between

Gerd Bär GmbH
Pfaffenstrasse 7
74078 Heilbronn
- hereinafter referred to as *Bär* –

and

_____
_____
_____
- hereinafter referred to as *Supplier* –

***Bär*'s goal is to supply its customers with faultless products with the highest degree of reliability. It is in our common interest to ensure a comprehensive and smooth collaboration between the contractual partners. The purpose of this quality assurance agreement (QAA) is to specify binding technical and organisational conditions between *Bär* and the *Supplier* with a view to meeting the *zero-error target* we have set ourselves.**

1 GENERAL AGREEMENTS

1.1 Scope

This agreement applies to all products and services which the *Supplier* delivers in order to fulfil orders he receives and accepts from *Bär* over the duration of this agreement.
In the case of applications by subsidiaries abroad, legal stipulations which extend beyond this agreement shall remain unaffected.

1.2 The Supplier's responsibility for the quality of his products

The *Supplier* is responsible for the faultless workmanship of his products and services in accordance with the agreed technical documents. During contract review, the *Supplier* shall examine all technical documentation (e.g. drawings, CAD information, material specifications, product delivery guidelines, product and requirement specifications) without undue delay upon receipt as to their completeness, clarity and feasibility and for obvious errors. The *Supplier* shall notify *Bär* and, if necessary, his subcontractors, without delay of any defects, risks and areas for improvement.
The *Supplier* is responsible for providing products and services which meet the current requirements of the relevant technical documentation in full.
All products and services supplied must fulfil the respective applicable legal and official regulations.
If the *Supplier* delegates orders to subcontractors, he undertakes to ensure that the requirements of this QAA are also implemented by his suppliers.
Bär checks the products procured from the *Supplier* after receipt for compliance with the quantity and identity, and for any externally visible damage. Further to this, *Bär* is released from any duty of examination and notification of defects (§ 377 HGB [German Commercial Code]). *Bär* shall notify the *Supplier* in writing about any deficiencies of a delivery as soon as such deficiencies have been discovered in the course of orderly business practice. To this extent, the *Supplier* waives the objection to delayed notification of defects.
The *Supplier* must enclose the quality documents ordered by *Bär* with every delivery.

2 MANAGEMENT SYSTEM

2.1 Quality management system

The *Supplier* shall maintain an adequate, efficient and reliable quality management system in keeping with current engineering practice (e.g. DIN EN ISO 9001 in its most recent version) and he shall manufacture and inspect the products in accordance with the rules of this QM system. Moreover, the *Supplier* undertakes to comply with the applicable, legal regulations for each product and service.
Where it emerges that the quality management system does not fulfil the prescribed requirements to the extent that the quality and competitiveness of the products/services are impaired, the *Supplier* undertakes to improve the system accordingly.
Furthermore, the *Supplier* undertakes to include his own suppliers in his QM system contractually or shall guarantee the quality of the other suppliers himself.
The *Supplier* must provide *Bär* with his certificates on his own authority and report any updates immediately following the end of the validity period as well as the revocation of any certificate. Negligence shall lead to the Supplier's rating being downgraded.

2.2 Environmental protection

2.2.1 Environmental protection management system

The *Supplier* shall constantly and efficiently improve his environmental situation. In doing so, the *Supplier* shall align his practices with international environmental management standards (such as DIN EN ISO 14001 in its most recent version).

2.2.2 Prohibited/declarable substances

For the protection of persons and the environment, components/materials must not contain any constituents that are harmful to heath, troublesome and/or harmful to the environment. Substances or substance classes listed in the VDA list 232- 101 or the ***Global Automotive Declarable Substance List (GADSL)*** (available at: http://www.gadsl.org) must not be contained in materials or components, or only if equivalent uncritical substances from an ecological or economical perspective are demonstrably unavailable. All substances classified as ***prohibited*** are legally prohibited for certain application purposes. These must not be present above the permissible limits. All substances classified as ***declarable*** must not be supplied without notifying *Bär* in advance.

2.2.3 Notification of declarable substances

Declarable substances must be named in a fully completed safety data sheet per 91/155/EEC. Deviations from the requirements of this standard must be approved in writing by *Bär*. Any change to the composition of the materials must be reported unprompted. Notifications must be sent in writing to the following address:
Gerd Bär GmbH
Pfaffenstrasse 7
74078 Heilbronn
Germany

2.2.4 Risk management

The *Supplier* undertakes to generate a suitable emergency plan for all situations. The basis for this shall be the risk assessment performed by the *Supplier*.

