Quality Assurance Agreement (QAA)
for Suppliers of all locations

Ute Schlieder Metallwarenfabrik GmbH
Bahnhofstraße 16
09496 Marienberg

and

Ute Schlieder Metallwarenfabrik GmbH
Brandauer Straße 26
09526 Olbernhau

The Ute Schlieder Metallwarenfabrik GmbH is a medium-sized company and supplier of the metalworking industry with the headquarters in 09496 Marienberg/ Zöblitz and a manufacturing site in 09526 Olbernhau.
As part of a multisite process, an integrated management system according to DIN EN ISO 9001 and DIN EN ISO 14001 in the current version is verified, maintained and continuously improved. As an overarching quality and project management, the application of automotive core tools is internally agreed and fulfils all agreement customer requirements.

The quality assurance agreement (QAA) stands for an agreement quality management with the objective to ensure the quality of the common products and the customer satisfaction.

As suppliers of the automotive industry, companies have to face high quality requirements with their manufactured products. The QAA should ensure the procurement and manufacturing of products that can be used without restrictions by suitable, technically recognized and economically justifiable measures.

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1 Scope and purpose

The competitiveness and position of the Ute Schlieder Metallwarenfabrik GmbH (USM) is decisively determined by the quality of its products. The faultless condition and reliability of the purchased products (components, raw material, and auxiliary material) or related services have a direct influence on the quality of the products. The quality assurance agreement is the binding determination of the technical and organizational framework conditions, with regard to all deliveries and services to Ute Schlieder Metallwarenfabrik GmbH, which are necessary to achieve the common quality objective "zero defects". It describes the minimum requirements for the quality management system of the supplier. The quality assurance agreement is part of our purchasing conditions.

The main goal of USM is customer satisfaction. Therefore, all deliveries and services of the supplier must fully meet all agreed as well as the legal and official requirements.

2 Responsibility of the supplier

2.1 Quality of the products and services

The supplier is responsible for the faultless execution of his products and services according to the written agreements. He has to check the completeness and correctness of the documents and, if it is necessary, request further information from the customer.

The supplier is obliged towards customers and consumers to guarantee the legally and officially prescribed and contractually agreed services. The supplier's quality strategy must focus on the continuous improvement of its processes and services.

2.2 Product safety requirements

If relevant, the product safety requirements of IATF 16949 must be fulfilled. If a product safety requirement is present or if an order is made for a product safety relevant component, this is communicated to the supplier in the course of ordering.

3 Supplier management

3.1 Quality management system supplier/ Self-disclosure

The supplier undertakes to introduce and maintain a quality management system and to carry out internal system, process and product audits at regular intervals. As an USM supplier, certification according to DIN EN ISO 9001 in the current version is a basic requirement. Each supplier receives an electronic supplier information from the USM, which is independently checked for up-to-dateness by the supplier every two years. The certificates of the respective management system are to be sent on your own responsibility immediately after the period of validity is expired. The withdrawal of a certificate must be reported immediately.

3.2 Supplier assessment

For us, the supplier evaluation is an important instrument to ensure a continuous delivery quality and as a decision criterion when ordering. This is done as part of a quarterly supplier assessment based on the criteria listed below.

Quality

Quality management system and environmental management system certified according to ISO 9001, IATF 16949, ISO 14001

Quality of deliveries

Number of complaints

Logistic

Deliveries on time

Compliance with deliveries

Number of incidents associated with additional freight costs

Number of customer malfunctions

Contracts

Quality assurance agreement

Confidentiality Agreement

Depending on their importance, the listed criteria are subject to weighting factors. If you have any questions about the weighting factors, please contact the employee who is responsible for your purchase at USM.

Supplier classification:

A	= acceptable delivery quality	**≥90…<100 points**
AB	= satisfactory delivery quality	**≥80…<90 points**
B	= unsatisfactory delivery quality	**≥70…<80 points**
C	= unacceptable delivery quality	**<70 points**

The result of the supplier evaluation is communicated in writing within 20 working days by the purchase to the supplier. If the supplier receives a rating of poor A, further measures are required, which the supplier takes from the cover letter for supplier evaluation and, if necessary, implements independently.

The measures are communicated to the purchasing department within 10 working days in the form of an action plan. In some cases (e.g. supplier classification B, C or a falling total number of points) it can be assumed that the QM system is checked by means of a supplier audit.

