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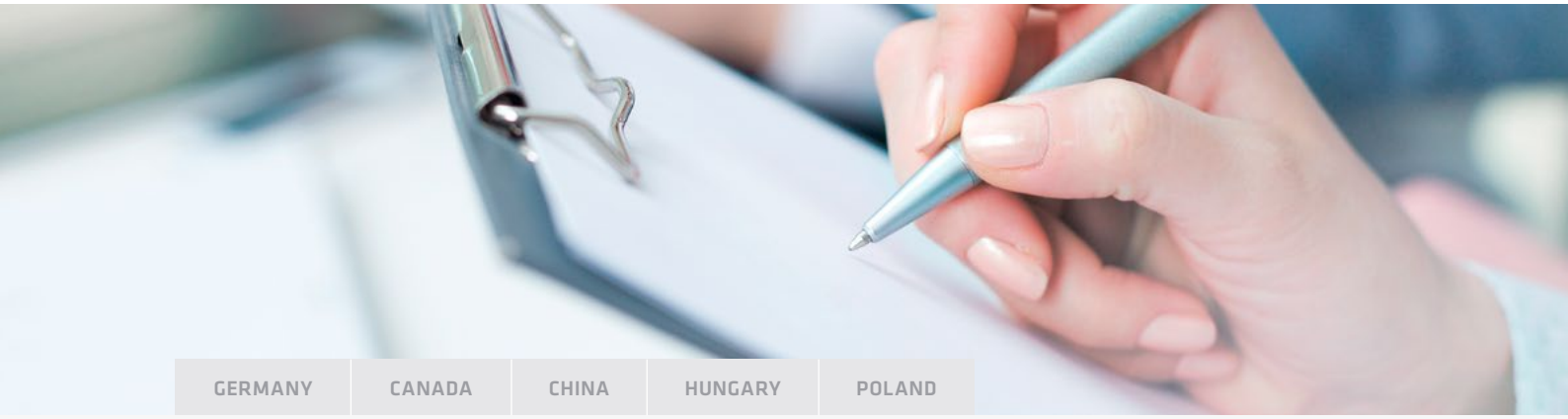

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SCS Group Quality policy

INFORMATION

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1 INTRODUCTION

1.1 SCOPE OF APPLICATION

The quality policy documented here meets the requirements that our customers place upon us. It applies to semi-finished products, purchased parts and external process and services that directly or indirectly form part of our products.

This quality management policy is an integral part of the contractual terms agreed between

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2800 Tatabánya
Táncsics M. u. 1

hereinafter referred to as SCS, and its Supplier. It applies to all supply relationships between the contracting parties. The current version of this document is available at www.scs-cablesystems.com.

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1.2 RESPONSIBILITY OF THE SUPPLIER

The Supplier guarantees that the products comply with state-of-the-art science and technology, safety regulations and agreed technical data. SCS undertakes to provide its customers and consumers with products of that standard of quality as required by law, agreed upon in this contract and generally expected. On this basis, the Supplier also undertakes to develop, manufacture, test and deliver all goods and services for SCS in a manner that guarantees compliance with all quality features. To be able to meet this responsibility, the Supplier must maintain an effective quality management system. This system must allow for the rapid detection of variances during the manufacturing process and ensure that only flawless products are delivered to SCS. The Supplier's responsibility for the quality of delivered products includes all semi-finished products and/or raw materials and purchased parts that the Supplier receives from its subcontractors. The Supplier is responsible for ensuring that the requirements of this agreement are transferred to its subcontractors. The Supplier has an obligation to meet all delivery deadlines without exception (100%). In the event of variances, early measures must be taken in consultation with that SCS facility which placed the order.

1.3 LEGAL REGULATIONS (OTHER STANDARDS AND ENVIRONMENTAL REGULATIONS)

The Supplier must ensure that all relevant laws, such as the law on technical equipment (Equipment Safety Act), the Telecommunications Installations Act and the European Communities Regulation are applied directly as part of the supply relationship. The Supplier is also required to observe other standards such as VDE, DIN, ISO and CE standards. The Supplier must provide proof of compliance with all relevant regulations prior to the delivery of goods. Furthermore, the Supplier undertakes to meet the requirements of the relevant environmental protection legislation such as the Packaging Ordinance, Chemicals Prohibition Ordinance and Hazardous Substances Ordinance. The legal requirements and limits are understood to be the minimum requirements for all processes integrated into the production chain and all services provided. Should the legal requirements change during the contract period, the Supplier shall implement the required changes without any requirement for SCS to make specific references to them. Investigation results for Suppliers must be made available to SCS immediately.

