

General Quality Assurance Agreement

between
ESW Group
Eichsfelder Schraubenwerk GmbH
Renglröder Weg 13
37308 Heiligenstadt

– hereinafter referred to as the “**Client**” -

and

– hereinafter referred to as the “**Contractor**” –

Preamble

This General Quality Assurance Agreement (hereinafter referred to as “Quality Assurance Agreement”) defines the contractual framework conditions and processes between the Client and the Contractor, which are essential for achieving the intended quality objective.

It describes the minimum requirements for the management system of the parties with regard to quality assurance.

Moreover, in specific cases reference can be made to particular product-related quality assurance agreements, the requirements of which are to be complied with by the Contractor.

1. General agreements

1.1 Scope, object of the Agreement

This Quality Assurance Agreement regulates the quality requirements for all (including future) services or deliveries, which shall be provided during its course by the Contractor for the Client.

The Contractor undertakes to comply with the provisions of this Quality Assurance Agreement including with respect to companies associated with the Client in accordance with Annex 1. The Client is entitled to adjust this list.

The Contractor may not assign or transfer this Quality Assurance Agreement or individual rights and obligations therefrom without the prior consent of the Client. The Client may assign or transfer this Quality Assurance Agreement or individual rights and obligations therefrom at its own discretion without prior consent to companies associated with it.

This Quality Assurance Agreement is considered a supplement to the Client's conditions of purchase, which are hereby acknowledged by the Contractor, and is a component of the development and/or delivery agreements.

Individual clauses of this Quality Assurance Agreement shall not apply if they are in conflict with overriding agreements, particularly development and/or delivery agreements. In order to take account of particular requirements, specific supplements (individual agreements) to this Quality Assurance Agreement can be agreed as an annex to the development and/or delivery agreements.

1.2 Quality management system of the Contractor

The Contractor commits to permanent use of a certified quality management system acknowledged in the automotive industry (at least DIN EN ISO 9001, preferably IATF 16949) in the respective applicable version. In addition the Contractor undertakes to develop its management system in accordance with the requirements of IATF 16949 with the aim of obtaining certification by an accredited certification company.

Unless otherwise required by the Client, it is mandatory for the procedures and provisions indicated in the aforementioned quality management systems to be used. In the event of inconsistencies between development and/or delivery agreement and the aforementioned policies, the development or delivery agreement shall apply.

1.2.1 Information for contractors, obligation

The Client shall pass on to the Contractor all applicable statutory and official requirements as well as all special product- and process-related features. The Contractor likewise has a duty to pass on this information along the supply chain back to the actual site of manufacturing. In addition, the Client must ensure that all processes, products and services externally provided for it fulfil the respective

applicable statutory and official requirements of the exporting country, the importing country and the destination country indicated by the Client – if these are communicated to the Contractor.

If services, which fall under CQI requirements (AIAG), are performed by contractors, a self-assessment is to be provided to the Client on an annual basis in accordance with the respective standard.

1.3 Quality management system of subcontractors

The Contractor undertakes demonstrably to impose the requirement for a certified quality management system in accordance with DIN EN ISO 9001, preferably IATF, on its suppliers. If there is no IATF certificate, the Contractor undertakes to develop its suppliers accordingly. On request, the Contractor must prove compliance with the quality management system by its suppliers by means of relevant documentation.

1.4 Audit

The Contractor permits the Client and/or its Clients at any time to establish by means of audits whether its quality assurance measures satisfy the requirements of the Client. An audit can be implemented as a process or product audit.

Notification of this shall take place in good time by the Client. The Contractor shall grant to the Client and, if necessary to its Clients, access to all permanent establishments, testing laboratories, warehouses and adjoining areas as well as access to all documents pertaining to quality, which are associated with the commissioned service or delivery.

At the request of the Client, the Contractor shall give the Client and/or its Clients the opportunity to audit its subcontractors.

In doing so, suitable restrictions from the Contractor or the subcontractors for protection of their trade secrets shall be accepted. However, in principle, the Contractor is responsible for auditing subcontractors.

The Client shall inform the Contractor about the results of the audit. If, in the view of the Client, corrective measures are required on the basis of an audit that has been carried out, the Contractor undertakes to prepare a plan of action immediately, to implement this promptly, to make sure of the effectiveness of the measures and to inform the Client about it. The Client can request involvement in the preparation and implementation of the plan of action.

1.5 Information and documentation

If it is apparent that agreements made e.g. quality features, deadlines, delivery quantities, cannot be complied with, the Contractor shall inform the Client immediately.

The Contractor shall also immediately inform the Client of any deviations detected after dispatch. In the interests of finding a quick solution, the Contractor shall disclose all the data and facts required. In doing so, the Contractor shall comply with all the provisions of the publication series of the VDA and AIAG.

