Automotive Design Concepts

QUALITY ASSURANCE AGREEMENT

Between

(Partner) Xxxx
Street
Zip Code City - Country

- hereinafter "**Partner**"-

and

NBHX TRIM GROUP

☐ NBHX Trim Management Services GmbH
Ernst-Blickle Str. 21-25
76646 Bruchsal - Germany

☐ NBHX Trim GmbH
Gutenbergstr. 30-32
91560 Heilsbronn - Germany

☐ NBHX Trim USA Corporation
1020 7 Mile Road
Comstock Park, MI 49321 - USA

☐ NBHX Trim CZ s.r.o.
Jesenice 8
35002 Okrouhlá - Czech Republic

☐ NBHX Trim China Ltd.
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☐ NBHX Trim Mexico S.de R.L. de C.V.
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☐ HIB Trim Part Solutions GmbH
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Brasov, RO - 505100 Codlea - Romania

☐ Northern Engraving Corporation
803 South Black River St.
Sparta, WI 54656 - USA

☐ Northern Automotive Systems Ltd.
Gilwern Park, Ty Mawr Road, Gilwern, Abergavenny Monmouthshire, NP7 OEB - United Kingdom

☐ Lawrence Automotive Interiors Ltd.
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Zhejiang Province - China 315722

- hereinafter "**NBHX**"-

Replaces Edition 30.03.2012 from NBHX and accordingly 11.09.2013 from HIB.

Revision 01 vom 01.04.2017

In case of disputes the German original version is valid.

Content

1. Preamble

In this agreement, the fundamental requirements for the quality system of suppliers are established. It aims to ensure that the supplier has the ability to meet the quality requirements and will be obliged to continue improving his process and the quality service.

The supplier is in operations required to refrain from anything that can lead to a criminal-able action. With an offense against this NBHX is entitled to cancel or terminate all existing rights on the supplier´s transactions and the right to cancel all negotiations.

Compliance with the rules of this quality policy will ensure NBHX together with the supplier long-term advantages in the market and is a guarantee for a successful partnership.

The passing of the provision to third parties is prohibited without the prior written consent of the board of NBHX .

2. Application

Subject of the agreement is all products delivered by the supplier. The supplier warrants to use all necessary personnel, organizational, material and financial resources to ensure the quality of its products.

3. Quality Management System (QMS)

3.1. Supplier QMS

The supplier must be certified to use a suitable quality management system according to DIN EN ISO 9001 in the current version and has to proceed thereafter. Coupled with this is the obligation of the supplier to a zero defects goal and to a continuous improvement if its performance.

In addition, a certification according the specification ISO/TS 16949 / IATF 16949 in its current version should be sought.

3.2. Subsupplier QMS

To involve the power of subcontractors the consent of NBHX has to be asked for.

In case orders are assigned to subcontractors, the supplier has to inform NBHX in a good time and it has to be ensured that the requirements of this agreement are also met by the subcontractors. An eventual change of subcontractors has to be registered to NBHX in advance.

3.3. Quality planning

To ensure the quality and the reliability of the delivered products a systematic processing has to be ensured in the development phase and later in the serial production by the following elements:

- 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)

3.4. Audit

The supplier allows NBHX audits to determine if its quality assurance measures fulfill the requirements of NBHX. The supplier agrees that at both sides, the supplier´s and where appropriate, the subcontractor´s an audit is conducted.

The supplier grants NBHX and when necessary, its customers access to all premises, laboratories, warehouses and adjoining areas as well as access to quality-relevant documents. Limitations of the supplier relating to trade secrets are accepted herewith.

NBHX will inform the supplier about the result of these audits. If it is necessary from the viewpoint of NBHX to start measures, the supplier is obliged to draw up an action plan and to implement it timely.

3.5. Information and change management

The supplier receives from NBHX the valid term of the technical documentation by the change management service. He must ensure that this proceeding is respected by all concerned bodies. The supplier must include its sub-suppliers into this procedure.

If it is determined that agreements such as quality characteristics, schedules, quantities cannot be met, the supplier has to inform NBHX immediately even if the deviation is recognized after the delivery of the goods.

The supplier agrees to ask beforehand for the consent of NBHX in case of

- Change in production procedures and -materials
- Modification of test methods
- Changing of suppliers
- Relocation of production sites
- Relocation of production facilities at the site.

and to provide quality certificates for the processes and a product release (see section 4).

All changes on the product and the process chain of the components with the duty for an initial sampling procedure have to be documented by the supplier in a product life cycle for presentation to NBHX if required.

