

## QUALITY AGREEMENT

### 0. Summary:

1. Supply Approval, Initial Samples and Testing
2. Quality, Certification and Controls
3. Acceptance and Warranty – Not conformity management–problem solving, Escalation Level (EL) – Contingency Plan
4. Verification and Continual Improvement System of Supply Quality
5. Supplies performance measurement system
6. Action to do in case of suppliers' performance not in target
7. Supply modification
8. Valid for company list

### 1. Supply Approval, Initial Samples and Testing

**1.1** The supply of new products is bound to the issue of approval by ASK Group. The purchase orders for mass production of new products becomes binding for ASK Group only on condition that the Supplier has obtained the above-mentioned approval.

**1.2** The approval issue to new supply products is dependent on the Supplier's fulfilment of the conditions set out below:

- delivery of the samples physically by the times and quantities requested,
- observance of any specific requests by ASK Group,
- application of APQP methodology,
- delivery of the proper and regular documentation that demonstrates compliance with regulations,  
delivery of the document dossier requested by the PPAP or any other specific request by the automotive industry (as VDA volume 2 – Quality Assurance of supplies).

**1.2.1** During product and process development, the Supplier must consider special characteristics (SC) as defined by ASK Group. These SC may relate to product, process or both. In addition to SC specified by ASK Group, the Supplier should identify characteristics deemed critical to the design or process which are critical to quality. In case that the special product characteristics are not given by ASK Group, the Supplier should identify SC on its own. The SC must be highlighted in appropriate documents as FMEA, control plan, etc. Special product characteristics should be guaranteed with one of the following methods: Poka-Yoke system, 100% inspection, SPC, process capability monitoring. Quality records must be available for ASK Group by consequence.

**1.3** Initial samples will be ordered using the appropriate purchase order, correlated with the request of the document dossier defined each time according to the supplied product. Initial samples must be sent to the place of destination specified on the samples order, including the necessary data for a correct product identification on documents and packaging, amongst them the ASK Group article part number, revision index, the Supplier name and the words "initial samples".

**1.4** Testing activities of the initial samples always fall under the competence of the Supplier and, unless agreed otherwise, must be carried out during normal business hours in the manufacturing site indicated by the Supplier, where there is the qualified and final production equipment for manufacturing the product. Otherwise, when it is not defined by the ASK Group product

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#### Codici Identificativi

R.E.A. di Ancona n. 59351  
R.I. di Ancona – Codice Fiscale: 00091200428  
Partita IVA: IT 00091200428  
Capitale Sociale: Euro 28.000.000

technical specifications, the testing will be conducted according to the procedures generally applied in that industrial sector.

**1.4.1** Typically a Run&Rate study should be applied in order to be sure that Supplier is able to satisfy ASK Group demands. With Run&Rate analysis, the Supplier will be able to measure if it is capable to produce parts according with ASK Group requirements and if it is capable to meet or exceed the contracted capacity on a sustained basis.

**1.5** The Supplier will notify ASK Group of the date for the testing with sufficient advance notice so that ASK Group can participate or send someone else in its place. In this location, ASK Group has access to the production lines in order to conduct process or product audits. When ASK Group has no intention of supervising the testing activities, the Supplier should send the reports and documentation relative to these activities themselves to ASK Group, guaranteeing their completeness and truthfulness.

**1.5.1** During product and process development, the Supplier is expected to mitigate any risk by utilizing risk rating and risk management tools. The goal is to ensure that from the start of mass production until EOP, the delivered parts are compliant with the specifications and are produced with controlled and capable processes.

**1.5.2** ASK Group expects from its Supplier additional quality assurance measures during the launch phase. This is necessary in order to guarantee the quality of the parts in this critical phase. The safe launch will be achieved through additional activities, such as increased numbers of inspections, bigger sample size, etc. These extra quality assurance activities should be ongoing until the quality target is achieved and sustainable.

