

# Supplier Quality Agreements

between

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(Hereinafter referred to as the "Supplier")

and

**Reutter GmbH Company Group** (hereinafter referred to as "Reutter Group")

as customer

## Companies of Reutter Group:

Reutter GmbH Leutenbach (DE); Reutter G.m.b.H., St. Johann, (Aut); Reutter SK sro (SK); Reutter LLC (USA); Reutter S. de. RL (MEXICO) and Jost Automotive GmbH Leutenbach (DE). In the following the respective company contracting with a SUPPLIER will be called "Reutter Group"

regarding the performance of joint quality management operations with the objective of securing product quality and guaranteeing reliable processing between the contracting parties.

## **Contents:**

1 Scope	2
2 Supplier's quality management	2
3 Information exchange	2
4 Emergency plan / Risk assessment	3
5 Supplier Audit	3
6 Product/ Process development and change management	3
7 Product/ Process release & requalification	4
8 Product/ Process documents	5
9 Packaging, identification, traceability	6
10 Quality targets / Zero defects strategy	6
11 Complaints handling / Warranty	6
12 Safety and environmental regulations	7
13 Term and termination	8
14 Attachments	8

## 1 Scope

Reutter Group develops, produces, and sells innovative closure technology which is used in components for the automotive industry.

This Supplier Quality Agreements (SQA) provides a framework for the technical and organisational conditions and processes used by Reutter Group and the Supplier and which are required for the purpose of achieving the envisaged quality objectives of both parties. This SQA describes the minimum requirements to be met by the management systems operated by the contracting parties and governs the rights and duties relating to quality assurance of the supplied products.

Unless otherwise agreed, this SQA shall apply in addition to all agreements concluded between Reutter Group and the Supplier as well as the Reutter Group Terms of Purchase. Specific changes may be added as an annex to this SQA to meet specific requirements. Should one or several of the provisions of this General Quality Assurance Agreement be ineffective, this shall not affect the validity of the remaining provisions.

## 2 Supplier's quality management

(see also part 16 in Terms of Purchase)

The Supplier shall introduce and operate a quality system based on ISO/TS 16949 and shall endeavour to meet zero defects and continuous improvement objectives. In the case the Supplier is not certified based on ISO/TS 16949, than an action plan with reasonable terms so to be certified has to be defined and followed. Production, inspection and/or packaging material made available to the Supplier by Reutter Group shall be incorporated by the Supplier in its quality system.

If the Supplier procures production or inspection, measuring and test equipment, software, services or other prior deliveries from subcontractors, these shall be integrated in the Supplier's quality system alternatively the Supplier shall take appropriate quality measures itself to secure the quality of prior deliveries.

The Supplier shall also impose an obligation on its subcontractors – based on the international ISO 9001 standard at minimum but preferred ISO/TS 16949– to introduce and maintain a quality system and to require its subcontractors to likewise strive to achieve zero defects and continuous improvements.

Reutter Group shall be entitled to demand documented evidence from the Supplier which demonstrates that the Supplier has taken action to confirm the effectiveness of the improvement operated by its subcontractors.

## 3 Information exchange

The Supplier shall inform Reutter Group immediately should it become apparent to the Supplier that it will be unable to comply with agreements – e.g. regarding quality characteristics, deadlines, and supply quantities. The Supplier shall also inform Reutter Group about any non-conformances which may be detected subsequent to delivery. In order to achieve a fast solution, the Supplier shall disclose all the required data and facts. The supplier shall agree the same with his subcontractor.

The Supplier shall notify Reutter Group in good time enough in advance prior to necessary follow up in regards to product/ process release about:

- Changes in component
- Production in case of known process faults

- Delivery of potentially incorrect parts
- Changes in production processes, procedures and materials (including changes implemented by subcontractors)
- Changes in subcontractors
- Changes in test procedures / equipment
- Relocations of production locations
- Movement of production facilities at the same location
- Outsourcing of work operations
- Change in proprietorship

And enable Reutter Group to assess whether the planned changes may have any impact. The duty to notify shall also apply to catalogue goods which are not specific to Reutter Group.

The communication language for any quality related topic is English language (including reports).

#### **4 Emergency plan / Risk assessment**

The Supplier shall be obliged to set up emergency plans to supply Reutter Group with products. For this purpose, he has to base on risk assessments (e.g. single sourcing).

