

Quality Assurance Agreement (QAA)

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1. Introduction

In national and international competition, product quality is of high significance. For the HEINRICH KIPP WERK the quality of its suppliers plays an increasingly important role.

In order to meet the quality requirements of its customers, HEINRICH KIPP WERK must demand that its suppliers employ an appropriate and effective quality management system, the fundamental elements of which are described in this agreement.

The most important features are:

- The supplier assumes complete responsibility for the quality of its supplied products and services
- The supplier can prove that it employs an appropriate and effective quality management system and
- The supplier consistently applies preventative quality assurance measures that ensure that sources of faults are detected early and that guarantee targeted fault prevention before fault correction

This Quality Assurance Agreement (QAA) specifies the binding technical and organisational framework conditions between HEINRICH KIPP WERK and the supplier for achieving the "zero-defect target" sought after by both parties.

2. Scope

This agreement shall apply to all products delivered and services rendered by the supplier based on orders that it has received and accepted from HEINRICH KIPP WERK during the term of this agreement.

Any additional product-related agreements that are required shall be documented. These agreements shall also be components of the contract between HEINRICH KIPP WERK and the supplier and shall apply in addition to the respective supply contracts.

3. Feasibility and documentation

In accordance with technical documents listed in the order or agreed in advance, the supplier shall be responsible for the fault-free completion of its products. As part of the contract review, the supplier shall immediately examine all technical documents upon receipt for completeness, clarity, obvious errors and feasibility. The supplier shall immediately inform HEINRICH KIPP WERK and its external suppliers, if necessary, of any defects, risks and possible improvements identified during this review.

Technical documents in this sense shall be, for example, KIPP drawings, KIPP order specifications, KIPP test specifications, other standards and regulations, corresponding supplier documents approved by HEINRICH KIPP WERK, CAD data, material specifications, product supply guidelines, and requirement and function specifications.

The supplier shall be included in the KIPP amendment service for technical documents or supply specifications. The supplier shall use suitable measures to ensure that it always acts and supplies products and services in accordance with the most recent technical documents.

It is not permissible to deviate from or amend the technical documents or supply specifications without first obtaining written approval from HEINRICH KIPP WERK. The replacement of these documents by HEINRICH KIPP WERK covers this approval.

HEINRICH KIPP WERK must be informed of relevant technical and qualitative modifications to products that have been developed and validated independently by the supplier.

4. Requirements for the supplier's QM system

In order to be able to safely meet the quality requirements for the products to be supplied, the supplier must apply an appropriate quality management system that includes the departments that determine its product or service quality. Part of this shall also include defining those responsible for all quality assurance measures. The effective execution of the measures established must be monitored.

5. Quality assurance by the supplier

5.1 Quality assurance during the R&D and design phase

The supplier shall be responsible for the quality of the products to be supplied if said products are developed and designed by the supplier himself. As part of the quality assurance in the R&D phase, the supplier must carry out sufficient initial sample testing as well as safety and service life tests; there must be demonstrable proof that these tests have resulted in a product release.

5.2 Quality assurance during procurement

The supplier shall ensure that the products that it has purchased meets the agreed quality requirements. This shall include sampling and release procedures as well as receiving inspections.

5.3 Quality assurance by the Production Planning department

In order to guarantee the features established in the technical documents or supply specifications, the necessary production and testing processes, the associated production and testing equipment, as well as the measures in the event that rework is required must be planned and specified in writing.

5.4 Quality assurance during production

The supplier must use suitable procedures for controlling and monitoring quality during production. This shall include, for example, initial part release, automatic or statistical process control (SPC), process monitoring and the application of additional, recognised statistical methods.

Quality inspections are vital to ensure that the products to be supplied meet the agreed quality requirements. These are divided as follows:

- Initial sample inspection and release (see also Chapter 7 for more information)
- Tests during production
- Audits

The scope of the controls must be established in a manner that corresponds to the requirements and the achieved process reliability.