3.3 Supplier escalation - process

The supplier is obliged to comply with and monitor the agreed quality, quantity and deadlines. If the supplier determines that he cannot deliver the ordered quantity in the agreed quality by the agreed date, the contact person of the USM specified in the order must be informed immediately in accordance with the order confirmation. In the event of repeated quality or delivery problems, an escalation process becomes effective depending on the problem and frequency. Possible triggers for initiating an escalation process are the following:

(1) Repeated complaint despite review 8D
(2) Repeated production disruption at USM and USM customers caused by the supplier
(3) Field failure or recall campaign (0 km) at the USM customer caused by the supplier
(4) Inadequate complaint management by the supplier
(5) Immediate line standstill at the USM customer, caused by the supplier
(6) Measures from supplier audits are not implemented
(7) Inadequate project handling by the supplier
(8) Loss of the supplier's current certification

The escalation process is divided into the following escalation levels:

Escalation level (EL) 0 = normal business relationship
In day-to-day business, deliveries from the supplier are checked in the goods receipt or during further processing. By deviations from the specification, a complaint is submitted to the supplier (purchase complaint). Purchasing or quality control can request an increased inspection severity or a special inspection (100% final inspection) after the complaint has been reported.

Escalation level (EL) 1 = warning
If quality and / or delivery problems become more frequent, purchasing or quality control can place further demands on the supplier's inspection system. This measure also applies to repetitive errors and particularly serious errors. For this purpose, the escalation level 1 classification and the conditions to be met are communicated in the form of an action plan by purchasing to the supplier. After the action plan has been completed and the quality performance has been improved, the downgrade from EL1 to EL0 takes place. Communication occurs formally through purchasing to the supplier.

Escalation level (EL) 2 = Tightened process
In the event of further accumulations of quality and / or delivery problems, the escalation continues through purchasing. For this purpose, the EL2 classification and communication with the supplier take place. In order to further ensure the quality performance, further increased demands are placed on the supplier's testing system. The supplier is requested to set up a Q-Wall (parts filter). Furthermore, the supplier must force the determination of the causes, the definition of measures and the effectiveness test. After the action plan has been completed and the quality performance has been improved, EL2 is downgraded to EL1 or EL0. Communication takes place formally through purchasing to the supplier.

Escalation level (EL) 3 = New Business on Hold

If the defined measures are ineffective and there is no improvement in quality and / or delivery performance or there is a lack of willingness to cooperate, the classification is level 3 - New Business on Hold. The supplier is blocked for new orders. The status is communicated formally by purchasing to the supplier's management. The criteria that still need to be fulfilled to cancel status EL3 are communicated.

Other reasons for the ES3 - New Business on Hold status can be:

- The certification of the quality management system has expired for more than six months or Invalid
- Bad delivery reliability

The status ES3 can be only lifted after the purchasing department of Ute Schlieder Metallwarenfabrik GmbH has checked the effectiveness of the defined measures. If the status New Business on Hold is withdrawn, it is formally passed on to the supplier by the purchasing department. If status EL3 is not cancelled, the permanent blocking of the supplier by new business is initiated. The supplier is not suitable, a customer complaint is made to the responsible certification body.

3.4 Supplier monitoring

In the event of quality defects, system weaknesses or a negative supplier assessment by the supplier, USM has the right to check whether the supplier fulfils the valid QM standard and customer requirements. Depending on the classification or risk profile, this review can be carried out as a conversation or through a “second party” audit. The decision about the implementation of "second party" audits will be communicated to the supplier in good time and the planning agreed. The supplier will allow the USM to get access to the affected areas and access to the relevant documents.

4 Ensuring the product and process quality

The product and process features to be observed are fixed by the technical documents of the customer, e.g. drawings, standards, computer storage media, test plans, parts lists, packaging regulations, material specifications. The supplier receives the valid technical documents in print and data form from the USM. The supplier is obliged to ensure that testing and manufacture are carried out in accordance with the documents that are available to him and which have been agreed upon. The technical documents are part of our purchasing conditions. Changes and deviations are not permitted without our consent. With regard to “third parties”, it must be ensured that access to technical documents is only permitted with the approval of the USM.

4.1 Test- and measuring equipment

The supplier is obliged to equip himself with test devices so that all quality relevant product and process parameters can be checked. If an external company is used for examinations, the company must be accredited or certified accordingly.

4.2 Statistical process control

The supplier undertakes to continuously evaluate his processes and workflows using suitable methods, to analyse errors and to take suitable corrective measures. The aim is to maintain and improve the ability of the processes so that the zero-defect goal can be achieved. For agreed, special product- and process characteristics the process capabilities are to be determined, continuously managed and, upon request, to be proven at the USM within 24 hours. For a short-term capability, a PpK value of at least 1.67 must be achieved. For long-term ability, a CpK value of at least 1.33 with continuous improvement must be achieved. If the process capability cannot be proven in this way, the supplier is obliged to carry out a 100% inspection in order to avoid the delivery of defective components.

4.3 Proof of the special features/ material properties

To prove the special characteristics and the material properties, the supplier must issue acceptance test certificates based on the "Standard 3.1" of DIN EN 10204 and send them to the USM with each delivery.

4.4 Initial sampling/ requalification

The supplier has to carry out the process and product release procedure depending on the customer's specifications, either in accordance with VDA print run 2 or the PPAP level, for free. The delivery of series components is only permitted after approval of the sample by a USM employee. The coordination on this and, if necessary, on further sampling requirements takes place within the framework of project management. For all special features (SC, SPC), the supplier must document detailed analyses of the used measuring systems (MSA) and processes (CpK). If the production drawings do not specify any special characteristics, the supplier must specify special characteristics and coordinate these with the USM.

