

**QSV\_[Lieferantenname kurz]\_V[Version]**

between

**Innomotive Systems Hainichen GmbH  
Frankenberger Str. 9a  
09661 Hainichen**

- hereinafter referred to as "ISH" -

**Firma  
Straße, Nr.  
PLZ, Ort**

- hereinafter referred to as "SUPPLIER" -

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## 1. Preamble

ISH is a globally operating company and primarily supplies the automotive manufacturers. By ISH manufactured and sold components enjoy a very good reputation, which is due to the innovative technology that permanently high quality of products and the recognized reliability of corporate performance worldwide. It is the constant research and development of products and the continuous optimization of the cost-benefit effect is crucial.

The agreement describes the minimum requirements of the contract partner's quality management system and regulates the rights and duties with respect to the quality assurance for products supplied by the SUPPLIER. The aim of the agreement is to assure the quality of products, optimise cooperation with partners and jointly meet the constantly increasing demands on quality and reliability.

## 2. Scope and subject of the contract

This agreement is an indispensable part of the supply contract with ISH and for the commercial relationship between the SUPPLIER and the companies of the ISH Group. ISH and all companies within the ISH Group are entitled to order from suppliers on the basis of this quality assurance agreement.

The following companies currently belong to the ISH Group:

- Innomotive Systems Hainichen GmbH, Frankenberger Straße 9a, 09661 Hainichen (Deutschland)
- Innomotive Systems Hainichen (Nanjing) Co.,Ltd. No. 8 Taizhong Road, Luhe Industrial Zone, 211500 Nanjing (China)

This entitlement applies to companies becoming part of the ISH Group from the time their belonging to the ISH Group is evident to the SUPPLIER.

The subject of the agreement is all products and services supplied by the SUPPLIERS (hereinafter referred to as products).

The obligatory general conditions between the SUPPLIER and ISH are established in this quality assurance agreement. Individual quality assurance measures can be additionally arranged between ISH and the SUPPLIER.

## 3. Quality management system of the supplier / sub-suppliers

The SUPPLIER is obliged to maintain a quality management system in accordance with ISO 9001 with the obligation to aim for a zero-error quota and continual improvement of the services. Demands by ISH, derived from IATF 16949, must be additionally fulfilled.

If the SUPPLIER receives production resources or equipment, software, services, materials or other initial supplies from sub-suppliers for the manufacture or quality assurance of the products, he must incorporate the supplier in his quality management system in the sense of this agreement or must personally ensure the quality of initial supplies.

ISH can demand proof from the SUPPLIER that the SUPPLIER has been convinced about the effectiveness of the quality management system of his sub-suppliers.

#### 4. Quality responsibility of sub-suppliers

If ISH has approved the source of purchases (sub-suppliers) and it has been contractually regulated (e.g. in the construction drawing or specification by ISH), the SUPPLIER must purchase products, materials, tools or services from approved sources. The SUPPLIER can suggest alternative suppliers at any time. A written supply approval must be received from ISH in advance (sampling to ISH). The utilisation of sources approved by ISH, including tool and measuring device suppliers, does not release the SUPPLIER from the responsibility to ensure the quality of the purchased products. The SUPPLIER is solely responsible for sub-supplier quality.

#### 5. Audit

The SUPPLIER permits ISH to determine whether the quality assurance measures fulfil the demands of ISH by undertaking audits.

Upon previous notification, the audit can be carried out as a system audit, a customer-specific assessment audit, a process audit or product audit. The SUPPLIER will make appointments possible at short notice.

The SUPPLIER will grant ISH (and customers of ISH if necessary) access to all company premises, testing areas, stores and adjacent areas as well as allowing inspection of all quality-relevant documents. Necessary and appropriate restrictions by the SUPPLIER will be accepted for safeguarding company secrets. If required, the SUPPLIER will also carry out joint audits on the sub-supplier's premises.

ISH will inform the SUPPLIER about the results of this audit. If actions must be taken from ISH's point of view, the SUPPLIER is obliged to immediately create a plan, implement the plan within good time and notify ISH about this.