1.4 INDUSTRIAL PROPERTY RIGHTS AND FURTHER DELIVERIES OF GOODS AND SPARE PARTS TO ASSOCIATED COMPANIES

The Supplier shall, whether he is at fault or not, be liable for ensuring that no third-party rights (copyrights, patents, utility models or industrial designs, trademarks, licenses, claims arising from competition law etc.) or statutory or legal requirements are violated within the offer and sale of goods. The Supplier shall be obliged to protect SCS, as well as any of its direct or indirect affiliates, from any third-party claims. The same shall apply to sales of products outside the Federal Republic of Germany, unless the Supplier has stated on the order confirmation that sales abroad are not authorized. SCS is entitled to deliver goods or spare parts to businesses that are directly or indirectly affiliated to SCS. The Supplier's liability shall remain unaffected by this.

2 QUALITY AND ENVIRONMENTAL MANAGEMENT SYSTEM

To ensure quality and accounting of the costs, the Supplier must develop, establish and maintain a Quality Management System that meets the requirements of DIN EN ISO 9001:2015 as a minimum, and provides for further development pursuant to TS 16949:2016. This includes the systematic planning, implementation and monitoring of appropriate measures, taking account of cost control, to ensure the highest level of quality. These should include especially measures to ensure a delivery quality with zero faults and the ongoing improvement of all services. The Supplier must also ensure that products are manufactured and tested in accordance with these rules. Is the Supplier unable to present a quality system in accordance with IATF 16949, he is obligated to develop a five-step plan instead and present it to SCS accordingly, with the goal to achieve certification as per QMS standard of the Automotive industry. The Supplier shall give a representative of SCS opportunity to inform himself about the existing quality management system and to ensure compliance with the measures and effectiveness of the latter. The Supplier must comply with the recognized state-of-the-art, recognized technological rules, statutory and regulatory requirements and the agreed specifications. Any amendments to the delivery item with regards to agreed and/or promised characteristics require the prior written consent of SCS. If the Supplier purchases other property and services (e.g. manufacturing or inspection equipment, software, services or materials) from upstream Suppliers for the manufacture or quality assurance of products, the Supplier must ensure that appropriate quality assurance measures are taken within the subcontractor's operations, which are comparable with those that SCS requires of its suppliers. The Supplier must produce appropriate documentation for the required quality assurance measures and agree upon the relevant measures with the sub-supplier/upstream supplier in question.

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The Supplier is committed to protecting the environment through its corporate and system policies. Compliance with national laws must be guaranteed as a minimum requirement. However, SCS recommends getting certified as per DIN-ISO 14001. SCS recommends making continuous improvements in the production processes to reduce or eliminate completely environmental impacts whenever possible.

This includes in particular using material resources efficiently

- Recycling materials and consequently reducing waste volumes
- Reducing energy consumption
- Reducing water consumption and water pollution
- Reducing emissions
- Using environmentally friendly packaging

3 QUALITY PLANNING

3.1 MANUFACTURABILITY

SCS shall clearly define and describe to the Supplier the technical characteristics of the ordered products. The exact composition of products is given in the technical drawings and/or DIN standards, customer specification details, order specifications and agreed samples, which contain all the necessary information. To ensure that all requirements are up to date, a system that ensures that the documents are available in the current version must be installed at the Supplier's premises. The Supplier must check all technical details immediately to ascertain whether the description submitted by SCS is obviously incorrect, unclear, incomplete or different from the sample.

The Supplier must perform and document a manufacturability analysis on every job when planning new or modified products or processes for SCS. This analysis should be used to ascertain that the planned manufacturing process matches the quality and quantity requirements in accordance with the specifications.

Should the Supplier believe that the contractual documents do not describe the quality to be supplied sufficiently accurately, or that the description is erroneous, unclear, incomplete or different from the samples, the Supplier must clarify matters with the SCS Purchasing Department before accepting the order.

