QUALITY ASSURANCE AGREEMENT (QAA)

Between LEONI Bordnetz-Systeme GmbH
(also valid for LEONI’s associated companies and sites receiving products or services from the Supplier)
– hereinafter referred to as LEONI –

and …
(also valid for Supplier’s associated companies and sites providing products or services to LEONI)
– hereinafter referred to as the Supplier –

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1 Object of the Agreement

This agreement is part of the Master Supply Agreement concluded between the Parties on ________________ respectively shall become part of a Master Supply Agreement still to be concluded between the Parties. This agreement shall also apply if (a) a Master Supply Agreement is/was not concluded between the Parties or (b) a Master Supply Agreement between the Parties is/was cancelled.

If this agreement is part of a Master Supply Agreement, the application of this agreement for deliveries and services by the Supplier and its associated companies to LEONI and its associated companies shall be the same as the application of the Master Supply Agreement.

Otherwise, this agreement shall apply for all deliveries and services by the Supplier and companies associated with the Supplier to LEONI and companies associated with LEONI. Associated companies of the Supplier are companies associated with the Supplier as defined in §§ 15 and following of the German Stock Company Act [AktG]. LEONI can at any time request from the Supplier a list of companies associated with the Supplier. Associated companies of LEONI are (a) companies associated with LEONI as defined in §§ 15 and following of the German Stock Company Act [AktG] and (b) such companies of which LEONI has not less than 25% of shares, but in both cases only insofar as they are assigned to the corporate department Wiring Systems Division of LEONI. The Supplier can at any time request from LEONI a list of companies associated with LEONI.

The Supplier completely guarantees and is responsible for that the associated companies of the Supplier, for which this agreement shall be valid, accept the terms and conditions of this agreement as legally binding and obligatory. The risk of non-acceptance bears the Supplier.

This agreement details the binding agreements between the Supplier and LEONI regarding the Supplier’s and its sub-suppliers’ quality assurance and quality management. Individual quality assurance measures may also be agreed upon between LEONI and the Supplier or between individual divisions or plants of LEONI and the Supplier (excluding PPM agreements) in addition to this agreement. In individual cases, PPM agreements may be agreed to with the Supplier, but only by LEONI’s Purchasing department, and will then form an integral part of this agreement.

2 Quality Management System of the Supplier and its Sub-suppliers

LEONI is under an obligation to guarantee at all times the quality of the products it supplies to its customers. LEONI is only able to do this by working with reliable suppliers.

The Supplier is required to operate a certified quality management system conforming to the respective current version of ISO/TS 16949 or at least one system that meets all the substantive requirements of the respective current version of norm DIN EN ISO 9001 and to further develop its existing quality management system. The Supplier is required to ensure that its sub-suppliers are also bound by and adhere to these standards. The Supplier accordingly shall undertake to pursue a zero-defect policy and to continuously improve its own performance and that of its sub-suppliers.
The Supplier shall provide LEONI with evidence of its QM system within two (2) weeks of signing this agreement. As proof of an existing quality management system, the Supplier shall furnish LEONI with a copy of its valid certificate without further request.

Should the Supplier fail to submit a valid certificate or customer approval despite being request-ed to do so, LEONI will be entitled to bar the Supplier from all LEONI sites. In such an event, LE-ONI will pass on the resulting costs to the Supplier.

LEONI shall be entitled at any time to ask the Supplier for proof that it has satisfied itself of the effectiveness of its sub-suppliers’ quality management systems.

Furthermore, the Supplier shall be required to adhere to the quality requirements (hereinafter referred to as “customer-specific requirements”) imposed on LEONI by its customers, which form an integral part of this agreement. The Supplier can view these customer-specific requirements on the LEONI website (see section 14) or request them from either LEONI or the customer concerned.

### 3 Complaints, Measures

Should the Supplier suffer process malfunctions or quality deviations, the Supplier shall analyse the causes, introduce remedial measures and monitor the effectiveness of such measures.

Should LEONI discover any defects, they will be brought to the attention of the Supplier in accordance with normal business practice. The Supplier shall immediately conduct a defect analysis, whereby LEONI will provide what assistance it can.

In the case of dispute, a joint evaluation is to be conducted by LEONI and the Supplier or by a neutral third party.

LEONI shall ensure that the products giving rise to the complaint are returned to the Supplier in the agreed scope. The Supplier shall undertake to analyse any non-conformity and notify LEONI without delay of the cause, remedial and preventative measures initiated as well as the effectiveness of such measures.

