SMIA contract number:

Quality Management Agreement

between

Samvardhana Motherson Innovative Autosystems B.V. & Co. KG
Siemensstr. 8
96247 Michelau

- hereinafter called „SMIA“ -

und

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- hereinafter called „supplier“

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Part 1: Quality Management

1. Preamble

1.1 One of the objectives of SMIA is to meet the high expectations of the automotive industry regarding quality, cost and delivery performance and to achieve a „best-in-class“-level and to continually strive for more excellence. This objective can only be reached together with our partners, service providers, suppliers and business partners. In order to implement this objective, the required transparency of joint services and duties is essential and this Quality Management Agreement (QMA) intends to regulate the framework conditions of the cooperation as well as the customer-specific requirements of SMIA. The basic prerequisite is that the supplier fully commits itself to the agreed and legal requirements. Advance planning, effective monitoring processes and error prevention shall be the top priority for reaching this objective.

1.2 This QMA constitutes a binding agreement between SMIA including all affiliated companies according to section 15 Stock Corporation Act (AktG) and its suppliers including all its affiliated companies according to section 15 Stock Corporation Act (AktG). By submitting an offer, its validity shall be fully recognised by the contractual party. All regulations and duties shall be complied with in a consistent way and they shall also be securely implemented into the processes and procedures.

2. Validity

2.1 The provisions of this agreement are valid for all existing and future supply, procurement, and service agreements as well as agreements for works between SMIA und its suppliers and they are, amongst other things, part of the SMIA „Framework Agreement for Purchased Parts“ and the SMIA General Terms and Conditions of Purchase. This means the supplier commits to the goal to apply the requirements from this agreement directed at him to his subcontractors and to pass them on.

2.2 In the context of prototypes, production starts or preproduction series as well as in individual cases, SMIA may request negotiations about modifications or amendments to this QMA for the products (hereafter referred to as “Contractual Objects“) which the supplier or one of his subcontractors manufactures. Herein the respective particular requirements regarding the quality of the Contractual Object shall be taken into account.

2.3 Additionally, SMIA reserves the right to update the QMA in regular intervals, particularly, if changes in law or changing requirements to quality assurance, for example due to customer requirements, make it necessary.

2.4 The supplier shall be obligated to request the currently valid version of the QMA from SMIA for any new enquiries and new orders. By awarding an order to a supplier, the currently valid QMA shall form an integral part of the contract, unless the supplier objects to it prior to the placement of the order in whole or in part.

3. Zero-Defect Objective

3.1 The commitment to the zero-defect objective shall be enshrined in the articles of the quality policy of the contractual party as the primary goal.

3.2 According to this purpose, the processes shall be designed and they shall be monitored regularly. Using the PDCA cycle (Plan, Do, Check, Act) the processes shall be assessed and measures for continual improvement shall be planned and implemented, so that a seamless functioning will be guaranteed.

3.3 Furthermore, infrastructure and manufacturing facilities shall be capable to achieve the specifications so as to produce compliant products and execute services. Required resources shall be planned and provided accordingly and they shall be regularly monitored in terms of their effectiveness.

3.4 For product starts or if the zero-defective objective cannot be reached, the supplier shall provide an action plan to SMIA which guarantees the implementation of the goals within a certain time period. The supplier shall implement the action plan and he shall inform SMIA without delay in case of any foreseeable negative deviations from this action plan.

3.5 If necessary, SMIA shall agree with the supplier on the term and the interim targets in which the zero-defect objective must be reached. Agreeing on a target corridor does not affect SMIA‘s warranty and damage claims due to defective deliveries and/or Contractual Objects. In fact, the supplier shall be liable due to the contractual provisions also for possible defects, if the error rate is within the frame of the agreed target corridor.

3.6 The supplier shall warrant the 100% delivery obligation combined with the zero-defect objective complying with to the data in the drawing and all agreed specifications and standards.

4. Quality Requirements

4.1 The quality requirements for products and services of the supplier result from the provided drawings, specifications and/or specification sheets as well as the applicable laws, standards and official requirements which have been developed, produced or executed according to the state of the art. Here, customer-specific requirement shall be considered just as the results stemming from experience with similar products or services, which have been collected in the course of the development cycle up to the spare parts business.

4.2 In particular, the contractual use, performance requirement, strength, material suitability, reliability, appropriate and economically justifiable serviceability as well as safety of the Contractual Object through the manufacturing process shall be guaranteed.