The Contractor undertakes that prior to:

- changing manufacturing processes/materials (including for subcontractors)
- changing subcontractors
- changing testing procedures/facilities
- resuming delivery (after a disruption of 12 months)

- relocating production sites
- relocating production facilities at the site

it shall obtain the approval of the Client and to carry out the respective relevant initial sample tests. The necessity for further quality certifications is to be coordinated by the Contractor with the relevant quality department of the Client.

The Contractor shall document all changes to the product and in the process chain in a product history and shall pass this on to the Client.

For A parts (CC features with specific storage period), the duty to store documents shall amount to 20 years after discontinuation of production. A retention period of at least 5 years after discontinuation of production shall apply for all other documents relating to quality, if longer periods are not agreed.

2. Agreements on the product history

2.1 Design and process development

If the order to the Contractor includes development tasks, the development requirements shall be stipulated in writing by the Client, e.g. in the form of a specifications book.

Upon order acceptance, the Contractor undertakes to engage in project management from the planning phase of products, processes and other cross-departmental tasks that corresponds in particular to the policies accepted in the automotive industry (e.g. VDA volume 4.1 - 4.3, APQP, PPAP) and shall provide the Client with all required documents on request.

The Contractor shall always check the feasibility of all technical documents, such as specifications, drawings, parts lists and CAD data upon receipt and in doing so, shall immediately inform the Contractor of any errors and risks identified as well as possible improvements.

At the start of development, the Contractor shall use suitable quality planning preventive methods in order to guarantee the zero-error objective. Preventive methods include for example a feasibility study, design and process FMEA (also analogous to the system, product or process FMEA), verification and validation of the design and process development etc.

The Contractor shall agree manufacturing and testing conditions with the Client for prototypes and pre-series parts. The results shall be documented and attached to the deliveries. The objective is to manufacture pre-series parts under conditions that are close to series production.

The Contractor shall take into account all parameters and features during the process planning (work plans, test plans, equipment, tools, machines, capability analyses etc.). As proof that the Contractor is in the position to complete the requirements for the product in the required quantity and quality, it shall carry out a performance test in coordination with the Client (capacity analysis, proof of process capability) under series conditions and shall assess the data accumulated in the process statistically. Before the start of series production, initial samples manufactured under series conditions must be presented to the agreed extent and approved by the Client. Initial sampling shall take place in accordance with VDA volume 2 (presentation stage 2) if separate provisions on the product and process approval procedure (e.g. PPAP) of the Client are not defined.

To fulfil the requirements of the End-of-Life Vehicle Directive, the material data for prototypes, pre-series and series parts are to be stored in the IMDS. Exceptions can be coordinated with quality assurance on site.

2.2. Series production, labelling of products, traceability

Series production shall take place under the same procedures and production conditions as for the product manufactured for approval. The product quality and its continual improvement shall be monitored by regular internal audits by the Contractor and verified by a suitable quality management system of the Contractor. The Contractor must carry out a requalification of its products within 12 months after initial sample approval has been given.

In exceptional cases, if the Contractor cannot manufacture any of the products according to the specifications, it must obtain a waiver from the relevant accepting factory of the Client before delivery. The respective quality departments of the Contractor's factories are responsible for this.

The Contractor undertakes to label products, parts and packaging in accordance with the agreements made with the Client. It must ensure that the labelling of the packed products is also visible during transportation and storage.

In addition, the Contractor is obliged to ensure the traceability of the products delivered by it. In the event that an error is identified, containment of the defective parts, products, batches etc. must be guaranteed. In addition, identification of the respective drawing status underlying the production must be ensured. This data or data alterations shall be passed on immediately to the Client so that the Client may determine the situation at any time.

The Client is entitled to request confirmation of evidence of compliance with important specifications by the Contractor at any time by means of a test certificate. These must correspond to the requirements of DIN EN 10204.

At the request of the Client, the Contractor must attach the test certificates to the deliveries or store them and make them available on request. Allocation to delivery lot/batch must always be possible.

In the event of disruptions to processes and deviations in quality, the Contractor shall analyse the causes, initiate improvement measures independently, verify their effectiveness and inform the Client immediately about any possible risks.

The production and test equipment provided by the Client to the Contractor shall be treated by the latter with the necessary care and shall be kept in an operational condition (including care and maintenance). Unless otherwise agreed, the Contractor shall label this production and test equipment as the property of the Client. In all other respects, the complementary provisions for special operating equipment of the Client shall apply in the respective applicable version.

