

Quality Assurance Agreement

For assurance of delivery quality of suppliers

Concluded between

Egston System Electronics Eggenburg GmbH
Grafenberger Strasse 37
3730 Eggenburg, Austria

and all companies of the EGSTON group (Appendix 1)

hereinafter referred to as “EGSTON”,

and

<company name>
<address 1>
<address 2>

hereinafter referred to as “supplier”.

Both parties are referred to as “contract partners”.

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1 Aim

- 1.1 This agreement (QAA) is concluded between the parties to i) ensure that products delivered are in line with quality parameters agreed and ii) to specify which quality assurance activities have been agreed between the parties.

2 Scope

- 2.1 This QAA is an integral part of each order Egston places with supplier and is valid for all deliveries regardless if deliveries are samples deliveries or deliveries of serial products. Therefore both parties agreed that the QAA will be applicable to all claims emerging from such deliveries.
- 2.2 This QAA is an integral part of all contracts concluded between the contract partners and it is agreed that it shall be valid in addition to and in connection with the general purchase conditions of EGSTON. The QAA is also valid for all orders which are placed at the supplier by any company specified in annex 1 of this agreement.
- 2.3 In case that supplier and producer are not identical, the supplier commits to inform the producer and if applicable the sub-suppliers about the contents of this QAA and the producer as well as his sub-supplier have to assume the obligations stipulated in the QAA accordingly. The supplier undertakes that all rules and regulations of the QAA will be obeyed by producer and sub-suppliers. Supplier assumes full, immediate and direct liability that their producers or sub-suppliers comply with the QAA as well as with applicable product specifications.

3 Product specific quality agreement

- 3.1 If necessary an additional product-specific quality agreement between the supplier and EGSTON will be concluded in order to make sure that product and basic conditions (requirements, product application, manufacturing processes,...) are meet according to project specifications.
- 3.2 This additional quality agreement substantiates and amends the present quality assurance agreement and other procurement documents.

4 Duration of agreement

- 4.1 This agreement shall come into effect upon execution of his agreement by both parties and is initially valid for 1 (one) year. If the supplier does not terminate this QAA by registered letter within a term of 3 (three) months before end of the quarter before expiration of the agreement period, this agreement will automatically and continuously be prolonged for a further 1 (one) year period.
- 4.2 This agreement is valid for all deliveries of goods or services that will be delivered after the coming into effect of this agreement and which were ordered before expiration of this agreement. This agreement also includes all complaints that arise from such deliveries.

5 Accomplishment of the quality assurance

Quality management system

- 5.1 The supplier is liable for the compliance of quality of all goods and/or services delivered by him.
- 5.2 The supplier commits to aim for zero defects and to improve continuously for the purpose of enhancing his competitiveness
- 5.3 The supplier commits to continuous improvement and enhancement of his methods and processes.
- 5.4 To cope with this responsibility the supplier has to adhere to at least a quality management system according to ISO 9001. Once a year the transmission of a valid certificate issued by an accredited certification company in copy is demanded as proof.
- 5.5 Suppliers of automotive parts are additionally and mandatory required to maintain a system according to ISO/TS 16949 .
- 5.6 Suppliers who do not maintain a system according to the above-named norms commit to implement such a quality management system within a period agreed by both contract partners. The progress of the implementation will be confirmed quarterly by sending an action plan to EGSTON.

Technical documentation

- 5.7 The supplier must ensure that only valid documents which comply with the particular contract are used. Specifications, norms and drawings etc. upon which orders are based are binding.
- 5.8 All technical changes (parts, drawing etc.) have to be documented by the supplier and remain traceable for a period of 15 years.

- 5.9 The Supplier undertakes to critically review all technical elements of the product specification received such as but not limited to technical documentation, process descriptions, testing procedures etc. with regards to fitness for use. In case Supplier recognises more adequate, more economical and / or more effective processes or specifications, supplier commits to submit according improvement proposals to EGSTON.

Feasibility check

- 5.10 The supplier undertakes to execute a feasibility check for all products or services ordered from Egston on the basis of the received technical documentation. With the acceptance of a purchase order from Egston supplier confirms the feasibility and assumes full responsibility for the quality of product manufacturing and on time delivery. Alterations of specifications received are only allowed after EGSTON has given written approval.
- 5.11 EGSTON reserves the right to demand a written confirmation of the feasibility study.

Performance guarantee

- 5.12 The supplier undertakes to implement adequate actions which assure their production and delivery abilities based on the existing quality policies and contracts. EGSTON reserves the right to demand accordant evidence.