4.3 The supplier shall ensure that the products will always be manufactured and delivered according to the respective currently valid documents, in particular accord-

ing to the respective valid specification and drawing. Taking into consideration any possible modifications of the relevant order and contract documents, he shall maintain a procedure, which ensures that the respective most current contractually agreed changes will be considered.

4.4 As a basis for the collaboration, the following applicable documents shall be observed in particular:

- VDA series of publications
- IATF 16949
- Customer-specific requirements
- IMDS – International Material Data System
- REACH
- End-of-live vehicle directive
- Conflict minerals
- AIAG Requirements
- CQI volumes

4.5 Any deviations from regulations of the applicable documents may be made depending on the project or customer.

5. Use and Development of the Quality Management System

5.1 Quality management system

- The supplier shall undertake to apply a quality management system according to DIN EN ISO 9001, to continuously develop it and arrange for its certification through third party audits. The certification company carrying out the third party audits must be recognised by the IAF MLA. The certification shall be continuously updated and, once lost, SMIA shall be notified without delay. Also all certificates shall be submitted to SMIA without request.
- The aim of the supplier must be the introduction of a management system according to the standard of the automotive industry IATF 16949 and to prove the IATF recognition by means of a certificate.
- In ordert to achieve the goal, the following procedure is recommended:

  a) Adding the requirements of the Minimum Automotive Quality Management System Requirements (MAQMSR) to the management system ISO 9001. The requirements of the MAQMSR can be downloaded under the following link: https://www.iatfglobaloversight.org/oem-requirements/customer-specific-requirements/minimum-automotive-quality-management-system-requirements-for-sub-tier-suppliers-2nd-ed/
  b) Certification according to ISO 9001 and the assessment of conformity with IATF 16949 through second party audits.
  c) Implementation of the certification according to IATF 16949 with third party audits by a IATF recognised certification company.

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5.2 Integrated management systems

As a basis of collaboration, especially the contents of the following standards shall be observed::

- Environmental management: DIN EN ISO 1400
- Energy management: DIN EN ISO 50001
- Occupational safety: OHSAS 18001 and ISO 45001
- Accreditation of the laboratory: DIN EN ISO/IEC 17025
- IT security: DIN ISO/IEC 27001 resp. TISAX

6. Directed Parts And Directed Parts Suppliers

If items or suppliers shall be used during the production of assemblies, which the customers have defined to SMIA, this does not release the supplier from his responsibility to deliver the respective Contractual Objects as contracted. The qualitative responsibility in terms of delivery of perfect products in this case also lies entirely with the supplier who shall warrant that the Contractual Objects comply with the specifications by applying appropriate measures.

7. Subcontractors/Access

7.1 When procuring material or any other services from subcontractors, the supplier shall ensure that his subcontractor's company provides and complies with appropriate quality assurance measures, legal provisions as well as specific requirements, just like SMIA demands from its suppliers, too.

7.2 For this purpose, the supplier shall create suitable documents about the necessary quality assurance measures and agree on the respective measures with his subcontractor. The supplier shall commit his subcontractor to comply with the duties taken over by him from this contract as well.

7.3 The supplier shall notify SMIA about the subcontractors being used and, if required, he needs to grant access to documents with his subcontractors. The supplier shall endeavour to ensure that the subcontractors give access to their premises and their facilities upon request and by arrangement so to give SMIA and its customers the opportunity to make sure of an existing and functioning quality management system on the subcontractor's premises and his compliance with the customer requirements.

7.4 A change of the subcontractor is only permitted with SMIA's prior consent.

8. Auditing Process/Verification Process

8.1 On request and by arrangement, the supplier shall give SMIA's auditors the opportunity to examine the supplier's quality management system and to also assess it and to make sure of its application and efficiency. If SMIA requires it, the supplier

shall grant SMIA access to his premises and to his facilities during the business hours and cooperate in this review.

8.2 As part of his deliveries the supplier shall facilitate SMIA's audit of his subcontractors. SMIA shall be entitled to attend any audits conducted by the supplier or his subcontractor or to have such audits observed by a third party authorised by SMIA or to carry out itself such audits at the supplier after prior agreement with him.

8.3 The audit of the supplier's quality management system shall be carried out based on the VDA series of books, VDA volume 6ff. in the respective current edition.

9. Capacity

9.1 Prior to every order acceptance, the supplier shall check, if he can warrant security of supply with his deliveries.

9.2 The supplier shall confirm that he is in a position to ensure the required capacities in order to be able to deliver the quantities including forecast quantities. The supplier shall ensure a capacity of +/- 15% based on the forecast quantities within 5 working days (Monday to Friday).