2.3 Spare parts supply

The Contractor undertakes to ensure the spare parts supply (aftersales) as to the volumes provided by it overall for the series for at least 15 years after the end of series production (end of production) in the quantity requested by the Client on at least the same conditions and in at least the same quality as at the time before the end of series production. The parties shall communicate mutually about any reimbursement of the additional costs arising from spare parts supply, e.g. for packaging, transport etc. The Contractor is obliged to keep the tools, machines, devices etc. (hereinafter referred to as the "Equipment") necessary for fulfilling the spare parts supply obligation for at least fifteen (15) years after the end of series production - regardless of ownership structures - free of charge and in an operational condition. Any surrender claims on the part of the Client shall not be affected by the above regulation. In each case the scrapping or sale of the Equipment requires prior written consent by the Client.

2.4 Delivery, incoming goods inspection

The Contractor shall deliver the contractual products in suitable packaging approved by the Client.

The Client shall only carry out incoming goods inspections with regard to externally visible damage and differences in identity and quantity that are visible from outside. The Client shall report such defects immediately. The Client reserves the right to perform further incoming goods inspections.

The Client shall subsequently give notice of defects as soon as they are noticed in the normal course of business. In this respect, the Contractor waives the right to object due to delayed notice of defects.

2.5 Complaints, measures, ability parameters

The Contractor shall take back parts that have been rejected to the agreed extent. It undertakes to analyse each deviation and to report to the Client quickly, but within one

week at least, the cause of the deviation, troubleshooting and preventive measures initiated in an 8D report as well as to check their effectiveness immediately.

The Contractor shall inform the Client at regular intervals (weekly) with an updated 8D report on the processing status of the complaint. Reworking by the Contractor is to be coordinated beforehand in writing with the Client's GBQ or QWF contact.

Should the parts delivered by the Contractor

- not correspond to the specifications
- or not be able to be installed due to the Contractor's obligation to take responsibility or
- not be suitable for later use

and as a result production halts threaten the Client or its Clients, the Contractor must immediately ensure remedy in coordination with the Client through suitable emergency measures to be carried out by it (replacement deliveries, sorting, reworking, extra shifts, express shipping etc.). Any costs involved shall be borne by the Contractor.

Regardless of this the provision in paragraph 5 shall apply.

The Contractor shall carry out and document a (preliminary) detailed process capability analysis for safety and/or function-relevant features at the time of initial sampling. In

the event that a Cmk value of at least 1.67 is not achieved the products shall be 100% checked by it until such time as the process capability can be proved by improving the process chain.

Within series production process capabilities of Cpk > 1.33 are to be proved in the long run for safety (CC) and/or function-relevant (SC) features. The value can vary due to Client requirements. In this case, the Client shall communicate this to the Contractor in the request process.

If the capabilities are not complied with, a 100% test is to be carried out.

The Client is responsible for determining and specifying the product-related safety and/or function-relevant features unless the Contractor is the development supplier.

The Contractor must determine the process-related safety and/or function features.

The Contractor is responsible in each case for the improvement of manufacturing facilities or the selection of suitable test methods.

3. Quality objectives

The Contractor is bound to the zero-error objective with respect to the Client. If the zero-error objective is not achievable in the short term, the Contractor can establish together with the Client temporal upper limits for error rates as interim goals (e.g. ppm agreements). If the Contractor realises that the goals established will not be achieved, it is obliged to submit specific plans of action to the Client and implement these.

If the error rates are below the agreed upper limits, this does not release the Contractor from its obligation to process all complaints and pursue with continual improvement.

The agreement of quality objectives and measures as well as control limits does not release the Contractor from liability for material defects and claims for damages of the Client due to defects in deliveries and/or services.

4. Environment, energy, legality

The goal of the Client is to minimise negative effects from its products on humans and the environment taking into consideration the technical and economic aspects in accordance with ecological factors. To achieve this goal, the Contractor must comply with the respective applicable legislation and provisions and align its management system in accordance with DIN EN ISO 14001 and DIN EN ISO 50001. The Contractor undertakes to obtain all official permits required for the production of its parts and to fulfil the requirements resulting therefrom.

4.1 Materials and substances

The use of specific materials and substances shall be regulated by law (e.g. heavy metal ban, End-of-Life Vehicle Directive). The Client shall compel its suppliers to comply with these statutory provisions. The materials used must be documented by means of material data sheets in the IMDS by the date of initial sampling at the latest. In addition, the Contractor must ensure industrial safety in accordance with the respective legislation and provisions to be observed (particularly the Industrial Safety Regulation).

4.2 Conflict resources

As an international partner in the automotive industry, the Client is aware that there are ethical and legal obligations with regard to the sources of raw materials (resources), particularly with regard to conflict resources. "Conflict resources are natural resources, whose systematic exploitation and trade in a context of conflict can lead to serious violations of human rights, violations of international humanitarian law or violations amounting to crimes under international law" (definition: BICC – Bonn International Center for Conversion). The Contractor therefore undertakes to ensure that its products are conflict-free and to guarantee reporting on conflict minerals within the meaning of the "Dodd-Frank Act, Section 1502". This means for example that the smelting of raw materials for conflict minerals must be completely traceable. The Client undertakes to provide detailed information about sources of relevant conflict resources at the request of the Contractor and also to communicate in electronic form (e.g. by means of the CFSI template). This information obligation also includes the subcontractors of the Client.