**1.6** Should the testing activities demonstrate that the product does not correspond to what was agreed, the Supplier will see to informing ASK Group without delay and to carrying out the necessary modifications at his own expense — having first also consulted ASK Group — so that the product complies to the contractual regulations in time so as to maintain the interest of ASK Group in the supply. The Supplier should carry out a new test every time there is a modification. The Supplier will sustain the costs of tests undertaken on his manufacturing site; on other hand, ASK Group will pay for the transport costs and expenses for the stay of its appointed status.

**1.7** The Supplier should be asked to pay for extra costs generated by its responsibilities which have influence on project time schedule and every time ASK Group receives NOK samples, in particular on key characteristics which have impact on assembly and final Customer.

## **2. Quality, Certification and Controls**

**2.1** The quality and technical characteristics of products or workings must conform to the specific requests in the orders or attachments of ASK Group and to those declared by the Supplier.

**2.2** If the supplied product is a result of Supplier technology and experience, the Supplier must submit the specific techniques regarding the product and production process reliability to ASK Group, even relative to capability analyses and in observance of legal requisites.

**2.3** If explicitly requested by ASK Group, by laws or specific usages, regulations, consuetudes or preferences of the automotive industry (as IMDS, REACH, Absence phthalates, Origin of the goods, Conflict mineral), the Supplier should provide the products with certificates of quality, conformity or observance of the technical rules or regulations.

**2.4** The Supplier guarantees that every aspect of the supplied products are free from defects – in their construction or assembly – resulting from the use of material that is not conform to what was stated, agreed or requested, of bad quality or from an incorrect production process; he also guarantees the functioning expected by ASK Group; everything according to specifications. The Supplier is responsible to provide defect-free products on time and at the specified quantities to ASK Group facilities.

**2.4.1** The Supplier should monitor key characteristics through SPC methodology. Product and Process must be conformed according to capability approach: for the machine capability (cmk) as well as for process capability (cpk) the values  $\geq 1,67$  must be maintained and verified from Development to EOP. In case of values of  $\geq 1,67$  could not be achieved, a 100% inspection/control

is required. AIAG/VDA standards provide requirements and methods for the capability calculation.

**2.4.2** The Supplier should monitor Quality and Service level of sub-Supplier chain (even when they are imposed by ASK Group). In case of imposed Supplier, ASK Group must be informed each time a problem occur in order to support the Supplier if necessary.

**2.4.3** The Supplier is, in all instances, responsible for the quality of the product that they ship to ASK Group. Issues caused by material supplied by a sub-supplier will be treated from ASK Group point of view as indistinguishable from issues originating in the Supplier's own factory. Therefore, the Supplier will be responsible for managing the quality of their sub-suppliers. Because of this, it is highly recommended that, as these ASK Group products are automotive in use, the Supplier should hold their sub-suppliers to automotive quality levels and systems.

**2.5** ASK Group is allowed access to the Supplier's premises to verify the production process and efficiency control, if the technical specifications requested by ASK Group, declared by the Supplier, agreed by the parties or imposed by regulations are not observed. These on-the-spot visits will take place during normal business hours with the participation of the Supplier that will provide maximum collaboration to facilitate a successful conduction of the audit. ASK Group also reserves the right, if it is so requested by its customers, to carry out random inspections or checks on material, machinery, moulds or the warehouse even using its own appointed staff.

**2.6** If the technical specifications are not observed the order can be cancelled. Anyway, the Supplier undertakes to replace the faulty products or adopt the necessary repairs, always where possible and feasible within a time limit, respecting the requirements of ASK Group or its customers.

Non-observance of technical specifications may also cause cancellations of orders not directly involved if this occurs at least twice during a three-month period.

**2.7** ASK Group cannot claim anything from the Supplier for defects resulting from the bad design of ASK Group or from observance to specifications defined by it alone.

