VENTREX
Driven Automotive Technology

Quality Requirements for Suppliers

Ladies and Gentlemen,

in order to remain or to become a business partner of Ventrex Automotive GmbH in future, it is necessary to determine the principles regarding our quality requirements on suppliers within our business relationship.

As our supplier or our potential supplier, you already confirm with the submission of your offer that you are aware of all the contents of this document "Quality Requirements for Suppliers". You agree that this document forms integral part of the contract between Ventrex and you and that you will take the contents into account without any restriction. Furthermore, you will also take care of the implementation of the content in the companies of your suppliers.

Graz, Austria

January 2020

Florian Dirnböck
Head of Quality Management
Ventrex Automotive GmbH

DI Günter Hascher
Plant Manager

Valid are our General Purchasing Conditions of Ventrex Automotive GmbH. Download: https://www.ventrex.com/en/downloads

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Contents

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1 Preamble

This document "Quality Requirements for Suppliers" ("Quality Requirements" or "document") sets out VENTREX's minimum requirements for the Supplier's quality management system as well as the rights and obligations in respect of quality assurance for the products to be delivered by the Supplier. The objective of the Quality Requirements is to ensure the quality of the products, to optimise the cooperation between the contractual partners and to jointly take account of the ever-increasing demands of the market regarding quality and reliability.

In particular, these Quality Requirements set out specific requirements for the production process and the product approval procedure.

2 Subject matter of the agreement, range of application

These Quality Requirements applies to all development activities, products and services delivered by the Supplier - hereinafter referred to collectively as "Products". This document sets out the obligatory framework conditions between VENTREX and the Supplier. In addition, VENTREX and the Supplier can agree on further individual quality assurance measures.

3 The Supplier's quality management system

The Supplier must continually use a quality management system certified minimum according to DIN EN ISO 9001 ff. As a requirement, the Supplier must continue to develop the quality management system towards IATF 16949, set a zero-defect target and continually improve its Products.

VENTREX's requirements (e.g. technical specifications/documentation, drawings, samples, product specifications etc.), derived from the current ISO 9001, IATF 16949, the VDA-publication series, as well as further VENTREX-and customer specific requirements, must also be fulfilled. The Supplier will be informed about the latter during the sourcing process.

If the Supplier obtains means of production or testing, software, services, material or other advance deliveries for the manufacture or quality assurance of its Products from sub-suppliers, it will integrate the sub-suppliers into its quality management system as set out in these Quality Requirements or ensure the quality of the advance deliveries using suitable measures. VENTREX may request proof from the Supplier that the Supplier has convinced itself of the long-term effectiveness of a sub-supplier's quality management system.

The Supplier must commit to a zero-defect target. VENTREX will verify compliance with this zero-defect target by means of an annual supplier evaluation.

If the supplier does not manage to comply with the zero-defects target, VENTREX will inform the supplier of this and propose measures for remedying the defects. The Supplier must carry out the measures which VENTREX proposes to remedy the defects.

If the supplier's deliveries exceed a ppm rate of 200, the Supplier can expect VENTREX to stop making supply requests or placing any more orders with the Supplier. The Supplier has to take care that a Product Safety & Conformity Representative (PSCR) for each step of its supply chain is nominated. If VENTREX has approved the sources of supply (sub-suppliers) or if approval requirements have been set out in a contract (e.g. in construction drawings or VENTREX's specifications), the Supplier must obtain the Products, materials, tools or services from the approved supply sources or in compliance with the approval requirements. The Supplier may propose alternative suppliers at any time. Written approval for suppliers must be obtained from VENTREX in advance. The Supplier bears the sole responsibility for sub-supplier quality, including those sub-suppliers which have been approved.

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4 Audit

VENTREX may determine at any time whether the Supplier's quality assurance measures fulfil VENTREX's requirements by conducting an audit which must be announced in advance. This can be done in the form of a system audit but also in the form of a process (e.g. VDA 6.3) and product audit.

The Supplier must grant VENTREX (and, to the extent necessary, its customers) access to all permanent establishments, test sites, warehouses and adjoining areas and allow documents which are relevant for quality to be inspected. As part of this, necessary and appropriate restrictions imposed by the Supplier to secure its trade secrets will be accepted. If required, the Supplier will also conduct joint audits at its sub-suppliers.

