

## Quality Assurance Agreement (QSV)

between

**MAHLE Behr Industry GmbH & Co. KG**  
**Heilbronner Str. 380**  
**70469 Stuttgart**

- hereinafter referred to as "**MBI**" –

and

**name 1**  
**name 2**  
**street**  
**PLZ city**  
**country**

hereinafter referred to as the "**supplier**" –

concerning the performance of cooperative quality management with the aim of ensuring the quality of co-produced products – hereinafter referred to as "**QM**".

Change status 9, 08.09.2010

**Preamble**

This quality assurance agreement (hereinafter referred to as "QSV") contains the contractual specification of the basic technical and organizational parameters and processes between customer and supplier.

It specifies the minimum requirements that will apply to the contractual partner's management system and defines rights and obligations with respect to the quality assurance of any products to be supplied.

## 1. Aim of the Quality Assurance Agreement

This quality assurance agreement specifies and defines any quality assurance measures foreseen between the parties to this contract. Additionally, the supplier promises to undertake any and all appropriate quality assurance measures to achieve the quality standards agreed upon or specified by delivery contract.

## 2. Pre-Requisites / QM System

The deployment of a QM system in compliance with ISO 9000 ff, or an equivalent QM system covering the same requirements as ISO 9000 ff, is a pre-requisite to any contract.

The following constitute proof of a functional QM system:

- Valid ISO 9001 certificate, issued by an accredited institution.
- QM system audit by MBI
- Positive audit to ISO 9001 / 9002 (or an equivalent QM system) – provided no less than 2 years have passed since completion of audit – by other well-known customers of supplier (assumes approval by MBI, subject to inspection).

For all products for the automobile industry that are subject to the scope of ISO TS 16949 / QS 9000 / VDA 6.1, then the QM-System is the minimum requirement:

- Valid certificate per ISO 9001, issued by a an accredited institution
- Certification per ISO TS 16949 / QS 9000 / VDA 6.1 must be verified within two years after completion of the existing Quality Assurance Agreement (QSV).

Products within the aforementioned scope are clearly marked in our purchasing documents / specifications (i.e. drawing).

## 3. Scope

This quality assurance agreement applies to any and all parts ordered by MBI Industry GmbH & Co. KG where reference is made to VA 4.2 (see below) (samples and any parts manufactured and supplied as part of serial production after completion of initial sample approval process).

This agreement is valid for supplier relationships between suppliers and associated companies, of which MBI Industry GmbH & Co. KG directly or indirectly holds the majority and which is located in the Federal Republic of Germany.

The terms of the QSV are valid together with the procedural instructions VA 4.2 (and in addition if applicable, with the work / procedural instructions AA 4.2, AA 6.3.6-1 and VA 7.3-4, see section 5); the most current version of these documents can be found via the Supplier Portal on our internet site ([www.mahle-behr-industry.com](http://www.mahle-behr-industry.com)).

The supplier guarantees to obligate his sub-suppliers to comply with supplier's contractual obligations arising from this Agreement. MBI reserves the right to require written proof that the supplier has verified the effectiveness of sub-suppliers quality management systems.

#### **4. Zero Defect Strategy**

The supplier undertakes to comply with the Zero Defect target. The supplier shall ensure that all his products comply fully with the specified requirements. The supplier shall notify MBI immediately as soon as deviations from the agreed targets become foreseeable and he shall provide MBI with a description of appropriate measures to remedy the nonconformities.

Agreement on a defined target shall not affect the supplier's liability for warranty claims and claims for damages by MBI incurred as the result of defects in the supplied goods. The specifications of the product shall be complied with at all times. The supplier shall also be held liable for defects even in the event that the defect frequency remains within the range of the agreed target.

#### **5. Quality Standards**

Specific quality standards are determined in the individual supply contracts; in particular by technical specifications, technical documentation, drawings, part lists, testing documents, etc. The supplier agrees to implement the quality standards submitted to the supplier. The products of the supplier have to be contemplated common for the intended use.

Procedural instructions as specified in VA 4.2 constitute a basic quality requirement for any purchased parts, for example with regard to:

- Requirements for first sampling inspection and acceptance / Product- / Process Release
- Q–documentation (statements / certificates of compliance)
- Test scheduling, test guidelines, test documentation
- Labeling / traceability

Work Instruction VA 4.2 includes additional requirements (with regard to applicable preventive quality methods as well as with regard to product/production release) for all products that are covered by the scope of application of ISO TS 16949 / QS 9000 / VDA 6.1. Such products are identified clearly in our order documents / specifications (e.g. drawing) or will be communicated to the supplier. As a general rule, a kick-off meeting with the suppliers will be organized by our Purchasing department (wherever required).