3.6. Documentation

All documentation must be kept in a way, that they are easy to find and cannot be damaged or may be lost.

The minimum retention period for documents amounts to 3 years after the last delivery. Documents for regulatory environmental requirements have to be kept for at least 10 years. For delivery items that are marked with the symbol “D” in the order documents (e.g. NBHX - TL / HIB – components of characteristics), the definitions from the legislature and the VDA Series volume 1 “parts requiring special documentation at automotive manufacturers and suppliers.” Retention period of at least 15 years after EOP (end of production). Requirements that go beyond the minimum retention periods are defined and fixed in the technical delivery (TL) at NBHX or by components of characteristics at HIB.

The supplier grants NBHX upon request to inspect the records.

4. Sampling

4.1. Preliminary samples

For preliminary samples NBHX reconciles with the supplier the essential requirements for the production and tests and documents it. The goal is to produce the pre-production samples under close-series conditions.Each delivery has to be accompanied by a sample test report (MPB)

4.2. Initial samples

To test a new product, initial samples are provided by the supplier.

4.3. Production process and product release (PPF)

The production process and product release follows the PPF method of VDA volume 2, level3.

All changes in the production processes and products must be indicated to the responsible department for serial release at NBHX.

An information must be issued upon:

- New parts
- Product and production process change
- Product relocation
- Modification of test methods

- Suspended for > 12 months
- Use of modified tools (except for existing LCs) with costs for modifications > 1% of the tool´s value.
- Change of subcontractors
- Change of supplier´s merchandise parts
- Re-sampling
- Requalification (the documents shall be made available within 1 day).

At a production shift, using new, modified or replacement tools and change of subcontractors the purchasing and logistic department must be informed.

If a PPF method is caused by the supplier it has to be indicated 6 months in advance by the supplier.

The supplier is obliged to carry out a short term and long term process capability analysis on all mandatory documentation features.

In this case the following process skills are applied.

- Machine capability (cmk) ≥ 1.67
- Process capability (cpk) ≥ 1.33

Additionally a "Run & Rate" is to be performed. This is part of the acceptance process in the presence of NBHX. With these produced parts the initial sampling is to be performed.

Unless otherwise agreed, the NBHX documents and samples must be provided in accordance submission VDA volume 2 level 3.

For first article inspections the supplier bears the costs arising in him. If the sampling does not lead to success and this is in direct relation with the supplier, the supplier shall bear any expenses occasioned by the NBHX, the assertion of other rights remain unaffected.

A series delivery my only start after a production and product release by NBHX.

4.4. Quality inspection and documentation for preliminary and initial samples.

Basically all the characteristics which are generated in the production process or have an influence into have to be validated according the drawing. If necessary a uniform test procedure and/or uniform measuring points on the component must be agreed between supplier and NBHX. The result shall be documented in the form of test reports as specified in VDA 2.
Measured parts are numbered, to provide a mapping of the parts to the measured results.

All features are to be entered in the drawing for numbered barriers and number in the ISIR (initial sample report). The MCQ columns i.O./n.i.O. must be completed as well. Unless otherwise agreed, the supplier has to attach or prove to the sample in accordance with VDA Volume 2 submission level 3:

- Cover sheet
- Test results
- Drawing (numbered all features)

- Risk analysis e.g. FMEA
- Process flow diagram (production and testing)
- If applicable: photo documentation
- If applicable: acceptance reports

In production, a process FMEA must be created. Sending the FMEA is not necessary, however, evidence on the cover sheet.

4.5. Cover sheet sampling

To reduce expenses in certain cases, in consultation with NBHX a cover sheet sample inspection is allowed.

4.6. Delivery and marking

To avoid confusion, the labeling of the initial sample at the part itself and the outside on the package must be clearly and permanently. It is done by tags, labels or adhesive strip and on the delivery paper. The marking consists of the following data which have also to be listed in the initial sample:

- Number of samples
- Material number
- Designation
- Change status
- Date of production

To avoid damages on the deliveries appropriate transport containers have to be used. The initial sample report must be signed and send by post to NBHX.

5. Production under series conditions

5.1. General

The supplier is obliged to take shape in appropriate intervals on the timeliness of the NBHX provided documents.

Changes in the production must be notified immediately to NBHX. For the further procedure see point 4 “sampling”.

5.2. Marking and traceability

The supplied products are to be identified in a way that the tracking is ensured on material batches, production parameters and test documents.

Every time in a product change, the first three deliveries have to be clearly visible marked by a triangle for changes on the goods and as well on the delivery papers. In addition, the part history lead by the supplier should be returned to NBHX with a short description about the change.

