between

KEMMLER Electronic GmbH

Robert-Bosch-Straße 1

71691 Freiberg am Neckar

(hereinafter referred to as “KE”)

and

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(hereinafter referred to as "Supplier")

Objective of KE is to offer his customers defect-free products with a maximum of reliability. A full and smooth cooperation between the contract partners lies in mutual interest.

This Quality Assurance Directive (QAD) specifies binding technical and organizational frame conditions between KE and the Supplier, in order to reach the common strived “Zero-Error-Target”.

Revision 08/16

§ 1 General Conditions

§ 1.1 Scope

This Quality Assurance Directive (QAD) applies for all shipments of production material to KE. With its coming into effect, it replaces previously valid QAD for KE Suppliers and amends other contractual agreements between KE with all subsidiaries and Supplier.

§ 1.2 Principles and objectives

The Supplier is required to execute his quality assurance measures in such a way that his products correspond particularly to KE defined specifications and that each product is supplied:

- in agreed quality
- at agreed date
- in agreed quantity
- at agreed location

The Supplier obliges himself to the zero defect objective, combined with a continuous improvement of performance. Possibly agreed error limits do not release from this obligation.

For this reason KE does not conclude additional ppm agreements with his Supplier. The possible calculation of ppm-rate serves for observation of quality development.

§ 2 Quality Management System

§ 2.1 Quality

The Supplier is required to maintain an adequate, efficient and reliable Quality Management System, which is according to state of the art (e.g. DIN EN ISO 9001, in automotive branch ISO TS 16949, in medical branch DIN EN ISO 13485) and he produces and inspects his products according to the rules of this QM-System. Moreover the Supplier undertakes to comply with the legal requirements for the respective product.

§2.2 Environment and Ethics

KE maintains an environmental management system according to DIN EN ISO 14001 and expects as well from his Supplier a responsible and sustainable dealing with the environment. This obliges the Supplier particularly to comply with all appropriate and valid laws and regulations, to keep international accepted norms and to promote social and ecological responsibility as well as ethical business practices. The Supplier is required to ensure, that these principles are best possible promoted and demanded at his sub-contractors as well.

Upon request the products ingredients have to be reported free of costs via the IMDS (International Material Data System) in the context of initial sampling.

Certain materials and substances are especially regulated by the legislator respectively there exist EU regulations as well as EU directives and there from derived national laws about environmental protection. (See following listing. List makes no claim to be complete):

- 2000/53/EG (End of Life Vehicles Directive)
- 2011/65/EU (RoHS 2)
- 2012/19/EU (WEEE)
- 2003/11/EG (Restriction of Placing in Circulation and the Use of Certain Hazardous Substances and Preparations)
- 2006/122/EG (Perflouroctansulfates)
- 1907/2006 (REACH)
- Chemicals Prohibition Ordinance (EU- Directive 76/769/EWG, 82/828/EWG, 85/467/EWG, 98/677/EWG, 2002/62EG)
- Consumer Goods Regulation (90/128/EWG)
- CFC/ Halon Prohibition Ordinance (EWG 594/91)
- Materials According to "Black List"
- Prohibition of Heavy Metals
- Limit Value Polycyclic Aromatic Hydrocarbon (mpl) : Benzo[a]pyren: 1mg/kg and sum of all 18 (mpl):

10mg/kg

§ 2.3 Conflict Minerals

KE has customers that are listed on the US stock exchange and are therefore affected by the Dodd-Frank-Act Section 1502 (Conflict Minerals). It requires them to disclose, whether the products they manufacture or contract to manufacture, contain conflict minerals necessary to the functionality or production of their products, that directly or indirectly finance or benefit armed groups in the Democratic Republic of Congo or specified adjoining countries.

Conflict Minerals are these:
- Tantalum (Ta)
- Tin (Sn)
- Tungsten (W)
- Gold (Au)

The US law affects KE - and consequently his Suppliers - insofar as the request is passed on to KE and all parties concerned in the supply chain.

If the Suppliers product(s) contains at least one of these minerals or it is necessary for production, the Supplier is required to report proof of origin, if requested by KE. This shall be done preferably by using the CFSI_CMRT Formsheet, available on www.conflictfreesmelter.org or alternatively by the iPCMP Portal www.conflict-minerals.com. The status has to be updated at least yearly and sent unrequested to KE.

Final intention is - as soon as commercially practicable - to procure no longer any products containing Conflict Minerals obtained from sources that finance or support inhumane treatment in the covered countries.

§ 2.4 Audit

The Supplier permits KE to verify, whether all requirements from KE are kept. Depending on the situation, this may take place in form of a quality- or technical discussion as well as a system-, process- or product audit.

The Supplier permits KE or KE accompanied by his clients, access to all production facilities, inspection points, warehouses and associated areas. Thereby KE or his clients is granted insight in procedures, documents and recordings of the Supplier, as far as the quality of supplied products or corresponding environmental factors are concerned.