Process documentation, initial sample and requalification

- 5.13 The supplier warrants to inform EGSTON immediately about any intended and unintended deviation or change in raw material supply chain, equipment or manufacturing process or place of production. Any such changes require the written confirmation of EGSTON. In case of such deviations EGSTON may demand a renewed initial sample report free of charge.
- 5.14 The supplier undertakes to define the manufacturing process including all raw materials in written form. Serial production may only start after approval of initial samples by EGSTON. This so approved manufacturing process is obligatory and an integral part of the quality assurance agreement.
- 5.15 Initial sample parts have to be produced with the serial production tools of and under conditions of serial production. Unless otherwise agreed, submission level 2 (according to VDA 2) becomes effective. All documents are to be sent in current and up-to-date VDA-format.

In the cases outlined below supplier has the mandatory obligation to present initial samples for inspection and approval by EGSTON before starting the serial production

- .: before first serial delivery of a new product / part
- .: before serial delivery from new / changed tools
- .: before serial delivery of changed product / material
- .: before serial delivery after having changed one or more production method(s)
- .: after implementations of corrections according to test report of EGSTON
- .: after relocation of production
- .: on changing sub-suppliers
- .: on interrupting the production for more than 12 months
- .: after delivery stop caused by quality defects.

- 5.16 Through issuing an initial sample report according to VDA 2 respectively PPAP Supplier warrants that the parts correspond to all requirements. Characteristics which cannot be tested by the

supplier must either have a certificate of compliance or a test report according EN 10204 or comparable standards or a test report issued from an accredited testing laboratory. The test records have to be added to the initial sample parts. A drawing with position numbers has to be enclosed as well.

- 5.17 Furthermore the supplier warrants to carry out a yearly requalification test (complete measure of all demanded characteristics) of all products delivered to EGSTON. EGSTON is entitled to request the result of the requalification tests at any time.

Special Characteristics

- 5.18 EGSTON will define traceable special product characteristics such as but not limited to safety-, function- or processing characteristics in the product specifications.
- 5.19 The supplier warrants to include such special product characteristics in his production processes in a traceable manner. Aforementioned special product characteristics are to be treated as an integral basis for all process-FMEA activities held on the suppliers premises and have to be rendered to EGSTON in a complete manner if requested from EGSTON.

Process-FMEA

- 5.20 An analysis of potential failures and their consequences (FMEA – Failure mode and effective analysis) has to be carried out mandatory. Supplier warrants to execute a Design -FMEA for parts the supplier designs/constructs under his sole responsibility. Further Supplier warrants to carry out a process-FMEA for all manufacturing processes prior to the manufacturing of any tools or equipment. All factors which might influence manufacturing processes have to be considered and evaluated. All process-FMEA's have to comprise at least a production feasibility study of all special characteristics required by EGSTON. Adequate actions for process assurance have to be carried out as soon as potential risks are detected.
- 5.21 The process-FMEA has to be carried out according latest to state-of-the-art technical requirements.

Monitoring of production processes and products

- 5.22 The supplier undertakes to define a test layout capable of guaranteeing compliance of delivered products with the required specifications.
- 5.23 The supplier warrants to monitor and record the manufacturing process by using proper statistical methods in order to verify process reliability of special product characteristics ($C_{pk} \geq 1,67$) throughout the entire production process. Special product characteristics for which process reliability cannot be guaranteed based on a $C_{pk} \geq 1,67$ are to be controlled 100% by Supplier. Critical product characteristics have to be controlled 100% by Supplier generally. In cases where this is not possible (e.g. because only a destructive test is possible) Supplier has to verify statistically that the variance between average specified value and the upper and lower limits is bigger than 5 times the standard deviation.
- 5.24 As far as possible monitoring/production methods inevitably avoiding delivery of nonconforming parts have to be applied (Poka Yoke).
- 5.25 In case Supplier discovers that confirmed agreements (e.g. specifications, dates, amounts) cannot be respected, Supplier is obliged to inform EGSTON. With regards to a quick problem solving the supplier commits to disclose all data.
- 5.26 The supplier agrees to keep records demonstrating the execution of quality assurance actions such as sample-, measurements records or test results (documentation) in an orderly manner so that EGSTON can refer back to these records if necessary.

Identification, traceability and documentation

- 5.27 By applying adequate means of product identification the Supplier will insure 100% traceability as well as uninterrupted quality monitoring of all materials, manufacturing processes and products.
- 5.28 Production will be based on the FIFO-principle (First in First Out).
- 5.29 Supplier warrants that 100 % product traceability is effected in such a way that in case of a defect on one part of the supplier defective part/products could be detected in a secure manner.
- 5.30 Quality-related data and samples must be archived for a period of 15 years.
- 5.31 For all EGSTON orders a representative amount of samples has to be archived in an adequate location for at least the retention period of quality-related data. In the end of the retention period the samples still have to correspond to the state of their production.
- 5.32 Unless otherwise agreed in the initial sampling process an evaluation report according to DIN (EN 10204) has to be enclosed to each separate delivery. In any case these reports have to arrive together with the delivery of the products.
- 5.33 Type, content and scope of the evaluation report are defined as follows:
Type: certificate according to EN 10204
Content: Special product characteristics as well as all material data
Scope: size check: per delivery lot 3 pieces
material test: once at each used material charge

