Annex 1 of the DRAEXLMAIER Group Global Terms and Conditions of Purchase
DRAEXLMAIER Group Quality Requirements for Production Material

Revision 3, dated May 1, 2018

1. Quality and Environmental Management System

1.1 Quality and Environmental Management System

Supplier shall be ISO 9001 certified und shall implement a corresponding quality management system. Supplier shall provide proof of its certification to the Buyer.

Supplier shall strive to implement or maintain and continuously improve the environmental requirements of the then-current version of the ISO 14001. Any deviation from or non-compliance with the above referenced requirements shall be communicated to the Buyer with remedial actions and time schedule. In addition, Supplier is obligated to comply with all applicable national and local environmental laws and regulations, as well as any customer environmental requirements communicated to Supplier.

Supplier shall be IATF 16949 certified and shall implement a corresponding quality management system. Supplier shall provide proof of its certification to the Buyer. If the Supplier is not IATF 16949 certified, Supplier shall submit a plan to achieve the IATF 16949 certification to the Buyer.

Supplier shall provide proof of its certification to: lieferantenzertifikate@draexlmaier.de.

In addition, specific quality requirements are also set forth in additional agreements between the Parties or are contained in technical specifications and documentation, drawings, internal forms, third-party forms, samples, etc. made available to the Supplier by Buyer.

1.2 Subcontractor Quality and Environmental Management Subcontractor

Supplier shall provide its subcontractors which supply them with Products, Product Parts or related goods and services with all applicable Buyer and/or Customer specific quality requirements and is responsible for their implementation.

Supplier is also responsible for all quality issues with the goods and services of any subcontractors and sub-suppliers.

Supplier shall also be responsible to verify the implementation of the above mentioned requirements and ensure that the subcontractor has a certified quality management system according to the most current version of the ISO 9001 and ISO 14001.

1.3 Quality Targets

The Supplier shall continuously strive to fulfill the zero-defect philosophy within the framework of these Quality Requirements for Production Material.

1.4 Audit

The Supplier shall allow the Buyer to audit its quality assurance measures to verify all quality requirements of the Buyer. Supplier agrees that Buyer may perform an audit at any time, with appropriate notice. Supplier must ensure that the Buyer may audit such quality measures at its subcontractors. The Supplier

acknowledges and ensures that the Buyer may conduct such audits together with its Customer. Supplier shall grant the Buyer, and its Customer, access to all manufacturing facilities, test sites, warehouses, adjacent areas, as well as all quality relevant documents..The Buyer will inform the Supplier of the audit results. If the Buyer's audit finds that corrective actions are necessary, the Supplier is to create an action plan detailing all corrective actions which must be implemented in a timely manner.

1.5 Quality Planning

Part of the quality management system of the Supplier is a proactive quality planning that takes into account the standards of the VDA and AIAG.

Supplier shall utilize the processes/methods detailed below:

- Feasibility study
- Construction FMEA (if responsibility lies with the supplier)
- Process FMEA
- Resource planning
- Measuring and monitoring devices
- Statistical process control (SPC)
- Capability indices (cmk, cpk)
- Planning of logistic processes
- Manufacturing- and testing instructions
- Provisions for subcontractors (if necessary)
- Process flow diagram
- Control plan
- Emergency concept
- Traceability

1.5.1 Creating a Process Flow Diagram

Supplier shall clearly describe and document its processes, material, Products and Product Parts flows (including production equipment and inspection points from receiving through to shipment). In addition Supplier shall ensure throughout the entire process flow that materials and Product Parts are stored separately in batches and that they are processed in accordance with the "first in, first out" principle. Process flow diagrams are the basis for the creation of a Failure Mode and Effects Analyses ("**FMEA**") and production control plans and must be created by Supplier. On request of the Buyer, the process flow has also to be shown on the factory layout.

1.5.2 Risk Analysis (FMEA)

Supplier shall conduct a design FMEA for the Products and Product Parts for which it has design responsibility. Supplier shall conduct a process FMEA. to assess all influencing factors before Tools and/or equipment are manufactured, as well as in the event of complaints. In addition, continuous updates to the process, Products and Product Parts shall be evaluated and potentially implemented by Supplier in the FMEA. Supplier shall allow Buyer to view the FMEA as necessary for the purposes of the Purchase Contract.

