Quality Assurance Agreement for Suppliers

Vossloh-Schwabe Deutschland GmbH
_____
_____
_____
(VS)

and

Fa. _____
_____
_____
_____
(SUPPLIERS)

conclude the following Agreement:

PREAMBLE

VS and the Supplier work together in that VS purchases merchandise and accompanying procedures from the Supplier. This Quality Assurance Agreement (QAA) is intended to assure the quality of the merchandise and procedures supplied by the Supplier to VS. This Agreement sets the conditions between the contracting parties to achieve the desired quality targets. Both parties see themselves obliged to meet the zero defect quality level. For this purpose the Supplier shall carry out a quality check accompanying production, a goods issue control and corresponding documentation of the results of the checks. Quality assurance shall therefore be done in the company of the Supplier.

SECTION 1 SCOPE AND TERM

(1) During the term of this Agreement all future purchase and delivery transactions between VS and the Supplier shall be subject to this Agreement and it is an indispensable component of any agreement concluded in this respect. Should any special development agreements or purchase agreements between the parties collide with this QAA in case of doubt the regulations of the development or purchase agreements shall take precedence.

(2) This Quality Assurance Agreement applies indefinitely. It can however be terminated by both contracting partners in writing with a notice period of three months to the end of the quarter. The termination of this Agreement shall not affect the effectiveness of any current purchase or supply agreements until their execution in full.

SECTION 2 DEFINITIONS

(1) This QAA applies to Suppliers and all companies affiliated to it. These are companies in one and the same group (parent/subsidiary companies).

(2) This QAA applies to all development services and products that are supplied to VS within the scope of corresponding development and supply agreements between the Supplier and VS (hereinafter Agreement Products).

(3) Technical Documents are drawings, samples, delivery specifications, standards or similar information stipulated by VS.

SECTION 3 QUALITY AND ENVIRONMENTAL MANAGEMENT OF THE SUPPLIER; SUB-CONTRACTORS

(1) With this QAA in combination with the underlying development, purchase and supply agreements the Supplier takes on the obligation to do everything in accordance with the current state of technology to ensure its deliveries are free of defects (0 defect target). The Supplier shall maintain a quality management system in accordance with ISO 9001 (current version) or a quality management system of the same value. Further the Supplier shall maintain an environmental management system in accordance with ISO 14001 (current version) or an environmental management system of the same value. The Supplier is obliged to keep these systems continually operational and at the state of the art and to improve these systems if applicable.

(2) Insofar as VS makes production and/or testing equipment and in particular equipment and facilities as part of the acquisition of deliveries available to the customer due to agreements that have been made these shall be included by the Supplier in its quality management system in the same manner as its own production and testing equipment.

(3) Every sub-contractor that is commissioned by the Supplier to meet obligations towards VS must be obliged by the Supplier to comply with the same standards as those set in this Agreement. For this purpose VS can demand proof that the subcontractor has a quality management system that meets the requirements of this Agreement.

SECTION 4 TECHNICAL CHARACTERISTICS AND TECHNICAL DOCUMENTS

(1) The quality relevant characteristics and tolerance directive that the Supplier must comply with can be taken from the order standard or the Technical Documents that are a component of the purchase/supply agreement. The Supplier shall ensure that production, testing and delivery are always carried out in accordance with the most recently valid order standards or with the Technical Documents available to it. Internal production drawings, production and testing plans as well as directives to the required extent shall be compiled by the Supplier on the basis of the order standards or Technical Documents.

(2) Each agreement shall be checked by the Supplier to ensure that the contractual requirements are suitably documented, requirements deviating from Technical Documents or other specifications or agreements have been clarified and the Supplier has the capability to meet the contractual requirements.

SECTION 5 INTELLECTUAL PROPERTY RIGHTS

(1) The Supplier shall carry out suitable measures in order to minimise the risk of the breach of intellecutal property rights (patents, trademarks etc.) by third parties. On request by VS the Supplier shall provide the results of corresponding investigations (e.g. patent research or design analyses) with reference to the Agreement Products.

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(2) Should VS have a justified reason to consider a renewed evaluation of the patent situation with reference to the Agreement Products to be necessary at any time the Supplier shall actively support corresponding measures (e.g. patent research or design analyses) in particular by providing Technical Documents.

(3) VS and the Supplier shall immediately inform each other if one of the parties is notified of a breach of property rights or Agreement Products by third parties or one of the parties supposes there is a serious risk of a breach of property rights due to other research. In such cases VS and the Supplier shall agree measures in order to keep potential damage as minimal as possible.