As part of the manufacturability analysis, the following points must be considered as a minimum

- Can the part be manufactured in line with the drawings and customer specifications without variances, even if the statistical requirements are taken into account, including any surface treatments?
- Can the test and inspection specifications be met as they have been defined or planned?
- Can all specified requirements be met in the intended quantities, taking the deadlines into account?
- Does the construction permit the use of proven transport equipment and techniques?
- Do the delivered products meet the legal and statutory requirements of the Recycling and Waste Management Act and EU Directive 2000/53/EC?

3.2 MATURITY LEVEL ASSURANCE

Maturity Level Assurance of delivery scopes as a project management method is based on a Maturity Level milestone philosophy with a total of eight Maturity Levels (ML 0 to ML 7). The Customer's Quality Assurance department plans a time schedule for these Maturity Levels and agrees this schedule with the Supplier after contract award in accordance with requirements.

As a result, both Suppliers (and/or Sub-suppliers) of critical parts/modules/systems and the Customer (in general, Procurement, Quality Assurance, Product Management, Technical Development, and Logistics) are involved in the Product Emergence Process at an early stage (see VDA MLA). All Suppliers are required to implement the Maturity Level Assurance process and associated systems.

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Following nomination, suppliers are involved in the maturity level assurance process from maturity level 2. The results of the respective maturity levels are discussed at »round tables« at the customer site, or, if necessary, at the supplier site.

Every maturity level describes a status with regard to product, process and project maturity. The goal is to recognize potential risks early on and to take countermeasures in good time. A standardized range of »measurement criteria« based on the VDA volume »Maturity Level Assurance for New Parts« is used for assessment.

In the context of process validation under production conditions is necessary to demonstrate that the required quality and quantity according to the max. contractual capacity can be ensured. Proof may, for example, by a production test (Run @ Rate, written self-assessment) done. The process validation is a part of PPA. If required and agreed a SCS representative can participate in a process validation.

3.3 FMEA FAILURE MODE AND EFFECTS ANALYSIS

The FMEA is an excellent tool for preventing errors. Potential errors are systematically assessed with regard to their significance, occurrence probability and discovery potential. A distinction is made between Design FMEA and Process FMEA.

SCS suppliers are usually only required to take account of Process FMEA, since they are not the developers of the products they supply to SCS. No design FMEA needs to be put in place within the context of development projects.

FMEAs must be submitted for consultation upon request by the SCS representative.

3.4 TESTING AND TESTING EQUIPMENT PLANNING

Before production begins, the Supplier must develop test plans, which provide for at least the testing of critical and significant characteristics, from receipt of the purchased material through production to shipping. Services of external businesses must also be considered in the form of an extended workbench. The testing and measuring equipment required for the characteristics specified in the test plan must be available in time for the start of production in sufficient quantities and with the required accuracy.

A signed Quality agreement for parts is required for the monitoring characteristics (see attachments).

3.5 STATISTICAL PROCESS CONTROL AND PROCESS CAPABILITY

The Supplier shall be responsible for using effective systems for monitoring process and product quality. The Supplier guarantees that it will carry out an assessment of its manufacturing processes that is measured against the specifications. Statistical process control is a process for monitoring and controlling manufacturing processes using statistical methods.

The Supplier must use SPC to monitor critical and significant characteristics. The characteristics and process parameters to be monitored using SPC are given in the specifications and product-specific quality assurance agreements. They also depend on the type of production process. Process data should be used for the ongoing and continuous improvement of processes and products.

Process capability studies must be carried out for all major and critical characteristics if these cannot be obtained using a similar process.

The Supplier shall ensure that, if no other stipulation are made, the following must be achieved as a minimum:

- Short term study Cmk ≥ 1,67
- Preliminary process capability Cpk ≥ 1,67
- Long-time capability Cpk ≥ 1,33

For D /CC characteristics must be achieved preliminary Cpk ≥ 2,0 and long-time Cpk ≥ 1,67.

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If the required process capability is not achieved, the supplier must promptly optimize the production process at its own cost. Defective deliveries must be ruled out by taking other suitable measures (e.g. 100% testing, sorting, Poka-Yoke). The results must be recorded and the traceability must be ensured.