1.5.3 Control Plan

For the prototype, pre-series and series phases, a production control plan shall be created and uploaded to http://www.draexlmaier.com/supplier-portal.html by Supplier. The target is the earliest possible production of Samples (as defined in Section 3) under series production conditions. The contents of the production control plan shall fulfill the requirements of IATF 16949 Annex A and the Element 8.2.4.1 at a minimum, and contain all of Supplier's Product-relevant processes. All production control plans shall be constantly maintained and kept up-to-date. Only valid production control plans shall be used.

1.5.4 Machine and Process Capability

The Supplier shall evaluate the machine and process capability in line with (i) the then current version of the VDA volume 4 and (ii) the QS-9000 (including the production part approval process ("**PPAP**") and the then current version of the statistical process control ("**SPC**"). In addition, possible additional requirements applicable in connection with the Purchase Contract shall always be taken into consideration.

The following limit values shall apply (for e.g. BM S, BM Z, BM F, [SC, CC]):

- machine capability value
  „c_{mk}“ > 1.67
- Preliminary process capability
  „c_{pk}“/„p_{pk}“ > 1.67
- Long-term process capability
  „c_{pk}“/„p_{pk}“ > 1.33

The following shall apply for safety and legally-relevant characteristics:

- Preliminary process capability
  „c_{pk}“/„p_{pk}“ > 2.00
- Long-term process capability
  „c_{pk}“/„p_{pk}“ > 1.67

If higher (stricter) project-specific values are required, the Supplier shall comply with these.

The terms **c_{pk}** / **p_{pk}** are used analogously to the process behavior according to the QS-9000 for stable / unstable processes.

All functional and safety-relevant characteristics shall be analyzed and documented in detail to verify their suitability of the manufacturing process.

If a capability value is not achieved, the Supplier must validate its Products with suitable test methods.

In series production, Supplier shall continuously provide documented evidence that required capability values for special safety related, legal and regulatory as well as functional and requirement relevant characteristics have been met (significant/critical characteristics /according VDA: BM S, BM Z or BM F). Supplier shall choose a suitable process, e.g. statistical process control or manual control card technique. If a capability value is not achieved, Supplier shall optimize the production process so that the required value is achieved to assure defect-free delivery of Products.

1.6 Changes

When planning the start of modification measures, the Supplier shall inform Buyer in writing, of any changes to Products, the manufacturing process including process transfer, and the quality management system, at least three (3) months before the planned implementation. The same time period also applies to Supplier's subcontractors. A change request for the carrying out of a change shall be submitted to Buyer in a timely manner. Supplier shall duly document any approved changes in accordance with reasonable requirements communicated to Supplier by Buyer (if any).

In addition, segment-specific requirements in the most recent form can be found at http://www.draexlmaier.com/supplier-portal.html in the section Supplier Portal shall apply.

Only after receipt of the written approval of the Buyer, the Supplier is entitled to carry out the proposed changes to Products, the manufacturing process including process transfer, and the quality management system. In the case of an approved change to Products, Supplier shall only deliver unchanged Products up to a date to be agreed. Buyer's approval of any changes shall not release Supplier from its sole responsibility to deliver Products as agreed.

The Buyer is entitled to request reasonable changes to Products in terms of design and the performance. With respect to such Buyer requested changes, the parties shall reasonably agree on the consequences for the Purchase Contract, including additional costs, cost reductions and changes to delivery dates, periods and sequences.

1.7 Documentation

1.7.1 General

Supplier shall organize the documentation of its quality management system including the quality assurance measures in an orderly manner and make the documentation available to Buyer at any time upon request. The Supplier must implement all documentation requirements for quality management systems detailed in the most current version of VDA 1 and the IATF 16949, unless otherwise agreed.

All necessary documents relating to release, operation, maintenance and repair as well as the documentation relating to the manufacture of Samples (dimensional and material test reports, functional tests) shall be sent to Buyer at no charge and without having been specifically requested by Buyer. Test records (e.g. COA, COC) from a production or a batch shall be included with the relevant series delivery of product in accordance with the Purchase Contract and must be sent in parallel to pruefzeugnisse.lieferanten@draexlmaier.de. For documents that require special archiving ("**DmbA**"), a test certificate shall be submitted to Buyer upon request.