SECTION 6 AUDITS AT THE SUPPLIER

(1) The Parties agree that VS may identify through audits whether the agreed quality assurance measures are also implemented and applied at the Supplier. Generally such audits can be carried out as system, process or product audits and shall be agreed with an appropriate lead time. If there are grounds for concern that there are quality problems at the Supplier this notification period shall be correspondingly shortened. So-called emergency audits can always be held at short notice. The Supplier is obliged only to send staff to these emergency audits that can make competent disclosures on the problems existing and above all that are also authorised to rectify these problems and order measures to be taken.

(2) The parties agree the audits and their results are confidential and that any forwarding of the information thus acquired to third parties outside the group/affiliated company is ruled out. Courts (of arbitration) and private assessors are not deemed to be third parties in accordance with this regulation.

(3) The Supplier must ensure that such audits can also be held at any sub-contractors as provided in Paragraph 1 and that access to such audits is made possible for VS. Moreover the regulations taken in Paragraph 1 and Paragraph 2 correspondingly apply to sub-contractors.

SECTION 7 DOCUMENTATION AND RETENTION PERIODS

(1) All quality assurance measures of the quality management system shall be documented in the contractual language and retained and made available on request by VS for the entire duration of the retention period.

(2) The audits carried out by/at the Supplier shall be documented accordingly. The accompanying minutes and documentation of the corrective measures set shall be retained by the Supplier for at least five years.

(3) Insofar as a special archiving obligation arises and nothing to the contrary is agreed the retention period shall be ten years. Such a special obligation arises from a designation with SC for "special characteristics" that VS shall specify if applicable. Each retention period shall commence at the beginning of the calendar year in which the document was compiled. In case of doubt this shall also apply to tested raw materials or their results.

(4) If the Supplier becomes aware that agreed quality characteristics, delivery dates or delivery quantities cannot be provided VS must be informed of this immediately. All accompanying data shall be disclosed unsolicited and a correction plan shall be proposed by the Supplier with the notification.

(5) Before any change to production procedures or materials/vendor parts and also in the event of the relocation/change of production locations or facilities for product testing or other quality assurance measures the Supplier shall inform VS in detail and in good time so that VS can review whether the changes could have disadvantageous effects. VS shall be given the possibility to object to a change in production procedures or materials/vendor parts within an appropriate period. If such an objection is made the change shall not be implemented.

SECTION 8 QUALITY REQUIREMENTS; LABELS; FAULT CORRECTION

(1) The Supplier must be in a position for the entire period of production to verify process capability e.g. through statistical process regulations.

(2) Within the scope of a documented deviation procedure raw materials, products and services with quality deviations may only be delivered if these do not have any defects in the view of the Supplier that negatively influence applicability and functionality. Furthermore provided these deviations do not cause any additional costs at VS, written consent from VS is available and the merchandise is delivered with a copy of this deviation approval.

(3) VS shall report the delivery of faulty products to the Supplier. The Supplier shall receive a report with the following contents: deviation notification, material description providing a designation (batch number), reason for the objection and number of rejected parts.

(4) The Supplier shall on request make defective parts available to VS for (re-) analysis. In case of doubt these shall then be assessed together.

(5) The Supplier shall react within 24 hours at the latest after a defect report (reaction time) and shall take immediate corrective measures in order to ensure further supply of customers by VS. The contents and sequence of these measures shall be reported to VS. The Supplier shall carry out a fault analysis within five days of receipt of a defect report and shall initiate fault rectification measures. In the event of fault rectification measures that extend over a longer period of time an interim report shall be made to VS. An 8D format shall be used for the reports.

(6) Ensuring the agreed quality requirements has the following focal points: production and work procedures, capacity and procurement, handling, storage and packaging as well as shipping, environmental protection during production processes, reliability, product safety, feasibility, packaging analyses, quality planning, control and process sequence plan, critical safety characteristics particularly with SC ("special characteristics") relevant characteristics.

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(7) The Supplier shall label the merchandise with the following information: the VS model code, the supply quantity, the date of manufacture, the expiry date or processing date and batch/lot numbers. In addition the delivery shall be labelled with the VS type designation, VS order number and the release by the goods issue test centre at the Supplier. Traceability to the person at the releasing centre must be possible. The target is quick localisation of defective products to certain batches or to certain relations in production and/or the raw materials used.

SECTION 9 DEVELOPMENT AND PLANNING

(1) In the case of development orders that are included in a supply agreement the specification of requirements will be set in a contract specification. This must be an object of the order through the Agreement. The Supplier shall on request give VS information about the planning and progress of developments with submission of a timetable.

(2) The Supplier shall receive from VS relevant Technical Documents that the Supplier requires as specifications for development, production and quality assurance. If such documents are missing in the view of the Supplier the Supplier must request these immediately from VS or report that documents are missing and what the consequences of this will be. The conditions, test contents and environments for pre-series parts shall be coordinated between the Supplier and VS. The Supplier shall document this production in particular the suitability of the production facilities used.