#### 6. Information and documentation

If it is identified that arranged agreements such as quality features, capabilities, dates and supply quantities cannot be met, the SUPPLIER will inform ISH immediately in writing. The SUPPLIER will also notify ISH about all identified discrepancies after delivery. In the mutual interest of damage avoidance / limitation, the SUPPLIER will disclose all necessary details and facts.

The SUPPLIER is obliged to submit an application for changes to ISH before

- quality influenced changes to production procedures, processes and materials (including by sub-suppliers)
- change of sub-suppliers
- changes to test procedures / facilities
- relocating production sites
- relocating production facilities on site

so that ISH can check whether the planned changes may have negative repercussions. The SUPPLIER will design the layout of documentation according to the instructions provided by ISH. The SUPPLIER will only undertake the requested changes after approval of the application by ISH.

The SUPPLIER will keep records about the implementation of quality assurance measures with particular reference to measurement values and test results and will store the records and samples of products in a safe place. The SUPPLIER is required to store documents and records for a minimum of

15 years after completion of R&D projects. It is the supplier's responsibility to store all legal documents related to production programs for a minimum of 15 years after production life span ends.

## 7. Product and process agreements

The products must correspond with the agreed or guaranteed characteristics (e.g. specifications, data sheets, drawings or samples).

### 7.1 Development, planning and manufacturing feasibility analysis

The SUPPLIER will immediately check whether information (e.g. specification, specification book, data sheets or drawings) is unclear, incomplete or different from any agreed sample. If the SUPPLIER identifies that this is the case, he will immediately inform ISH before starting the production process or carrying out the service.

The signed manufacturing feasibility analysis by the SUPPLIER is part of the supplier nomination for production materials. Should one of the SUPPLIER'S products be classified as non-producible, a technical meeting with ISH is compulsory before nomination. As a quality document, the manufacturing feasibility analysis is part of the initial sampling and change documentation. These can be found on ISH internet site ([www.ish-automotive.de](http://www.ish-automotive.de)) or inquire from responsible buying agent.

If the order placed with the SUPPLIER includes development work, the requirements will be established in writing by both contract partners e.g. in the form of a specification book. The SUPPLIER is obliged to carry out suitable project management in the planning phase for products, processes and other cross-functional tasks and to grant ISH access to the respective documents upon request.

The SUPPLIER will apply suitable preventative methods for quality planning (e.g. reliability calculations, fault tree analysis and FMEA) in the planning phase. Experiences (e.g. procedures, process data and proficiency studies) will be considered from similar projects. The SUPPLIER will carry out a process planning (e.g. work plans, test plans, equipment, tools or machines etc). The SUPPLIER will ensure suitability of production equipment. Quality will be monitored with regular internal audits.

### 7.2 Initial samples and requalification

The manufacturing and test conditions must be agreed to during the launch phase of a program, for all parts without initial sampling process prior to the deliveries first.

If initial samples are ordered by ISH, the SUPPLIER must punctually submit the agreed amount of manufactured initial samples including the documentation for the samples before commencing batch production under series conditions. An advanced sampling strategy agreement is part of the initial sampling process. The plan must be documented in specific product related quality requirements as an appendix of the general overall quality agreement. The measurement methods and measuring equipment must be coordinated with ISH in advance in order to guarantee comparability. Series production may only be commenced after approval by ISH.

In cases where ISH can not approve initial samples due to issues caused by the supplier (e.g. incomplete fulfilment of the approved sampling strategy agreement) the SUPPLIER will be charged according to expenditure. Expenses incurred as by complete or partial repetition of the sampling process. The supplier undertakes to deliver as quickly as possible to free replacement. The requirements of sampling plan, the SUPPLIER receives as part of the initial sample order.

The SUPPLIER is obliged to ensure for production and service deliveries each year of delivery a complete requalification test. The SUPPLIER will document the complete requalification with the submission of a complete initial sample report (incl. dimensional accuracy, material confirmation, reliability tests, conformity to legal and environmental standards) according ISO TS 16949.