The Supplier will be notified of the audit result in writing. If VENTREX is of the opinion that measures are required, the Supplier will prepare an action plan without delay, implement it within the agreed deadline and report on this to VENTREX.

5 Information and documentation

The Supplier will keep records of quality assurance measures carried out (particularly records of measurements and test results) and store these records (as well as models of the Products) securely and in an orderly manner.

The obligation to store the documents and records applies for at least 15 (fifteen) years running from the completion of the development project, and at least 15 (fifteen) years for construction parts subject to documentation obligations, running from the end of serial production, or according to the instructions of VENTREX's customers, if they stipulate longer storage periods (VDA Volume 1, Keeping Evidence).

If it becomes apparent that agreements with regard to (for example) quality characteristics, product characteristics, deadlines or delivery volumes cannot be complied with, the Supplier will inform VENTREX of this in writing without delay. The Supplier will also inform VENTREX in writing without delay of all deviations of which it becomes aware after the delivery has been dispatched. In the interests of joint damage avoidance and mitigation, the Supplier will disclose all data and facts relating to the deviations to VENTREX.

Before undertaking any amendments, which affect the Product, in particular

- amendments to the Product or the packaging
- amendments to the manufacturing procedure, - processes and -materials (this also applies to sub-suppliers)
- a change in sub-suppliers
- amendments to test procedures/-facilities
- relocation of manufacturing plants
- relocation of manufacturing facilities within a plant,

the Supplier will submit an amendment request to VENTREX far enough in advance that VENTREX can check whether the planned amendments could have a detrimental effect. The Supplier will structure its documentation according to VENTREX's instructions and furnish the agreed proof of quality. The Supplier may only undertake the requested amendment only after VENTREX has approved that request in writing. The first three product deliveries after serial production has begun and after approved amendment measures have been executed must be labelled in the delivery papers/goods tags for each delivery address.

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All amendments to the product and amendments to the production process must be documented in a product history and treated according to VDA Volume 2 "Ensuring the Quality of Deliveries".

6 Agreements on Product, process and product management

The Products must have the qualities which have been agreed and assured (e.g. specifications, data sheets, drawings, samples) and comply with the requirements set out in VENTREX's General Conditions of Sale.

6.1 Requirements

The supplier is additionally obliged to keep all legal and official demands applying to all product-related and process-related special features and to transmit this obligation also to his subcontractors. The subcontractors are also obliged to keep and assign all legal and official demands along their supply chain to the original site of manufacturing of the product.

6.2 Development, planning, feasibility study

At the explicit wish of VENTREX, the Supplier will undertake a feasibility study for the Products requested, sign it and send it to VENTREX. VENTREX will only nominate a supplier when it has received this feasibility study.

If a Product which VENTREX has requested from the Supplier is considered to be unfeasible, a technical discussion must be held with VENTREX. As part of this discussion, agreement must be reached on any unclear, incomplete, or obviously divergent specifications, specification requirements, data sheets and drawings, with the help of agreed samples if necessary. After this discussion, the Supplier must sign a written feasibility study and send it to VENTREX. Only then can VENTREX nominate a supplier. As a quality document, the feasibility study forms part of each offer and each amendment confirmation, provided that VENTREX explicitly requested the feasibility study. If the order placed with the Supplier includes development tasks, the requirements will be clearly defined by the contractual parties, e.g. in the form of a set of specifications. The Supplier will conduct suitable project management for Products, processes and other trans-sectional tasks from the planning phase onwards and will allow VENTREX to inspect the associated documents if it so desires.

During the development phase, the Supplier will apply suitable preventive methods for advance planning quality (e.g. risk analyses, calculations of reliability, fault tree analyses, FMEA). Applying FMEA is obligatory in the automotive sector and preferable in the non-automotive sector, whereby the process must be according to the FMEA VDA/AIAG manual. Particular attention must be paid to the definition of "Special Characteristics".

6.3 Initial sampling, product requalification

The manufacturing and test conditions for prototypes and pilot series which are not subject to initial sampling must be agreed on by VENTREX and the Supplier and documented. If the drawing includes "Special Characteristics", a coordination regarding machine capability-and process capability studies hast to be carried out with VENTREX. If VENTREX orders initial samples, the Supplier will submit initial samples which have been manufactured under serial conditions (i.e. with production tooling and serial production processes), including the documentation for the initial sample of the Product in the agreed extent (according to VDA 2 or PPAP) and by the agreed deadline before commencing serial manufacturing. The sampling planning which has been agreed on in advance is part of the initial sampling. To ensure that measurement results are comparable, the methods and means of taking measurements must be agreed with VENTREX in advance. Serial production may only be started after VENTREX has provided its written initial sample approval.