(3) Before the start of a series production the Supplier shall carry out a production process and product release and if applicable also a design release. The Supplier shall document these and shall include VS in the release process from the beginning and appoint a responsible contact.

SECTION 10 STORAGE, PACKAGING AND TRANSPORT

(1) The Supplier shall comply with the packaging units and labels stipulated by VS. Any changes must be coordinated with VS in individual cases.

(2) The Supplier shall pack raw materials, parts and goods so that transport, storage and ageing damage as well as damage caused by climatic influence is ruled out as far as possible.

SECTION 11 TESTS AND APPROVAL MARKS; DANGEROUS GOODS

(1) In the event of new products, changes to products and on the first supply of products the Supplier shall submit to VS correspondingly labelled initial samples with a complete initial sample test report signed by all those responsible.

(2) The initial sample test at the Supplier shall be done in accordance with specifications set in the development or supply agreement.

(3) Agreement Products that are provided for the EU market must comply with the relevant EU directives and regulations and bear a CE label if applicable. The Supplier shall ensure compliance with all these EU provisions and shall make corresponding CE conformity declarations available.

(4) The same applies to products that are intended to be brought to other countries. VS shall specify the relevant countries in the development or supply agreement. The Supplier shall comply with the statutory provisions for these countries. Should there be any ambiguities with reference to the statutory provisions the Supplier shall inform VS accordingly in good time.

(5) The Supplier shall also guarantee compliance with the relevant statutory provisions on dangerous goods (e.g. REACH, RoHS) in particular with relation to classification, labelling and packaging and shall provide the information necessary for this.

(6) The requirements for further/special approval marks or certifications (e.g. ENEC or VDE) shall result from the accompanying development or supply agreement. If such requirements exist the Supplier shall meet these and provide corresponding verification.

SECTION 12 PRODUCT DISCONTINUATION

(1) The Supplier shall notify VS of any intended discontinuation of the manufacture or supply of merchandise within the scope of concluded agreements at least one year in advance so that VS can adjust to this. In such a case the Supplier shall make a non-binding proposal to VS to replace the merchandise that can no longer be supplied in future.

(2) The Supplier shall make it possible for VS to register and commission an available remainder before the discontinuation of supplies.

SECTION 13 LIABILITY AND INSURANCE; SECRECY

(1) Through this Agreement the guarantee and liability in accordance with statutory provisions are not waived in any manner. The Supplier shall verify that it has taken out product liability insurance with an amount insured of at least EUR 10 million all-inclusive per claim (personal injury, damage to property).

(2) All technical, commercial and operational information of the contractual partner that is not anyway public and/or determined for forwarding to third parties shall be treated confidentially and as business secrets. This also applies to the time after the termination of this Agreement.

SECTION 14 GOVERNING LAW; MISCELLANEOUS

(1) This Agreement is subject to German law. Any amendments to this Agreement must be made in writing.

(2) All disputes arising from or in connection with this Agreement shall be ultimately be decided in accordance with the rules of arbitration of the International Chamber of Commerce (ICC) by several

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arbitrators appointed in accordance with this regulation. The court of arbitration hearing shall be held in German or in English.

SECTION 15 ANTI-BRIBERY AND ANTI-CORRUPTION-POLICY

(1) Each party confirms that it understands the importance of anti-bribery-law and will comply and procure that its employees comply with all relevant anti-bribery-laws.

(2) For the purposes of this Agreement, "bribery" includes, but is not limited to, the promising or granting of or the requesting or receiving of benefits in money or money's worth to a person with the aim of influencing that person in order to obtain business improperly or gain an improper advantage.

(3) Each party agrees to keep proper accounting records (approvals. invoices etc.) of payments and financial transactions.

(4) Each party confirms that, in relation to this Agreement, any act of bribery (as defined above) or any breach of national, EU, or other relevant anti-bribery law, as well as any serious breach of the above obligation to keep proper accounting records, will be considered as a serious breach of this Agreement, entitling the other party to terminate the Agreement and/or claim compensation and/or such other remedies as are available to it.

SECTION 16 SEVERABILITY CLAUSE

(1) Should a provision of this Agreement be ineffective or impracticable or becomes ineffective or impracticable after the conclusion of the Agreement the effectiveness of the remainder of the Agreement remains unaffected.

(2) In place of the ineffective or impracticable provision such an effective and practicable regulation shall be taken the effects and economic target of which come as close as possible to that the contracting parties had followed with the ineffective or impracticable provision.

(3) The preceding provisions also apply accordingly in the event an omission in the Agreement becomes apparent.

Date & Signatures VS

Date,	Name surname,	Role	Signature
Date,	Name surname,	Role	Signature

Date & Signatures SUPPLIER

Date,	Name surname,	Role	Signature
Date,	Name surname,	Role	Signature

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