If conventional proof of the process reliability is not possible (e.g. material batch), then another suitable measure must be taken to rule out a defective delivery (e.g. factory test certificate DIN EN 10204-3.1).

3.6 DELIVERY OF PROTOTYPES

Prototypes with measurement and test results must be supplied. Test results must include significant and critical features as a minimum. The Supplier must apply the end user's prototype program requirements if this has been agreed with SCS.

3.7 TESTING AND APPROVAL OF INITIAL SAMPLES

Initial samples for the purposes of this Policy are samples that have been fully manufactured using the tools and processes scheduled for mass production under production conditions. Their purpose is to demonstrate that the manufacturing and testing methods being planned and used are capable of achieving consistent quality, including under production-line conditions. Initial samples for standard parts are not required unless specifically agreed.

An IMDS entry is required for each initial sampling. Initial samples are required in the following cases:

- New or modified products
- New supplier for an existing product
- Process or procedural change
- Relocation of manufacturing plant
- Production has been suspended for more than 1 year
- New or modified tool for an existing product
- Change of materials.

SCS shall also be entitled to request initial samples from the Supplier in other cases such as quality losses. SCS reserves the right to monitor the production and testing of initial samples at the Supplier's premises.

Unless otherwise noted in the order the sampling (incl. samples documentation and test scope) is free of charge. Unless otherwise noted in the order, at least 10 samples are required. For tools with multiple cavities, 10 samples per cavity are required.

Initial samples must be sent, together with the initial sample test report pursuant to VDA - Volume 2, Sample Stage 2, or QS 9000 PPAP Level 3, as well as the necessary documents and proof of Preliminary Process Capability for critical and significant characteristics, to the SCS works that placed the order, Q-Entity Group Division. Factory certifications covering the material used pursuant to DIN EN 10204 3.1 and safety data sheets pursuant to REACH Regulation no.1907/2006 must be delivered with samples. These must not be more than one year old. The data must be entered into the international IMDS system as part of the initial sampling process. The Supplier is responsible for access to the system at www.mdsystem.de. Samples and/or packaging and delivery notes must be clearly marked »Initial sample«.

The Supplier must ensure that initial samples meet the specifications. If the Supplier does not have the necessary testing facilities, it must commission a suitable testing laboratory to perform tests.

Any variances discovered must be discussed before delivery with the relevant SCS technical department and corrective action taken and/or a variance permit obtained. This variance permit must be included with the sampling documents. These variances must be emphasized by underlining in the report. If the Supplier cannot immediately rectify the variance discovered in the initial sample or if there is any risk to deadlines, the SCS Purchasing Department must be informed without delay.

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Incomplete testing or inadequately completed results forms will lead to the initial sample being rejected.

For all delivered products a part history records all changes to the product and production process must be conducted.

Production delivery may only start after SCS has approved the initial samples in writing, regardless of whether or not any order exists. The Supplier undertakes to protect SCS from any liability should the Supplier begin series production before receiving the written approval.

Special arrangements for scheduling reasons can be made via the SCS Purchasing Department. SCS reserves the right to cross-check initial samples against the specifications for compliance.

3.8 QUALITY CONTROL OF RAW MATERIALS

The Supplier is responsible to SCS for the quality of raw materials used. The Supplier must ensure that it receives from its subcontractors only raw materials that comply with the specifications set out in the SCS technical documentation. Any raw materials provided by SCS should be treated as raw materials procured by the Supplier unless otherwise agreed.

Factory certifications covering the material used pursuant to DIN EN 10204 3.1 and safety data sheets pursuant to REACH Regulation no.1907/2006 must be delivered on demand by the Customer at any time. These must not be more than one year old.

3.9 CUSTOMER SPECIFIC REQUIREMENTS

Customer specific requirements will be communicated to the supplier by the respective SCS specialist and must be considered and adhered to by the supplier. These requirements will be documented and agreed upon in the Quality agreement for parts or Feasibility study.

4 SERIES PROCESS AND PRODUCT QUALITY

4.1 RE-QUALIFICATION TESTING

Unless contractually otherwise agreed, the Supplier must perform a full check of the dimensions, materials and operation of all products each year, taking account of all customer requirements. The results must be made available to SCS upon request.