10. Emergency Plans

In order to guarantee the reliable supply to SMIA and to avoid any possible supply bottlenecks, emergency plans shall be prepared. SMIA shall provide a respective template to its suppliers, which must be filled in and returned to SMIA. SMIA shall be notified about any changes..

11. Information

11.1 SMIA and the supplier shall be in close contact so that issues regarding quality assurance can be clarified, errors can be avoided and problems can be analysed.

11.2 Each of the parties shall nominate a person in the quality management department of their company in written form (according to ISO 9001 in its respective current version, section 5.5.2). These will serve as contact persons in all questions relating to the quality management.

11.3 If the supplier intends to make any changes within the agreed system or within the quality assurance procedures or if he intends to make any changes regarding materials, production procedures, purchased parts, data sheets or any other documents, he shall notify SMIA prior to the change in a timely and completely manner about his intentions. He may make any changes only with SMIA's prior express consent.

12. Product Safety Officer - Automotive

12.1 Due to the requirements of the product safety law and the product liability law as well as the customer-specific set of rules (for example VW:Formula Q: Tasks of

the product safety officer (PSO) at the supplier) a product safety officer (PSO) shall be nominated through the entire supply chain. This requirement shall be forwarded to the subcontractors as well.

12.2 The PSO's name and email address as well his landline and mobile number shall be shared. To prove the PSO's qualification his certificate of attendance from a recognised institute shall be submitted.

13. Requirements From AIAG And VDA

Depending which end customer SMIA is supplying to, the supplier shall also meet the respective AIAG or VDA requirements.

AIAG customers: In order to meet the required product quality, stable production processes and a regular monitoring of the goals are required. At critical process steps like heat treatment (CQI-9), coating (CQI-11 and -12), welding and soldering processes (CQI-15 and -17), forming processes (CQI-23) and casting processes (CQI-27) special care is needed. SMIA suppliers and subcontractors are required to carry out yearly self-assessments according to AIAG's CQI volumes.

VDA customers: Here, the requirements of the VDA series of books must be met.

14. IMDS – International Material Data System

14.1 National and international legislation on environmental protection have led to a standardised system that has been used by almost all OEMs. SMIA has used this system as well and requires its suppliers to prepare IMDS data for all products to be supplied prior to sending out the official sample documents – this data shall then be submitted to SMIA. The MDB ID shall be mentioned on the cover sheet of the respective Contractual Objects when submitting the sample documents.

14.2 Basis and applicable standards are the GADSL, REACH, Directive 2000/53/EG of the European Parliament and the Council of 18 September 2000 on end-of-life vehicles.

15. Parts With A Special Verification Obligation And Special Features

15.1 The legal and official provisions as well as the continuously increasing customer requirements with regard to product liability require particular care when dealing with special features. Special verification obligation for such features must be complied with and they must be considered at the tendering stage already.

15.2 If SMIA has not specified any requirements, the supplier shall define the special features independently and agree them with SMIA.

15.3 Safety-critical features shall be documented in a consistent and complete manner so that at any time information about production processes, test equipment, performed tests, batch traceability, the project planning and the delivery documents

can be obtained. Special features shall be labelled uniformly at least in the following documents: product and/or production documents, drawing, FMEA, production control plan, work instruction.

15.4 All documents referring to safety-critical features shall be marked as such and they must be kept for at least 30 years. Should a cooperation with a supplier come to an end, all documents and records regarding safety-critical components and products shall be submitted to SMIA as long as the period for safekeeping has not yet expired.

16. FMEA/Quality And Test Planning

16.1 The parties shall seek to coordinate all product-relevant points with each other for every Contractual Object and to connect with the respective contact persons in the appropriate departments prior to the start of the process. The meeting regarding quality assurance and the establishment of special feature shall be coordinated with SMIA and this shall be documented. In the later part of the process, these shall be proven with a capability certificate.

16.2 The supplier shall commit to carry out a Failure Mode and Effects Analysis (FMEA) for every Contractual Object and usually done prior to the start of series production according to the consolidated methodology AIAG and VDA from the series of books „Quality management in the automotive industry“. This FMEA shall be maintained throughout the entire production period. Also, if the supplier is not responsible for the design part, a process FMEA shall be carried out. If the supplier has the full or the partial responsibility for the design, a design FMEA shall be carried out in a timely manner. The FMEA shall consider the interfaces with mounting parts, transport, assembly and the surrounding area.