Should the supply of products that fail to meet specifications threaten production stoppages at LEONI or its customers, the Supplier shall, at its own cost and in agreement with LEONI, take immediate remedial action (alternative supply, sorting process, reworking, special shifts, express deliveries etc.).

The Supplier shall undertake to immediately notify LEONI if it discovers any quality deviations or supply problems.

The Supplier shall bear the cost of process audits and problem analyses should these become necessary as a result of reductions in quality. Furthermore, the Supplier shall bear the cost of follow-up audits and the verification of measures deriving from regular audits where these are shown to be necessary by an audit result that indicates the possibility of potential reductions in quality on the part of the Supplier.
Except where otherwise expressly agreed by the parties, LEONI shall be entitled to demand compensation from the Supplier for all costs arising from defective products supplied by the Supplier (including claims for damages from LEONI customers) in accordance with the law.

4 Audit

4.1 The Carrying out of Audits

The Supplier shall allow LEONI to conduct audits in order to ascertain whether its quality management meets LEONI’s requirements. Following prior notification and an appropriate period of time, LEONI shall be entitled to conduct an audit in the form of a system, process or product audit. As a matter of principle, audits shall be conducted during the Supplier’s normal business hours.

The Supplier shall grant LEONI and – where necessary – its customers access to all its business premises, auditors, warehouses and adjoining areas as well as documents relating to quality issues. Necessary and appropriate restrictions for the safeguarding of industrial secrecy will be accepted.

In the event of quality problems, the Supplier shall ensure that LEONI is able to conduct audits at the premises of its sub-suppliers.

LEONI will notify the Supplier of the result of any such audits. Should any subsequent measures be necessary in LEONI’s view, the Supplier shall undertake to immediately draw up an action plan, implement this plan without delay, monitor it with regard to its effectiveness, and notify LEONI of the results.

4.2 Necessity of Audits

LEONI recognises that as a competent supplier, the Supplier operates an effective quality management system based on the latest technology and is therefore in a position to conduct problem analyses, take the necessary quality assurance measures and conduct audits independently. Audits and process analyses of/in the Supplier’s production sites by LEONI can therefore be restricted to the following cases:

1. Occurrence of a serious production defect caused by the Supplier.

2. The Supplier is unable to demonstrate within an agreed timeframe (to be determined on a case-by-case basis) that the cause of the defect has been found and effective measures taken to remedy the defect.

3. Failure to implement a jointly agreed improvement programme.

4. In the event of LEONI’s customer requesting it

5. Ascertain the quality capability of processes
4.3 Additional Requirements relating to Catalogue Parts

If the parts in question are not customer-specific products but catalogue parts, the Supplier must also furnish LEONI, upon request, with its internal audit report. The stipulations given under 4.1 and 4.2 also apply to catalogue parts.

5 Quality Management

5.1 Quality Discussions

Quality discussions focusing on issues such as preventative quality assurance, evaluation of each party’s quality data, discussion of defects, discussion of relevant issues etc. will take place at LEONI’s request at LEONI premises.

5.2 Quality Problems

In the event of product non-conformity, it must be possible to trace back production so that the affected batches of products can be isolated. The customer will provide the Supplier with the necessary data for tracing back.

In so far as the problems relate to product quality, it is the Supplier’s duty to develop solutions once a complaint has been made. The Supplier shall ensure that it has rapid access at all times to the necessary resources for the investigation and analysis of defects.

The procedure for the management of complaints is to be standardised as follows (the Supplier will be notified by LEONI of the detailed particulars required for this in the relevant test report):

- An initial response must be sent to LEONI at the latest on the next working day (for the Supplier) following receipt of the information/test report (where this is necessary for an initial response). Content of the initial response: 8D report including an “Immediate Measures” section.

- At the latest 10 working days after the issuing of the complaint by LEONI, LEONI is to be furnished with a comprehensive 8D report. Should it not be possible for the Supplier to submit a comprehensive 8D report within this timeframe, the Supplier must notify LEONI of this fact, accompanying its notification with a well-founded interim report. This interim report must name a date previously agreed upon with Leoni by which the comprehensive 8D report (or next interim report) will be submitted.

- These deadlines may be reduced by a reasonable period of time at the request of LEONI or the customer in question.

The deadline of 10 days (for submission of the comprehensive 8D report) may only be extended on the basis of well-founded interim reports being submitted. However, this will be at the discretion of LEONI or a particular client of LEONI.

Final defect analysis reports must be to the point, conclusive and comprehensive. The Supplier is required to provide proof of effectiveness of all the necessary measures. The reporting format to be used is that of the 8D report.
If the Supplier is unable to restore the agreed level of quality within the mutually agreed timeframe, LEONI will be entitled to demand that the Supplier seek help from an external service provider at the Supplier’s expense.