4.2 MEASURING AND TESTING EQUIPMENT

The Supplier must provide measuring and testing equipment that is appropriate for the required quality level. Where possible and appropriate, this measuring and testing equipment should be designed for the upper range limit test. The Supplier must use a suitability study for the measuring equipment to demonstrate its suitability for the intended measurement task. A measuring systems analysis (MSA) must be carried out for all measuring equipment used. The condition of measuring and test equipment must be monitored and indicated using a suitable system. Monitoring results must be documented. Should SCS provide testing equipment, unless otherwise agreed that equipment must be treated by the Supplier as the Supplier‘s own equipment in the QM system.

4.3 IDENTIFICATION USING PROCESSING AND TEST STATUS

The Supplier must use product labelling (date and time recording, ID numbers, batch cards and goods tags) or, if these are impossible or impractical, other suitable measures, to ensure that, should any fault occur on any product at SCS, it is immediately possible to ascertain which other products may be affected. The Supplier shall inform SCS about its identification system or other measures so that SCS can establish its own findings as necessary. The mixing of different production batches should be avoided.

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4.4 FAULTS DETECTED DURING SERIES PRODUCTION

If faults are detected in series production at the Supplier‘s facility the parts affected must be marked accordingly and separated so that they cannot mix with other products and only flawless products are delivered. This also applies to parts where faults are only suspected. The Supplier shall inform SCS in writing as soon as possible of any variances in delivered items as regards the specification, quality or quantity. Defective parts may undergo expert reworking to make them compliant with the specification in individual cases. Products with variances may only be delivered after SCS has given prior written authorization. Any such parts must be marked accordingly. The number of the authorized variance report must appear in the delivery documents.

4.5 PPM AGREEMENT

A PPM quota of ≤ 32 is agreed between SCS and the supplier, with the objective of a long-term zero-defect strategy. Separate PPM agreements require the written consent of SCS.

4.6 CHANGE MANAGEMENT

Before the implementation, the supplier is obliged to present any changes in his process chain (location, product, process) to the related SCS plant and to obtain the approval of the related departments. The necessity of new initial sampling has to be agreed with the responsible quality management. Additional expenses resulting from the repeated approval process will be charged to the supplier.

Any changes in the manufacturing process leading to quality improvements or rationalization shall be requested specifically by SCS. Any such changes must be agreed upon with SCS in each case and authorized in writing.

This applies to planned changes to the design or materials changes in production facilities, for example to models, dies and molds, and changes to manufacturing or testing methods. SCS may reject any such requests if the changes would give rise to reasonable product quality concerns. Full sampling is compulsory in such cases.

4.6.1 SPECIFICATION CHANGES

In the event of any changes to drawings or other specifications, SCS shall provide these to the Supplier. Changes shall be notified in writing. Verbal communications are for information only and must be confirmed in writing in all cases. The Supplier shall immediately confirm receipt of a change notification to SCS, indicating the expected date of the change. The Supplier must use an appropriate system to ensure that all affected employees know and use the current change status. The Supplier must keep a record of the distribution of documents and the use of changes. New samples are required for changed products. The SCS purchasing department is the responsible contact partner in any cases of doubt regarding drawings and/or change statuses.

4.6.2 VARIANCE AUTHORIZATIONS

In special cases the SCS Technical Development/Construction department may, in coordination with Q-Entity and Production Department, issue a variance authorization for a limited number of items or a specific period. Presentation of samples is usually required. Variance authorizations can only be issued in writing. They must be kept with the production batch quality documents. If any variance authorization is issued, parts supplied under that authorization must be delivered separately and must be clearly identified in a non-interchangeable manner on the packaging unit, as well as directly on the delivery label.

4.7 PREVENTIVE MAINTENANCE

The Supplier must introduce and maintain a preventive maintenance system for its manufacturing facilities. This is the only way to ensure permanent delivery-readiness.

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4.8 TRACEABILITY

The Supplier must be able to maintain separate production lots. It must be possible to trace a single production batch back to the raw materials in the event of a complaint. Batch mixing will be allowed in exceptional cases for mass-produced parts.