Where MBI inspectors attach "diamond markers" to drawings (that is, where a  $\diamond$  symbol appears next to a feature or measurement in a drawing), the specifications outlined in AA 6.3.6-1 additionally apply (as a rule for all parts that are subject to the scope of ISO TS 16949 / QS 9000 / VDA 6.1).

The supplier agrees to request AA 6.3.6-1 from MBI (before tendering for contract), if "diamond markers" occur in a drawing.

All welded parts are subject to the requirements of Work Instructions AA 4.2 (Supplier Welding Engineering). Wherever relevant to the supplier, these Work Instructions shall be obtained from our Purchasing department.

All brazed parts that are produced manually (manual brazing) are subject to the requirements of Work Instructions VA 7.3-4 (special processes). Wherever relevant to the supplier, these Work Instructions shall be obtained from our Purchasing department.

## **6. Test Schedule and Test Guidelines/ Preventive Quality Control**

The supplier agrees to draw up test schedules and test guidelines for any inspections to be performed, specifically any and all receiving, intermediate, and final tests. The test schedules and guidelines must contain the following:

Test features, test frequency, documentation type, test methods, where appropriate, and equipment required to perform tests.

Test schedules must be drawn up so as to prevent any potential errors that may occur within the manufacturing process of the supplied product.

The supplier agrees to implement a change management system to ensure that only current, valid test schedules and guidelines are implemented.

MBI will provide test schedules for some parts (see VA 4.2, Table 5.1, Item 14 / 15). The supplier can refer to the construction plans (e. g. drawing or parts list) for details.

The parts covered by the scope of application of ISO TS 16949 / QS 9000 / VDA 6.1 are subject to additional requirements on preventive quality control / advanced quality planning as described in VA 4.2.

## **7. Operating Equipment Planning (only TS products)**

The supplier shall draw up an operating equipment plan for all parts that are covered by the scope of application of ISO TS 16949. The supplier shall establish an operating equipment time schedule for all parts. This covers the period from the design of the operating equipment through the production of the operating equipment to the approval of initial samples. The schedule shall indicate the progress in percent as well as important milestones for all details of the operating equipment.

The draft version of the operating equipment design shall be submitted to MBI for agreement if required. Mold separations, ejector markings and sprue positions or similar details shall be defined only if the prior approval of MBI has been obtained.

The parts shall be marked and documented in a parts history in accordance with the agreement status. The approval issued by MBI does not have any effect on the obligation of the supplier to supply defect-free products.

## **8. Testing Equipment**

The supplier guarantees the availability of test equipment required to perform testing of products manufactured for MBI at all times.

Such testing equipment is subject to ongoing monitoring, calibration and servicing as stipulated by the QM system implemented by the supplier.

## 9. Initial Sample Testing and Approval / Product and Process Release

In the case of new components, technical modifications, and any changes in the manufacturing process or location, initial samples are to be placed at the disposal of MBI. These must be tested for compliance with technical drawings and specifications and labeled as initial samples tested to above mentioned standard, accompanied by complete initial sample test documentation, to be signed by the responsible party for testing.

Requirements for first sampling inspection are listed in the attached document, VA 4.2. If parts procured by the supplier are subject to first sampling inspection (as specified in VA 4.2, Table 5.1, Item 3 / 4), the supplier is responsible for performing first sampling inspection procedures for sub-suppliers based on the guidelines stipulated in this QSV, and commences to retain the results of such testing (initial sample testing reports).

First sampling inspection reports are to be drawn up to VDA 2 or MBI format, and attached to delivery documents. The item numbers of the initial sample testing report are to be disclosed on the attached drawing (non-ambiguous mapping of technical drawing to initial sample testing report requirement).

For all products that are subject to the scope of ISO TS 16949 / QS 9000 / VDA 6.1, there are additional requirements for the production process and product release, which is described in VA 4.2.

Initial sample approval does not relieve the supplier of his responsibility and obligation to supply defect-free products.