16.3 Depending from the service to be performed, other special FMEAs shall be carried out in individual cases.

16.4 Furthermore, the supplier shall prepare quality management and test plans. The documents shall be submitted to SMIA for inspection. By tendering the supplier declares to know all requirements and duties and his ability to fully implement the manufacturability of the Contractual Object.

17. Production Control Plan

17.1 The product control plan shall be prepared according to IATF 16949 attachment A and it shall contain the entire process from acceptance of goods up to outgoing goods with customer-specific requirements. Any special features shall be taken from the FMEA and they shall be ensured by suitable measures. The conclusions from product or process FMEA as well as experiences from similar projects or processes with improvement potential shall be included in the spirit of “lessons learned” in the production control plan. The preparation of the production control plan is described in detail in the VDA book, volume 4, AIAG APQP and IATF16949.

17.2 All documents that the production control plan is referring to the shall be submitted to SMIA on request. Any dimensional and functional tests which are carried out at the process release or during the running production or at the final testing stage shall be mentioned in the production control plan. For all test equipment and gauges mentioned in the production control plan, a measurement system analysis or a gauge ability assessment according to VDA volume 5 shall be carried out. These shall be submitted to SMIA together with the sampling documents and the production control plan. Any changes made to the production control plan shall be implemented according to VDA volume 2 and they shall be marked and the need the examination and release from SMIA.

18. Machinery And Processing Capability

18.1 The examination and assessment of the machinery and processing capability shall be carried out based on VDA 4 in its valid version. For all functionally relevant characteristics, the suppler shall carry out and document detailed analyses of the manufacturing facilities. If the supplier fails to reach the machine capability index Cmk of ≥ 1,67 he shall either prove a suitable optimisation of his facility or suitable examinations of the produced Contractual Objects excluding a defective delivery.

18.2 During the series production, the supplier shall prove and document a process capability index of Cpk ≥ 1,33 for all functionally relevant features with suitable procedures (for example statistical process control) over the whole production period. If he fails to achieve this value, he shall ensure his deliveries with suitable test methods (for example 100% inspection and testing) and optimise the production process making every effort using all energy and resources so as to achieve the required process capability.

18.3 The supplier shall be responsible for the determining and the correct defining of the functionally relevant characteristics and the optimisation of the manufacturing facilities and the determining and implementing of suitable testing methods.

19. Transport

The supplier shall ensure within his quality management framework that the quality of his deliveries and Contractual Objects will not be adversely affected by transport to the agreed place of delivery. Only means of transportation and packaging shall be used that meet these requirements and that have been released by SMIA. For this purpose, the details of the SMIA System Of Rules For Logistical Conditions in its current version are binding.

20. Delivery Certification

The specification-compliant version of the Contractual Objects shall be certified with an acceptance test certificate according to DIN EN 10204 3.1 and this document shall be attached to the delivery documents in every consignment from a batch. The supplier shall make sure that the Contractual Objects will be suitably marked for example with the manufacturer label, date of manufacture, place of

manufacture, or – if this is not possible – he will arrange in any other way – should the Contractual Objects be defective – that it can be immediately discovered what Contractual Objects are actually affected or can be affected.

21. Incoming Goods Inspection Upon Delivery At SMIA

21.1 SMIA shall examine without delay after the receipt of the Contractual Objects, if they correspond to the quantities and the type ordered and if the packaging shows any obvious shipping or other damages. SMIA shall notify the supplier about any defective Contractual Objects, as soon as these are identified in the normal course of business, without delay in written form. In this respect the supplier waives the right to object on the grounds of a late notification of defects.

21.2 In the case of an agreed direct delivery of the Contractual Objects at a third party or at SMIA's end customer, SMIA shall not carry out an incoming goods inspection. SMIA shall notify the supplier about any defective Contractual Objects without delay as soon as these are identified in the normal course of business at a third party or at the end customer and SMIA has been notified. The supplier shall waive the right to object on the grounds of a late notification of defects.

22. Quality Records

22.1 The supplier shall be obliged to maintain records that shall prove any quality assurance measures actually carried out from the time of the receipt of the order until the delivery of the Contractual Objects, particularly measured values and test results, so as to facilitate an impeccable argumentation in case of claims.

22.2 The obligation to hold quality records in safekeeping shall be over the duration of the manufactured product and a further 3 years after expiry. For any products that require documentation or archiving, the retention obligation shall extend to 30 years after production fade-out (end of production). For evidence purposes, SMIA shall be given access to the documents at any time on request.