4.9 PRODUCT SAFETY REPRESENTATIVE (PSB)

The Supplier shall ensure that an on-site product safety representative (PSB) has been appointed. Supplier must notify SCS immediately of any changes unbidden.

4.10 QUALITY AUDITS BY SCS

SCS representatives shall analyze the Supplier‘s QM system by prior short-termed appointment. This may include system, procedure, process or products audits.

Quality audits may be carried out at short notice in consultation with the Supplier and the SCS Purchasing Department because of reductions in delivery quality. In the event of quality reductions that are caused by the services and/or deliveries of subcontractors, SCS shall be entitled to conduct joint audits at subcontractors‘ premises by prior arrangement with the Supplier. SCS reserves the right to pass on to the Supplier the costs of audits resulting from quality reductions.

Process audits are used to assess the quality capability acc. VDA 6.3. They should lead to capable and controlled processes that are robust against interference.

If the supplier gets a C-rating after an audit (not quality competent), must confirm the measures with a positive process audit result within 12 months. Until then the supplier will be »not suitable for the new projects«.

Additional grading scheme against VDA 6.3:

Missing from the supplier (providing the VW process chain) a certification system IATF 16949 or VDA 6.1, then process audit graded from A to B, although complying with EG degree ≥ 90%.

Missing QSV agreement, then then process audit graded from A to B, although complying with EG degree ≥ 90%.

4.11 SUPPLIER SELF AUDIT

The Self-Audit is to conduct regularly including the Supplementary Requirements of the QSV. Preferred is the VDA 6.3 method. Self-audit requires that the Supplier verifies proof of compliance to all requirements (legal, regulatory, customer and product-specific, its own requirements and specifications of the certification IATF16949 alternatively ISO9001) at the respective production site for each product group).

The Customer requires Suppliers to conduct a Self-Audit for all Process Steps for the Product Groups relevant to Customer products. The conducting and sending of a Self-Audit including action plan can be demanded by the Customer at any time.

4.12 PRODUCT AUDIT

The Supplier is obliged to conduct Product Audits according to VDA 6.5. The Product Audit shall take place at least every 12 months for each Product manufactured as a Series Production part. For simplification, in the overall portfolio of Manufactured Products Categories / Product families can be formed (analog VDA 6.5). The Product Audit must be defined on the Product Control plan.

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5 SAFETY-CRITICAL PARTS AND PARTS SUBJECT TO DOCUMENTATION

SCS also manufactures products that have special safety requirements. Documentation is a requirement for these products throughout the manufacturing and testing processes. Parts for which documentation is a requirement will be clearly identified by SCS on the order documents, in particular on drawings, usually by a letter »D«. The drawings show the characteristics for which documentation is a requirement. Characteristics for which documentation is a requirement are characteristics that are subject to testing in all cases. The production of these characteristics must be controlled in coordination with SPC wherever this is possible and appropriate. They must be considered in the preparation of the process FMEA and in test planning. All documents for parts requiring documentation must be clearly marked with a letter »D«. Test documents must be kept for at least fifteen (15) years after the last entry has been made. They must be made available upon request at any time. This rule also applies to safety data sheets pursuant to the Hazardous Substances Ordinance (GefStoffV).

The SCS expects Suppliers (in the VW supply chain) to apply a systematic verification process for all D/TLD parts acc. Formel-Q Capability (unless otherwise agreed). Upon request, we will send the documentation to you.

6 APPROVAL AND ASSESSMENT OF SUPPLIERS

6.1 SELECTION AND APPROVAL OF NEW SUPPLIERS

The SCS Purchasing Department shall select new suppliers in accordance with internally defined criteria. An assessment of quality capability is performed by the Purchasing Department in coordination with the Quality Assurance Department before any purchase orders are placed.

The assessment may take the form of:

- A self-assessment questionnaire
- Presentation of a quality management system certificate covering assessment pursuant to DIN EN ISO DIN 9001:2015 as a minimum requirement, as well as IATF 16949:2016.
- Presentation of the result of carmaker system audit with the result - A -
- System audit by SCS.

The assessment is used to decide whether a business relationship can be recommended or maintained. Suppliers with a small delivery scope or that handle individual orders can be excluded from the specifications and assessments upon agreement between the SCS Purchasing and Quality Assurance Departments. This rule may also apply to service providers or suppliers of auxiliary materials and supplies.

