

The Supplier must set up and maintain a complaint management system. KACO shall inform the Supplier in the event of a complaint or disruption experienced by KACO or its customers. The Supplier processes the complaint or disruption using the KACO 8D report. The Supplier's own 8D report forms are accepted as long as they include KACO contents.

In the initial response, the Supplier informs KACO of any immediate action to be taken in the event of a complaint within one working day or within the time specified in the KACO request. Points 1-4 of the 8D report must be processed within 3 working days. KACO must receive a complete 8D report no later than 10 working days after receipt of the complaint by the Supplier. If analyses that require longer processing times due to complexity and/or technical reasons are being carried out, the Supplier can apply to KACO for an extension of the deadline.

19. Controlled Shipping, CSL 1, CSL 2

19.1 Objectives of Controlled Shipping

The Controlled Shipping procedure is intended to enable achievement of the original target in the event of serious deviations from the agreed quality or delivery performance.

Controlled Shipping is a KACO requirement on the Supplier to carry out additional tests for the sorting defective products if the investigations of the actual causes of the defect have not yet been effectively completed.

KACO may request that the Supplier's certification company be informed of the status from Level 2 onwards. The exit criteria for Controlled Shipping are defined by KACO. The costs incurred for Controlled Shipping shall be borne by the Supplier.

19.2 Procedure for Controlled Shipping, CSL 1, CSL 2

KACO informs the Supplier of the established Controlled Shipping status, the level classification and the data on which they are based.

There are basically two Controlled Shipping Levels:

Level 1 (CSL 1):

Triggers for level 1 include: Repeated complaints, exceeding the agreed PPM, a defect constituting a considerable risk for KACO and/or its customers according to KACO's assessment (duration, severity or delivery), field failures, and internal/external supplier data.

Level 1 includes a problem solving process and an additional testing process. The Supplier shall establish the inspection process at its premises so as to ensure that no defective products reach KACO. The additional tests shall be carried out by employees who are independent of production; their names are notified to KACO.

Level 2 (CSL 2):

If Level 1 measures are not effective, further measures may be requested by KACO.

Triggers for level 2 include: Deviations when level 1 status is active, new information regarding the trigger for CSL1.

Level 2 includes the requirements of Level 1 and additional inspection by KACO or a third party appointed by the Supplier and approved by KACO to represent KACO's interests. These additional inspections may be carried out at the Supplier's premises or at any other appropriate location as determined by KACO. KACO, the appointed party or the KACO customer can verify the status of implementation on site.

19.3 Exit criteria for Controlled Shipping, CSL 1 or CSL 2

The following exit criteria are to be achieved for Level 1:

- Data from 20 working days show that the measures have been effectively implemented. The time from the implementation of corrective actions is taken into account.
- The documentation shows that the real cause of the failures has been identified.
- The documentation shows that corrective actions have been effectively implemented.
- Relevant documents have been reviewed and updated (FMEA, inspection plan, process flowchart, process documents, employee instructions, etc.).
- Relevant statistical data are available.
- Additional KACO requirements have been fulfilled.

For CSL 2, the exit criteria of CSL 1 plus the following must be fulfilled:

- All measures of the action plan have been completed.
- The effectiveness of all measures from the action plan has been confirmed by KACO, a KACO representative or the KACO customer.

20. Legal remedies for breaches of this QAA

In the event that:

- a. the Supplier does not fulfil essential requirements of the contractually agreed quality assurance procedure or violates an essential requirement of this QAA or
- b. the Supplier refuses to provide essential information as established under the contract without a legal reason, or
- c. the Supplier refuses to carry out an audit that has been agreed or legitimately requested by us without a legal reason, or
- d. the Supplier violates other essential duties of cooperation

KACO has the right:

- i. to refuse to accept ordered products until the breach of the contractual obligation has been remedied.
- ii. to terminate the existing supply contracts after the expiry of a grace period.
- iii. to demand compensation for the additional expenses incurred by KACO as a result of KACO carrying out an incoming goods inspection due to the above-mentioned breaches of contract.

This shall not apply if the Supplier is not responsible for the breach of the obligations listed above. Notwithstanding this provision, KACO shall be entitled to all statutory claims in the event of a breach of this Quality Assurance Agreement.