6 Information, Documentation and Archiving

The Supplier shall supply LEONI and the LEONI sites to be supplied with the contact details of the responsible persons in the Production, Logistics and Quality Control departments. The Supplier shall inform LEONI of any changes to these details without further request.

Should it become apparent that agreements governing, for example, quality aspects, deadlines or supply quantities, etc. cannot be met, the Supplier shall inform LEONI immediately. The Supplier shall also advise LEONI immediately of any deviations in quality or quantity that come to light after delivery. In the interests of a rapid resolution, the Supplier shall disclose all the necessary facts and data.

Prior to

- changing its production processes, methods or materials (also covers sub-suppliers),
- changing sub-suppliers,
- changing its inspection procedures/facilities,
- shifting production sites,
- moving of production facilities at its site or
- changing tools,

the Supplier shall obtain LEONI’s approval and furnish it with the appropriate agreed evidence of quality conformity (see LEONI AA 3151 “Sampling and Re-qualification of Purchased Parts”, c.f. section 14).

The first three deliveries to each delivery address following commencement of full production, changes of the type listed above and complaints are to be clearly indicated as such on the accompanying delivery documents/goods labels. In the case of a complaint, LEONI retains the right to request an additional 100% inspection of the affected products at the Supplier’s premises.

All changes to the product or process chain are to be documented by the Supplier during the product life cycle and submitted to LEONI upon request. The Supplier shall ensure the transformation of all documents and data into instructions and implement these effectively. This includes, to the necessary extent, documents originating externally, such as norms, customer-specific requests and customer drawings. The duty of retention relating to documents and records extends for at least fifteen (15) years after discontinuation of production. Records of incoming goods inspections (with respect to purchased parts and other input products from sub-suppliers), reliability and endurance tests, pre-delivery inspections and, if need be, defect analyses, are to be retained by the Supplier for at least two (2) years. The Supplier shall allow LEONI
to view these records upon request. LEONI may demand a longer retention period in individual cases.

7 Development; Planning; Process FMEA and QM Plans; Sampling and Product Approval (Initial Sample Inspection); Re-qualification Testing; IMDS

7.1 Development

If the order to the Supplier involves development work, the requirements will be specified in writing by the contracting parties, e.g., in the form of a technical specification document. The Supplier shall undertake to conduct development work relating to products, processes and other cross-functional tasks (even during the planning phase) using proper quality management/project management systems and to provide LEONI with access to the relevant documentation upon request.

Within the context of its contract review and immediately upon receipt, the Supplier shall check all the relevant documents, including technical documents such as specifications, drawings, parts lists and CAD data, for feasibility. Any flaws and risks shall be reported without delay to LEONI along with details of any potential improvements.

During the development phase, the Supplier shall use the appropriate preventative quality planning methods such as feasibility analyses, reliability analyses, FMEAs, QM plans etc. In so doing, the Supplier shall draw on experience (process sequences, process data, feasibility studies etc.) gained from similar projects. LEONI is to be provided with evidence of the above at any time upon request.

Special features with special archiving requirements in accordance with VDA Volume 1 (Documentation and Archiving - Code of practice for the documentation and archiving of quality requirements and quality records) are to be agreed upon jointly by LEONI and the Supplier.

For prototypes and pre-production parts, the Supplier shall agree with LEONI and document the production and test conditions. The aim here is to produce prototypes and pre-series parts under conditions approaching those of full production.

7.2 Planning

The Supplier shall carry out process planning (work sites, testing plans, resources, tools, machines, etc.) for each individual feature. For function- and process-critical features, the Supplier shall test the suitability of the production facilities on the basis of statistical criteria and document the results. Product quality is to be monitored by means of regular audits.

7.3 Process FMEA and QM Plans

The Supplier shall undertake to conduct a process FMEA prior to full production and derive QM plans from it. The process FMEA and QM plans are to remain in operation and where necessary be updated during the entire product life cycle. LEONI is to be given access to the process FMEA and QM plans at any time.
7.4 Sampling and Product Approval (Initial Sample Inspection)

Prior to the commencement of full production, the Supplier shall submit, at the agreed time and in the agreed number, initial samples of the product manufactured under normal production conditions (see LEONI AA3151 “Sampling and Re-qualification of Purchased Parts”, c.f. section 14).

Except where otherwise agreed, sampling is to be carried out in accordance with VDA Volume 2 (see LEONI AA3151 “Sampling and Re-qualification of Purchased Parts”, c.f. section 14).