Please refer to the separate documentation orders of D-parts / S-parts in section 13.2.

If required, the following information can be requested for submission or to be viewed by an authorized NBHX person at the supplier.

- Used material(s) with details of the charge and assignment of test results.
- Documentation of the production parameters and production tests
- Used documentation, testing- and working-instructions
- Produced units and already sent deliveries
- Treatment of nonconforming products and corrective measures
- Results of tests required to be recorded
- FMEAs

The supplier is recommended to retain reserve samples to conserve parts with the state at production start.

The aim is to determine quickly and precisely problem causes and required actions, e.g. recall operations because of problems in later series.

5.3. Delivery conditions

The supplier shall take appropriate measures to ensure that only products go for delivery which reach the agreed quality standard.

On principle, the following information have to be specified on all invoices and delivery notes:

- Vendor number
- Vendor name
- Signs of the customer
- Order (delivery schedule number)
- Additional data of the customer (if submitted)
- Unloading
- Part number of the customer
- Designation of delivery
- Unit
- Charge carriers (number)
- Barcode number and material number

5.4. Incoming inspection

NBHX / HIB analyzes incoming products upon receipt of the compliance with the quantity and identity, as well as visible damages. In addition random sample quality checks are carried out. For the rest NBHX is exempt from out assessment and reclamation (§ 377 HGB)

On request, the Supplier shall send at its own cost to each batch a certificate (Inspection) in accordance with DIN EN 10204 or a certificate of conformity in accordance with DIN EN ISO / IEC 17050 (Parts 1 and 2) attribute in the form valid or in electronic form to NBHX.

Defects in a shipment found after the characteristics of an orderly business operation, has to be communicated immediately to the supplier by NBHX.

To this extent, the supplier waives the objection of limitation.

6. Quality objectives

6.1. Zero fault delivery

In terms of quality management, the supplier is obliged to error-free deliveries of products and services.

The supplier warrants that all products to be delivered by him are considered to the respective specifications in accordance with the agreed conditions, including the properties and durability of the current state of the art.

This zero defect goal applies to all scope of delivery catches, unless otherwise agreed to the ppm targets fixed in writing.

Unless the quality objective is not achievable in a short term, between the supplier and NBHX an upper limit for error rates (ppm ratio) will be defined as an intermediate target. The supplier shall propose relevant measures and has to coordinate this with NBHX to achieve the quality objective.

Falling below the agreed ceilings shall not release the supplier from its obligation to process all complaints and proceed with the continuous improvement.

The supplier´s liability concerning defects or damages, due to defective deliveries remain unaffected.

With an increase of process failures and poor quality on buying parts a temporary supplier development project can be initiated as reactive measure.

7. Measuring and manufacturing equipment

7.1. Measuring equipment

The supplier must be equipped with measuring and testing so that all agreed Q-features can be checked. This also applies to outsourced processes.

All test equipment is subject of an test equipment monitoring. This includes calibration, verification and maintenance. It is important to ensure that only capable measuring agents are in use.

7.2. Manufacturing equipment and utilities

For tools provided by NBHX or jigs, test equipment or similar devices, called in the following resources, ordered by the supplier, the supplier shall be responsible for completeness, protection from damage and storage influences, insurance and maintenance of operational capability, unless otherwise agreed.

Changes and major repairs of provided equipment must be reported in advance and is only allowed with written permission from NBHX. The costs are covered by the supplier, unless otherwise agreed to.

For equipment ordered by NBHX the supplier is obliged to label it after the last payment rate within a certain badge defined by NBHX and has to send the following documents to the shopping:

- Pictures of each ordered item with property marking
- Weight
- Dimensions closed and open
- (L x W x H mm)
- construction (e.g. 1 + 1)
- If applicable design data (2D and/or 3D)
- For tools the signed tool assignment contract

By changes to the tool or sample the corresponding labeling is to be updated and a picture must be sent to the purchasing.

8. Packaging – transport – storage

8.1. Packaging

The packaging is to be carried out in a way that damage, pollution or deterioration of quality during transport and storage are excluded.

Packages are approved / released under the first sampling process.

8.2. Transport

The supplier shall establish procedures and systems to prevent any damage by internal and external transport.

8.3. Storage

In case products, requiring special storage conditions or limited storage or limited fit for purpose, are delivered the supplier shall disclose the necessary storage conditions in writing and include it in the common agreed TL and accordingly components of characteristics.

In addition the products have to be clearly marked with inventories condition and/ or expiration date.