21. Other applicable standards and guidelines

The following essential external standards and guidelines in the respectively valid version are an integral part of this QAA:

- **DIN EN ISO 9001** "Quality management systems – Requirements"
- **IATF 16949** "Quality management systems requirements for automotive production and relevant service parts organizations"
- **IATF MAQMSR** "Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers"
- **VDA publications** "Quality Management in the Automotive Industry", all volumes
- **DIN EN 10204** "Metallic Products – Types of inspection documents".
- **DIN EN ISO 14001** "Environmental management systems – Requirements with guidance for use".
- **AIAG publications** (such as, but not limited to APQP, PPAP, MSA, CQI standards)
- **GADSL**, Global Automotive Declarable Substance List
- All applicable legal and regulatory provisions of the countries in which the products are manufactured and used.

Both contractual partners must independently verify that said rules and regulations are up to date.

22. General provisions

Amendments and additions to this Agreement must be made in writing and signed by the parties in order to be valid. This also applies to this provision.

The contract language is German or English. If there are contradictions between the German and English version, the German version shall apply.

In the event that an individual provision of this agreement is or becomes ineffective, the validity of the remaining provisions shall not be thereby affected. The contractual partners shall replace the ineffective provision with a new one which comes as close as possible to the financial purpose of the invalid provision.



This agreement is subject to German law.

All disputes arising from this agreement or in connection to this agreement shall be settled by a court of competent jurisdiction if an amicable settlement fails. The place of jurisdiction shall be Heilbronn or, at KACO's option, the location of the KACO facility that is placing the order.

KACO

Supplier

Place, Date

Place, Date

Name in print/Position

Name in print/Position

Signature, Stamp

Signature, Stamp

Name in print/Position

Name in print/Position

Signature, Stamp

Signature, Stamp

Annex 1: Contact information sheet

Please name the contact persons for the respective areas of responsibility.

The Supplier's Quality Assurance representative named below is the contact person for the implementation and coordination of quality assurance and other quality-related issues. The named persons are authorised to take decisions in this context.

Surname, First name	
Position	
Telephone:	
Mobile:	
Email:	
Address	
Language(s)	

Product Safety representative Contact Person

Surname, First name	
Position	
Telephone:	
Mobile:	
Email:	
Address	
Language(s)	

Contact Person for Logistics Queries:

Surname, First name	
Position	
Telephone:	
Mobile:	
Email:	
Address	
Language(s)	

Contact in emergencies of any kind. Must be available also outside normal business hours:

Surname, First name	
Position	
Telephone:	
Mobile:	
Email:	
Address	
Language(s)	

Annex 2: PPM Agreement

In order to continuously improve the processes and to achieve the highest quality level, the following PPM specifications are established for the period under review 20__:

Part Number	Part Designation	PPM

Unless there is a separate PPM agreement for subsequent years, the values agreed here shall apply indefinitely.

KACO

Supplier

Place, Date

Place, Date

Name in print/Position

Name in print/Position

Signature, Stamp

Signature, Stamp

Name in print/Position

Name in print/Position

Signature, Stamp

Signature, Stamp

Annex 3: KACO Group Companies

The companies listed below are legally independent companies. Supply contracts and other agreements establish exclusive contractual relationships between the contractual partners that are involved. Only the company that is party to the supply contract or any other agreement is bound, held responsible or liable by said agreement for the contractual obligations arising from it. Receivables from one company may not be set off against the obligations of another company.

Germany:

KACO GmbH + Co. KG

Industriestraße 19
74912 Kirchartd/Germany

Austria:

KACO Dichtungstechnik Ges.m.b.H. St. Michael

Gewerbestraße 398
5582 St.Michael i. Lg/Austria

Hungary:

KACO Hungary Kft.

Györi Út 13
9143 Enese/Hungary

China:

KACO (Wuxi) Sealing Systems Co., Ltd

No. 159 Huichang Road, Industrial Park of Huishan Economic Development Zone,
Wuxi, Jiangsu Province, China
Postcode: 214174

KACO (Anhui) Sealing Systems Co., Ltd

No. 9 Yangshan Road, Economic & Technical Development Zone
Ningguo City, Anhui Province, China
Postcode: 242300

USA:

Kaco USA, Inc.

1001 Lincoln County Parkway
Lincolnton, NC 2809/USA