### 7.3 Production and identification of products

The SUPPLIER is personally responsible for establishing a test concept in order to fulfil the agreed drawings and specifications. The test concept must be coordinated with ISH to ensure comparability of the test results. For series which have already begun, the SUPPLIER must prove the process proficiency for all special features and test features using suitable procedures (e.g. SPC) throughout the production period. Deviations are to determine the specific product quality assurance agreement. The supplier is to provide ISH on request the relevant evidence available.

If the required process proficiency is not achieved, the quality must be ensured through 100% check. The production process must then be optimised accordingly in order to achieve the required values.

The SUPPLIER is personally responsible for considering any hints and suggestions from ISH with reference to the improvement of product quality through changes to the production process and during quality assurance within the scope of his capabilities.

The SUPPLIER is obliged to label the products, parts and packaging in accordance with the arrangements made with ISH (Logistic Guidelines). He must ensure that the labels on packed products remain legible during transport and storage.

The SUPPLIER is obliged to ensure traceability of the products he supplies. If a defect is discovered, the tracking and limitation of the damaged parts/products/batches must be guaranteed so that the parts/products/batches which are affected by the fault can be exactly indicated upon issue of the statement.

If the ISH provides the SUPPLIER with production and test devices, with particular reference to tools and equipment, when purchasing supplies, they must be permanently labelled as the property of ISH. The SUPPLIER is responsible for the sound condition and correct function, must insure the tools sufficiently and arrange maintenance and repairs.

The supplier has to maintain contingency plans to avoid negative impacts on planned deliveries to ISH (e.g. loss of power for unplanned period of time, labour shortage, break down of important production equipment) and complaints from the customers of ISH. Upon request the SUPPLIER must present their contingency plans to ISH.

### 7.4 Delivery, special journeys, goods receipt and special

The SUPPLIER supplies the products with suitable and, if arranged with ISH, exclusively with a means of transportation approved by ISH in order to avoid damages and impairments to quality (e.g. dirt, corrosion or chemical reactions). Details can be taken from the Logistic Guidelines file on the ISH internet site ([www.ish-automotive.de](http://www.ish-automotive.de)) or is available at the responsible scheduler.

If additional packaging instructions exist for the product, these must also be followed.

Incoming goods inspection at ISH is limited to externally identifiable transport damages and establishment of the correct quantity and identity of the products in comparison to the delivery documents. ISH will inform the supplier immediately regarding issues with incoming goods.

The SUPPLIER is obliged to align the quality management system and the quality assurance measures to suit this reduced goods-in check.

Special journeys by the SUPPLIER (additional freight costs such as taxi journeys) must be immediately notified to ISH. The SUPPLIER will notify the ISH supplier coordinator about any special journeys in writing (e-mail or fax). ISH sees special journeys as an indication for process disturbances; either by ISH or the SUPPLIER. ISH quickly tries to take countermeasures to stabilise the supply process once again.

If an OEM pronounced a special delivery status towards the SUPPLIER, so the SUPPLIER has to be informed ISH (competent SQA) immediately. A special delivery status is e.g. Q- Help of Mercedes Benz AG.

### 7.5 Complaints and actions

If ISH or one of its customers identifies any defects, these are notified to the SUPPLIER in a due business transaction. The SUPPLIER waives the objection to a delayed notification of defects.

If process disturbances and quality discrepancies occur, the SUPPLIER analyses the causes, introduces corrective actions and checks the effectiveness of the actions according to ISH stipulations. The agreed amount of faulty products is returned to the SUPPLIER.

He is obliged to analyse all discrepancies and promptly notify ISH of the cause of the discrepancies, the introduced error correction and prevention actions and the effectiveness of the actions in form a an actionplan.

If there is the threat of production stoppages at ISH or one of its customers due to products which do not meet the specification, the SUPPLIER must provide assistance in coordination with ISH by taking suitable immediate actions at his own cost (replacement deliveries, sorting, rectification, extra shifts or express transport etc).

If the SUPPLIER cannot supply specified products in an exceptional case, he must request a special approval from ISH before delivery. The delivery of non-approved (first sample test report) products is only possible after previous coordination and a previously obtained special approval. Special approval is scheduled by ISH. The SUPPLIER will correct the cause of the problem in the given time and will transfer a conclusive report (8D report) to ISH.