22.3 This includes, amongst others, the following records:

- **Product-related** quality records, like research and test reports, initial sample test reports, records on quality deviations as well as test records, reports of defects, check sheets, laboratory reports
- **Gauge-related** quality records like master data sheet and acceptance reports, reports on measuring instrument capability and measurement uncertainty
- **QM system-related** quality records like system audit reports and system audit result overviews
- **Customer-related** quality records like certificates for contract review, customer complaints, customer ppm analyses, customer audit reports
- **Supplier-related** quality records like delivery assessments, supplier evaluations
- **Personnel-related** quality records like staff training and staff qualification

This also includes the required quality records according to the VDA book volume 1 as well as all environment-relevant data.

23. Rework

23.1 If the supplier intends to rework products, a written authorisation from SMIA must be applied for. Without a written authorisation from SMIA no rework is permitted.

23.2 The request for the authorisation of rework shall include at least a risk assessment, the scheduled process flow with the planned labelling and the planned validation of the conformity after the rework has taken place.

24. Information Duties

24.1 The supplier shall undertake to inform without delay about any out-of-spec products that have been delivered as soon as this has been detected and he shall take all suitable measures in order to avert any damage from SMIA and its customers.

24.2 Any changes in the legal form of the business as well as any changes in the management and in the first management level shall also be subject to the same obligation.

24.3 Should any management certificates become invalid or extended, SMIA's purchasing department shall be immediately notified.

24.4 Any change of subcontractor, any change of testing methods or procedures or the place of production or facilities shall only be permitted with SMIA's prior consent and it shall also be advised at least 3 months prior to the scheduled change.

25. Initial Sampling

25.1 Within the scope of an initial sample order, the supplier shall be notified about the respective request regarding the extent and the presentation stage of the sampling procedure.

25.2 If there are no explicit references to a presentation level, presentation level 3 of the production process and product release procedures (PPF/PRP) according to the VDA book volume 3 or presentation level 3 of the production part approval process (PPAP) procedures shall be used. For tools with several cavity moulds, every form nest with the extent of 5 items shall be sampled and listed separately in the test report.

25.3 For every presented sampling 7 parts or products per cavity, if applicable, from the batch relating to the sampling shall be marked as „initial sample" and they shall be provided to the respective contact person at SMIA, unless otherwise agreed.

25.4 SMIA shall reserve the right to cross-charge the cost for the inspection efforts in case of explicit repeated errors in the course of initial sample tests.

26. Requalification Examinations

26.1 In order to prove a consistent quality level, the supplier shall be obliged to carry out requalification examinations on his own initiative in regular intervals (one year after the release of the initial sampling, afterwards every year) according to the currently valid version of IATF 16949. For this purpose, all products shall be examined taking into account the applicable customer requirements regarding material, dimensional tolerance, regulatory standards and function. The results of the requalification examinations shall be submitted to SMIA within 5 working days.

26.2 In special cases, a coordination between supplier and SMIA may be carried out so as to tailor the scope depending on the circumstances.

Part 2: Complaint Management

27. Case of Complaint

27.1 In principle, the supplier shall be obliged to achieve the zero-error target, that means to supply 100% faultless Contractual Objects. If a Contractual Object does not meet the requirements, the supplier's quality management shall ensure that the item will be marked and directed so as to avoid its unintended use or its delivery. Should defective Contractual Objects be recognised, the supplier shall undertake to notify SMIA without delay.

27.2 Any delivery of Contractual Objects that does not meet the agreed requirements according to the SMIA enquiry documents, drawings, specifications or any other written agreements, shall result in objections in the form of complaints. In the case of any claims we ask the supplier in the course of our duty of care to advise his insurance about the situation without delay.

27.3 A complaint may be based on the following reasons:

- Surface/paint defects
- Incorrect function
- Dimensional deviation
- Quantity deviation
- Date variance
- Incorrect labelling (henceforth called mislabelling)
- Packaging not as per regulations
- Damage due to shipping

27.4 If any quality defects should be recognised in delivered Contractual Objects, the supplier shall be notified about the error pattern in a test report. Since SMIA only carries out a limited incoming goods inspection regarding quantity and obvious transport damages, any defects are often only detected during the actual use and these will be notified immediately upon discovery. In this respect the supplier waives the objection to late notification of defects.