**2.8** The Supplier attests in writing and assumes responsibility about the country of origin of the supply products according to the regulation in force. The Supplier undertakes to declare this from the first supply batch (initial samples) and subsequently at the end of every solar year or if the production and/or purchasing activities that influence this self-certification are moved, independently and without any expense for ASK Group. In any case, the Supplier undertakes to relieve and indemnify ASK Group against any responsibilities, damages and expenses that may arise from carrying it out.

**2.9** The Supplier undertakes to manage its organizational processes in accord to the norm ISO 9001, taking care of relative Certification and its continuous updating. ASK Group is certified according to technical specification related to automotive industry (IATF 16949), and promotes the achieving to the norm above mentioned as target for every supply.

**2.10** The Supplier must keep stored all the documentation and relative records/figures as requested by ASK: 3 solar years in case of internal audit reports, control reports, value and attributes control charts.

Note: this period can change in case of different Specific Customer Requirements

**2.11** ASK Group promotes Supplier to be certified ISO 14001 on the respect of the environmental regulations.

**2.12** ASK Group promotes Supplier to be certified ISO\_IEC 27001 on the respect of the information safety management.

### **3. Acceptance and Warranty - Not conformity management - Problem solving - Escalation Level (EL) - Contingency Plan**

**3.1** The delivery or the payment of the supply shall not in any way constitute its unconditional acceptance. ASK Group reserves its right to verify the products delivered by the Supplier.

**3.2** Products discovered to be faulty or not conforming to the order at the first incoming control or even during use in production or, subsequently, in the marketing or during use by the final user will be rejected by ASK Group and made available to the Supplier, that undertakes to withdraw

them personally at his own expense, absolving ASK Group from any responsibility in the question.

The Supplier undertakes to deliver replacement products free of charge in exchange for the faulty ones or those not complying to the order as soon as possible to ASK Group or to ASK-appointed third parties. The Supplier will refund ASK Group for any incurred cost due to sorting of defective goods, either made by ASK Group personnel or by subcontractor, consequent to eventual production stop, scrap of Finish Goods, additional tests to prove the root cause of failure, special shipments, travels, Customer debit note, ASK management and any other potential cost generated by the non-conformity.

If the dispute is due to the final product user or is the object of a recall campaign of the products, the Supplier has to replace the products in a sufficiently short period of time and in keeping with the user's interests. It is understood that the Supplier must hold ASK Group harmless from any damages it may have incurred in the dispute, including the losses and costs sustained should the buyer or final user ask to cancel the purchase contract because of the defect.

Supplier shall bear the responsibility to obtain appropriate insurance of their company, if requested by ASK Group.

**3.3** The official claim report will be submitted by ASK Quality Department. The Supplier has to provide properly answers by 8D report (using standard problem solving analysis as Ishikawa fish-bone, 5 Why). The Supplier that does not know 8D report has to ask support to ASK Quality Department.

**3.4** Time to reply:

- Emergency action within = 48 hours (evaluation of material in stock, in transit and at ASK side)
- 8D completely filled in = 10 working days (root cause analysis concerning occurrence and not detection; definition of permanent corrective actions able to solve 100% the failure)

The Supplier is asked to use ASK 8D templates. 8D own supplier report could be also acceptable only if it matches with ASK 8D requirements. In case of not known within above time-line, the guaranteed delivery could be communicated in further 8D revisions (Supplier is responsible to send updated 8D report)

The supplier could ask to change the time to submit the 8D report when it's not possible to analyse the problems in according with above parameters.

The Suppliers cannot ask deviation to submit the emergency action in 48h

ASK Group may require the Supplier to implement verification (audit) activities to confirm that the corrective actions continue to be effective over a significant time period.

**3.4.1** Escalation Level (EL):

In case of re-occurrent problems which Supplier is not able to solve and mitigate, ASK Group will apply the following EL rules:

Escalation level 1 (EL1) -> Supplier is asked to provide to ASK Group the records for each delivery (based on ASK Group request) till end of escalation process defined by ASK Group. Supplier remains available for ASK Group audit which could be planned at any necessary occasion. Meantime the supplier will be considered in NBH.