4.3 Recycling

If products or processes are developed by the Contractor for the Client, it must demonstrate, assess and comply with environmentally sound and economic procedures

for material recycling in accordance with the latest state of the art in science and technology respectively in compliance with the respective country-specific provisions of those countries in which the vehicles containing the products of the Contractor are to be delivered. Plastics are to be labelled in accordance with VDA260. The use of non-recyclable materials is to be reduced or refrained from if possible.

5. Liability for defects, liability, insurance

The Contractor is liable for all damages which arise to the Client due to defective performance, particularly the delivery of defective contractual objects. All indirect and direct damages, including lost profit, shall be recorded.

The Client can request to be compensated by the Contractor due to defective delivery and/or service particularly:

- (a) the costs arising through sorting out the defective contractual objects (sorting costs)
- (b) the costs of replacement purchase
- (c) the costs for processed and completed products which are affected by a defective delivery and/or service (scrap costs)
- (d) the costs of dismantling and reassembly
- (e) the costs of sending back and other, defect-related shipping costs incurred
- (f) all other costs which arise in the event of claims settlement, including the additional administrative expense.

Recoverable damages also include the costs or damages which the Client must reimburse or replace to its Clients due to defective delivery and/or service of the Contractor.

Claims from liability for defects shall expire 24 months after the initial approval of the vehicle, installation of the spare part or, in the case of delivery of machines, devices or tools as well as other services of the Contractor, after formal final acceptance, but at the latest 36 months after delivery to the Client or to the location specified in the delivery agreement.

If claim is made upon the Client by third parties under non-negotiable law due to liability without fault, the Contractor shall intervene for the Client as though it were also directly liable to third parties.

The Contractor is obliged to take out insurance with suitable scope of coverage. This is to be maintained for the duration of this Quality Assurance Agreement. The Client is entitled to examine this policy at any time. The Contractor must inform the Client immediately of changes to the policy.

In all other respects, the regulations on liability for defects and liability contained in the Client's conditions of purchase shall apply in the latest version at the time that the respective agreement for the development and/or deliveries of a product is concluded, unless otherwise agreed in the development and/or delivery agreements.

6. Confidentiality

Unless otherwise regulated in the delivery agreements, both parties undertake to keep all information received from the respective other party, including the contents of this Agreement, confidential and to use it exclusively in the interests of the contractual conditions existing between the parties.

This does not apply for information which demonstrably

- is passed on to companies associated with the Client or its Clients (including the Client itself),
- was already publicly known at the time of disclosure by the one party or subsequently becomes publicly known through no fault of the other party,
- is already known to the receiving party or the Client's associated companies before disclosure or is subsequently disclosed to it or them by a third party without them having been obliged to confidentiality by the third party, has been developed or will be developed by the receiving party or the Client's associated companies independently from the disclosure
- must be published within the scope of an official or judicial directive or due to a legal standard.

Associated companies within the meaning of this standard shall refer here to legally independent companies that in relation to one another are majority-owned companies and majority-interest companies, controlled and controlling companies, group companies, interlocking enterprises or contracting parties of an affiliation agreement.

7. Quality assurance officer

The Contractor shall designate to the Client in writing its quality assurance officer or the person who is responsible for coordinating the implementation of this Quality Assurance Agreement and for make or bring about any related decisions. Any change in the QA officer must be reported immediately in writing.

8. Term of the Agreement

This Quality Assurance Agreement shall apply indefinitely. The Agreement can be terminated by either party in writing subject to a notice period of three months to the end of the calendar month. Termination of this Quality Assurance Agreement shall not affect the validity of on-going individual agreements or delivery agreements up until they have been fully executed.

9. Final provisions

Any amendments and supplements to this Quality Assurance Agreement shall only be effective if made in writing. This also applies to this written form requirement. Should individual provisions of this Quality Assurance Agreement be or become ineffective, this shall not affect the remaining provisions. The ineffective provision shall

be replaced by a provision that comes as close as possible to the economic purpose originally intended. This also applies if a loophole appears when executing this Quality Assurance Agreement.

The law at the registered office of the Client shall apply for this Quality Assurance Agreement and the legal relationships arising from this contractual relationship unless otherwise agreed between the Parties. The place of jurisdiction for all disputes arising directly or indirectly from this Quality Assurance Agreement is the registered office of the Client, unless otherwise agreed between the parties.

Client:

Heiligenstadt

Place, date

Head of Purchasing

Head of Quality Management

Contractor:

Place, date

Purchasing

Head of Quality Management

Client's associated companies:

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