When creating emergency plans, any occurrences have to be taken into account, such as loss of production, machine downtimes, delivery interruptions, energy supply failures, transport losses (accidents), catastrophes, strikes, insolvency of subcontractor, etc. Functionality of emergency plan shall be regularly verified by simulating certain failures and measuring effectiveness of its application.

In the event of a risk in supplying the lines of Reutter Group and of their customers, the Supplier undertakes to arrange a time and date within 12 hours in order to find a mutual problem solution.

#### **5 Supplier Audit**

(see also Terms of Purchase part 16)

Reutter Group shall be entitled to conduct audits of its Suppliers to determine whether the measures undertaken by the Supplier to secure quality actually comply with the Reutter Group requirements and agreements as result of problem solving. The audit may be conducted in the form of a system, process and product quality audit. Supplier audits must be conducted at all potential and existing suppliers to evaluate their capability compare to Reutter Group requirements. In the case of escalation the Supplier shall enable audits to be conducted on request within a period of two calendar days. Audits shall be conducted subject to reasonable restrictions to protect the Supplier's know-how; confidentiality is likewise assured.

Should quality problems occur, the Supplier shall grant Reutter Group the opportunity of auditing its subcontractors. Reutter Group shall be entitled to demand such an audit. Should Reutter Group be forced to conduct such an audit at the subcontractor alone the outcome of the audit shall be notified to the Supplier. If non-conformances are determined, the Supplier shall draft an action schedule which shall be agreed with Reutter Group. Subsequent measures shall be performed on schedule and Reutter Group informed accordingly.

#### **6 Product/ Process development and change management**

If the Supplier order includes development tasks, the requirements shall be set down in writing by the contracting parties, e.g. in the form of performance specifications. The Supplier shall initiate project

management, responsibilities and milestones as early as the planning phase requires for products, processes and other company-wide tasks and shall enable Reutter Group to inspect the same on request. During the contract review the Supplier shall assess all technical documents, such as specifications, drawings, bills of materials, CAD data, in terms of feasibility as soon as they are received. The Supplier shall notify any errors and risks detected in the same to Reutter Group immediately.

The Supplier shall employ suitable preventive quality planning measures during the development phase, such as feasibility reviews, reliability inspections, FMEAs, Control Plan, etc. The Supplier shall take lessons learned (processes, process data, capability studies, etc.) from similar projects into account.

Cleanliness of the parts (e.g. free of dust, oil, carton fibres, etc.) shall be secured by supplier in the whole production and supply chain. Supplier shall instruct Reutter Group to follow up any specific storage conditions (e.g. box orientation/ stacking, temperature, humidity, etc.) that leads to keep required quality of the parts.

Specific documentation such as product/ process measuring results, SPC data, etc., determined for archiving shall comply with legislation, ISO norm and Reutter Group requirements. The Supplier and his subcontractor shall agree upon manufacturing and inspection conditions for prototypes and pre-series parts with the Reutter Group and shall document them accordingly.

Products shall comply with the agreed or warranted characteristics (e.g. SPC, specifications, data sheets, drawings, samples). The Supplier shall immediately assess whether a description (e.g. specifications, performance specifications, data sheets, drawings) submitted by Reutter Group is clearly incorrect, ambiguous, incomplete or clearly diverge from any samples. If this is the case the Supplier shall notify Reutter Group in writing immediately before beginning the production process or performing the service.

Product / Process change management could be initiated from Supplier, Reutter Group or Customer side. All related parties must accomplish written processes in according with latest automotive standards. This change management have to clearly communicated within all parties, properly documented (e.g. correct documents versions, part history and finalised with PPAP update).

For an initiation of such change request must be used Reutter Group form number FB 2.7.001. XX, which is parts of the attachments included in this SQA. Fulfilled form has to be then submitted to Reutter Group change management committee centre representatives for an evaluation and it's further processing. Every product/ process change intended to be proceeded by supplier has to be managed in above described way.

For Change management topic please refer also to Terms of purchase (part 19).

## **7 Product/ Process release & requalification**

Unless otherwise agreed the Supplier shall implement a production and manufacturing process release procedure prior to initial serial deliveries in accordance with VDA Volume 2 (or PPAP - QS 9000 available in the attachment as mentioned in chapter 14) and provide free of charge based on request including agreed objective evidence of suitability and capability.

The Supplier shall undertake process planning and responsibility for creating and executing work plans, preventive maintenance, calibration, inspection plans, operating equipment, tools, machines and gauges. The Supplier shall take steps to ensure that production means are suitable. If not required to be executed by Reutter Group representatives, supplier production capacity has to be confirmed at least by self-assessment

in form of R@R and send to Reutter Group maximum 1month after obtaining approved PPAP from Reutter Group. Quality is monitored in the context of regular audits.