9. Nonconforming delivery

9.1. Deviation approval

Temporary deviations are displayed with the request for “Deviation”.

If it becomes evident that specifications / quality characteristics cannot be met, the supplier informs the purchasing management of NBHX on the form “ Application for deviation approval” (the relevant form can be made available when needed)

The supplier will inform NBHX also about all deviations discovered after delivery without delay.

Deliveries with deviations are only allowed according the information sent to the purchase and the written permission for an agreed amount or an agreed period. Every delivery and all affected components must be labeled accordingly.

Ignoring this proceeding, the supplier will be charged with the relevant standing costs.

10. Handling of complaints

10.1. Collected rejects

Defective products that occur sporadically and in small extent will be recognized as collective waste and collected.

10.2. Incorrect deliveries

If a serious error or a high proportion of errors occur, the supplier will be immediately verbal / written informed.

Depending on the problem and the supply situation the supplier has to ensure immediately error-free spare or sorting or rework at NBHX.

10.3. 8-D report

Shortcomings determined by NBHX are displayed with a report to the supplier.

The supplier shall create an 8D-report regardless the defect is occurred in receiving, during further processing or in the process of established usage.

NBHX expects to all complaints within

- 24 hours a first step action in writing
- 10 working days a written error analysis, measurement and taken look up measures.

- 4 weeks a documented evidence of implementation of final measures (efficacy)

A complaint is completed if the origin of the deviation is known and final measures are taken effectively and the effectiveness has been demonstrated.

10.4. Acceptance with reservation

NBHX reserves the right in spite of existing deficiencies to accept parts for subsequent deliveries but to insist on freedom from defects. This does not represent acceptance of delivered defective parts as properly.

10.5. Return shipment

Parts which NBHX cannot use because of a defect will be sent back by the receipt with a written report or must be picked up. This is done at the expense of the supplier.

The return delivery is notified in writing by the supplier. This provides the opportunity to shift through the committee to review and jointly come to a decision how to proceed.

10.6. Rectification by third parties

Can the repair neither by NBHX nor by the supplier be carried out because of capacity reasons and/ or because of the time situation NBHX has the right without consultation with the supplier to instruct an appropriate third party which is applied to the requirements of this QAA for repair,

10.7. Escalation management for repeatability

In a repeated delivery of a known or complained kind of defects, with the supplier a 100% final inspection (escalation level 1), by personnel of the supplier, has been agreed in writing form.

If in spite of escalation level 1, a further delivery of defective parts with the specified kind of defects can be configured, a 100% output control by an external sorting company (escalation level 2) is determined with the Supplier in writing form. The costs arising from escalation level 2 are to be borne by the supplier. The installation of the external sorting company can optionally be used by the NBHX.

The measures are to be presented to management NBHX by the management of the supplier

For both escalation levels also the exit criteria from the respective escalation levels are defined at the beginning of the escalation phase.

10.8. Reclamation costs

The supplier agrees to compensate the costs and expenses caused by faulty products or to remunerate (warranty). This also applies to hidden defects.

Following load characteristics are possible:

- Replacement of the delivered materials
- Additional test and processing efforts
- Special transport and packaging for return deliveries
- Cost of processing the parts into the production

- Special release from the customer
- Sorting and/ or rework costs of NBHX or a third party.
- Scrapping costs at NBHX
- Claim expenses
- Fee of 125,00 Euro per reclamation respective collected rejects.
- The customer´s expense, which were charged to NBHX
- Cost of finished parts that have failed at NBHX and the customer.

The resulting costs of complaints are communicated to the supplier for approval in advance.

We reserve the right to provide further cost accordingly particular outlay.

11. Supplier assessment / quality objectives

11.1. Supplier assessment

NBHX / HIB rates the supplier by assessing the following criteria:

- Overall impression of operation
- External and internal data communication
- Machinery
- Quality (e.g. ppm-rate)
- Qualification
- Delivery reliability
- Certifications
- Pricing
- Service(e.g. flexibility, availability)

11.2. Quality objectives

The supplier quality terms are defined in terms of quality and logistic performance and customer service. Minimum once a year the supplier receives the written information about the quality status.

In case the above mentioned targets are not received the supplier must notify measures to achieve the target in writing.

12. Environmental protection

The environmental impact of our products is one of our key business concerns. Environmental, recycling and disposal options are either already in the development phase and demand as well as technical and economic decisions.

It is our goal to work closely with our suppliers to avoid from the beginning on environmental risks and work together for finding solutions that go beyond the existing laws´ compliances.