Audits

- 5.34 EGSTON is entitled to conduct audits at the supplier's premises to ensure Supplier's compliance with agreed quality assurance actions. Audits may either be conducted by EGSTON or by Egston in co operation with their customer or by a third party nominated by EGSTON. The supplier grants EGSTON the right to access Supplier's premises to carry out quality audits. Audits may be effected in the form of system-, process- or product-audits. The audit date will be agreed upon with the supplier.
- 5.35 If a supplier engages sub-suppliers, the supplier commits to carry out audits at the sub-suppliers together with EGSTON or from a third party.

Defective products

- 5.36 EGSTON is not obliged to carry out any incoming quality control checks. It is agreed between the parties that § 377 UGB according to Austrian law is not applicable. In case EGSTON detects defects during manufacturing and/or assembly of the product, these defects will be notified to the supplier within a reasonable period of time after detection.
- 5.37 The supplier undertakes to start the problem root causing activities as soon as possible and warrants that follow up deliveries are free of any defects. Furthermore Supplier undertakes to replace the entire defective quantity with an error-free delivery as soon as possible.
- 5.38 The supplier's answer must include the following:
.: Commitment that the next deliveries include only error-free parts
.: Immediate first rough failure analysis within 24 hours
.: A detailed and completed 8D-report within one calendar week
- 5.39 For complaints accepted by the supplier EGSTON will charge the supplier a general processing fee of EUR 150,--. Additional work at EGSTON such as but not limited to additional product testing, sorting, repair or other will be charged to the Supplier at a rate of EUR 75,-- per hour.
- 5.40 In case EGSTON will receive any complaint from a customer and this complaint can be clearly linked to the respective supplier, EGSTON will charge Supplier a general processing fee of EURO 1.000.- on top of other compensation payments resulting from the claim.

Incoming inspection

- 5.41 In case the supplier's quality standard is repeatedly not meeting agreed specifications EGSTON is entitled to carry out incoming inspections. The resulting costs will be charged to the supplier.
- 5.42 The supplier will immediately inform EGSTON about detected defects and take all actions to minimise harms caused by the fault.
- 5.43 In case a defective delivery may cause a production stop at EGSTON or EGSTON's customers, the supplier undertakes immediate remedy actions such as compensation deliveries, sorting or rework. In urgent cases EGSTON is entitled carry out the rework with its own staff or by a third party. All cost incurred will be in full charged to the supplier.

Exemption

- 5.44 The supplier has to deliver according to agreed drawings and specifications. In case the supplier is temporarily not able to deliver to agreed standards due to minor deviations, Supplier has the option to file a request for exemption to EGSTON in written format. Such request has to be sent to the responsible person in the purchasing department of EGSTON prior to any delivery. Deviations will only be accepted if safety, function and durability of the products are not affected.
- 5.45 The request will be checked by the responsible function within EGSTON and a written response to the supplier will follow within an adequate period of time.
- 5.46 Exemptions always must be sent in written format in order to be valid and are limited to a defined quantity of parts or to a special delivery period.
- 5.47 The request for exemption has to include at least following points:
 - .: Designation of the parts, part no., revision state
 - .: Type of deviation (including sketch) and deviating quantity
 - .: In case of deviations of material, exact specifications / analyses
 - .: Tests carried out at the supplier prior to delivery/test results
 - .: Quantity respectively delivery period which is affected by the deviation (cumulative delivered quantity from, to and number of delivery schedule effected).
- 5.48 An approval by EGSTON does not release the supplier from his responsibility to deliver parts compliant to specifications. In any case the supplier is responsible for informing EGSTON about the deviation in written or electronic form and to obtain a written or electronic approval by EGSTON prior to any deliveries of deviating parts.

6 Liability

- 6.1 The achievement of agreed quality aims and limits will not liberate the Supplier from any claims of warranty or claims for damages in case of defective deliveries.
- 6.2 The supplier undertakes to indemnify EGSTON against any damages or losses – no matter what kind – caused by delivery of faulty products or by any breach of contractual obligations. Possible losses include the loss of profit, the loss resulting from production stops at EGSTON and all third parties' losses. It is agreed that in any cases of damage or loss the Supplier has to prove not being responsible for the defect in the product according to §1298 ABGB Austrian law. EGSTON will always aim to limit the loss – also in its own interest.
- 6.3 The supplier is particularly liable for all claims for damages, which are claimed to EGSTON by third parties resulting from product liability, injury of people and / or loss of property, as a result of a delivered defective product.
- 6.4 In case EGSTON has to carry out a product recall as a result of product liability against third parties the supplier will be held liable for all cost incurred, including cost incurred at EGSTON. EGSTON will inform the supplier on manner and execution of a possible product recall.