6.2 SUPPLIER ASSESSMENT

SCS shall perform an annual supplier assessment based on supplier performance. This assessment results in a rating of A, B or C. C rated suppliers do not meet SCS requirements and are asked to produce action plans to improve the quality of services.

7 INCOMING GOODS INSPECTION BY SCS

SCS incoming goods inspections are limited to determining whether the goods are of the quantity and type ordered, whether there is any obvious transport or packaging damage and whether there are any faults that are immediately visible. The Supplier will be informed immediately if SCS discovers any damage during these checks. If SCS discovers any anomalies at a later stage, for example during processing, the Supplier will also be notified immediately of any damage or faults. The Supplier expressly waives its right to use late notice of defects to defend itself. The Supplier expressly states that its insurer has agreed to provide and maintain insurance cover under the application of this rule. In the case of direct sales, i.e. in cases where it has been agreed that the Supplier shall supply customers directly from SCS, any product defects shall be considered to be obvious upon receipt by SCS of the customer‘s defect notification. Payments by SCS shall not constitute any acknowledgement that the delivery is contractually compliant and free of defects, even if no reservation has been declared.

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8 CLAIMS FOR DEFECTS

Should variances from the target condition be detected during an incoming goods inspection or later processing, the Supplier will immediately receive a complaint report, possibly supported by photographs and sketches, either verbally or in the form of an email or fax, so that immediate urgent measures can be taken. SCS expects a reaction to the complaint and the introduction of urgent measures within 24 hours to ensure that the complaint has been received and understood. If defective products are delivered, the Supplier shall initially be given the opportunity to remove, repair or replace these parts, unless this is unreasonable for SCS. If the Supplier is unable to take the measures specified by SCS or fails to comply immediately, SCS shall be entitled to withdraw from the contract and return the goods to the Supplier at the Supplier's risk. In urgent cases, such as supply bottlenecks, SCS shall, after consultation with the Supplier, be entitled to carry out the repairs itself or have them carried out by a third party. The Supplier shall bear the costs of this. Reworked parts or parts removed by sorting must have the complaint report reference number clearly marked on both the packaging units and the delivery note so that traceability can be guaranteed.

In addition to the immediate notification, the Supplier shall also receive samples (if these are required for analysis). These defective parts must be inspected, and the analysis results and long-term corrective measures listed on the 8DReport, (the Supplier may decide on the form of the 8DReport, however the SCS form should preferably be used) and returns to SCS within 10 working days, preferably by email. Responses that have not been received within the specified deadlines will be given negative consideration in the Supplier assessment.

If the same product is repeatedly delivered with faults, SCS shall be entitled to withdraw from the unfulfilled part of the delivery following any new delivery of defective parts.

The Supplier shall bear all additional costs incurred because of sorting, reworking repairs and/or replacement deliveries such as travelling, transport, tolls, labor, packaging and materials costs, as well as any removal and installation costs. This also applies to create the reports (according to the accounting hourly rate) and the transfer of customer debit notes (supplier-caused customer complaints).

Moreover, any SCS warranty and damage claims are regulated by the appropriate statutory provisions.

If, following a risk analysis carried out because of defective products, there is reasonable evidence that SCS assemblies that contain defective products delivered by the Supplier have been processed further and that there is a risk of warranty and product liability claims because of the faults, SCS shall be entitled to take precautionary measures. Wherever possible, SCS shall give the Supplier information about the nature and scope of these measures before they are implemented.

The parties to this Agreement agree that precautionary measures are understood to include not only individual defective products, but all products that were produced within a specific period. Precautionary measures shall include recall or retrofitting actions but shall not be limited to these. If necessary, these measures may also affect the entire series. The Supplier shall bear the costs of any such precautionary measures. The Supplier provides an assurance that it has adequate liability and product liability insurance to cover any liability claims, particularly product liability claims and product recall claims, which provides insurance cover of a minimum of EUR 5 million per claim. The above arrangements shall remain in force regardless of the existence or commencement of any insurance cover.

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9 FINAL PROVISIONS

To be effective, any amendments and addenda to this contract must be in written form.