Escalation level 2 (EL2) -> Supplier is asked to contact an external company which will provide to ASK Group the records for each delivery (based on ASK Group request) till end of escalation process defined by ASK Group. In case of ASK Group dedicated visits, all the expenses will be charged to the supplier. Meantime the supplier will be considered in NBH.

Escalation level 3 (EL3) -> EL2 remains active. Supplier will be asked to present activities plan in ASK Group steering committee; QS Certification body will be informed from ASK Group about the contingency situation ongoing.

Escalation level 4 (EL4) -> EL3 remains active. Requesting the QS downgrading to QS Certification body. Phasing Out process will be considered from ASK Group.

**3.4.2** Maximum storage time for failed products in ASK Group plants: after ASK claim issuing (Quality Report), the Supplier must provide feedback within 2 weeks (send back, scrap) with support of 8D Report filling, about treatment of failed material; in case of material has to be returned, the Supplier has 2 weeks to organize the relative transport. In case Supplier does not reply within the above terms, the material will be scrapped in ASK Group plants and relative costs reversed to Supplier.

**3.5** The Supplier guarantees the supply products for the same duration given by the automotive manufacturers or the producer of the finished goods where the product is installed. In any case, the warranty period starts from the product's sale date and lasts until 36 months to 60 months from the vehicle's registration date following different car manufacturer's requirements.

**3.6** Product's defects that are attributed to choices taken by the Supplier independently and decided freely, as also a non-observance of specifications, as well as defects in material or in production, imply his responsibility as producer; therefore ASK Group has the right to be refunded for any damages incurred or claimed by product's final users.

**3.6.1** In case of sorting, rework or repair is necessary, the Supplier must develop written procedures for the mentioned activities. These procedures should contain instructions / information about monitoring, inspection, testing to perform during and after sorting/rework/repair activities, in order to ensure the compliance to product specifications. Only trained and qualified personnel should conduct rework/repair activities at any site (Supplier, ASK Group facilities, external companies). All the records connected with those over activities must be available in case of request.

Traceability must be guaranteed through proper labelling / identification to ensure the quality status of parts.

**3.7** If ASK Group or its customers should decide to implement a repair campaign for its products to replace or repair faulty or unreliable components that are its responsibility or contrariwise that of the Supplier, but detected after the guarantee expiry date, the Supplier will collaborate with ASK Group in order to implement this campaign of recall and recovery, also carrying out the suitable replacements and modifications, without prejudice to the compensation due to ASK Group if the defects are in anyway imputable to a non-fulfilment of the contract.

**3.8** The Supplier is asked to prepare a Contingency Plan in order to guarantee the supply continuity, based on an appropriate analysis of risk assessment that could bring to a supply shortage. Risks to be considered can be both technical (for example, no machinery redundancy) and service (for example, no sub-suppliers alternatives) or due to other different circumstances (for example, electricity breakdown, environmental conditions, etc.). ASK Group could request Contingency plan to Supplier in any occasion deemed appropriate for deeper analysis/evaluation.

#### **4. Verification and Continual Improvement System of Supply Quality**

**4.1** Having A-class suppliers represent a main goal for ASK Group. The level of suppliers is defined by the results of Audit on the field and the performance of supplies (vendor rating + ppm rating). This Guideline and method of Vendor Rating and ppm rating calculation will be shared with the suppliers in the properly step during development of suppliers.

Any inconsistencies or non-conformities will lead to shared improvement actions that the Supplier will have to introduce within the time schedule agreed with ASK Group, periodically demonstrating the progress of the single activities. Eventual delay on improvement actions fulfilment will consent ASK Group to quit any business relationship with the Supplier without any prior notice.