KE undertakes to let the Supplier know the result of this inspection. If KE is of the opinion that corrective measures are required, the Supplier undertakes to issue an action plan immediately, implement it punctually and inform KE about this.

§ 3 Information obligation and documentation

If it becomes apparent that agreements such as quality features, schedules or delivery quantities cannot be met, the Supplier is required to inform KE immediately. This covers as well any deviations detected after delivery. To support a rapid solution, the Supplier discloses all required data and facts.

Technical changes require approval of KE. Especially on:
- Any change on the product, especially changes on function-, process- or safety relevant components.
- Sub contractor change
- Change of testing methods/ -devices
- Relocation of production facilities
- Other changes, where an effect on quality cannot be excluded

§ 4 Quality planning

§ 4.1 Planning and development

KE and Supplier each commit themselves to execute an efficient project planning basing on VDA writings:

„Quality Assurance prior to Serial Application“, VDA 4

„Quality Assurance of Supplies", VDA 2

or alternatively

APQP (Advanced Product Quality Planning)
PPAP (Production Part Approval Process)

That has to begin at the earliest possible date in order to detect problems timely, so that appropriate counteracting can be done.

In all the phases of quality planning KE reserves the right to see all documents. If demanded by KE, the Supplier is required to submit a project status report.

§ 4.2 Initial samples

Initial sampling happens according to KE requirements. It is prior to series production always than necessary if:

- a new part is ordered
- a technical change is existing
- a new tool, tool change or –modification is necessary
- the production location has been relocated
- within the past 12 month no serial shipping took place (spare parts excepted)

Initial samples are required to be completely produced under series conditions. All deviations in production process from intended condition at series production must be documented and agreed in writing prior with KE.

Having the initial samples available, KE conducts tests on his sole discretion. Basing on the results and on Initial Sampling Report submitted by the Supplier, KE decides about the approval. The approval is of pure technical nature and does not mean a delivery order.

The Supplier submits the Initial Samples together with the required Initial Sampling Report. The inspected samples have to be marked in that way that an allocation of measured values is clear.

§ 4.3 Series Production, Product Identification, Traceability

The Supplier is obliged to take continuously random samples while production, inspect them and document the results. In order to release a production batch, basically there must not be detected a defective product in random samples. If an error is detected on the product while the production process, the Supplier is required to stop the process immediately and correct it.

In these cases, all products that were produced since the last performed sample inspection with ok result, have to be inspected 100%. Initiated correcting measures have to be documented understandable in the recordings.

The Supplier commits himself, to ensure traceability of the products shipped by him. In case of an error, the containment of defective products / batches etc. has to be warranted. Additionally the Supplier pledges himself to mark products, parts and packaging according to the agreements with KE.

§ 4.4. Delivery and Incoming Goods Inspection

The Supplier delivers his products in appropriate means of transportation, in order to warrant the integrity of his products (e.g. pollution, corrosion, chemical reaction etc.).

Both parties agree that an incoming inspection at KE does not need to occur, except for visually recognizable transportation defects, quantity- or identification deviations. Under the conditions of a correct business procedure, KE additionally checks the supplied goods while production and reports detected errors immediately after ascertainment in written form to the Supplier. Insofar the Supplier waives the objection of delayed complaint.

If products are blocked at KE due to quality problems, the Supplier is required to send defective free replacement, if there is an existing necessity to keep production running.

§ 4.5 Measures in case of complaints

The Supplier commits himself, to analyze in case of complaints any deviation and submit an 8D report to KE within 15 work days. Within 24 hours a preliminary 8D report is required to be submitted, up to and including point „containment actions"(D1 – D3). Authorities and responsibilities in case of deviations at costs, deadlines or activities are defined in escalation plan (see attachment).

KE reserves the right to require subsequent improvements of these measures, if these are not considered to be promising.

Additional costs (business interruption, scrapping, rework- and logistics expenditure etc.), which e.g. are caused by defective quality or delayed delivery, are charged to contract partner according to causative principle. This includes e.g.:

- value of defective parts
- effort for additional tests
- costs for needed rework
- production stops
- charges of customers due to defective parts
- special expenditures like external research, measures taken by KE on site at the Suppliers premises

The first three inspected deliveries after complaints are required to be identified according to specifications of KE.

In case of repetition errors (i.e. not effective correcting measures) KE reserves the right on following steps after prior announcement:

1. 100% sorting by KE
2. 100% sorting by external 3rd company
3. Support by a KE employee on site at the Supplier premises

Costs for these additional measures are charged to the Supplier.

§ 5 Confidentiality

Definition: Company or business secrets are all verbal or written information, data, files or samples, which are forwarded to the Supplier within the context of a framework contract or via other media.