The sampling results are to be comprehensibly documented in the corresponding Initial Sample Inspection Report in accordance with VDA Volume 2 / PPAP and in any forms, e.g., those specifically adapted for LEONI, agreed by the contracting parties.

Should it come to the Supplier’s attention that the agreements that have made cannot be met, the Supplier is to immediately inform the responsible QM at LEONI. In the case of deviations from specification, LEONI will decide what action is to be taken.

If the initial samples are unacceptable through the fault of the Supplier, the Supplier shall be required to bear the relevant costs. This also applies where the Supplier has accepted a guarantee in accordance with § 443 BGB (German Civil Code) and LEONI is not at fault, should the initial sample be unacceptable.

7.5 IMDS and the Statutory Provisions

Furthermore, the Supplier shall undertake to observe the International Material Data System (IMDS) in accordance with the current IMDS Recommendations, to provide evidence of the conformity of its products with 1907/2006/EC - REACH REGULATION and to carry out export checks under EU regulations 881/2002 and 951/2002.

7.6 Re-qualification Testing

All products are to be tested regarding to comprehensive materials, dimensional and performance annually. This can be carried out on a component family basis in accordance with the applicable LEONI guidelines relating to materials and performance. The Supplier must provide LEONI the results for evaluation/review purposes for free and at any time.

8 Full Production; Special Approval and Quality Improvements; LEONI’s Logistics Guidelines; Means of Transport and Labelling; Traceability; LEONI’s Property

8.1 Full Production

Full production may only be commenced upon approval by LEONI. The approval of initial samples by LEONI shall not release the Supplier from its responsibility for product quality during full production.

Throughout the entire duration of production, the Supplier shall, by means of suitable procedures (e.g., statistical process control, manual control chart technology, 100% testing), provide evidence of process capability with respect to the agreed features.
If the required process capability is not achieved, the production process is to be appropriately optimised and the quality of the product safeguarded by means of suitable testing methods.

8.2 Special Approval and Quality Improvements

Should the Supplier, in exceptional cases, be unable to supply products that conform to specifications, it must obtain special approval from LEONI prior to delivery.

The Supplier shall pay due regard to advice and suggestions from LEONI on improving the quality of the products through changes in production within the scope of its resources and at its own risk.

8.3 LEONI’s Logistics Terms, Means of Transport and Labelling

The Supplier shall undertake to deliver the products in accordance with the LEONI Logistics Terms (c.f. section 14). The latest version of the LEONI Logistics Terms forms an integral part of this agreement.

Furthermore, the Supplier shall also undertake to deliver the products exclusively by appropriate means of transport approved by LEONI in order to prevent damage and reductions in quality (e.g., soiling, corrosion, chemical reactions).

The Supplier shall ensure that the labelling of the packaged products is legible during shipping and storage.

8.4 Labelling Requirement and Traceability

The Supplier shall ensure by means of the labelling of products, or if not possible, by some other means, that once a product defect has been discovered, the products affected by such a defect, or which might be affected by such a defect, are identified. By means of its labelling system, the Supplier is to keep LEONI informed so that it can make its own assessment at any time.

The Supplier shall ensure the traceability of the products it supplies along with a risk assessment. If a defect is discovered, it must be possible to trace products back and isolate the smallest possible quantity of defective products (batches etc.).

8.5 LEONI’s Property

Where LEONI provides the Supplier with production and testing equipment, in particular equipment and facilities relating to product procurement, these are to be marked as LEONI’s property. The Supplier shall be responsible for their good condition and proper functioning and shall ensure their repair and maintenance.

9 Inspections

9.1 Goods Inwards Inspection by LEONI

The contracting parties agree that LEONI will not carry out technical inspections of incoming goods.
LEONI shall undertake simply to check products, immediately after receipt by the LEONI production site responsible for the delivery call-off, in order to ensure they correspond to the quantity and type ordered and to ascertain whether there is any sign of external transport damage or externally visible defects.

Should LEONI discover any damage or defects during the course of the inspections described above, it will notify the Supplier immediately. Should LEONI discover any damage or defects at a later stage, it will likewise notify the Supplier immediately. Notifications shall be deemed to have been made in time providing they are received by the Supplier within ten (10) days of discovery of the damage or defect.

LEONI shall be required to perform no more extensive inspections or reporting than those described above. However, LEONI reserves the right to perform more extensive goods inward inspections of contractual products.