27.5 In the event of a supply with defective Contractual Objects, the supplier shall be obliged to rectify the defect straight away (supply a replacement, express delivery, reworking or sorting work).

27.6 The supplier shall commit to define immediate measures for the elimination of an error within 24 hours after a failure message and he shall notify SMIA with a 3-D report. In individual cases, a written statement describing the causes and the remedial action with respective deadlines may be agreed with SMIA.

27.7 Furthermore, the supplier shall be obliged to prepare a complete 8-D report including immediate measures and to submit it to SMIA's person responsible within 14 working days after receipt of the test report. This also means that within 7 working

days a progress report containing a cause analysis and determined measures shall be prepared and submitted.

27.8 Any measures that cannot be implemented within the deadlines given in sections 27.6 and 27.7 shall be communicated in written form to the person responsible immediately after their detection.

27.9 After the receipt of a test report, the next 3 follow-up deliveries shall be 100 % inspected regarding the occurring error pattern and these shall be marked accordingly. The marking shall at least include the test report number, name of inspector and a date.

27.10 In the case of merchandise for resale (transitory items), a suitable measure for marking and tracking shall be agreed with the person responsible for processing the complaint.

27.11 Any special releases shall only be issued by SMIA. This shall be documented in written form and the Contractual Objects shall be clearly labelled with “special release” and the name of SMIA’s person responsible.

28. Warranty

28.1 The supplier shall guarantee that the goods delivered are free of defects. This assumes that the goods delivered meet the specifications, samples, drawings and all other agreed requirements. Additionally, the goods may not have any material or processing defects and/or software errors in particular and they shall correspond to the state of the art.

28.2 The supplier shall ensure that the goods comply with all relevant laws, any other legislation, official directives and industrial standards.

28.3 If the supplier is responsible for the development and/or design, he shall additionally warrant the faultlessness of the development and/or design and the suitability of the goods supplied for the purpose as provided for in the contract.

28.4 The goods shall be regarded as defective even when the supplier has carried out product or process modifications and fails to notify SMIA or fails to request SMIA’s release.

28.5 The compliance with testing instructions and possible releases shall not relieve the supplier from his obligation to supply faultless goods.

SMIA shall differentiate the following warranty claims

- 0-km failures
- Field failures

29. Warranty Handling

The principle is as follows: If SMIA makes a complaint for defective goods, the supplier shall carry out all required analyses on SMIA's request and shall provide all relevant data. If the goods are indeed faulty, the supplier shall pay for all expenses that have arisen in relation with the delivery of the defective goods.

30. 0-kmFfailures

30.1 0-km failures at SMIA are defects that are recognised during SMIA's production process, in particular in the incoming goods department, when processing semi-finished goods or at the assembly line or during a function check after assembly at the customer but prior to shipment. SMIA shall notify the supplier immediately after discovery of the defects.

30.2 If defects shall be found even prior to the start of production at SMIA (processing or installation), the supplier shall remedy the deficiencies at SMIA's choice or he shall deliver a replacement in the form of faultless goods. Should it not be acceptable to SMIA due to operational and in particular manufacturing reasons to have the supplier remedy the deficiencies or if the supplier is not in a position to remedy the deficiencies himself, SMIA or a third party may sort, exchange or repair the goods at the supplier's risk and expense. The same applies if the supplier refuses subsequent performance or if he is unable to do so in a timely manner despite being set a reasonable period of time

30.3 If SMIA receives goods complained about from its customer, SMIA shall provide these to the supplier, if possible, on request and at the supplier's expense. If the customer fails to provide goods complained about (for example reworked parts), SMIA shall document the defectiveness of the goods in any other appropriate manner.

31. Field Failures

31.1 A field failure shall be deemed to occur, if defective goods have already been installed in a motor vehicle and the motor vehicle has already left the customer's plant or a company's plant responsible for the final manufacture. It is irrelevant for the term field failure if the vehicle has been handed over to the end customer and/or if the vehicle is already registered or if merely a repair without any exchange of goods will be carried out.

31.2 In order to reduce the expense for the return and analysis of all faulty parts worldwide in a warranty claim, the defectiveness of the goods shall be proven on the basis of representative random samples.

31.3 In the automotive industry the actual procedure when determining random samples shall depend on the respective OEM and its customer requirements. The customer requirements of the OEM are valid for SMIA and for the supplier and they shall be considered when placing the contract from SMIA's side.