**4.2** Any lack of achievement and maintenance of the shared target, measured periodically, involves implementing improvement actions that will enable the Supplier to re-enter the target value within a period of time without compromising the reliability of supplies and their continuation. During this period, ASK Group will have the faculty to assign product/service procurement shares of the confirmed or provisional orders to third parties and/or stop assigning new products/services to the Supplier.

**4.3** ASK Group reserves the right to terminate the relationship if over a one year-period the target is repeatedly not reached and if the Supplier also gets results so far from the minimum acceptable target.

**4.4** The Supplier will allow, on written request by ASK Group, people or third bodies appointed by the same ASK Group, to lead product & process audits, visits, inspections, follow-up.

**4.5** The Supplier should be asked to provide a self-audit assessment in case of ASK Group request (following VDA 6.3 guideline)

## 5. Supplies performance measurement system

### 5.1 Method of Vendor Rating Calculation

**5.1.1** In order to always keep monitored the overall level of the product and the service of the Supplier and in the pursuit of continual improvement, as foreseen in the Quality Standard, the parties consent to refer to a service evaluation system that permits a synthesis of it in a Vendor Rating (VR) by using various criteria, such as quality claims number, logistic claims number, PPM level, 8D report response time, Quality System Certification

**5.1.2** Vendor rating is monthly evaluated based on last 200 rolling days. Each criteria has its own weight:

- Quality claims number -> 30%
- Logistic claims number -> 35%
- PPM level -> 15%
- 8D report response time -> 15%
- Quality system certification -> 5%

**5.1.2.1** The score obtainable is included between 1 and 100 with following meaning:

VR Index Value	Global Judgement
≤ 59	BAD
From > 59 to ≤ 79	NOT SUFFICIENT
From > 79 to ≤ 85	SUFFICIENT
From > 85 to ≤ 92	GOOD
From > 92 to ≤ 100	EXCELLENT

**5.1.2.2** Indicator concerning the quality claims number:  
Every NOK batch could have the following result:

Quality evaluation of the batch	Score
NOK (critic failure)	500
NOK (not critic failure)	50

Score =>  $100 - (\text{critic batches} * 500 + \text{not critic batches} * 50) / \text{all batches received}$

**5.1.2.3** Indicator concerning the logistic claims number  
every batch could have the following result:

<i>Logistic evaluation of the batch</i>	<i>Score</i>
<i>OK</i>	<i>100</i>
<i>Based on the most critical problem (customer disruption)</i>	<i>9999</i>
<i>Based on problem (serious)</i>	<i>8 - 6</i>
<i>Based on problem (less serious)</i>	<i>4 - 2</i>

Score =>  $100 - [(\text{sum of all complained batches} / \text{sum of entered batches}) * 100]$

### 5.1.2.4 Indicator concerning the PPM level.

PPM is calculated according to the type of defect complained. «Critic» problem weights 70% and «Not critic» problem weights 30% of the total. Decision how to judge if defect is critic or not, is in the hands of SQA. Final PPM score is based on the match between PPM value vs limits setting.

Calculation follows below parameters:

Deviation from agreed level (%)	Score
Till 100 (agreed level)	100
From 101 to 150	80
From 151 to 200	60
From 201 to 400	40
From 401 to 600	20
From 601 to 800	10
From 801 to 9999	1

Score =>  $(\text{Pointer Critic} * 70\% + \text{Pointer Not Critic} * 30\%) / 100$

### 5.1.2.5 Indicator concerning the 8D report response time.

8D response time is calculated according to the number of delay days vs target (10 working days – parameter not changeable). Decision how to judge if 8D is correct or not is in the hands of SQA. 8D will be considered closed only when all the paragraphs are fulfilled (included guaranteed delivery reference). Final score is based on the average of all complaints issued. Calculation follows below parameters:

Delay (number of days)	Score
Within 0	100
From 1 to 5	90
From 6 to 15	70
From 16 to 30	40
From 31 to 60	10
From 61 to 999	1

Score => sum of each claim score / number of claims issued

Note: it's not possible to change the parameter of 10 working days in the system, therefore point 3.4 should be considered as fixed value.