### 7.6 Quality requirements and quality costs

ISH pursues a zero-error strategy in order to ensure long-term customer satisfaction. After all, the customer will only work together with ISH in the long term if he is convinced of the sustainable quality of our products.

Any quality problems encountered by the SUPPLIER must be processed within 1 working day at the latest. An initial statement from SUPPLIER will expected – but no 8D-report at this moment.

The SUPPLIER generally has the right to improve or replace parts which are criticised by ISH. However, if there is the danger of a defect leading to production stoppages at ISH or delay of delivery to the customer, ISH has the right to demand rectifications or sorting on its own premises or on the customer premises at the cost of the SUPPLIER.

If necessary ISH will direct SUPPLIER of the need to check and rework any inventory in their facility or stock. Furthermore, the SUPPLIER will order a 3rd party for sorting and possible rework of any material being held at ISH if requested. Or the supplier undertakes as soon as possible free to supply substitute. ISH will require certified stock to be shipped in until root cause and corrective action activity has been completed. The claim ended when ISH was informed with the closed 8D-report.

All quality incidents caused by the SUPPLIER will be charged according to expenditure. Expenses incurred as by e.g. administrative expenses, sorting and reworking, analysis costs, packaging, freight,

special layers to safeguard the delivery, the customer complaint costs, complaints handling for customers, scrap costs of the final product due to defective products of the supplier as well as special tours.

Scaling of the quality costs according to the point of discovery (discovery of the error by ISH or the customer) will not take place. Quality costs for repetitive errors will be charged according to expenditure too.

If the SUPPLIER personally provides notification of supplied products with specification discrepancies, the charge of quality costs may be suspended.

## 8 Environmental protection, work protection and REACH

The SUPPLIER shall agree to comply with every statutory regulation applicable to environmental protection and to provide a suitable environmental protection organisation and adequate operational environmental protection in order to keep any impact on humans or the environment low. To ensure this, an environmental management system (EMS) is expected to be introduced and developed further in accordance with ISO 14001.

The SUPPLIER shall agree to observe every statutory regulation and rule of safety engineering which are applicable to occupational safety. Where the SUPPLIER performs any work on ISH's premises, the Supplier shall observe ISH's pertinent safety and accident prevention regulations and follow the instructions given by ISH on the conduct to be observed on its company premises.

Every material used and every manufacturing process applied in parts manufacture shall correspond to the statutory provisions and rules of safety engineering applicable to restricted, toxic and hazardous substances. The SUPPLIER shall ensure this during parts manufacture. For any delivery made either within or into the European Union (EU), the SUPPLIER will observe its obligations as provided for in the European REACH chemicals regulation (EC No. 1907/2006). This shall apply but shall not be limited to its duty to inform pursuant to Article 33 which provides for every SUPPLIER of a product to communicate any substance listed in accordance with Article 59 (SVHC substances from the candidate list) to ISH. The first candidate list includes 15 substances of very high concern and was published by the European Chemicals Agency on 28 October 2008 (<http://echa.europe.eu>). The SVHC substances from the candidate list are being complemented on an ongoing basis. The SUPPLIER shall obtain its own information about this and comply with its duty to inform ISH pursuant to REACH accordingly. The SUPPLIER shall notify the customer immediately if the customer specifies any material which does not comply with the conditions imposed.

The SUPPLIER shall make certain that every material used by the SUPPLIER or by any of its sub-suppliers is free of radioactive contamination (e.g. cobalt 60). The products must be free of any ionizing radiation exceeding the natural level of radiation. For any non-compliance in this regard, reference shall be made to the SUPPLIER 's liability.

## 9 sustainability

The concept of sustainability covers all ecological, economic, social and ethical effects caused by a company. ISH is aware of its responsibility and is committed to upholding standards which lead to stability along the value-added chain. In this context, its SUPPLIERS and their sub-suppliers also have to meet economic, ecological, social and ethical minimum requirements. This includes but is not limited to considering the guidelines set forth in the core labour standards as defined by the the United Nations' International Labour Organisation (ILO). ISH shall reserve the right to perform audits in order to verify compliance with sustainability.