2.3 Audit

The *Supplier* allows *Bär* to check whether all of *Bär's* requirements are being fulfilled by the supplier or by any subcontractors where applicable. Depending on the case, this can take place in the form of a quality or technical discussion, or a system, process or product audit and shall be announced in good time.
The *Supplier* grants *Bär* access to all premises, test centres, warehouses and neighbouring areas.

In doing so, *Bär* shall be granted an insight into the *Supplier's* procedures, documentation and records as long as they relate to the management system, the quality of the products or services to be supplied, or relevant environmental factors.
Bär shall share the results of this inspection with the *Supplier*. If *Bär* believes that corrective measures are required, the *Supplier* undertakes to draw up an action plan without delay, to implement it on time and inform *Bär* thereof.

3 INFORMATION AND DOCUMENTATION

The performance of *Bär* depends largely on the performance of the *Supplier*.
For this reason, *Bär* carries out a supplier assessment at set intervals on key performance criteria such as adherence to delivery dates and quantity stipulations, product quality, flexibility and communication. The results are shared and evaluated in conjunction with the *Supplier* and corrective and improvement measures shall be deduced together, if necessary.
Bär shall conduct a supplier evaluation regularly. Suppliers are classified as A, B and C suppliers. B suppliers are required to remedy existing deficits. C suppliers are required to implement intensive measures to improve the situation. *Bär* does not maintain any long-term relationships with C suppliers. *Bär* conducts mutually agreed supplier development programmes with selected suppliers.

The *Supplier* undertakes to comply with and monitor the quantities and deadlines agreed. If it comes to light that agreements made can not be fulfilled, such as quality criteria, deadlines, delivery quantities, the *Supplier* must inform *Bär* about this immediately and clarify how to proceed. This also applies to discrepancies which come to light following delivery. In the interests of arriving at a quick solution, the *Supplier* shall disclose all necessary information and facts.
Technical modifications require the approval of *Bär*. This applies in particular to:

- any changes to the product, in particular any change to components which are related to functionality, processing or safety
- a change in subcontractor
- changes to testing procedures/equipment
- relocation of production sites
- other changes which may have an impact on quality

The *Supplier* undertakes to inform *Bär* in writing in a timely manner before implementing scheduled changes so that *Bär* can check whether any changes could have a detrimental impact.
The *Supplier* shall document any changes to the product and the process chain. The relevant documents and evidence shall be supplied to *Bär* upon request.
The *Supplier* shall keep any quality records and any associated templates and specification documents (specifications, drawings, work and testing plans) on file for a period of 10 years following delivery of the contractual object to *Bär*.

4 PRODUCT-RELATED QUALIFICATION PROCESS

4.1 Planning and development

The *Supplier* undertakes to run project management in the form of QM plans as early as the planning phase for products, services, procedures and other cross-functional activities and to grant *Bär* access to these plans upon request.

In the development phase, the *Supplier* shall implement appropriate preventative quality planning methods (e.g. producibility analysis, reliability studies, FMEA). While doing so, experience gained from similar projects will be taken into consideration (e.g. process workflows, competence studies). The essential elements of quality planning can be specified mutually in a separate agreement.
Bär and the *Supplier* shall determine characteristics with special archiving requirements.
Prototypes and pre-production products should be manufactured under series conditions. In the case of discrepancies (e.g. purchased parts, materials, processes) the *Supplier* consults with *Bär* and his own suppliers regarding manufacturing and testing conditions and documents these.

4.2 Initial sampling

Initial sampling takes place according to *Bär's* specifications. This is always required before commencing with series production if:

- a new component has been ordered
- there has been a technical modification
- a new tool, change/changeover of tool is required
- the production site has been relocated
- production has been suspended for an extended period (longer than 12 months)
- this is instructed by *Bär*

The initial samples must have been manufactured in full under series conditions. Any deviations from the planned status of the series manufacturing process shall be documented and agreed in writing with *Bär* in advance.
After the initial samples have been presented, *Bär* shall carry out tests at its own discretion. *Bär* shall make his decision with regards to approval based on these measurement results and the ones provided by the *Supplier*.
The *Supplier* is not released from his responsibility for the quality of the products if *Bär* approves the initial sample. The approval takes on a purely technical form and does not represent a delivery order.
The *Supplier* shall supply the initial samples together with the requested initial sample test report. The tested components must be identified in such a way that assigning the measured values is straightforward.
Delivery of series parts must only take place once the initial samples have been approved by *Bär*.

4.3 Process planning and capability certification

The *Supplier* shall carry out process planning for all characteristics (work plans, testing plans, equipment, tools, machinery etc.). A process capability study must be carried out for the function or process-critical characteristics agreed with *Bär*. When establishing the process capability, measuring tool accuracy requirements must be observed and the statistical foundations must be considered.
If the required process reliability is not achieved, the quality of the production process must be assured by a 100% test and this must be documented.