## 10. Quality Assurance Documents / Quality Certification / Acceptance Code ("AK")

The supplier agrees to document the performance of test guidelines provided by MBI (in compliance with VA 4.2, Table 5.1, Item 14). This also applies to documentation of "diamond markers" (see section 4. Quality Standards). In the case of "diamond markers" process capability indices (Cp / Cpk) in compliance with the stipulations of AA 6.3.6-1 are to be attached (to consignment documents) for serial production.

The supplier and any sub-suppliers must retain quality assurance documents for a period of no less than 20 years. Legal requirements are to be observed for any other quality assurance documentation, whose retention period is determined by the supplier. MBI reserves the right to inspect quality assurance documents at any time, or to assign this right to a proxy.

On request by MBI quality assurance statements / certificates of compliance (e.g. with EN 10204) should be produced by the supplier and attached to the consignment documents. The required certification and documentation is specified in the "AK" number (in the drawing, for example) and the accompanying order text.

Required certificates for parts / semi-finished goods procured by the supplier are specified in the parts list (see "AK" number). All certificates must be available at the supplier's locations for any parts / semi-finished goods procured by the supplier.

In case of products with quality assurance statements / certificates of compliance, which are delivered directly to MBI customers by the supplier (that is where delivery is not routed via MBI), a certificate of compliance is to be issued by MBI Quality Assurance. The following procedure applies:

- Manufacturing of product incl. all tests performed by supplier
- Supplier test documentation to be sent to MBI (incl. all Q-documents in compliance with VA 4.2 / Table 5.1, Items 12, 13, 14). Test documentation for parts / semi-finished products to be retained by supplier (see above)
- MBI to inspect Q documents incl. test documentation provided by supplier
- MBI to issue MBI certificate of compliance and forward certificate to supplier (incl. consignment documents)
- Supplier to deliver consignment (incl. MBI consignment documentation and MBI-certificates)

## 11. Provision of Material

In case of provision of materials to the supplier by MBI, the supplier is required to perform incoming inspection of such materials with respect to completion, appearance, and damage. Should supplier determine any discrepancies / damage, supplier commences to document said discrepancies / damage and inform MBI Quality Assurance (in form of a quality assurance test, for example).

In case of provision of materials to supplier by MBI, any test certification accompanying materials is not provided by MBI.

## 12. Labeling / Transport / Consignments

The products shall be labeled in accordance with the requirements of the attached VA 4.2 (Table 5.1, Items 16 / 17).

As a general rule, all deliveries shall be labeled in such a manner that all products can be identified clearly at all times (clear traceability via bill of sale number, order number, date of manufacture, batch number, etc.).

All parts which are subjected to an external initial sample inspection (see VA 4.2, Table 5.1, Item 4) may only be shipped after approval by the MBI Quality department has been obtained. This applies to all series deliveries. The supplier shall make all inquiries relating to acceptance and approval in a timely manner prior to delivery (all deadlines shall be agreed at least 5 working days in advance of the date of delivery).

The supplier shall ensure within the scope of his QM system that the quality of the deliveries is not impaired by the transport to the receiving plant or by introduction into ongoing production. The supplier will therefore make his deliveries only by using means of transport and packaging materials that comply with these requirements. MBI reserves the right to coordinate the means of transport and the packaging with the supplier.

MBI is entitled to refuse acceptance of deliveries made in defective packaging, damaged containers or containers with unclear identification marking and/or to invoice the additional expenses incurred by MBI.

It is the supplier's obligation to comply accurately with the agreed delivery deadlines and delivery quantities and he shall ensure compliance with these requirements by implementing suitable processes and controls.

If delivery deadlines are not complied with or if deviations from delivery quantities occur, any resulting increased expenditure, especially increased shipping costs, shall be recorded and communicated to MBI. The cause of such noncompliance shall be traced and appropriate corrective action shall be taken immediately.

### 13. Incoming Inspection

As this QSV foresees performance of required tests by the supplier only, incoming inspection by MBI serves only to ascertain whether the quantities and type of incoming goods corresponds to the ordered quantities and types, and to check for damaged packaging or other externally visible damage resulting from transportation. Additionally, MBI performs regular spot tests on the quality assurance documents / certificates.

Additional inspections will be performed by MBI in justified cases.

In case of goods ordered by MBI for delivery by the supplier to a third party, MBI reserves the right to assign authority for incoming inspection to a third party. Supplier agrees to submit to inspection by such third party, and to accept any complaints by said third party, as if they originated with MBI as a complaint in compliance with §§ 377 HGB.