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The Supplier will carry out an annual requalification test for serial deliveries once a year to the same extent as initial sampling, including size accuracy, testing materials, reliability tests and tests regarding statutory requirements, as well as environmental directives pursuant to the requirements of the current ISO 14001 (ISO 9001 / IATF 16949). Deviations from this requirement (timing/extent) must be agreed with VENTREX in writing.

The regular internal process audits for all production processes have to be carried out in all shifts according to the requirements of IATF 16949 (IATF 16949, chapter 9.2.2.3) and the results have to be submitted to VENTREX upon request.

6.4 Manufacturing, labelling of products and tools, traceability

In its own responsibility, the Supplier will define a test plan for fulfilling the required drawings and agreed specifications. The test plan must be agreed on with VENTREX to ensure that the test results are comparable. Regarding running series, the Supplier must prove its processing capability for the entire production period for all characteristics relevant to function using suitable procedures (e.g. statistical process regulation, or manual control-card technology).

Upon VENTREX's request, the Supplier will provide all the proof required under IATF 16949. If the required machine and processing capability is not achieved (Standard requirement is c_m and $c_{mk} > 1.67$, $c_{pk} > 1{,}33$ for functional relevant characteristics), the Supplier must carry out a 100% check for the characteristics concerned. The production process must be continually optimised in order to achieve the required values for processing capability.

As far as this is possible, the Supplier will take account of VENTREX's observations and input with regard to improving the quality of the products by making amendments to the manufacturing process and quality assurance.

The Supplier will label the goods, parts and packaging as agreed with VENTREX. The Supplier must ensure that the labels on the packaged products are also legible during transport and storage. The Supplier will ensure that the Products it delivers are traceable.

If a defect in the product is detected, the traceability and demarcation of the defective part/products/batches etc. must be guaranteed in such a way that the Supplier can make a precise notification of the parts/products/batch which are affected by the defects as part of the first opinion.

To the extent that VENTREX provides means of manufacture and testing (particularly tools and equipment) to the Supplier as part of the business relationship, these must be permanently labelled as being the property of VENTREX. The Supplier is responsible for the integrity and proper function of such items, will insure the tools for their purchase value to the extent customary in the industry and will arrange for maintenance and repair works to be done.

The Supplier must prepare emergency and escalation plans for incidents such as e.g. disruptions to the energy supply, lack of workforce, failure of important business resources and complaints from the field and submit this to VENTREX at the latter's request.

6.5 Packaging and transport

In order to avoid damage and reductions in quality (e.g. soiling, corrosion, chemical reactions), the Supplier will deliver the Products by suitable means of transport, which - if this has been agreed - must be approved by VENTREX. The General Purchasing Conditions, as well as rules on packaging and delivery, must be observed.

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6.6 Complaints, measures

In the event of product or process quality issues, the Supplier has to analyse the causes, initiate corrective measures and evaluate their effectiveness using the 8-D method (VDA "8-D Problem Solving in 8 Disciplines"). The Supplier will get Products which have been subject to a complaint back in the agreed extent. The Supplier must bear the costs of this.

The Supplier will analyse each divergence and inform VENTREX in a timely manner of the cause of the divergence, any measures for remedying or preventing the defect which have been initiated as well as their effectiveness in the form of an action plan.

If VENTREX or its customers are threatened with disruptions to manufacturing because of deliveries of Products which do not comply with the specifications, the Supplier must, in agreement with VENTREX, provide assistance by taking immediate measures (substitute deliveries, shifts for sorting, additional work, special shifts, express transports etc.)

If, exceptionally, the Supplier is not able to deliver Products which comply with the agreed specifications, it must obtain a special approval from VENTREX for the Products which do not comply with the specifications prior to the delivery. Deliveries of Products which have not been approved are only permitted subject to prior consultation and obtaining a special approval in writing in advance. However, the special approval does not mean that VENTREX accepts the deviations with regard to further deliveries. The Supplier must bear all costs which are caused by the deviations, even if VENTREX has granted special approval. This also includes the costs which VENTREX's customer has incurred because of the deviation.