The Supplier shall present the agreed quantity of pilot samples which have been manufactured under series production conditions in good time prior to beginning series production. Series production shall only commence after obtaining an approval of PPAP or ISIR files given by Reutter Group.

The Supplier shall undertake process planning for all characteristics (work plans, inspection plans, operating equipment, tools, machines, etc.). The Supplier shall check the capability of the production facilities and shall document the results. Product quality is monitored in the context of regular audits.

Identified and agreed "special characteristics" are subject to statistical process control unless otherwise approved by Reutter Group. The process capabilities shall be determined and documented for special characteristics (refer to VDA Volume 4, Part 1 or SPC Manual QS 9000). Unless stipulated otherwise, the following values shall be complied with:

Type of inspection	Referred to as	Capability
Short-term machine capability	MFU	$C_{m_k} \geq 1,67$
Short term process capability	PFU	$C_{p_k} \geq 1,67$
Long-term process capability	PFU	$C_{p_k} \geq 1,33$

Short term process capability shall be done on amount of samples at minimum 50 pieces. If the values referred to above are not complied with the Supplier shall perform and document a 100% inspection of the parts prior to shipment until he has determined and rectified the cause for such non-conformance of the process capability. If this is not possible for process-technical reasons, the Supplier is obliged to retain 100% check. In the event of process faults and quality non-conformances the Supplier shall analyse the causes of the same, initiate corrective action and assess effectiveness.

If, in exceptional cases, the Supplier is unable to supply products which comply with specifications, the Supplier shall initiate and obtain a concession (DAR = Deviation Approval Request) from Reutter Group prior to delivery in a reasonable time frame. If such a DAR isn't approved by Reutter Group such a material can't be delivered (it refers to chapter 14).

All product/ process have to undergo requalification of an entire dimensional and functional check based on drawing specification at least once a year taking into account the material and functional target specifications of Reutter Group. Supplier is obliged to provide the requalification results in form of cover sheet and complete measuring report once per year to Reutter Group free of charge. A requalification result has to be submitted until 31st of January of each year.

## 8 Product/ Process documents

If necessary Reutter Group shall provide to the Supplier with the following reviewed and updated documentation:

- Drawings
- Bill of materials
- Inspection and test instructions and
- Reutter Group factory standards.

All relevant documentation shall be referenced on the inquiry and purchase order documentation. Should documentation change, the changed issue shall be made available to the Supplier. The Supplier shall maintain the following documentation:

- Qualification of employees for his work
- Work plans for each part,
- Inspection and test plans for each part
- Inspection and test records for each batch
- Process parameters for each batch
- Material used for each batch,
- Part history, (records of all products and production changes)
- Material certificate for each batch
- All changes to products and the process chain

The Supplier shall maintain all documentation and objective evidence and shall, if required, enable Reutter Group to inspect the same. Records retention shall be maintained according local laws requirements, for a special cases have to be managed based on Reutter Group requirements. It is an obligation to retain documents and records according to the Product Liability (e.g. Safety related parts).

The Supplier shall be responsible for data and document control (including external documents and such as standards and customer drawings) in procedural instructions and shall effectively implement the same.

The agreements in this Supplier Quality Agreement shall not release the Supplier from the duty to send series-related documentation with each shipment.

## **9 Packaging, identification, traceability**

In order to avoid damages and quality impairments (e.g. contamination, corrosion, chemical reactions) the Supplier shall only deliver the products using means of transport which are suitable and will not have any negative effect on quality of the part.

The Supplier shall identify products, parts and packaging in compliance with agreements made with Reutter Group. The Supplier shall ensure that product identification is also legible during transport and storage.

The Supplier shall take steps to ensure the traceability of its products. If a defect is detected, it must be possible to trace and pinpoint the damaged parts/products/batches/humans and clearly identify the possible defective batch.

For tool/equipment management/identification/packaging please refer to Terms of Purchase (part 13)

## **10 Quality targets / Zero defects strategy**

Supplier has to reach below DPPM (Defect Part Per Million) targets:

Injection moulding parts	1 000 PPM
Rubber parts	1 000 PPM
Assemblies	1 000 PPM
Metal parts	500 PPM
Packaging material	500 PPM
Granulate / Paint	50 PPM

The Supplier shall be responsible to Reutter Group for complying with the Zero defect strategy in the same way that Reutter Group is responsible to its customers. If the Zero defect strategy cannot be achieved in the short term, the Supplier shall agree temporary upper limits for defect rates which shall serve as intermediate objectives and shall propose and agree measures with Reutter Group. Even if agreed upper limits are not exceeded, this shall not release the Supplier from its obligation to process all complaints and to pursue the process of implementing continuous improvements. Supplier is expected to evaluate its own quality performance and react on negative trend by defining corrective and preventive actions.