### 9.1 Economic sustainability

ISH endeavours to develop and maintain a fair relationship on the basis of good partnership with its SUPPLIERS who deliver products and/or perform services. Compliance with the legislation as applicable from time to time shall be ensured in this context.

ISH assumes that its SUPPLIERS always review their operational activities against the background of the optimisations possible by using new technologies and implement such technologies if economically feasible.

ISH expects its SUPPLIERS not to tolerate any form of corruption or bribery and take preventive action in this regard.

### 9.2 Ökologische Nachhaltigkeit

ISH assumes that its SUPPLIERS, with regard to their operational activities, always consider the use and optimisation of procedures improved in terms of environmental engineering.

ISH requires its SUPPLIERS to observe national legislation and international standards for protecting the environment at all times.

ISH presumes that its SUPPLIERS minimise their environmental impact and continually improve environmental protection.

### 9.3 Social and ethical sustainability

ISH assumes that its SUPPLIERS promote equal opportunities and equal treatment for their employees irrespective of their religions, social backgrounds, nationalities, age, handicaps, ranks, sexual orientations, political or religious convictions, memberships in trade unions or other organisations, sex or veteran status.

ISH insists that its SUPPLIERS respect the dignity, personality rights and privacy of every individual.

ISH urges its SUPPLIERS not to employ or force any person to work against his or her will.

ISH determines its SUPPLIERS not to tolerate any unacceptable treatment of workers. This shall also exclude any physical hardship, sexual or personal harassment or discrimination.

ISH advocates that its SUPPLIERS pay adequate compensation and observe national minimum wages as defined by law.

ISH assumes that its SUPPLIERS observe the maximum working hours as defined by law in every country.

ISH demands that its SUPPLIERS recognize their employees' freedom of association and neither give any preference nor discriminate against any member of any employees' organization or trade union.

ISH makes it a condition that its SUPPLIERS do not employ or tolerate the employment of any worker who is not of the minimum age of 15 years. Countries fulfilling the condition of being a developing country within the scope of ILO Convention 138 shall be excepted from this. A minimum age of 14 years shall apply in any such case.

ISH demands that its SUPPLIERS face their responsibility and take care of their employees' health and safety. Risks shall be minimised and optimum precautions for preventing accidents and occupational diseases shall be taken in this context.



## 10 ISH supplier management and supplier classification

The integrated management system at ISH takes place according to targets provided by automotive standards like IATF 16949, ISO 14001, ISO 50001, ISO 45001, specific customer requirements and ISH company targets.

The annual supplier evaluation by ISH is derived from these standards and targets. Between ISH and the SUPPLIER annual quality targets can be agreed. Exceeding agreed upon targets does not release the supplier of their obligation to process all complaints and carry on with continual improvement activity.

## 11 Liability and agreement period

The quality assurance agreement does not affect the SUPPLIER'S liability for guarantee and damage replacement claims by ISH due to defective deliveries.

This quality assurance agreement is valid for an unrestricted period. It can be terminated by either contract party under compliance with a notice period of three months. The termination of this agreement does not affect the effectiveness of current orders.

## 12 Final clauses

Changes and supplements to this quality assurance agreement must be made in writing.

Should any clause in this quality assurance agreement be fully or partially ineffective, it does not affect the effectiveness of the remaining clauses; in this case, the contract partners will agree on an effective clause which comes as close as possible to the economic purpose of the ineffective clause. The same is valid for any loopholes.

This quality assurance agreement is subject to German law under exclusion of a conflict of laws. The court of jurisdiction is Germany.

Innomotive Systems Hainichen GmbH:

SUPPLIER:

\_\_\_\_\_  
location, date

\_\_\_\_\_  
location, date

\_\_\_\_\_  
name / funktion / signature (leader purchasing)

\_\_\_\_\_  
name / funktion / signature

\_\_\_\_\_  
name / funktion / signature (leader quality)

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name / funktion / signature