DGS QUALITY ASSURANCE AGREEMENT (QAA)

between

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hereinafter referred to as the "Supplier"

and

DGS Druckguss Systeme AG
Industriestrasse 10
9015 St. Gallen
Switzerland

hereinafter referred to as the "Purchaser"

1. Preamble

1.1 As a supplier to the automotive industry, the Purchaser manufactures high-quality products. The necessary materials, products and services are procured worldwide.

1.2 The QAA shall ensure the procurement and production of high-quality, qualitatively flawless materials, products and services by suitable, technically recognized and economically justifiable measures.

2. Scope of application

2.1 The provisions of this QAA shall apply together with the Purchaser's Conditions of Purchase in the version agreed with the Supplier in each case for all existing and future purchase contracts between DGS and the Supplier for production material and services.

2.2 In the event that the manufacturer and the Supplier are not identical, the Supplier undertakes to inform the manufacturer and, if applicable, its subcontractors of the contents of this QAA and to transfer the obligations arising from this QAA to the manufacturer and its subcontractors. The Supplier guarantees compliance with the provisions of this QAA by the manufacturer and its subcontractor.

2.3 Changes and additions to this QAA are announced by the Purchaser in writing and become binding for the Supplier after publication.

3. General conditions

3.1 The subject matter of the contract is the materials, products, services, manufacturing processes, tests, controls and management processes used by the Supplier to fulfil the product specification supplied with the order as well as handling, storage and transport measures.

3.2 The Supplier is responsible for the quality of the products and/or services manufactured and/or supplied by him.

4. Data protection

4.1 Suppliers must comply with the applicable data protection regulations.
Confidential business data in connection with DGS must be stored securely and may not be used or disclosed to third parties without prior consent.

5. Selection and application of the quality management system

5.1 Suppliers of the product groups for purchased parts and metal alloys commit themselves to the permanent application of a quality management system in accordance with the requirements of ISO 9001 and further development in the direction of IATF-16949.

5.2 Suppliers of the product groups external processing, services and die casting/punching tools commit themselves to the permanent application of a quality management system according to the requirements of ISO 9001 and further development in the direction of IATF-16949.

5.3 The application of the quality management system must be confirmed by a "Third Party" audit certification (valid "Third Party" certification of the Supplier issued by a recognized certification company). Suppliers who do not maintain a system in accordance with the requirements of the above standard undertake to introduce such a quality management system within a period of time accepted by both parties. The progress of the implementation is confirmed to the Purchaser every six months by means of an action plan.

6. Auditing / Verification

6.1 The Purchaser has the right to determine itself, together with its customers or through third parties commissioned directly by means of an audit, whether the quality assurance measures of the Supplier correspond to the requirements. The Supplier assures the Purchaser of the right of access to its work at any time to carry out quality audits. The audits can be carried out as system, process or product audits. The date is determined in consultation with the Supplier. Optimization of the identified weaknesses is incumbent on the Supplier, the Purchaser can demand its participation in the optimization carried out by the Supplier.

6.2 Within the limits of its deliveries the Supplier must make possible also the auditing of its subcontractors by the Purchaser. In principle, however, the Supplier is responsible for auditing its subcontractors.

6.3 The Purchaser undertakes to accept reasonable restrictions by the Supplier or its subcontractor to safeguard its trade secrets.

7. Technical Specifications

7.1 The requirements for the products and services to be supplied shall be communicated to the Supplier in writing by the Purchaser. These written requirements form integral parts of the QAA.

7.2 All technical documents handed over to the Supplier are to be checked by the Supplier for completeness and consistency. Any defects found must be reported to the Purchaser.

7.3 The "Construction Regulation for Die Casting Tools" (QRL-258) replaces the Quality Assurance Agreement QAA concerning the manufacture of die casting tools.

7.4 The product specification for procurement parts, supplied as an appendix, is an integral part of the QAA.

8. Zero defect strategy

8.1 The Supplier is responsible for the quality of the products, goods and/or services it manufactures and/or supplies.

8.2 The Supplier undertakes to strive for zero defects and to improve continuously. This must be done in verifiable control loops.