4.4 Series production, identifying products, traceability

The *Supplier* undertakes to take random samples regularly during production and to document the results, and to make the results available to *Bär* on request. In doing so, process parameters which could impact negatively on product characteristics, must be taken into consideration accordingly. Interruptions in the process (e.g. tool breakage) and measures which determine quality must be clearly identifiable in the records.
As a general rule, a production batch can not be approved if a defective product is found in the random sample. If a fault is discovered in a product during the manufacturing process, the *Supplier* must stop the process immediately and correct this. In this case, all of the products manufactured since the last positive finding in a random sample (good part) must be checked in full.
Defective products must be secured immediately and stored in a separate, marked location (quarantine store) until final clarification of the cause of the fault. Any corrective measures put in place must be documented in a

comprehensible manner in the records.
If an inspection shows that the defective products can not be reworked, they must be scrapped. In the case of reworking, all of the stipulated series tests must be carried out. If, in exceptional cases, the *Supplier* is unable to supply products conforming to the specification, he must obtain a concession from *Bär* prior to delivery.
The *Supplier* undertakes to ensure the traceability of the products supplied by him. In the event that non-conformity is detected, limitation of the damaged parts/products/batches etc. must be ensured.
The *Supplier* undertakes to identify the products, parts and the packaging in accordance with agreements reached with *Bär*. The *Supplier* must ensure that the packaged products are marked so that they are legible during transportation and storage. The marking must include the following information:

- Order and contract number
- Quantity and unit
- *Bär* reference number or *Bär* norm with revision status

When labelling initial series samples (if necessary), any necessary deviations from the agreed specifications must be agreed in writing between Bär and the supplier.

From a commercial standpoint and with the aim of minimising errors, *Bär* expects its *Suppliers* to continuously improve their processes.
If *Bär* has made production and testing equipment available to the *Supplier,* the *Supplier* shall handle this as he would his own, with respect to maintenance and servicing.

4.5 Delivery and incoming goods inspection

The *Supplier* is responsible for protecting the products he delivers and must use suitable packaging/secondary packaging or transportation to guarantee the integrity of the products (e.g. contamination, corrosion, chemical reactions). Upon delivery, both the packaging/secondary packaging and the products themselves must be marked in accordance with the agreements reached with *Bär* and the applicable packaging requirements issued by *Bär.*
The *Supplier* is responsible for delivering the contractual objects which were ordered in accordance with the specification.
As a general rule, only raw materials, products and services without any deviations in quality may be delivered to *Bär*.
Both parties agree that an incoming goods inspection must take place at *Bär's* premises, apart from visible transport damage, quantity or identity discrepancies. Incidentally, in the course of an orderly business practice, *Bär* shall inspect the delivered goods during production and shall notify the *Supplier* in writing of any faults which arise as soon as they are discovered. To this extent, the *Supplier* waives the objection to delayed notification of defects.
Bär is not obligated to perform any activities which are further reaching than the reporting and inspection duties specified above. This applies in particular to the obligation of inspection, notification and rejection in accordance with section 377 of the German Commercial Code.
If *Bär's* contractual objects are put out of use due to quality issues, the *Supplier* shall provide a faultless replacement, where required, to ensure that production continues.
Bär assumes that the form and extent of the *Supplier's* final inspection shall ensure that 100% of the parts delivered are in order. If the requirement is not satisfied, *Bär* is entitled to invoice the *Supplier* a fixed handling feed of € 150, insofar as a notice of defects was justified. The hourly rate for additional works is €50/h.
The *Supplier* is at liberty to demonstrate that *Bär* did not sustain any damage or sustained lower damage. Insofar as entitled, costs for rework, sorting, warranty, etc. will be charged separately.

4.6 Complaints, measures

In the event of a complaint, the *Supplier* undertakes to analyse every discrepancy and to notify *Bär* in 8-D format. *Bär* reserves the right to request that these measures be improved, if they are not deemed as promising. Additional costs (production downtime, scrapping, reworking and logistics expenditure etc.) arising from poor quality or delayed delivery will be charged to the contractual partner according to the costs-by-cause principle. *Bär* reserves the right to recover additional costs from the *Supplier.* These include, for example:

- Receivables from supplier agreements (see appendix)
- Exceptional measures
- Inspections at *Bär's* premises which correspond to the *Supplier's* final inspection
- Audits carried out by *Bär* at the *Supplier's* premises in relation to quality issues

Bär explicitly reserves the right to make claims for faults which arise at a later date.
Where *Bär* has found it necessary to recall, replace, and/or rework contractual objects either at his customers' premises or in-house due to proven quality deficiencies which the *Supplier* is responsible for, then the *Supplier* shall bear the costs up to the maximum amount that the business and product liability insurance taken out by the *Supplier* accounts for. *Bär* shall inform the *Supplier* about the quality deficiencies which have arisen without delay. The paragraph above also applies to quality deficiencies which were detected at *Bär*'s premises before delivery to the customer.
Any other liability on the part of the *Supplier* shall remain unaffected, in particular if the *Supplier* is mandatorily liable according to the German Product Liability Law, is liable due to the acceptance of a guarantee or the damage was due to gross negligence.