The Supplier undertakes to maintain strict secrecy concerning company or business secrets of the afore-mentioned type, not to disclose these to third parties, to use these exclusively for the purposes as agreed in the contract and to take all suitable measures in order to ensure the secrecy of the confidential information according to this obligation declaration.

This includes that in particular

- no details concerning the obtained information are passed to third parties.
- suitable security precautions are to be taken when processing and saving data on IT systems and in their transmission, which at no time allow third parties to have access to these data.
- the use and the access of the information is only permitted for executing the tasks as agreed in the contract.

§ 6 Entry into force, Duration

This Quality Assurance Directive enters into force with mutual signature and is concluded for an indefinite period of time. It can be terminated by either partner in writing with a notice period of 3 months to end of calendar year.

The right of extraordinary termination remains unaffected.

§ 7 Final clause

If one or more conditions are entirely or partially ineffective or will become, the validity of other conditions in this contract is not affected by this. The contact partners will replace ineffective conditions by effective conditions, which are as close as possible to their economic interests.

Settled agreements in other contracts between the contract partners are valid additionally, unless this QAD contains more specific regulations.

The place of jurisdiction named in our purchasing conditions is agreed as exclusive place of jurisdiction.

Freiberg, ……

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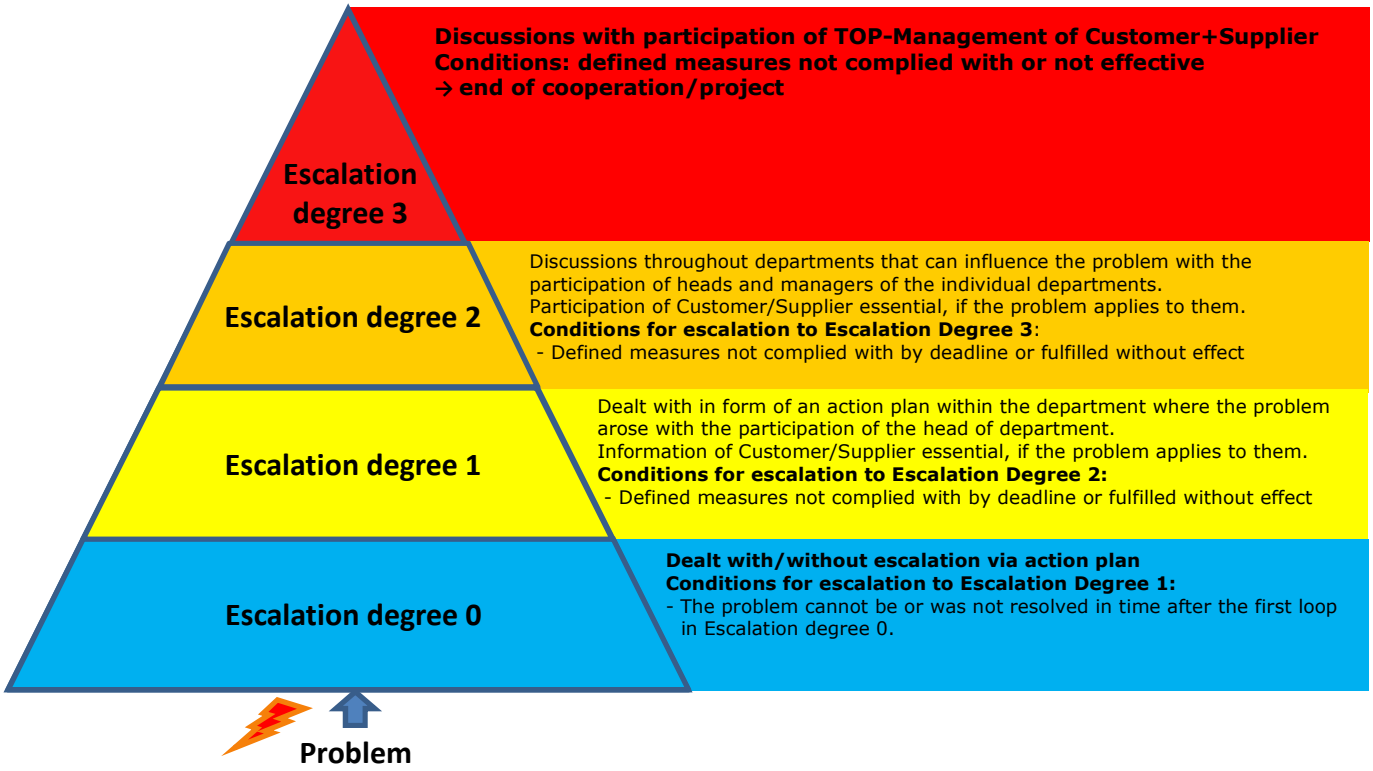
Ruth Reiber	Radek Konopik	Madalina Popescu
CEO and purchasing manager	Quality Management	Strategic Purchasing

.....	.....
place, date	supplier signature + company stamp

name of signer:……..