In the event of malfunctions and deviations from the agreed quality, faulty units must be separated, the causes analysed, improvement measures implemented and their effectiveness monitored. This shall also apply if HEINRICH KIPP WERK determines faults and returns faulty units. In such a case, the supplier must quickly inform HEINRICH KIPP WERK of the causes of the faults and the corrective measures.

Faulty units must be specially labelled to ensure that fault-free products cannot be mixed up with faulty products. Faulty products that have undergone rework must then be inspected again.

If, in exceptional cases, products that do not conform to the specifications must be supplied, a special release must first be obtained from HEINRICH KIPP WERK. The supplier must also immediately inform HEINRICH KIPP WERK of deviations that are identified at a later date.

5.5 Test records

The supplier must systematically record the quality control and quality inspection results and the measures in place for remedying faults. There must also be documents about the initial sample testing and the service life tests for in-house developments.

The supplier grants HEINRICH KIPP WERK access to these records on request. In special cases, the regular supply of certain test records with deliveries can be agreed.

5.6 Packaging and labelling of products

The procedures for handling products must be established in such a way that avoids quality impairments and damage. This shall apply in particular for transport, storage, packaging and shipping. The supplier must adhere to the specially defined KIPP packaging instructions. Sufficient corrosion protection must be used.

Initial sample consignments must be clearly identified as such with the note "INITIAL SAMPLE" on the packaging units and delivery note.

The packaging materials used must comply with the applicable statutory regulations and guidelines.

6. Measuring and testing equipment

The supplier shall obtain measuring and testing equipment so that all features can be tested in accordance with the technical documents or supply specifications. Special measuring and testing equipment can, if necessary, be provided by HEINRICH KIPP WERK as part of a loan agreement.

Checking and, if necessary, correcting the functionality and the precision of the measuring and testing equipment at regular intervals is vital.

7. Submission and approval of initial samples

On request, initial samples must be submitted to HEINRICH KIPP WERK in good time before acceptance of the serial deliveries. These samples must have been completely manufactured under standard conditions and must be carefully tested with regard to all quality features.

The test results determined by the supplier must be submitted with the samples in the form of initial sample inspection reports and, if applicable, initial sample measuring sheets. The deliveries must be specially labelled (see also Chapter 5.6 for more information). The number of required samples is determined on a case-specific basis when the order is placed or must be agreed with HEINRICH KIPP WERK before the planned supply relationship. HEINRICH KIPP WERK shall test the initial samples in accordance with the agreed technical documents or supply specification, inform the supplier of the test results and release the serial delivery if the sample completely meets the requirements.

The serial delivery cannot be accepted without written release from HEINRICH KIPP WERK.

8. Verification of capability for critical quality features

For new products or for certain occasions, HEINRICH KIPP WERK may determine and agree critical quality features through which the supplier must prove the machine and process capability using suitable statistical methods to be agreed upon on a case-specific basis.

In the event of special requirements and/or poor process capability, a 100% inspection must be carried out.

9. Supplier audit

The supplier permits HEINRICH KIPP WERK to perform audits to determine whether its quality assurance measures meet the requirements of HEINRICH KIPP WERK.

Following advance notice, an audit may be performed as a system audit, as well as a process or product audit. The supplier grants HEINRICH KIPP WERK access to all production sites, testing facilities, stores and adjacent areas as well as to all quality-relevant documents. During these audits, necessary and appropriate restrictions by the supplier for safeguarding its business secrets shall be accepted. If necessary, the supplier shall also perform joint audits at the sites of its sub-suppliers.

HEINRICH KIPP WERK shall inform the supplier of the result of this audit. If HEINRICH KIPP WERK believes that measures are required, the supplier undertakes to immediately create an action plan, to implement this in accordance with a deadline and to inform HEINRICH KIPP WERK of this.