Supplier shall allow Buyer access to all samples, test results and relevant documents.

1.7.2 Archiving Duration

Documents requiring special archiving („**DmbA**“) shall be archived for fifteen (15) years. All quality-relevant documents, especially those relating to measured values and test results, shall be archived for five (5) years after creation.

2. Quality Requirements

2.1 General Requirements

Supplier shall coordinate all quality requirements for Products with the quality requirements in the entire Customer Vehicle project. Supplier shall prepare quality schedules which shall describe in detail the quality requirements, development cycles and quality measures according to the stage of development. Possible conflicts with quality requirements and possible risks shall be reported in writing and without undue delay to Buyer's quality planning department.

2.2 Quality Planning

Supplier shall be solely responsible for:

- the identification of all possible Product, process and scheduling risks in accordance with the Product Specification and the commissioning scope.
- the definition and identification of special characteristics and their handling in line with the then-current version of VDA volume 1 respectively further applicable customer specific requirements.

2.3 Customer Specific Requirements

2.3.1 Maturity Increase

As part of a continuous increase in maturity level, Buyer ordered Products are to be further developed and optimized during the pre-series. Defects or deviations from the original specifications are to be reported by means of a component defects list to each state to appropriate quality department. Any defects and/or

deficiencies shall be promptly corrected by the Supplier. Any necessary changes to the specifications require the express written approval of the Buyer.

2.3.2 Product Part History

All Product and process-relevant changes shall be documented in the relevant Product Part history documentation. Segment specific index markings (e.g. BX-Level) are listed on the following website http://www.draexlmaier.com/supplier-portal.html and must be complied with. The Product Part history documentation shall also be made electronically available to the Buyer's quality department in advance.

2.3.3 Original Samples and Customer Specifications

The Supplier must implement all applicable norms and customer specific requirements for the Product.

Supplier shall contact Buyer in the event that it needs the original Samples or Product/project specific Customer specifications to fulfill its obligations under the Purchase Contract.

3. Sampling

3.1 General

The assessment of the production processes and the initial sample inspection are the basis for the series release of the delivered products. The prerequisite for the processing of the initial sampling is the completeness of the sampling documents (incl. accepted IMDS entry).

3.2 Preliminary Samples

Unless otherwise agreed, for each level of samples the Supplier shall submit at minimum 5 dimensionally measured samples (using gauge, if applicable) free of charge including Product Part history and Product rating sheet to the Buyer's quality representative.

3.3 Initial Samples

"**Initial Samples**" for production process and Product release ("**PPF**") and PPAP are Products and Product Parts which have been manufactured entirely under series production conditions and tested regarding all required and agreed features. Unless otherwise agreed, for testing and approval of a new Product, samples must be provided at its own cost by the Supplier.

The Supplier is required to implement and complete the PPF/PPAP process as required and on schedule prior to the first series delivery. Supplier shall finalize a time schedule with Buyer.

All documents relating to Initial Samples and the PPF/PPAP report including all cover sheets of all subcontractors and (sub-) suppliers of Buyer shall be uploaded to the sampling portal ePPAP at http://www.draexlmaier.com/supplier-portal.html. Supplier's use of the portal shall be mandatory.

The process release is an integral part of the foregoing procedure and shall be verifiably performed by Supplier. Buyer can accompany the release or carry it out instead of Supplier.

The delivery documents including materials, Products and Product Parts history shall be visibly enclosed. According to the respective agreement, fulfillment of the specifications can be documented with certificate of conformity or material data sheets. These shall contain a plan-actual evaluation.

The submission level of the PPF/PPAP shall be agreed between the parties. VDA volume 2, submission level 2, or PPAP level 3 guidelines, in their then-current version shall generally apply, unless agreed on otherwise in writing. The number of Product Parts to be sampled under VDA 2 is five (5) parts and under PPAP is six (6) parts per material number / cavity.

Possible triggers for the PPF / PPAP process shall be considered analogous VDA Volume 2 and PPAP.

