Quality Assurance Agreement

(Status: 02/2014)

concluded between

Schneider & Gemsa GmbH
Nordring 5- 7
76473 Iffezheim

hereinafter: "S & G"

and

Supplier
Street
City/Town

hereinafter: "SUPPLIER"

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1 General Quality Assurance Agreement

The objective of the Quality Assurance Agreement (QAA) concluded with the SUPPLIER is assurance of uniform quality of all supplies for S & G plants.

1.1 Scope of Application

This Agreement applies to Schneider & Gemsa GmbH, 76473 Iffezheim and its subsidiary

Schneider & Gemsa Cz s.r.o. 40003 Ústí nad Labem, Děčínská 1611/45

1.2 Quality Management System of the Supplier

The SUPPLIER has implemented its QM system in accordance with EN ISO 9001. The SUPPLIER undertakes to continue developing the QM system in future to obtain certification to ISO/TS 16949. Environmental protection has a high priority in our company. We also require our suppliers to comply with relevant laws and regulations. The suppliers having certification to EN ISO 14001 are prioritized in awarding contracts. In order to document its QM system, any SUPPLIER shall submit copies of valid certificates to S & G without being asked to do so. The certificates mentioned above shall be confirmed by recognized certification bodies and cover all SUPPLIER´s products (from all supplier plants) delivered to S & G. Any certificate validity date expiration shall be reported to S & G without undue delay.
The QM system shall also comply with more specific customer requirements, if any.

1.3 Quality Assurance Measures in Supplier´ Plant

The SUPPLIER shall assure quality by appropriate preventive measures in product and process design and necessary testing and inspections activities in individual process steps. The time of retention of quality and inspection records shall be as defined in relevant S & G specifications. The retention time as indicated in relevant laws as well as VDA specifications shall be preferred if relevant S & G specifications are less stringent.

1.4 Limited Incoming Inspection

The products shall be packed and dispatched by S & G in accordance with the agreement concluded with purchasing department. Considering quality assurance measures implemented by the SUPPLIER, S & G will only conduct a simple incoming inspection (checking quantity, type and/or product identification, visual inspection to discover visible defects occurring in transport).

1.5 Quality Objectives

The SUPPLIER shall observe zero failure strategy. Failure tolerance limits, if agreed, do not release the SUPPLIER from its zero-failure commitment.

1.6 Audits and Process Analyses

S & G recognizes the SUPPLIER as a competent partner, having its own and efficient quality management system, corresponding to the state of the art. Hence, the SUPPLIER is capable to analyze problems, implement quality assurance measures and carry out audits by itself.

Product and/or production facility audits and problem analyses conducted by S & G can be limited to the following events:

Occurrence of serious failures in S & G´s and its customers´series production, caused by a product or process of the SUPPLIER.
The SUPPLIER cannot provide evidence of failure cause identification and implementation of efficient failure elimination measures in defined period of time, mutually agreed improvement programmes have not been implemented as agreed.

In any case, the audits are conducted after prior notice. In urgent cases, the SUPPLIER shall also accept (or allow) the audits are made soon after notice.

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1.7 Product Sampling and Release

The sampling for S & G shall be made in accordance with VDA Part 2. Deviation therefrom (e.g. PPAP in accordance with QS9000) shall be agreed on case-by-case basis. In the event of sampling for S & G customers (e.g. for suppliers or products specified by the customers), obtained release shall be submitted to S & G quality assurance department. If the SUPPLIER comes to the conclusion that the agreements cannot be complied with, procurement or QM department of S & G must be informed immediately. In the event of deviations from the specifications, further steps shall be decided upon by S & G.

1.8 Requalification Tests

All products shall be subject to full-scope dimensional and functional test in accordance with production control plans (e.g. product quality management plan (PAP)), considering material and function parameters defined by S & G. The results shall be available for inspection by S & G upon request.

1.9 Quality Discussions

Quality discussions about preventive quality assurance, evaluation of exchanged quality data, failure occurrence, topical themes etc. shall be conducted upon request by any of the Parties.