8.3 If it violates this contractual obligation, the Supplier will be subject to measures agreed separately between the Purchaser and the Supplier. The evaluation of the quality performance is carried out according to the Supplier evaluation. The Supplier will inform the Purchaser immediately as soon as violations of the zero-defect obligation become foreseeable.

8.4 The Supplier must achieve, prove and document the accuracy of design, process and inspection in all relevant features and procedures.

8.5 The Supplier shall be responsible for identifying and properly specifying the relevant, significant features in accordance with the Purchaser's specifications and other information as well as for the appropriate optimisation of the manufacturing facilities and testing methods.

8.6 If dangers to life and limb cannot be avoided when using defective products, the Supplier must exclude defects from the outset by all means.

9. Process documentation, initial samples and re-qualification

9.1 The Supplier undertakes to specify the manufacturing process in writing. Approbation of serial production shall take place after approval of initial samples by the Purchaser. The production process approved in this way is binding and an integral part of the QAA, the sampling process is to be carried out according to VDA Volume 2 or PPAP. In the case of products with CCs/SCs or other precisely specified critical characteristics, the process capability and measuring equipment analysis must be created and documented during sampling; further characteristics will be communicated.

9.2 Furthermore, the Supplier undertakes, unsolicited and at regular intervals, as a rule annually, to carry out a requalification test (complete dimensional and functional test taking into account the applicable DGS specifications for material and function) of the products to be delivered, including documentation of the results. These documents are to be presented to the Purchaser upon request.

9.3 The Supplier undertakes to inform the Purchaser immediately of any intended or unintended deviation and modification of the equipment and the manufacturing process or location. Changes require the written consent of the Purchaser. In the event of deviations or process changes, the Supplier shall submit a new initial sample.

10. Monitoring of products and processes

10.1 The investigation and evaluation of machine and process capability is based on AIAG - SPC VDA Volume 4.

10.2 For all relevant characteristics, the Supplier shall carry out and document detailed analyses of the suitability of the production facilities used as well as measures for technical protection and optimisation.

10.3 The Supplier is responsible for defining an inspection concept that is suitable for ensuring compliance with the contractually agreed specification.

10.4 The Supplier undertakes to monitor and document the manufacturing process by using suitable statistical methods so that the process capability of main characteristics (Cmk ≥1.67 Short-term capability and Cpk ≥1.33 Long-term capability) can be proven at any time over the entire production period. For Daimler DS/DZ characteristics, Cmk ≥2.0 / Cpk ≥1.67 apply.

10.5 Where technically possible, monitoring methods should be used which automatically prevent the delivery of defective parts.

10.6 The Supplier shall take appropriate measures to ensure that all delivered material (raw material, components, packaging, devices, tools, etc.) complies with the legal provisions (Switzerland/EU) with regard to radioactive radiation. The material test certificates are according to the standard EN 10204 "3.1" and comprise the compliance (radioactivity) which must be confirmed step by step by the manufacturer on the analysis sheet of the material specification for each delivery. If necessary, the material test certificates can be ordered for a fee.

10.7 If the Supplier has to arrange special transports at its own expense for punctual deliveries to DGS in order to meet the delivery date agreement, DGS will be informed in writing (without request) about this date. IATF 8.4.2.4 is hereby invoked.

11. Transport and processability

11.1 Within the framework of its quality management, the Supplier must ensure that the quality of the deliveries is not negatively affected through proper transport to the recipient or through processing during ongoing production.

11.2 Damage-free transportability and processability of the product are to be ensured as relevant characteristics by suitable, constructive and other measures and, if desired, verifiable.

11.3 DGS is entitled to specify means of transport and packaging. As a result, the Supplier shall also supply means of transport and packaging which have been approved by DGS and which meet these requirements only.

12. Hazard potential, product monitoring

12.1 The Supplier shall determine and specify the effects of hazards caused by the products supplied and measures to prevent them by using appropriate quality planning methods (e.g. FMEA, fault tree analysis, reliability calculations). For products with CCs/SCs, the test methods must be agreed with the Purchaser if they are not specified.