It is recommended, that the environmental situation is in accordance with international environmental management standards such as DIN EN ISO 14001 with continuous and efficient improvements.

13. Additional instructions

13.1. Compulsory insurance of the supplier

The supplier must complete a reasonable extent, a product liability and recall insurance.

This insurance is during the term of this agreement continuously to be maintained in full extent.

If an insured event occurs, the supplier shall provide information about all insured event associated circumstances and previous occurrences required.

13.2. D-part / S-part

“D”-marked documents or rules include one or more duty-owned inspection to be documented.

These are additionally emphasized with bold printed D.

“S” – marked documents or regulations identify safety inspections. This procedure is identical with D-parts. We want to point out that for D-or S-labeled products need special testing, documentation and archiving responsibility is subject (see VDA Volume 1). “Special features” are given in the TL respectively in the components characteristics if provided by the customer.

13.3. Availability

The supplier must ensure availability of materials used for the supply of spare parts to 15 years after regular serial ending (EOP)

The scrapping of part specific manufacturing facilities of series or parts is only allowed, irrespective of ownership, with the written consent of NBHX.

Capacitance variations of the material up to +/ - 20% are sure unless others is agreed upon in writing within the nomination.

13.4. IMDS

The supplier is responsible for ensuring that the delivered products meet the requirements of the EU ELV Directive. To reach the environmental requirements, is that of the German automotive industry IMDS (international material data system) development part of the product release by ISIR VDA Volume 2. The supplier is responsible all material data to maintain in the IMDS.

Access and information about the system is available online at www://mdsystem.com.

13.5. Declarable substances

The “VDA list of declarable substances” is part of our TL. respectively components of characteristics The substances listed must be used only in the specified maximum permissible concentration. The aim should be to dispense the substances listed.

The “VDA list of declarable substances” raises not to be exhaustive and is always to be enforced with the last revision date.

The list has to be viewed in the internet under www:// mdsystem.com

13.6. REACH

The REACH regulation EC 1907/2006 (Registration, Evaluation, Authorization and Restriction of Chemicals) is to protect human health and the environment from hazardous chemicals.

The supplier is responsible for ensuring that all materials and products that is provided to NBHX / HIB and needed to be registered are registered under REACH.

More information can be found in the internet under www//acea.be/reach.

13.7. Legal requirements

All purchased parts and materials delivered to NBHX shall comply with the applicable legal provisions that apply in the country of production and distribution.

13.8. Emergency plan

To minimize the risks to NBHX, the supplier undertakes a contingency plan.

13.9. Invalidity clause

If any provision of this agreement is invalid or will or the contract contains a loophole, the validity of the remaining provisions shall remain unaffected. The invalid provision shall be replaced by a valid provision that is nearest to the purpose of the invalid provision.

13.10. Regulations on projects for VW

The following points need to be done on projects for VW:

- Implementation of a D/TLD audit.
- Nomination of a product safety manager
- Implementation of a process audit.

13.11. Other applicable regulations

The following rules apply in the current version are a constituent part of this quality assurance agreement:

- DIN EN ISO 9001
- ISO/ TS 16949 / IATF 16949
- DIN EN ISO 14001
- PPAP, MSA, SPC, FMEA according AIAG (Automotive Industry Action Group)
- Valid VDA-Bände
- AIAG/ EAQF/ AVSQ publication
- EU Altautorichtlinie (2000/53/EG, 2002/525/EG,2005/63/EG)
- Chemical order Reach EG Nr. 1907/2006

Customer specific requirements of the OEM`s (DAG: Special Terms, VW, Audi, Porsche: Formel Q Konkret, BMW: Qualitätsmanagement Kaufteile)

14. Severability, Validity

In the event that any provision or portion of this Quality Assurance Agreement (QAA) is determined to be invalid or unenforceable, in whole or in part, the remaining provisions of the QAA remain unaffected thereby. The invalid part of the QAA is to be replaced by provisions coming reflecting to original intend of the parties and being permitted by applicable law.

This Quality Assurance Agreement (QAA) is valid upon signature of both parties or 4 weeks after receipt of an order when no objection against the QAA is being made by supplier. The QAA shall be part of every order transaction.

We ask you to accept the QAA, sign and return it to us within 14 days.

Herewith we confirm compliance with the Quality Assurance Agreement of the NBHX.

_____ _____

(location and date) Supplier Development Director

(NBHX)

_____	_____
(location and date) (NBHX)	Purchasing Officer
_____	_____
(location and date)	Supplier sign and company stamp