## 11 Complaints handling / Warranty

Should the production operations of Reutter Group or its customers come to a standstill as a result of supplied products which do not comply with specifications, the Supplier shall take immediate measures to rectify this situation in consultation and agreement with Reutter Group (substitute delivery, sorting, reworking, additional shifts, express transport, etc.).

The Supplier shall then perform an immediate defect analysis based on 8D methodology. This defect analysis has to be strengthened with a usage of Ishikawa diagram, 5 Why's analysis or other automotive root cause analysis tools. Reaction times required by Reutter Group are 24hours for 3D, 10 days for D4 and D5 and 20 days for 8D closure.

Products subject to complaints shall be returned to the Supplier. The Supplier shall analyse all non-conformances with the aid of an 8D report and shall inform Reutter Group of the cause of the same, the corrective and preventive action taken, and the effectiveness of such action. Reutter Group holds the right to arrange a 3rd party rework, transport, analysis and claim this cost to Supplier to ensure delivery of conform products to its Customers. The preliminary administrative costs for each an official complaint charged by Reutter Group towards supplier is 150 €. Final cost will be communicated to responsible contact person at Supplier in written form.

An additional defect proof activity:

CSL1: Level I Controlled Shipping includes a problem solving process as well as a redundant inspection process. The inspection process is enacted by the supplier's employees at the supplier's location in order to isolate Reutter Group from receipt of nonconforming material.

CSL 2: Level II Controlled Shipping includes the same processes as Level I controlled shipping, with an added inspection process that is completed by an impartial third party. The third party is selected by Reutter Group or Reutter Group Customer and paid by the supplier. In special cases, the Level II inspection may be required to be performed outside the supplier's facilities at a facility deemed appropriate by Reutter Group.

For other costs related to complaints please refer to Terms of Purchase (parts 8 and 9).

Escalation process is a forced step used for cases where Supplier is not acting as it is required. The possible reasons for escalation could be:

- Not reacting on complaint in agreed/required timeframe
- Not reacting on complaint in required level (not correctly fulfilled 8D)
- Increased quality/logistic complaints quantity
- Repeated complaints
- Escalated complaint at Reutter Group Customer caused by Reutter Group Suppliers
- Continuously bad or worsening performance

For mentioned reasons the Supplier could be invited to Reutter Group for a meeting where Supplier must present the analysis / corrective actions / preventive actions for actual situation improvement and coming back to required level. Reutter Group is usually inviting the Quality Manager, Key account manager and General Manager/ Owner of Supplier for this meeting. Based on the meeting reasons the meeting are called as Supplier day or Top Q meeting. If supplier will be in such escalation level process, Reutter Group reserves the right to verify all defined and implemented actions by supplier in his manufacturing facility on supplier cost.

For Warranty information please refer to Terms of purchase (part 8)

## **12 Safety and environmental regulations**

Reutter Group endeavours to protect the environment. It is therefore advantageous if the Supplier operates an environmental management system based on ISO 14001 (or similar standard).

The Supplier shall comply with all statutory environmental protection, health and occupational safety regulations and shall maintain a suitable occupational safety/environmental protection organisation and take appropriate environmental and health and safety measures to minimise impact on people and the environment. The Supplier is expected to introduce and develop an occupational safety and environmental management system in this context.

For product related regulations please refer to Terms of purchase (point 15)

## **13 Term and termination**

This Supplier Quality Agreements shall come into effect upon being signed by both contracting parties and thus becomes an integral part of all ordering procedures. The Supplier Quality Agreements shall continue in effect until notice to terminate is served in writing by one of the contracting parties. This Quality Assurance Agreement may be terminated at the end of a year by serving notice of 6 months.

## **14 Attachments**

Supplier is obliged to use following documents related to this chapter 14 if the content of his own documents does not consist of the same attributes.

1. Problem Resolution & Reporting
2. PPAP
3. DAR, (deviation approval request)
4. Change proposal



**Reutter Group**

**Supplier (company stamp)**

Leutenbach, date \_\_\_\_\_ Place, date \_\_\_\_\_