### 5.1.2.6 Indicator concerning the Quality system certification (QS)

Based on the QS applied at Supplier, Calculation follows below parameter:

Quality System Certification	Score
IATF 16949	100
ISO 9001	50
Missing Certification	1

Score => based on above table

## 5.2 PPM rating + Fixed target

**5.2.1** In order to always keep monitored the overall results in output from the Supplier productive process, ASK Group will be carried out the PPM calculation based on the defects found during the period. Follow the method of calculation:

- Periodical calculation concerning the defects found during the production in ASK by reject per accumulation.
- In case of sorting will be considerate defects valid for PPM index all parts found not conform.
- In case of not conformities found during the incoming inspection test will be considerate valid for PPM index all defecting parts effectively found.
- All parts accepted with deviation will have a sort of “technical value” based on gravity of the problem.
- The defects parts counted as described above will be calculated in PPM based on the total parts received from the Supplier in the analysis period.
- The PPM calculation will basically refers considering the month, six months rolling, year rolling.

$\text{Ppm rating} = \frac{\text{total quantity of defects parts}}{\text{total components arrived}} * 1000000$
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**5.2.2** ASK Group defines “the Zero defect” as the Strategic Quality Target to follow, which must be maintained by Supplier through the logical continuous improvement approach. The PPM limit agreed remains an important criterion which activates the request of specific improvement plan if exceeded, in order to return to the expected and agreed supply level.

PPM Limit: \_\_\_\_\_

**5.2.3** PPM limit review: ASK Group could yearly ask the revision of PPM limit based on the consolidated results as continuous improvement approach.

## **6. Action to do in case of suppliers’ performance not in target**

ASK Group should request an improvement plan from Supplier if:

- the VR is  $\leq 79$  and there is no sign of improvement for 3 consecutive months.

ASK Group could consider Supplier in NBH and/or Phasing-Out status if:

- the VR is  $\leq 79$  for 4 consecutive monthly rolling analysis without a clear vision of an improving trend.

## **7. Supply Modifications**

**7.1** In case of any modification which has impact on process/product/relocation, the Supplier shall provide notification to ASK Group at least 6 months in advance. The request of modification will be evaluated by ASK TMR Team (Technical modification request); ASK TMR Team will define and agree with the Supplier the time schedule, management and approval method.

In justified exceptional cases, deviating regulations will be agreed with ASK TMR (Technical modification Request). Relocation is not permitted in start-up phase.



**8. Valid for company list**

**8.1** This document invalidates and replaces any other agreement stipulated previously between the parties.

Quality agreement apply to all entities/companies operating as part of ASK group, meaning:

- ASK Industries GmbH, Hauptstr. 73, D-94559 Niederwinkling, Germany
- ASK Industries S.p.a., Viale Ramazzini 39/F, c/o Parco Innovazione 42124 Reggio Emilia, Italy
- ASK Industries S.p.a, Via dell'Industria, 12 I-60037 Monte San Vito (AN), Italy
- ASK Ningbo No. 719 Tianstaishan Road Beilun District Ningbo Chiny (315800), China
- ASK Chongqing No.23 Tongda Road Yubei District Chongqing, China
- ASK Do Brasil LTDA – Rua J. Alves Ferreira 95-B/S.Sebastiao - 35702 - 079 Sete Lagoas, Brasil
- ASK Tunisia S.A.R.L. 15 Rue du Bois, Z.I. Du Ksar Said Manouba-Tunis, Tunisia
- ASK Poland Sp. Z o.o., ul. Wyzwolenia 74, 43-300 Bielsko Biała, Poland
- ASK Poland Sp. Z o.o., ul. Dworkowa 4, 43-365 Wilkowice, Poland
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The supplier .....

Signature