4.7 Acceptance with reservation

Bär reserves the right to accept components despite the presence of defects, although it may demand freedom from defects with subsequent deliveries.

4.8 Returns

Parts that cannot be used by Bär due to a defect shall be returned to the supplier at his cost with a notification of defects.

4.9 Supplying production

If the supply of products that do not meet with the specification threatens to bring production at Bär or its customer to a standstill, the supplier must implement a remedy in cooperation with Bär through suitable immediate measures (replacement delivery, sorting, reworking, additional shifts, express shipping, etc.) to be borne by him. So the supplier has to keep one pressing-lot of each profile at his stock as a safety-stock.

4.10 Remedy by a third party

If the supplier is unable to remedy the situation within 24 hours then Bär is entitled to commission a suitable third party with remedying the situation in agreement with the supplier. The costs of this remedial work shall be borne in full by the supplier.

4.11 Damages after delivery to the end customer

The *Supplier* undertakes to compensate *Bär* for any damages demanded by the end customer, if the *Supplier* is clearly shown to be responsible for the cause of these damages.
Damages that are covered by the product liability law include, e.g.:

- Damages that arise/are discovered by third parties or the end customer
- Costs of recall actions
- Transport costs

5 Supplier's insurance obligation

The *Supplier* is obligated to take out comprehensive product liability insurance including testing, installation and disassembly costs and recall cost regulation with a minimum sum insured of € 5 million per damage instance without annual limitation. This insurance cover must be maintained in full and without interruption for the duration of this agreement and must be proven to *Bär* at any time on request by the same. Depending on the requirement of an individual customer of *Bär*, the performance capability of the *Supplier*, the commercial relationship and the liability risks, Bär shall demand that the *Supplier* increase his insurance protection with regards to both the scope and sum insured.

6 CONFIDENTIALITY

The contractual partners undertake to keep confidential, facts, documents and information which have come to their knowledge while entering into this agreement and impact on the interests of the contractual partner, provided that he declares the information in question as confidential or he has an evident interest in its confidentiality. This obligation starts from the first receipt of the confidential information and ends 3 years after the end of this agreement.
The obligation of confidentiality shall not apply provided the fact in question can be proven to be:

- generally accessible current engineering practice or if it becomes such without the use of this information
- previously known to the contract partner in receipt of the information or it is revealed by a third party entitled to do so
- developed by the recipient contract partner without any involvement of the other contract partner and without the use of any other information or knowledge arising due to the contractual contact
- disclosed on a mandatory basis due to statutory regulations or legal rulings.

7 Risk management

The *Supplier* undertakes to generate a suitable emergency plan for all situations. The basis for this shall be the risk assessment to be performed by the supplier.

8 TERM, CANCELLATION

This agreement takes effect at the time of its signing. The term of the contract is indefinite. The agreement can be terminated by both contractual partners with a notice period of 6 months. It applies to all deliveries of contractual objects which are ordered after this agreement comes into effect and whose orders are confirmed before this agreement ends.
The contractual partners' right to terminate the agreement for grave cause with immediate effect shall remain unaffected.

9 FINAL PROVISIONS

If one or more conditions are entirely or partially ineffective, the validity of the remainder of the agreement shall not be affected by this. The contractual partners shall replace the ineffective conditions with effective conditions which come as close as possible to serving their commercial interests.
The agreements made in other contracts between the contractual partners shall also apply, unless more specific regulations are included in this QAA.
The court of jurisdiction named in the *Bär* conditions of purchase shall be the exclusive court of jurisdiction, provided the *Supplier* is a registered trader, a legal entity under public law, or a special asset governed by public law. If the *Supplier* does not fall under one of the above definitions, the legal rules and regulations for the place of jurisdiction shall apply.

10 Place of jurisdiction

German law is agreed and the place of jurisdiction is Heilbronn.

Supplier		Customer	
		Gerd Bär GmbH	
Name of supplier			
Bär supplier number			
Place	Date	Place	Date
Name	Signature	Name	Signature (Purchasing)
Name	Signature	Name	Signature (QM)