31.4 The supplier shall inspect and analyse the defective parts that were sent to him within the deadline as requested by SMIA and he shall send the result in the form of an 8-D report within that deadline to SMIA. The parts shall be considered defective if there is no feedback within the deadline. The supplier shall keep the inspected parts carefully for at least 8 weeks after submitting his 8-D report and he shall return them to SMIA on request or to a third party nominated by SMIA.

32. Cost Determination

The following costs shall be calculated on the basis of the inspection report content and these shall be refunded by the supplier (starting from a complaint or claim value of 1000 Euros the supplier shall be advised in advance).:

32.1 Handling of Complaints: 0-km Failure in SMIA‘s Incoming Goods Department

- The respective applicable series price for the defective contractual object,
- Plus freight charges for the return shipment and/or scrappage costs at SMIA if the supplier does not want the items returned,
- Plus packing,
- Plus processing costs,
- Plus inspection, sorting and rework costs

32.2 Handling of Complaints: 0-km Failures After Further Processing at SMIA

- Costs as detailed under section 32.1
- Plus costs for dismantling/installation as well as material costs for components from SMIA or other suppliers from SMIA that are not useable anymore due to the further processing of the defective Contractual Object

32.3 Handling of Customer Complaints: 0-km Failures

- Costs as detailed under section 32.2.
- Plus the cost that has been invoiced to SMIA by the customer for the transport of the defective part/replacement part including customs duty, handling cost, packaging, insurance cost
- Plus any expenses invoiced by the customer in relation with the faulty delivery

32.4 Handling of Customer Complaints: Field Failures

- The supplier shall reimburse SMIA for any cost that SMIA reimburses its customers for the failures. In addition to this, the supplier shall reimburse SMIA all further cost according to section 32.3. The supplier shall obtain access to the original documents of SMIA’s customer on request. To simplify handling standard transfer prices for individual Contractual Objects may be determined for the warranty processing.

- The supplier shall reimburse SMIA for all costs and damages that have arisen due to recalls or any other service campaigns – no matter if these are carried out voluntarily or due to an administrative order –, provided that a defect of the goods or a breach of duty by the supplier is the reason for the recall or the service campaign. This also includes the costs as mentioned in section 32.3.

- SMIA shall notify the supplier about a recall or any other service campaign in a timely manner.

33. Warranty Period

The supplier's warranty period shall follow the warranty periods of SMIA's customers as included in Attachment 1 of this agreement. For all other customers a liability for material defects of 36 months from the initial registration of the vehicle (automotive sector), the sale of the end product at the distributor (industrial sector) or the installation of a replacement part shall apply.

34. Repeated Complaints / Escalation

34.1 Repeated complaints are to be understood as the continuing occurrence of error patterns that were deemed as having been already eliminated by the supplier. The elimination process of the defect has proven to be ineffective.

34.2 A tightening for the supplier assessment: Should there be repeated complaints the whole batch of Contractual Objects shall be deemed as unusable and it shall be rated with a 100% failure for the supplier assessment.

34.3 Labelling after repeated complaints: The supplier shall commit to take measures immediately should repeated complaints occur so that the error pattern will be ultimately eliminated. These measures shall be presented to SMIA in the form of an action plan. Until the implementation and verification of the measures the Contractual Object shall be subject to a 100% inspection regarding the error pattern and it shall be marked as set out under section 27.9.

34.4 Further escalation: If the measures taken do not prove to be efficient after the 100% inspection has been carried out, the supplier shall enter the programme "Critical Series Supplier".

35. Escalation Model: „Programme – Critical Series Supplier"

If the supplier is in the programme for critical suppliers, he shall receive a separate notification.