12.2 The Supplier undertakes to continuously monitor and examine its products and procedures for existing potential hazards beyond the time of delivery and, if necessary, to take appropriate measures to prevent them. The Supplier will immediately inform the Purchaser of newly recognized potential risks.

12.3 If it becomes apparent that agreements made (characteristics, dates, quantities) cannot be kept, the Supplier is obliged to inform the Purchaser of this at an early stage. In the interest of finding a solution quickly, the Supplier is obliged to disclose all data.

13. Adaptation to the current state of the art

13.1 The Supplier undertakes to continuously improve and further develop its procedures and processes.

13.2 The Supplier undertakes to ensure that the products supplied by him are manufactured at least in accordance with the generally accepted technical rules and standards. The "generally accepted technical rules and standards" are the minimum requirements for products, processes and services laid down in norms, standards and regulations (ISO, DIN, EU; ASTM, etc.).

13.3 The state of the art must be demonstrably observed and adequately documented. "State of the art" means the latest state of knowledge worldwide. The continuous observation of the development is to be proven in particular with safety parts with references (Internet, etc.). The course of the development of products and processes shall be documented.

14. Changes

14.1 The Supplier shall inform the Purchaser immediately as soon as the necessity of changes in relevant features and processes becomes foreseeable. Changes must be reported in accordance with VDA Volume 2 Trigger Matrix. The Supplier shall describe the objectives, opportunities and risks of the changes and evaluate them jointly with the Purchaser. The execution and effectiveness of the changes must be safeguarded and documented in accordance with Point 7.

15. Marking, traceability and documentation

15.1 The Supplier and Purchaser shall ensure traceability and complete proof of quality of all materials, manufacturing processes and products by means of suitable product labelling measures.

15.2 Traceability is to be designed in such a way that in the event of a defect it is possible to isolate the faulty parts/products.

15.3 The Supplier is obliged to issue test certificates for all tests of "K" and "H" characteristics. These shall be presented at the request of the Purchaser.

15.4 Quality-relevant data for certifiable automotive parts must be archived for a period of 15 years. For the other products the legal archiving periods apply.

16. Defective products

16.1 Due to quality assurance and quality control by the Supplier, DGS's obligation to inspect and give notice of defects shall be amended upon delivery of contract products in accordance with § 377 HGB (German Commercial Code) to the effect that the incoming goods inspection by DGS shall be limited to random testing of the products, in particular the external integrity of the packaging and the examination of the identity on the basis of the delivery note and the labelling of the packaging, as well as the examination of the acceptance test certificate to ensure that the ordered contract products correspond to the delivered ones. Within the limits of the business process the Purchaser will inform the Supplier immediately of any defects found.

16.2 The Supplier shall immediately notify the Purchaser of any defects discovered and shall take all measures to minimise any damage caused by the defect.

16.3 The Purchaser shall provide the Supplier with parts which have failed or are defective for analysis. The Supplier analyses the defect and informs the Purchaser at short notice about the cause of the deviation, the initiated remedial and preventive measures as well as their effectiveness in the form of an 8D report.

16.4 If, as a result of faulty deliveries, production stoppages threaten the Purchaser or its customers, the Supplier undertakes to remedy the situation immediately (replacement deliveries, sorting and reworking). In urgent cases, the Purchaser may, if possible after consultation with the Supplier, carry out the rectification himself or have it carried out by a third party. The costs arising therefrom shall be borne by the Supplier.

16.5 The Purchaser is entitled to participate in tests and findings carried out by the Supplier and its subcontractors, to have such tests observed by authorised third parties or to carry out such tests itself at the Supplier and its subcontractors premises after prior agreement or to have them carried out by authorised third parties.

17. Liability

17.1 The achievement of the agreed quality objectives and intervention limits shall not exclude warranty or claims for damages on the part of the Purchaser for defective deliveries.