10. Complaints process

The goods receiving inspection at HEINRICH KIPP WERK shall be limited to externally visible transport damage, an identity inspection and a limited review of the selected functional dimensions. Defects identified during this inspection must be shown to the supplier immediately. The supplier must immediately be informed of defects that are not determined during this inspection as soon as they are identified under the conditions of normal business procedures. In this respect, the supplier shall waive its right to object to a delayed notification of defects.

In the event of process malfunctions and deviations from the agreed quality, the supplier shall analyse the causes, implement corrective measures and check their effectiveness according to specifications from HEINRICH KIPP WERK. The supplier will receive the rejected products in the scope agreed. The supplier undertakes to analyse each deviation and inform HEINRICH KIPP WERK of the cause of the deviation, the corrective and preventative measures implemented as well as their effectiveness by a deadline in the form of an 8D report, if required. This procedure must be processed within 2 working days. If a complete 8D procedure is not possible within this time period, the supplier must provide HEINRICH KIPP WERK with a statement and inform it of the immediate actions to the extent possible up to that point.

If HEINRICH KIPP WERK or its customers face the threat of production stops as a result of the delivery of products that do not comply with the specification, the supplier must coordinate with HEINRICH KIPP WERK and remedy the situation by means of immediate measures for which the supplier shall be responsible (replacement deliveries, sorting work, rework, special shifts, urgent transport, etc.). The supplier shall fundamentally have the right to improve or provide replacements for the parts complained about by HEINRICH KIPP WERK. If, however, HEINRICH KIPP WERK suffers a production stop or is in imminent danger of defaulting with a customer as a result of a defect, HEINRICH KIPP WERK shall have the right to carry out rework or sorting itself on its own premises or at its customer's site at the expense of the supplier or to demand rework or sorting from the supplier.

This procedure must be agreed with the supplier in advance if possible within normal business hours. If, in exceptional cases, the supplier is unable to deliver products that comply with the specification, it must receive a special release from HEINRICH KIPP WERK prior to delivery. A delivery of products that have not been released by means of an initial sample inspection report shall only be possible with advanced permission and a special release received in advance. HEINRICH KIPP WERK shall set a deadline for the special release. In the given time, the supplier shall remedy the cause of the problem and forward a final report (8D report if requested) to HEINRICH KIPP WERK.

11. Confidentiality

Both contracting parties undertake to maintain confidentiality about facts, documents and knowledge received whilst carrying out this agreement and that concern the domain of the other party to this contract insofar as the other party has identified such information as confidential or has an obvious interest in maintaining the confidentiality of said information. This obligation shall come into force when the confidential information is first received and shall end 3 years after the end of this agreement. The confidentiality obligation shall not exist if the following can be demonstrated:

- The fact represents the level of technology that is available to the public or becomes such without the assistance of this information
- The fact was already known to the receiving party or is made known to the receiving party by a third-party that is authorised to pass on information
- The fact is developed by the receiving party without the assistance of the other party and without using other information or knowledge received as part of the contractual contact
- The fact must be disclosed due to mandatory statutory regulations or official ordinances

12. Environment / energy / occupational safety

HEINRICH KIPP WERK is constantly improving its level of occupational health and safety and environmental protection, and therefore also expects its suppliers to conduct business in a manner that ensures environmental responsibility, awareness and sustainability. The supplier especially undertakes to adhere to all applicable and valid laws and regulations. The supplier must ensure that its upstream suppliers also implement these principles to the fullest extent possible. The supplier shall use as little energy and as few raw materials as possible and shall reduce environmental pollution.

13. Term, commencement

This agreement shall come into force when it is signed by both parties and shall be concluded for an indefinite period of time. Unless otherwise agreed, this agreement may be terminated in writing with a notice period of six (6) months from the end of a quarter.

Town/city, date

Supplier (company seal, signature)

Town/city, date
(signature)

Received and checked: HEINRICH KIPP WERK