7 Insurance

- 7.1 The supplier undertakes to procure adequate insurance with an internationally accepted insurance company immediately after commencement of a business relation with EGSTON. This insurance has to sufficiently cover all risks of liability (e.g. also product recall, production stop,...).
- 7.2 The conclusion of an adequate insurance contract has to be proved to EGSTON by sending a copy of the relevant insurance policy within 4 weeks after the insurance has been concluded.

8 Environment protection

- 8.1 Manufacturing processes, parts and the used raw material have to comply with legal requirements and safety-related requirements for restricted, toxic and dangerous materials as well as with environmental regulations both of the producer's and customer's country (see VDA list of notifiable substances).
The supplier is expected to implement an environmental management system according to ISO 14001.
- 8.2 Approved products, materials or parts have to comply with industry standards and/or customer specific requirements.
- 8.3 Legal limits are agreed to be considered as minimal product-, part- or material requirements. The suppliers for automotive products undertake to keep the IMDS-database up to date with regard to products supplied to EGSTON.
- 8.4 The supplier warrants to comply with any changes in legal regulations without any special instruction from the side of EGSTON. If examinations are required by law the obtained results have to be made available to EGSTON upon request. Improvements concerning the recyclability of products (new material) have to be announced to EGSTON. Upon first delivery of a i) new substances or ii) modified substances such as but not limited to raw materials, hazardous materials or auxiliary materials (e.g. oil, fat, glue, basic material for surface treatment, additives for dye and the like) a material safety data sheet has to be sent to the responsible person in EGSTON.
- 8.5 Similar rules (written information and complete documentation) apply to deliveries of material and parts that discharge hazardous substances under special conditions as well as to deliveries of all materials whose disposal experientially cause particular difficulties.

9 Severability clause

- 9.1 In case that individual provisions of this agreement are ineffective or inexecutable or become so after conclusion of the agreement, this shall not affect the remaining provisions of the agreement. The invalid or inexecutable provision shall be replaced by another effective and practicable provision that comes as close as possible to the economical intent of the ineffective provision. The foregoing provisions shall apply notwithstanding gaps or omissions in the agreement.

10 Applicable law and place of jurisdiction

Applicable law

- 10.1 For all legal issues resulting from the present quality assurance agreement Austrian substantive law shall apply excluding the United Nations Convention on Contracts for the International Sale of

Goods (CISG). Legal provisions in contradiction with this quality assurance agreement or other contracts between EGSTON and the supplier are agreed to be null and void.

Place of jurisdiction

- 10.2 For all lawsuits that are associated with this quality assurance agreement and/or with other existing contracts between EGSTON and the supplier the "Bezirksgericht für Handelssachen" (District Court for Commercial Matters) in Vienna is agreed to be the exclusive place of jurisdiction.

11 Final clauses

- 11.1 Any changes, amendments as well as revocation of this agreement shall be in writing to be legally binding.
- 11.2 For any gaps arising during the execution of this agreement that have neither been detected nor foreseen by the partners the parties commit to close these gaps correspondingly and in an amicable manner.
- 11.3 Supplementary contracts between the Supplier and EGSTON remain valid in their current form. In case of any discrepancies between these contracts and this quality assurance agreement, the provisions of the quality assurance agreement will prevail unless otherwise expressly agreed in the supplementary contracts.
- 11.4 The contract partners undertake that exchanged information in connection with this agreement is kept secret and details only are made available to third parties to the extent absolutely necessary for carrying out the purpose of the agreement.
- 11.5 Signing and execution of this agreement do not constitute a right for the supplier to obtain purchase orders for contractual services.
- 11.6 For the implementation of this agreement the supplier will immediately appoint a quality assurance manager and name the responsible person to EGSTON in writing. The quality assurance manager must have authorisation to accept all statements with reference to this agreement and has to have due authorisation to sign on behalf of the Supplier under the current framework of Austrian law.
- 11.7 All statements of the contract partners in fulfilling this agreement are written in German.
- 11.8 The responsibility of the supplier for delivering products free of any defect is not limited by this quality assurance agreement.

12 Signatures**Supplier:****EGSTON:**_____, on _____
(Location) (Date)_____, on _____
(Location) (Date)_____
(Name in print and/or stamp)_____
(Name in print and/or stamp)_____
(Signature and company stamp)_____
(Signature and company stamp)

Annex 1

1 Companies of EGSTON group

- :: Egston System Electronics Eggenburg GmbH
- :: Egston Automotive Eggenburg GmbH
- :: Egston Far East Ltd.
- :: Egston System Electronics spol. s ro
- :: Egston Zhuhai Ltd.
- :: Egston System Electronics Ukraine TsoW