The Supplier shall create and archive all documents and samples respecting the highest possible submission level / stage. Buyer may request further documentation concerning the agreed submission level at the later stage.

Within the framework of the PPF/PPAP, the delivered Products, Product Parts, materials and material groups shall be entered into the International Material Data System (IMDS) of Buyer by Supplier. The corresponding material data sheet identification number shall be specified in the PPF/PPAP coversheet report. Buyer's IMDS guidelines shall be followed as indicated under http://www.draexlmaier.com/supplier-portal.html.

With the first series process parts Supplier shall start with the PPF / PPAP. The PPF / PPAP of Supplier's purchased parts shall be provided to Buyer upon request. In the event of any nonconformance, a complete Product deviation approval may be requested by Supplier, provided that Buyer is under no obligation to grant such approval.

If non-conformances are determined in the Initial Samples, Supplier shall be required to carry out a root cause analysis and to communicate suitable measures for manufacturing defect-free Products to Buyer. Incomplete, rejected or only conditionally approved Initial Samples shall receive negative consideration in Buyer's supplier rating. Additional costs which are caused by Supplier in this regard, as well as costs incurred by Buyer due to failure to meet scheduling including agreed delivery dates, periods and sequences, shall be carried, and reimbursed to Buyer, by Supplier.

3.4 Archiving of Initial Sample

The Initial Samples shall be archived by Supplier and made available to Buyer as required by Buyer.

4. Production under Series Conditions

4.1 Manufacturability Evaluation

The Supplier must perform a feasibility analysis prior to the quote submission. For this purpose, the Supplier obtains independently the necessary standards and guidelines (in particular DIN, EN, ISO, VDA and customer requirements) on which is referenced in the request. Supplier shall verify all technical requirements and documents in regards to capable production, while considering its own production facilities and capacities. In case ambiguities arise regarding the technical requirements and documents, Supplier shall immediately clarify these issues with Buyer's quality department.

4.2 Decrease in Quality

Supplier shall immediately notify Buyer in writing of any detected or anticipated manufacturing or quality problems, as well as any knowledge or suspicion that defective Products or parts thereof ("**Product Parts**") have already been delivered to Buyer.

In case of manufacturing or quality problems, in particular a decrease in quality, or a complaint from Buyer, Supplier shall immediately communicate adequate corrective measures to Buyer. Until the implementation of such corrective measures, Buyer may take, or demand that Supplier takes, special measures (e.g. higher frequency of testing) to ensure the quality of the delivered Products. Any additional costs of Buyer resulting from such measures shall be reimbursed by Supplier, insofar as the manufacturing or quality problems originate from the sphere of responsibility of Supplier and there is no documented evidence that they were caused by Buyer or Customer. The Buyer shall inform the Supplier about all associated costs in a timely manner.

4.3 Certificates of Conformity

Supplier shall submit a certificate of conformity for each delivery, unless otherwise agreed to with the Buyer. Supplier shall carry all associated cost.

The certificate of conformity shall correspond to the requirements of DIN EN 10204 or the DIN EN ISO/IEC 17050 (part 1 and 2). Each test shall be documented by Supplier.

4.4 Requalification

The Supplier must conduct an annual requalification for all supplied Products, in accordance with the requirements of IATF 16949 at its own expense and confirm the requalification in Buyer's Supplier Portal. Project-specific requirements of the Customer shall be considered.

The Supplier must conduct the first requalification within twelve (12) month after the initial sample approval and / or after the SOP (Start of Production) of each individual project, whichever occurs first. All subsequent requalifications must be conducted within twelve (12) months after the last requalification.

Upon Buyer's request, Supplier shall provide Buyer with thorough documentation and evidence of successful completion of all requalification tests.

The Supplier must clearly plan and document the scope of the requalification of Products and processes in its control plan.

5. Testing Equipment / Production Equipment

Supplier shall ensure that all necessary testing equipment is suitable for the particular measurement purpose, is available at all times, and is permanently monitored, calibrated and kept in good condition. The VDA volume 5 or the MSA (AIAG) procedures shall be used by Supplier

If testing equipment / production equipment is made available to Supplier by Buyer or Customer, Buyer's **Bailment Terms** set forth in Annex 4 to the Terms and Conditions shall apply, Buyer instructions shall be followed and the testing equipment shall be integrated into Supplier's quality management system. In addition, all applicable Customer requirements, as communicated to Supplier, shall be fulfilled.