Should any provision of this contract be or become ineffective, the validity of the remaining provisions shall remain unaffected. The parties to the contract shall replace the ineffective provision by a provision that is economically as close as possible to the ineffective provision. This shall apply even in the event of a contractual loophole.

Unless this Agreement and its Appendices contain any explicit rules to the contrary, the general conditions of purchase of SCS in the current version shall apply.

This contract and any questions regarding its validity, interpretation and application shall be governed exclusively by German law and shall exclude the UN convention on contracts for the international sale of goods.

If there are translations, the German version is binding.

The Supplier hereby confirms that it received and recognized the quality policy for SCS Group suppliers with Revision 15 from 31 May 2019.

Supplier

Company

City

Date

Signature

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10 ATTACHMENTS AND FURTHER BINDING DOCUMENTS

ATTACHMENTS
Form sheet Product Safety Representative (PSB)
Form sheet Quality agreement for parts F_7.07_04

FURTHER BINDING DOCUMENTS

- the technical supply specifications and standards applicable to the product in question,
- applicable laws and regulations,
- the VDA publication series »Quality Management in the Automotive Industry« and »Joint Quality Management in the Supply Chain«) (www.vda-qmc.de) in their latest version,
- IATF 16949
- DIN EN ISO 9001
- DIN EN ISO 14001

11 ABBREVIATIONS AND DEFINITIONS

The definitions of terms used correspond to DIN 55350

QUALITY
The quality of a unit as regards its ability to satisfy stated and implied needs.

FMEA
Failure Mode and Effects Analysis (FMEA) is an analytical process, which investigates the probability of faults and their causes for a product or process in order to define improvement priorities. The FMEA is a living document, which must be updated if the product or process changes.

APQP
Advanced Product Quality Planning (APQP) essentially demonstrates the development steps of a new product and includes all the main areas of planning effort.

CMK
Machine capability (Cmk) is the capability of a machine to produce measurable characteristics within a short time. The minimum requirement is X bar + / - 5s within the tolerance, i.e. 99.99998% of the manufactured parts are expected to be within the tolerance. This represents a Cmk factor of 1.67.

PPK
Preliminary process capability (Ppk) is a value similar to Cpk (see below) but based on earlier data and shorter studies of new processes. At least twenty samples (3-5 parts per sample) are required for preliminary assessment. These parts must be taken from the process under normal production conditions at regular intervals. The minimum requirement for this is X bar + / - 5 s within the tolerance, i.e. 99.99998% of the manufactured parts are expected to be within the tolerance. This represents a Ppk factor of 1.67

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SCS Group Qualitätsrichtlinien

CPK

Process capability (Cpk), on the other hand, is the measure of long-term influences originating from the interaction with personnel, machinery, equipment, raw materials and the working environment. The minimum requirement for this is X bar + / - 4 s within the tolerance, i.e. 99.994 % of the manufactured parts are expected to be within the tolerances. This represents a Cpk factor of 1.33.

CONTROL LIMITS

The highest or lowest values entered into a quality control chart for which a correction of the process and clarification of the cause of the process change is required if the upper or lower limits are exceeded.

QUALITY AUDIT

The quality audit is a systematic, independent examination to determine whether quality-related activities and the associated results meet the expected specifications and whether these specifications are really achieved, with targets to be met accordingly.

IMPORTANT CHARACTERISTICS

Characteristics crucial for functions are considered important characteristics. Failure to meet these can lead to malfunctions and functional failures during further processing and use of the product. Such characteristics are identified accordingly in the drawings and specifications as inspection characteristics.

SPECIAL/CRITICAL CHARACTERISTICS

Special and/or critical characteristics are those characteristics and products requiring documentation. Documentation is required for products for which a special risk can be expected within the context of product liability. Parts and the corresponding characteristics must be clearly identified in the corresponding documents. The requirements of VDA Volume 1 »Documented evidencew apply. The Supplier is responsible for procuring the current version of the latter.

12 CHANGES

Revision:	15
Date:	30.05.2019
Changes:	Punkte 3.5 / 3.7 / 3.8 / 4.6 / 4.10 / 7 / 8 / 9 überarbeitet
	Punkte 3.2 / 3.9 / 4.11 / 4.12 / 10 / 12 hinzu
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