The supplier is obliged to carry out a regular requalification test as part of a full sampling. The requalification test takes place annually and must be submitted on request within 24 hours.

The quality management tools required by the automotive industry (PLP, FMEA, 8D report, MSA, SPC, VDA 2, PPAP) are assumed when placing orders and manufacturing automotive products and, depending on the submission level, during initial sampling. The use of the required quality management tools can also be checked during a “second party” audit.

The procedure mentioned in 4.4 Initial sampling / requalification also applies to:

- Product changes
- Tool changes
- Tool regeneration
- Process change
- Material change
- Drawing change
- Relocation of production
- Production suspended for more than 1 year

4.5 Incoming goods inspection

In incoming goods department at USM, the incoming goods are checked for quantity and identity as well as transport and packaging damage. The supplier is immediately notified of any defects found. The delivered goods are checked during production and any defects that occur are reported to the supplier in writing immediately after they have been discovered. Therefore, the supplier waives the objection of late notification of defects.

4.6 Complaints

In order to correct logistical, technical or systematic errors as quickly and effectively as possible in the event of a complaint, the 8D method for team-oriented problem solving must be used. After receipt of the complaint, a 3D report must be submitted within 24 hours, a 4D report within 48 hours and an 8D report within 10 working days. If the date is Saturday, Sunday or official holiday, the next working day applies. Should the date for the effectiveness check (8D verification) be delayed, this must be reported in writing to the USM quality assurance / complaint management before the deadline.

4.7 Handling with defective and suspect products

In order to identify sources of error as far as possible in advance, targeted preventive measures must be initiated before the start of production. Errors that occur during production must be identified timely so that suitable immediate measures can be taken to avoid them. If a defect in the product or the service to be performed is found at the supplier during the manufacturing process, the supplier must immediately interrupt and correct the process. In this case, all products that have been manufactured since the last sample test carried out with a positive result must be tested 100%. Defective products must be secured immediately and kept in a safe place (restricted storage) until the cause of the fault has been finally clarified. Corrective measures that have been initiated must be clearly documented in the records. If an inspection reveals that defective products cannot be reworked, they must be scrapped. In the case of rework, all specified series tests must be carried out. If it is determined during the limitation of the quantity of errors that defective products may have already been delivered to the USM, the USM purchasing department must be informed immediately and the further procedure clarified.

4.8 Request for a waiver

In the event of deviations from the customer's requirement for manufactured products or services (drawing, material, material properties, etc.), the supplier must apply for special approval from USM before the products are delivered.

4.9 Request for change authorization

The supplier is obliged to request planned changes on product, process, material and tools from USM and to have them approved.

4.10 Discover errors at the customer

If defective products are only discovered at the USM or USM customers, the supplier is obliged to immediately take appropriate measures to limit the errors. The supplier is liable for damage and expenses caused by the delivery of defective products or services. After prior information from the supplier, the customer is entitled to carry out a replacement, in particular sorting / reworking, at any time.

4.11 Archiving of records

For traceability, the supplier is obliged to maintain quality records accompanying the production in the event of quality defects, e.g. measurement records, material test certificates or other test results must be kept in a safe place for at least 15 years after their creation.

5 Environment, safety, recycling

The customer's goal is to rule out negative effects of own products and purchased products on people and the environment. The supplier undertakes to comply with the applicable statutory and official requirements of the exporting country, the importing country and the country of destination specified by the customer - if they are communicated to the organization - and passes them on independently to sub-suppliers. Certification according to ISO 14001 in the currently valid version is desirable.

6 Packaging and labelling

The supplier is responsible for the protection of the products supplied by him and must use suitable packaging / outer packaging or means of transport. The delivery note and packaging units (outer packaging / individual packaging) must at least be marked with:

1 – Order number
2 – Quantity and unit
3 – Customer part number and name from the customer

Additional information, if applicable:
1 – Batch number
2 – Copy of the waiver issued by USM
3 – Marking pattern / Series first sample

7 Duration, entry into force, termination

The quality assurance agreement comes into force upon signature by both contracting parties and, unless it is replaced by another quality assurance agreement, applies for the duration of the supply relationship. Contract changes or additions must be made in writing. The quality assurance agreement can be terminated in writing by either contracting party with 12 months' notice to the end of the month.

Should individual provisions of this quality assurance agreement be ineffective or unenforceable or become ineffective or unenforceable after the conclusion of the contract, the remaining validity of the contract remains unaffected. In case of doubt, the German version applies.

Ute Schlieder Metallwarenfabrik GmbH:

Place, Date	Name	Company stamp/ signature	Quality assurance
Place, Datum	Name	Company stamp/ signature	purchase

Supplier:

Place, Date	Name	Company stamp/ signature	Quality assurance
Place, Date	Name	Company stamp/ signature	sales