Label	Measures	De-escalation	V	M	I
Level 0 The supplier has problems	- 100% inspection of the goods by the supplier until the receipt of the 8-D report as well as 3 more deliveries - Discussion between the supplier's representative and SMIA (the place will be defined by SMIA)	After fault elimination and after 3 deliveries with 100% ok goods in the SMIA incoming goods department	Q/QS-TL		EK-P
Level 1 The supplier has not been successful at solving these problems	- 100% inspection of the goods by the supplier - 100% inspection of the goods at SMIA by an external service provider who will be appointed and paid by the supplier - Q discussion with the quality manager of the supplier and SMIA (the place will be defined by SMIA) - If necessary, conduct of a process audit VDA 6.3 or a technical review at the supplier's expense	100% inspection according to a defined control period, afterwards downgrade to the previous escalation level (no new discussion will be necessary in the event of a downgrade but implementation/monitoring of the action plan)	Q/QS-TL	EK-P EK-P-TL	Q/QS
Level 2 The supplier requires external help	- 100% inspection of the goods by the supplier - 100% inspection of the goods by an external service provider on-site at the supplier's - 100% inspection of the goods at SMIA by an external service provider who is appointed and paid by the supplier - Appointment of a quality service provider at the supplier's in order to solve the existing quality problems, this service provider will be appointed and paid by the supplier - Top Q discussion with the managing director of the supplier and SMIA (the place will be defined by SMIA) - Carrying out of a process audit VDA 6.3 or a technical revision at the supplier's expense	100% inspection according to a defined control period, afterwards downgrade to the previous escalation level (in the event of downgrade no new discussion will be necessary but implementation/monitoring of the action plan)	Q/QS-TL	EK-P EK-L Q-L	Q/QS EK-LM
Level 3 The supplier is not suitable for SMIA quality	- 100% inspection of the goods by the supplier - 100% inspection of the goods by an external service provider at the supplier's - 100% inspection of the goods at SMIA by an external service provider who will be appointed and paid by the supplier - Appointment of a quality service provider at the supplier's in order to solve the existing quality issues – this service provider will be appointed and paid by the supplier - Top Q discussion with the managing director of the supplier and SMIA (the place will be defined by SMIA) - Downgrade of the supplier to „New Business on Hold" - If applicable, desourcing at the supplier's expense	100% inspection according to a defined control period, afterwards downgrade to the previous escalation level (in the event of downgrade no new discussion will be necessary but implementation/monitoring of the action plan)	Q/QS-TL	Q-L EK-L EK-P	Plant Manager CFO EK-LM Q/QS

36. Validity

This quality management agreement shall be valid for an unlimited period. It can be terminated in writing and it shall be subject to 6 months‘ prior notice to the end of a calendar year. It shall, however, be valid for all existing delivery contracts and/or projects until the EOP and fade-out of the spare part business of the respective Contractual Object.

37. Final Provisions

Any amendments and additions to this contract may only be agreed upon in writing. This also applies to any waiver of the written form requirement.

Should one provision of this agreement be or become void, then this does not affect the effectiveness of the contract. In such a case the parties cooperate to prepare a provision that shall replace the ineffective provisions through effective ones which come closest to the economic result of the ineffective provision.

All disputes associated with this agreement shall be governed by German Law not including the CISG. Exclusive place of jurisdiction shall be Coburg.

This agreement shall be legally confirmed by the following persons:

Michelau, _____[Datum]
Samvardhana Motherson Innovative Autosystems B.V. & Co. KG

_____ _____ _____
[name and position] [Purchasing Manager] [Quality Manager]

_____[Place], _____[Datum]
[supplier, company, legal form]

_____ _____
[name and position] [name and position]

Attachment 1: Warranty Period in Case of Field Failures

According to the provision "Warranty Period" for all Contractual Objects of the supplier that are used as an independent component by SMIA's customers or as a part of SMIA's entire component the following extended warranty periods shall be valid:

- **BMW group**
  Generally: 36 months after the initial registration of the vehicle, vehicle handover to the end customer and/or spare part installation in the vehicle;
  In case of deliveries to USA; Canada or Puerto Rico: 60 months after the initial registration, vehicle handover and/or spare part installation in the vehicle

- **GM group (Opel, Vauxhall etc.)**
  24 months after the initial registration and/or spare part installation in the vehicle

- **VW group (Audi/VW/Skoda/Seat/Porsche)**
  30 months after the initial registration of the vehicle and/or spare part installation in the vehicle

- **Porsche**
  48 months after delivery date of the Contractual Object to Porsche globally.

- **Volvo**
  24 months after the initial registration of the vehicle and/or spare part installation in the vehicle

- **Ford**
  36 months after initial registration of the vehicle and/or spare part installation in the vehicle globally with the following exception:
  48 months after initial registration of the vehicle and/or spare part installation in the vehicle for North America

- **Honda**
  36 months after the initial registration of the vehicle and/or spare part installation in the car globally

- **Toyota**
  60 months after the initial registration of the vehicle and/or spare part installation in the vehicle or 100.000 km globally

- **Daimler**
  33 months after the initial registration of the vehicle and/or spare part installation in the vehicle, at the latest after the expiration of 36 months since delivery to Daimler
  In case of deliveries to USA; Canada or Puerto Rico: 54 months after the initial registration, vehicle handover and/or spare part installation in the vehicle