17.2 The Company DGS bears the responsibility for the end product when using purchased parts. The Supplier must therefore do everything organisationally and technically possible to ensure the product safety of its parts and those of its sub-suppliers and to minimise the risks of product liability.
The Supplier shall ensure and also oblige its sub suppliers that:
- an on site Product Safety Representative (PSCR) is appointed for each stage in the supply chain.

18. Sustainability, quality, environmental protection, occupational safety, health protection and code of conduct

The following sustainability provisions define the standards and requirements of DGS Druckguss Systeme AG for its suppliers: the observance of internationally recognized human and employee rights, the prohibition of child labour and forced labour, the observance and promotion of ethical business conduct and the observance of legal norms and environmental guidelines as well as preventive environmental protection. The sustainability regulations are based on our company-wide "Principles of Social Responsibility". In addition, they are guided by internationally recognized principles of the United Nations Global Compact pact (http://www.unglobalcomact.org.) and the valid minimum standards of the UN International Labour Organization (http://www.ilo.org.)

The Supplier undertakes to comply with the following standards:

1.) Standards on working conditions / personnel and compliance with employee rights
- Wages and social benefits, working hours
- Prevention of child labour
- Free choice of employment
- Freedom of association, right to collective bargaining
- Prohibition of discrimination
- Health and safety
- Safety and quality

2.) Combating corruption / Business ethics standards / Compliance

DGS pursues a zero tolerance policy with regard to corruption and bribery. Corruption is prohibited almost worldwide by national laws and international conventions. DGS expects its suppliers to ensure that employees of DGS are not promised or given any benefits with the intention of giving you a business advantage. Especially for consultants and intermediaries, services rendered and financial consideration must always be proportionate. Conversely, under no circumstances does the Supplier demand, offer, grant or undertake bribes, kickbacks or other illegal payments, employment of related persons, incentives, gifts, entertainment, favours or other benefits or gratuities of value for the realization of business opportunities with DGS.

Each Supplier undertakes to comply with business ethics standards. This Code of Conduct is an integral part of any business relationship between DGS and the Supplier. Violation of the Code of Conduct may result in termination of the business relationship or further claims. The Supplier shall ensure that its contract partners also comply with the provisions of the Code of Conduct.

3.) Compliance with laws, regulations and rules

Suppliers undertake to comply with the applicable laws, regulations and rules of the countries in which they conduct their business. Suppliers must maintain appropriate control systems in their business operations that prevent violations of the law and facilitate awareness.

4.) General environmental standards and environmental compatibility
- General environmental responsibility, environmentally friendly production and products
- Preparation of recycling and disposal concepts for the delivered products
- Confirmation of/compliance with substance bans
- Control of substances listed in Annex XIV of the Reach Regulation
- All-encompassing balancing for continuous improvement of products and production

5.) Consistently implements the provisions of the "Conflict Minerals" throughout the supply chain. In the Conflict Minerals Reporting Template (CMRT) system.

6.) Ethics escalation policy (whistleblowing policy)
The supplier must define and implement an internal process to fulfill its corporate responsibility for whistleblowing. Suspected or actual violations of the Code of Conduct listed in Item 18 as well as other unlawful acts related to DGS can be reported to compliance@dgs-druckguss.com. All information provided, including the identity of the whistleblower, will be treated confidentially.

19. Logistics

19.1. The Supplier strives for the introduction of an EDI-capable communication system.

20. Insurance

20.1 The Supplier undertakes to take out an insurance policy with an internationally recognised insurance company, which covers every liability risk (e.g. also product recall) sufficiently.

21. Integrating contract components

21.1 All quality-relevant documents are stored at DGS in their current version and must be implemented by the Supplier. Possible changes are identified by the Supplier on its own responsibility and implemented.

22. Applicable law and place of jurisdiction

22.1 This agreement is governed by Swiss law. The court at the seat of the Purchaser shall have jurisdiction for disputes arising from and related to this Agreement. However, the Purchaser may also call upon any other court having jurisdiction over the Supplier.

22.2 The wording of this quality assurance agreement in German is binding.

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