2. Dealing with Complaints

2.1 Quality Issues

In the event of any quality issue, access to production batch and manufacturing data must be provided within one working day. If the problem has been caused by product quality, the Parties shall find the solution by one working day at the latest. Immediately after receiving the first information about a complaint, the Supplier shall enter into contact with S & G to discuss on substitute delivery or other measures to assure proper quality of supplies. The SUPPLIER shall guarantee availability of resources for failure investigation and analysis as soon as possible. The following standard complaint processing procedure has been agreed upon in S & G:

- Preliminary opinion must be obtained by S & G within 24 hours after the complaint.
- Contents of the primary answer: 8D Report incl. “Immediate Measures“
- Comprehensive 8D report must be obtained by S & G by 14 calendar days after issuing the claim at the latest.
- If the SUPPLIER cannot provide comprehensive 8D report within this time, detailed interim report must be provided.
- Detailed interim report shall also include the deadline for provision of the comprehensive 8 D report (or next interim report, as the case may be).
- The time span between two interim reports shall not exceed 14 calendar days.
- The 14-days term for provision of the comprehensive 8D report may only be extended in case of well-founded interim reports.
- Final failure analysis reports must be meaningful, conclusive and comprehensive.
- The format as defined for the 8D report shall be used in all reports.

If the SUPPLIER fails to restore adequate quality level within mutually agreed period of time, S & G can ask the SUPPLIER to seek external assistance, at SUPPLIER´s own expense.

The first 3 shipments of good products after a complaint shall be identified using orange labels with complaint number and specification of the deviation.

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2.2 Costs Resulting from Supplier´s Low Quality

S & G will inform the SUPPLIER about the complaint by sending a complaint letter/test report.
Where appropriate, S & G reserves the right to charge a lump sum cost compensation amounting to 100.00€ to the Supplier, after prior notification. The costs incurred by S & G in connection with any justified defect shall be borne by the relevant SUPPLIER.
The amount of these costs shall be communicated by S & G as soon as they are identified/estimated.

These costs include, without limitation:

- value of rejected products
- costs of additional testing
- costs or reworking
- production shutdown time
- costs charged by the customers in connection with defective products
- extraordinary cost items, such as external testing, local examination and measures implemented by S & G in SUPPLIER´s and/or customer´s premises
- additional transport costs

2.3 Right of Remedy

The SUPPLIER is entitled to provide remedy pursuant to German product liability legislation. If instant measures as required by S & G have not been implemented within specified time, S & G will take steps required for assurance of adequate quantity of supplies for own plant as well as for its customers.
These steps shall be discussed with the Supplier prior to implementation and the costs associated with these steps shall be borne by the Supplier, without prejudice to Supplier´s obligation to do its best to minimize consequential costs.

2.4 Information on Deviations

If the SUPPLIER realises that the agreements, such as quality features, deadlines or delivery quantities cannot be met, it shall inform S & G about it without undue delay. This also applies to communication of deviations in supplies, found after dispatch. In the event of deviation, the SUPPLIER shall provide all data necessary for solving the problem. Particularly, the SUPPLIER shall be obliged to provide information on the following actions:

- change of product or production process
- change of subcontractor
- change of testing procedure/ equipment
- production site relocation
- manufacturing facility relocation within the production plant

The first 3 shipments after series production start or change (as listed above) shall be identified using orange labels stating the reason.

3 Quality Record Retention Time

Q-report	Minimum retention time
FMEA	Duration of production + 15 years
Audit reports (internal and external), Process acceptance protocols	10 years
Results of machine, process and test instrument capability tests	Duration of production + 15 years, D parts 10 years
Testing Instrument History	10 years
Control and fault collection cards (originals)	3 years

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Q-report	Minimum retention time
Control and fault collection cards (summarized values), process data records	Duration of production + 15 years, D parts 10 years
Complaint reports	Duration of production + 15 years, D parts 10 years
Prototype test records	Duration of production + 15 years, D parts 10 years
Release and special release	Duration of production + 15 years, D parts 10 years
Material tests	10 years
Machine and process release	3 years

4 Effective Time, Termination

The effective time of the Quality Assurance Agreement is not limited with respect of time. It can be terminated six months after prior notice served in writing, at the end of the relevant year. This provision shall be without prejudice to validity of other conclusions based on this Agreement, i.e. the provisions of this Agreement shall apply to these conclusions until expiration of relevant effective periods.

4.1 Final Provisions

Any amendment of this Agreement must be made in writing.

If any provision or provisions of this Agreement shall, to any extent, be invalid, the remaining provisions of this Agreement shall not be affected thereby. The Parties shall agree upon effective and valid provisions which approximate most closely the economic intent of the parties. The same applies to possible gaps in the provisions of the Agreement.

This Agreement shall be governed by German law, under exclusion of the conflict of law, the place of jurisdiction being Rastatt.

Schneider & Gemsa GmbH
A. Schneider GL

Schneider & Gemsa GmbH
H. Finnern QWL

Acceptance confirmed by the Supplier

Place:
……..

Date:
……..

_____
SUPPLIER, company seal and signature