The Supplier must remedy its production problems as quickly as possible and ensure that VENTREX's is supplied with adequate parts again as quickly as possible. Constant dialogue with VENTREX is required during the complaint's procedure and the remedy of the problem; status information must be sent as least twice a week to VENTREX. After the undisrupted process of supplying adequate parts has been restored, a final report (8D report) must be sent to VENTREX.

6.7 Quality requirements / cost of quality

VENTREX pursues a zero-defect target in order to ensure long-term customer satisfaction among its customers.

Problems with quality must be processed by the Supplier within 24 (twenty-four) hours of notification by VENTREX (Supplier's first opinion). Notifications which are made on Fridays must be processed on Monday morning of the following week at the latest. The Supplier must also reimburse VENTREX for any additional costs of inspections, additional work and/or other activities caused by the defective deliveries. If defective deliveries result in downtime for machines and equipment, the costs which are specific to the machines and equipment must be calculated according to the current hourly rates.

A processing fee of EUR 130 (one hundred and thirty euros) plus any VAT which accrues will be charged for each complaint which is recognised by the Supplier.

7 Environmental protection / safety in the workplace

The Supplier will comply with all statutory rules concerning environmental protection and keep the effects on human and environment to a minimum. The Supplier is expected to introduce and develop an environmental management system according to ISO 14001.

The Supplier will comply with all statutory rules and technical safety requirements relating to safety in the workplace.

All materials which are used when manufacturing parts as well as manufacturing processes which are applied must comply with the valid statutory and technical safety requirements for restricted, poisonous

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and hazardous substances. The Supplier will prove this regarding the manufacture of parts in the form of safety data sheets.

For deliveries within the European Union (EU), the Supplier will comply with its obligations pursuant to the European Chemical Directive REACH EC Nr. 1907/2006. The Supplier will inform itself appropriately in this regard on an independent basis and fulfil its obligations to provide information to VENTREX under REACH.

The products manufactured must be "DRC conflict free" and may not contain any conflict minerals.

8 Product liability

If its customers or third parties take legal action against VENTREX because of defects in its products on the basis of Austrian or foreign provisions on product liability, the Supplier must indemnify VENTREX for those claims and costs that were caused by the defects in the Products delivered by the Supplier.

Furthermore, VENTREX may demand that the Supplier pay compensation for costs that VENTREX incurs because it had to take measures to avert hazards, e.g. warnings about, or precautionary recalls of, a defective product.

The Supplier must bear the costs incurred by VENTREX for determining hazards (in particular costs of an expert) as well as internal administration and processing costs, unless the Supplier can furnish proof of no causality.

The Supplier will insure itself to an appropriate extent against all risks of product liability and producer liability, including the risk of recalls, i.e. for at least EUR 10 million (ten million euros). A confirmation by the product liability insurer is attached to the contract as an annex. This insurance must be maintained throughout the entire period when product liability claims can be lodged against VENTREX or the SUPPLIER. The Supplier will send VENTREX proof of insurance in January of each year, without being requested to do so.

9 Validity of the Quality Requirements

These Quality Requirements will replace every valid agreement which has been agreed on in the past until the 1st of February 2020 between the supplier and VENTREX. Existing or still open individual supply contracts are fulfilled by the supplier on the basis of the former quality agreement. These Quality Requirements apply for an indefinite term of time. For new suppliers or new orders which are transmitted after the 1st of February 2020 these Quality Requirements are valid as soon as the document or the link to the document has been sent to the supplier. VENTREX will inform the supplier about updates on the Quality Requirements. The supplier has the right to object this document within 14 days after receiving the document in case of not being able to fulfil the contracting contents. If there is no objection by the supplier, the Quality Requirements are valid in full for the entire business relationship. If the supplier contradicts the validity or the content of the Quality Requirements, VENTREX has the right to terminate the cooperation with the supplier. Current delivery contracts must be fulfilled by the supplier. In case of new orders or new offers which are placed after new Quality Requirements came into effect, only the new Quality Requirements are applicable.

10 Contact

Any questions concerning this document or questions about quality in general have to be send solely to the following email-address: quality@ventrex.com

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