6. Complaint Management

6.1 Types of Complaints

Buyer shall file complaints to the Supplier for defective Products. In particular the following types of complaints can be filed:

(i) incoming goods complaints
(ii) complaints stemming from the Buyer's production process
(iii) complaints for 0-km-failures (refer to errors that occur during the delivery, installation or the final inspection of the Products by the Customer)
(iv) field complaints (refer to defects that are discovered after delivery of the customer vehicle to the Final Customer)
(v) complaints regarding serial damages
(vi) miscellaneous complaints (for example regarding transportation)

6.2 General Complaint Management Process

If such complaint is determined by Buyer and communicated to Supplier, Supplier shall immediately initiate corrective actions which ensure the permanent removal of the defect and its root cause. Supplier shall bear, and reimburse Buyer for, all costs and expenses incurred by Buyer due to complaints. The costs and expenses to be reimbursed can be viewed at http://www.draexlmaier.com/supplier-portal.html.

Supplier shall, within twenty-four (24) hours, submit a written statement of the root cause of the defect and immediately take actions according to steps one through three of the 8D report. Afterwards, other points relevant in connection with the complaint such as root cause analyses and corrective actions shall by implemented and documented within two (2) weeks for middle-term actions, and six (6) weeks for long-term actions. For the purpose of closing the complaint, the effectiveness of the corrective actions shall be verified and documented. At Buyer's request, a photograph of the reference Sample with a completed label shall be attached to the test report.

6.3 Special Handling of Field Failures and Series Defects

In addition to the Buyer's "Global Terms and Conditions of Purchase", paragraph 17f, the VDA volume (part field failures) shall apply, as well as any Customer requirements for field failures, insofar they impose additional requirements.

6.4 Special Measures for Repetitive Defects, Controlled Shipping Level (CSL)

The Supplier shall comply with the **Controlled Shipping Level (CSL)** rules listed below:

"Controlled Shipping" is a demand by the Buyer that a Supplier put in place a redundant inspection process to sort for a specific nonconformance, while implementing a root-cause problem solving process. The redundant inspection is in addition to normal controls.

The Buyer or Buyer's representative is authorized to perform onsite effectiveness checks (e.g. audits). Exit criteria for both Controlled Shipping Levels shall be set.

Two levels of Controlled Shipping exist:

a) **Controlled Shipping** - **Level 1:**
The Supplier shall enact an inspection process, conducted by its own employees and at its own expense, in order to isolate the Buyer from receipt of nonconforming Products/material.

b) Controlled Shipping - Level 2:
This includes the same processes as Controlled Shipping - Level 1, but the additional inspection process is performed by a third party representing the Buyer’s interests specific to the containment activity. The third party is selected by the Supplier, approved by the Buyer, and paid for by the Supplier.

7. Further Rights and Remedies

This Section 7 does not preclude any other rights and remedies available to Buyer under the Terms and Conditions or applicable law, including Buyer's rights under Section 17 of the Terms and Conditions.

8. Standards

The following standards are an integral part of this Annex 1 and shall be complied with by Supplier:

- the most current version of ISO 9001
- IATF 16949
- Valid VDA volumes

- Publications of the Automotive Industry Action Group (AIAG): e.g.
  - QS 9000
  - Advanced Product Quality Planning (APQP)
  - FMEA
  - Production Part Approval Process (PPAP)
  - Measurement System Analysis (MSA)
  - Statistical Process Control (SPC)
- Publications of the Evaluation Aptitude Quality Fournisseur (EAQF) and the Association of Quality System Evaluators (AVSQ)
- EU Altautorichtlinie, (2000/53/EG, 2002/525/EG,2005/63/EG)
- Chemikalienverordnung Reach. EG Nr. 1907/2006
- additional applicable requirements listed under http://www.draexlmaier.com/supplier-portal.html

9. Definitions

Capitalized terms used herein and defined in the Terms and Conditions shall have the meaning as defined in the Terms and Conditions.