9.2 Inspections by the Supplier

The Supplier consequently shall undertake to perform appropriate goods inward, interim and pre-delivery inspections in order to ensure that no defective products are delivered to LEONI.

10 Provision of Spare Parts

The Supplier shall undertake to ensure the provision of spare parts for a period of at least 15 years after the discontinuation of production.

11 Insurance

With respect to the product liability risks arising out of this agreement, the Supplier agrees to take out an appropriate liability insurance policy that also covers vehicle recall costs as well as product liability costs (including vehicle recall costs) in the US and Canada and to maintain it throughout the duration of this agreement. The Supplier shall ensure that any cover exclusions are removed in the light of the duty to perform pre-delivery inspections imposed on the Supplier under section 9.2 of this agreement. The Supplier shall satisfy LEONI upon request at any time that it possesses adequate insurance cover.

12 Emergency Plans and Strategies

The Supplier shall undertake to supply LEONI with the appropriate Products and conduct a risk assessment immediately after being advised by LEONI of a production bottleneck.

The Supplier shall also undertake to draw up, and if need be implement, emergency strategies and plans in order to ensure the supply of agreed goods of the right quality. LEONI is to be shown these at any time.
13 Environmental Protection

The Supplier shall undertake to comply with all statutory regulations regarding environmental protection and health and safety issues and – by means of an appropriate environmental protection organisation and company environmental protection policy – ensure that the impact on human beings and the environment is as small as possible. The Supplier shall be guided by and implement the respective current version of norm DIN EN ISO 14001 within the scope of its resources.

14 Provision and Consideration of Documents

LEONI shall undertake to provide the Supplier with comprehensive documentation including working instructions from LEONI (LEONI AA xxxx), as far as they are mentioned in this agreement, the LEONI Logistics Terms and customer-specific requests. These documents form an integral part of this agreement.

The supplier may view the comprehensive documentation at the website of LEONI (see www.leoni.com -> B2B -> Purchasing Wiring Systems -> Downloads for Suppliers).

The Supplier shall ensure that it is in possession of, and applies, the latest versions of the relevant documents. Possible updates, changes or amendments to these documents have to be taken into account by the Supplier without the need for LEONI to make the Supplier aware of this in a given case.

15 Confidentiality

Each contracting partner shall use the documents and knowledge received in connection with this agreement for the exclusive purposes of this agreement, and apply the same level of care and confidentiality with respect to third parties that it would apply to its own documents and knowledge. Companies associated with LEONI pursuant to §§ 15 ff. AktG (German Stock Corporation Act) are not deemed as third parties in this sense.

This duty of confidentiality does not apply to documents and knowledge that are widely known or which have been known by the receiving contracting party without being under an obligation of confidentiality or which have been transmitted afterwards by a third party being entitled to pass on that information or which are developed by the receiving contracting party without using documents or knowledge of the other contracting party to be kept confidential.

The duty of confidentiality begins with initial receipt of the documents or knowledge and ends at the earliest three (3) years after this agreement has ended.

16 Duration of the Agreement

This agreement comes into force upon being signed and is valid for an indefinite period. This agreement can be terminated by either contracting party with notice of six (6) months to the end of a calendar month. This shall not effect the termination of the agreement for good cause. Terminations must be submitted in writing.
17 Final Provisions

Amendments or additions to this agreement must be made in writing. This also applies to any waiving of the written form requirement as well as to any cancellation of the agreement itself.

This agreement is subject exclusively to the laws of the Federal Republic of Germany. The application of the United Nations Convention of 11 April 1980 on Contracts for the International Sale of Goods (CISG) is excluded. In addition, German law shall also apply for current and future debt obligations covered by Regulation (EC) No. 864/2007 (Rome II) on the law applicable to non-contractual debt obligations.

All disputes arising out of or in connection with this agreement shall be finally settled instead of at the ordinary court at an arbitration court in accordance with the Rules of Arbitration and Conciliation of the International Chamber of Commerce. The number of arbitrators shall be three. Each Party is entitled to appoint an arbitrator. The third arbitrator, who functions as Chairman of the arbitration court and who must be a fully qualified lawyer, is chosen by the two other arbitrators. The place of arbitration is Nuremberg. The language of the arbitration court is German. German law is the applicable substantive law. The decision of the arbitration court is final and binding for the Parties.

If at any time any provision of this agreement is or becomes void or invalid in whole or in part in any respect, this shall not affect or impair the validity of the remaining provisions. The Parties of this agreement hereby undertake to replace every invalid or void provision by such a provision which shall get as close as possible to the invalid or void provision in consideration of the target of this agreement as well as mutual commercial interests.