Inasmuch as this is useful to normal business conduct, MBI, or a third party authorized by MBI, will perform tests on assemblies manufactured using goods delivered by supplier, or finished products manufactured using such assemblies, before commencing on the following manufacturing cycle. Supplier thus waives the right to insist on timely notice of defects.

MBI is not obligated to perform any other inspections in compliance with §§ 377 HGB.

MBI reserves the right to monitor any tests or adjudications by supplier and sub-suppliers, to authorize a proxy to monitor such, or following prior arrangement with supplier to perform tests at supplier's premises.

Discrepancies / defects of supplier's products are covered in the section "Error Management".

### 14. Series Process

During series deliveries the products shall be delivered in a timely and fault-free manner as agreed in the contract and as approved within the scope of initial sample inspection.

The following shall apply to products covered by the scope of application of ISO TS 16949: The supplier shall perform regular product audits (inspections of the ready-to-ship products) to make sure that the products meet the specified requirements at all times. The production process must be capable and must be monitored, evaluated and controlled at all times. A product requalification shall be performed at least once a year.

Special processes the results of which can be inspected on the product only at a later date or not at all shall be qualified in accordance with VDA, Vol. 6.1.

## **15. Error Management**

If deviations are detected, the supplier will be notified at once by forwarding a test report that includes information on the type of defect and the inspection results. An agreement on returning the products and/or sorting or rework action shall be reached with the supplier at once (Periods of reply of the supplier over such measures within 24 hours after receipt of the test report). MBI requires any defects to be remedied immediately as well as the submission of an 8D report on corrective action (after 5 working days at the latest).

Deliveries where the initial sample inspection report or the inspection certificates are missing will also be considered incomplete. In the event that the missing quality documents are not forwarded to the issuer of the inspection report within two working days after the complaint has been issued on the basis of an inspection report, the goods will be returned at the expense of the supplier.

In exceptional cases – taking costs, deadlines and capacities into account – approval of the nonconforming products can be granted by issuing a design divergency note. Design divergencies must be applied for at MBI's design department by the supplier and have to be approved by MBI before the products are delivered. The design divergency note signed and approved by MBI shall then be included with the supplied batch (as an attachment to the bill of sale) by the Supplier.

## **16. Outgoing Goods Inspection**

In case the delivery quality of the product doesn't meet with MBI Industry agreed quality requirements (violation of agreed ppm-target, boundary samples, drawing specification, etc.) and occurrence of repetitive errors (same failure on component or on similar components which use the same production process), MBI Industry is entitled to hire a third party to do a 100% outgoing goods inspection onsite at supplier location (e.g. performed by VDE TÜV, Bureau Veritas).

The termination of the 100% outgoing goods inspection performed by a Third Party hired by MBI Industry depends on the verification of the suppliers defined remedial actions to meet the agreed delivery quality by the MBI Industry quality department. Supplier is responsible to get a signed approval regarding the termination by MBI Industry quality department.

The supplier bears the full cost for the third party inspection.

## **17. Supplier Assessments**

Based on the quality of the products supplied, MBI performs regularly assessments of suppliers. The assessment will be based on test reports submitted to supplier following complaints concerning faulty purchased parts received by incoming goods, manufacturing or customers.

If required, special action will be defined for suppliers with weak q ratings. Quality target agreements will be concluded with these suppliers at the beginning of each year.

In addition to product quality, faithfulness to deadlines will also be evaluated. If required, suppliers will be given information on the current status of their faithfulness to deadlines.

The suppliers generating the highest turnover will be subject to a comprehensive evaluation on the basis of predefined criteria (quality, logistics, purchasing, development). This will form the basis for target agreements with the suppliers.

MBI Purchasing will monitor the development of the suppliers with regard to product quality and faithfulness to deadlines. The aim is to provide targeted support, in particular in respect of implementing corrective/preventive action at the supplier, in order to achieve sustained improvements of problematic suppliers. In the event that no improvements can be achieved, further action will be agreed by our Purchasing department, e.g. reduction of the scope of delivery or stoppage of new orders. The high quality standards required by our customers can only be achieved by ongoing, thorough improvements of our product and delivery quality which in turn is dependent to a high degree on the quality of the products supplied by our suppliers.

## **18. Product Specification Changes / Processes**

MBI will inform suppliers in writing and in good time, in case of changes in contractual specifications or subjects. The supplier agrees to inform MBI of any changes in materials, manufacturing or test methods, purchased parts, re-location of processes or workshops, and changes in quality assurance methods.

