

Quality Assurance Agreement with Suppliers

Part II Specific Agreement Purchased Parts

Between

[Company, Address]

(Supplier)

and

KSM Castings Group GmbH
Cheruskerring 38
31137 Hildesheim

KSM Castings CZ s.r.o.
Oldřichovská 726
46334 Hrádek nad Nisou

(KSM)

	Name	Date
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1. Scope of application

This Agreement serves as a product-specific complement to the stipulations and provisions described in Part I of the QAA (Quality Assurance Agreement). It is to be applied to the Purchased Parts group of goods (integrally cast and assembly parts, cast parts).

2. Quality Management System of the Supplier

(1) The Supplier is to maintain a Quality Management System (QMS) that fulfills at least the requirements of ISO 9001. The Supplier is to provide the corresponding proof through a certification procedure with an accredited certification company according to ISO 9001 and by presenting the certificate. The Supplier is to further develop his Quality Management System in such a way that it satisfies the requirements of IATF 16949.

(2) The Supplier undertakes to operate his production facilities in a resource-conserving manner. He is to maintain a system for environmental management that is demonstrably orientated around the ISO 14001 norm and the EMAS standard. The valid legal stipulations relating to material restrictions in products according to the Directive 2000/53/EG on end-of-life vehicles (material bans pursuant to the so-called "End-of-Life Vehicles Directive") are to be observed.

(3) For the internal coordination of product safety aspects the Supplier shall appoint a product safety officer (PSO). The PSO is to be qualified with respect to its task and responsibility. The supplier shall inform KSM about the PSO unsolicited.

3. Documentation and information obligations of the Supplier

(1) The Supplier is to inform KSM prior to the introduction of significant changes in his production or inspection procedures as soon as any of the following events occur:

- Relocation of production to other manufacturing facilities or to other sites,
- Introduction of modified inspection procedures,
- Introduction of modified products,
- Changes in the starting (non-originating) materials,
- Impending insolvency of the Supplier.

(2) The Supplier is to inform KSM before any supply of deliveries if the products have been assessed as borderline within the scope of his internal inspections or while fulfilling the required qualitative stipulations or if products with suspected defects have found their way into the delivery stage.

(3) The Supplier is to inform KSM if any changes occur as regards his certification status (e.g. any suspension or loss of certification).

(4) The following changes do not entail any obligation to inform KSM:

- Adaptation of production parameters within the normal framework of process management.

4. Product quality requirements

(1) KSM specifies the products it orders through a product specification (e.g. one that consists of CA data, drawings, norms and its own guidelines and directives in the respective valid version). The specification includes special features and characteristics for the realization of which the Supplier has to provide proof of his capability.

(2) The Supplier is to elaborate his own documents and plans to realize the process and product requirements from this specification. To this end, the Supplier is to draw up at least the following key documents:

- Project schedule,
- Process workflow,
- Production control plan/ quality control plan taking special account of the specific features,
- Working instructions,
- Packaging specifications, taking account of KSM requirements.

The specified documents are to be made available to KSM on request.

(3) The Supplier is to determine the specific features of the products from the KSM specifications and within the scope of his own risk evaluation procedure (e.g. by means of Failure Mode and Effects Analysis – FMEA).

(4) The Supplier is to plan appropriate and effective production facilities to satisfy the product requirements. For special characteristics and properties, the following process capability indices have to be achieved and demonstrated: preliminary process capability $P_{pk} \geq 1.67$ / permanent process capability $C_{pk} \geq 1.33$.

(5) The Supplier receives specifications for his deliveries as regards quantity and deadline from KSM.

5. Series production and delivery release

(1) The Supplier samples every tool and every production process. Insofar as no other procedure has been stipulated by the ordering party, the PPF procedure is implemented according to VDA Volume 2 with submission level 2 or the AIAG script for the Production Part Approval Process (PPAP with submission level 3. The first sample inspection can occur at the site of the Supplier if previously agreed.

(2) As part of the initial sampling procedure, the Supplier presents 10 components at KSM per tool/ cavity in addition to the complete sampling documentation.

(3) The Supplier is obliged to enter and maintain the ingredients of his products in the International Material Data System (IMDS). The Material Data Sheet is to be conveyed to KSM as part of the initial sampling documentation. The Supplier is himself responsible for acquiring all the necessary know-how and authorizations to participate in the IMDS system.

(4) It is only when the preliminary series release approval is granted by KSM that the Supplier is entitled to conduct deliveries to the locations of KSM Castings Group. Deliveries called by KSM without first sample approval can only be carried out with explicit written permission from KSM.

6. Incoming goods inspections by KSM

(1) When the deliveries are received, KSM carries out no further inspections apart from the incoming inspection specified in Part I of this QAA. A detailed inspection of the delivery quality only takes place during the processing of the products in line with the usual course of business at KSM.

(2) Defects and deficiencies identified during the incoming inspection are recorded and communicated to the Supplier along with a written test report.

7. Designation, identification and traceability

The Supplier is to label his delivered products and dispatch units according to the specifications. The placement of the individual label contents on the component is to be agreed between the Supplier and KSM.

The following designations are to be applied to the component:

- Model number, drawing index (if requested)
- Identification of the Supplier
- Tool/ cavity number
- Material designation

On cast parts the specified designations are to be depicted in cast form. The manufacturing date is to be applied on cast parts, preferably using an embossing process, in the form [DD.MM.YYYY]. In the case of integrally cast and assembly parts, the labels are to be applied in a different yet appropriate manner.

The designation of the dispatch units is to take place according to VDA 4902.

8. Problem resolution process at the Supplier

(1) Insofar as claims about defects are made by KSM, the Supplier is to initiate the appropriate immediate measures without delay and at his own cost in order to limit the damage as far as possible. The 8D Process is to be initiated immediately after the complaint has been received. The Supplier is to implement suitable methods to solve the problem that are capable of reliably preventing a repetition of the defect.

(2) KSM is to make the components that are cause for complaint available to the Supplier as quickly as possible on Supplier's request for purposes of evaluation and analysis.

(3) If there is urgent need for action, KSM is entitled to initiate immediate measures on its own part if this is deemed necessary to prevent production downtimes or to ensure the delivery supply chain. In such a case, KSM is to seek contact with the Supplier as soon as possible.

(4) The Supplier is to document the progress of his problem-solving process in an 8D report. The 8D processing has to follow the definitions of QAA Part I.

(5) The Supplier is to incorporate any defects and errors that have emerged in his risk considerations (e.g. by means of FMEA) and initiate sustainable measures to effectively eliminate any occurrence of the defect or error at a subsequent date.

(6) The supplier is obliged to support the analysis of field rejects. For this the supplier maintains a system for the analysis of field rejected parts which corresponds to the requirements of VDA Standard „Das gemeinsame Qualitätsmanagement in der Lieferkette/ Vermarktung und Kundenbetreuung - Schadteilanalyse Feld“.

9. Emergency backup plan

The Supplier is to maintain an emergency plan that is appropriate to maintain his delivery capability to KSM even in the event of unforeseen circumstances. This emergency plan is to be presented to KSM on request.

Signatures

Place, date

Place, date

KSM Castings Group GmbH
Corporate Purchasing
Name, first name

Supplier
[Position]
Name, first name