This is as well related to the switch of a sub-supplier of the supplier.

Supplier agrees to inform MBI of such changes in good time and in full detail, to allow MBI to investigate the planned change. Should MBI suspect a negative impact and thus refuse a planned change, the supplier agrees not to undertake such change. Changes of the type specified are subject to first sampling approval (see above).

Acquiescence to or approval of a change by MBI does not disburden supplier of supplier's sole responsibility for the characteristics and reliability of the goods subject to contract.

## **19. Quality Audits**

The supplier grants MBI the right to perform audits insofar as the audits affect the QM system and the manufacturing processes of the components to be supplied.

MBI or a third party named by MBI or a customer of MBI is at any time justified after vote with the supplier shall be entitled at all times to audit the supplier with regard to systems, processes and products.

Inasmuch as they affect deliveries by the supplier, supplier agrees to make auditing of sub-suppliers, by MBI, or a third party authorized by MBI, or MBI customers, possible.

Auditing of supplier's QM system will be performed in compliance with ISO 9001 or for products that are subject to the scope of ISO TS 16949 / QS 9000 / VDA 6.1 as well as DIN EN 9100 and IRIS according to the appropriate rules and regulations (see section 2). Auditing of processes, technologies and the manufacturing process will be performed on the basis of a catalog of questions drawn up by MBI for process auditing.

Auditing of processes, technologies and the manufacturing processes will be performed on the basis of a specific catalog of questions drawn up by MBI for process auditing.

## **20. Training**

Supplier is responsible for ascertaining training requirements within the framework of supplier's QM process guidelines, and will train all staff members, whose tasks may influence quality.

Staff with special assignments must be qualified for that assignment and possess appropriate qualifications, training, and / or experience, as appropriate to the demands of the assignment.

This applies in particular to staff members involved with special processes, such as welding, brazing (see above 5. Quality Requirements).

Records of training measures must be retained.

## **21. Non-Disclosure**

Both parties to this contract agree to handle any non-public commercial or technical details that become known to them through their business relationship as company secrets. Sub-suppliers must also be bound to this condition.

## **22. Ineffectiveness of Individual Provisions**

If individual provisions of the contractual agreements – including the conditions of business should prove to be ineffective, this does not affect the effectiveness of the remaining provisions. The parties shall without delay replace the ineffective provisions by others which as closely as possible approximate to the intentions of the ineffective provisions

## **23. Period of Validity**

This Quality Assurance Agreement is to be valid for an unlimited period and can be terminated by written notice 6 months before the end of each calendar year, by registered mail with return receipt, but at the earliest two years after signing this Agreement. This Quality Assurance Agreement applies to any consignments resulting from delivery agreements entered into before terminating the QSV.

## **24. Written Form**

In the event of any amendments to the QSV the contract partner will be informed accordingly (e.g. by email) and referred to the amended version available on the Internet (Supplier Portal at [www.mahle-behr-industry.com](http://www.mahle-behr-industry.com)). If, within a period of 4 weeks following dispatch of the notification, no written objections have been received from the supplier, the amendments will be considered by our Purchasing department as accepted without further signature or confirmation by the supplier

**25. Amendments of this QSV**

After implementation of the supplier portal it is mandatory for the supplier to check min. once per month the internet, if there are new versions of QSV and related Process and Operation Instructions. New versions have to be appropriate clearly identified.

If there are no exceptions in written form from the supplier within a period of 8 weeks after the implementation of changes in the Internet supplier portal, the changes are accepted by the supplier without further confirmation/ signature to our purchasing.

**26. Applicable Law / Place of Jurisdiction**

This QSV and the entire legal relationship between MBI and the supplier shall be governed exclusively by the law of the Federal Republic of Germany and both the international private law and the UN purchasing law, CISG, shall be excluded expressly.

The sole place of jurisdiction for any and all matters arising from this legal relationship shall be Stuttgart and also, at the discretion of MBI, the supplier's place of jurisdiction.

\_\_\_\_\_  
(City), (Date)

MAHLE Behr Industry GmbH & Co. KG

\_\_\_\_\_  
(Head of Q-Management)

\_\_\_\_\_  
(Head of Procurement)

\_\_\_\_\_  
City, Date

\_\_\_\_\_  
Supplier's Signature