Attachments

Basic division of Escalation degrees in the group KE
Price list for extra costs in case of complaints



Escalation plan between Supplier and KE

If a Supplier does not meet the qualitative requirements of KE (rejected sampling, target agreements not complied with in e.g. action plan from evaluation of Suppliers, corrective actions from 8D Report), the Supplier is escalated to **Escalation degree 0**. The Supplier is informed in writing about all qualitative problems. He is asked to eliminate the problem promptly and effectively and to present an action plan with dates for elimination of the problems. If the problems are not eliminated within the designated period, the Supplier is escalated to Escalation degree 1. In case the Supplier eliminates the problem, he is removed from the KE escalation programme.

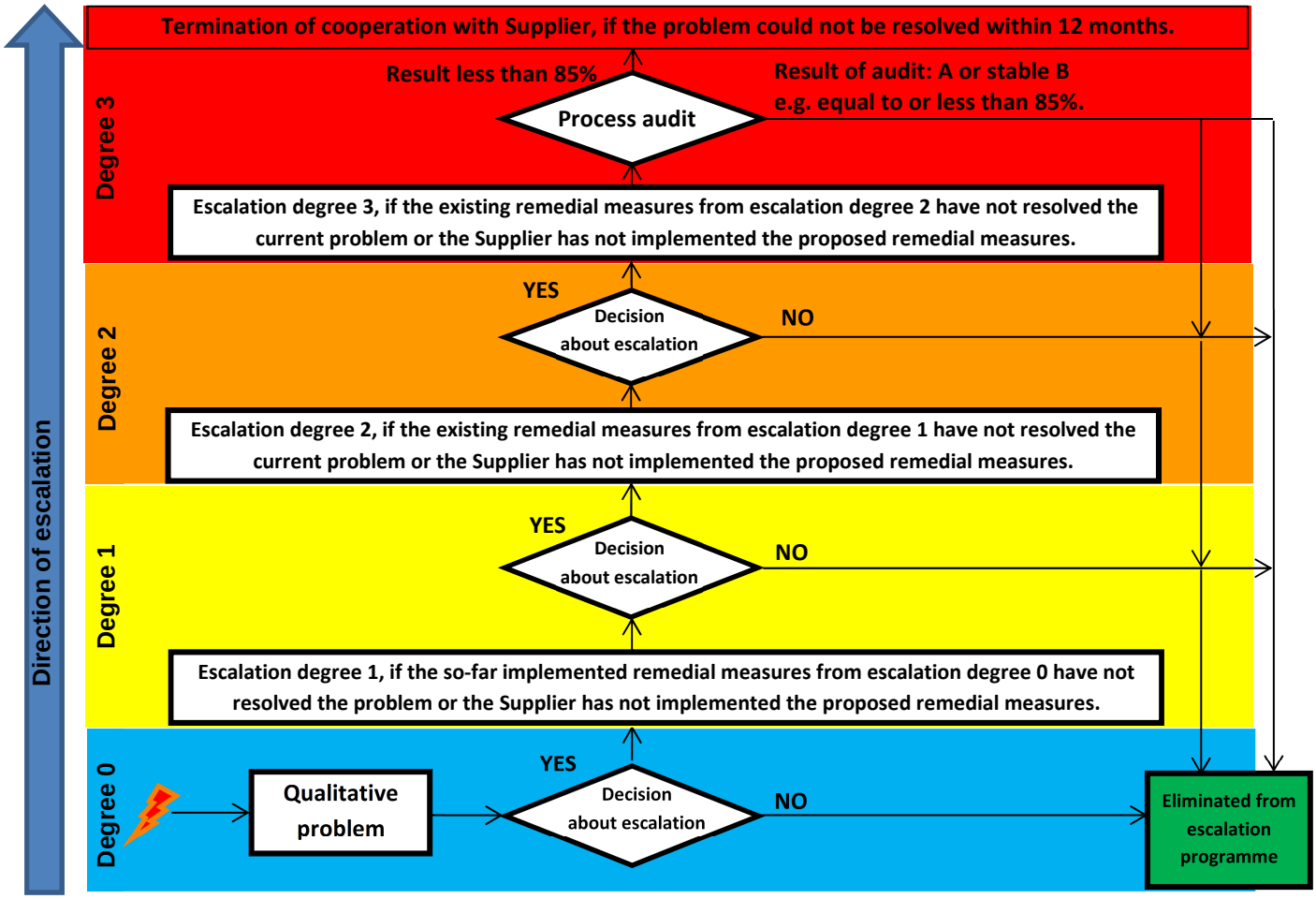
The Supplier is classified in **Escalation degree 1**, if the so-far implemented corrective actions from escalation degree 0 have not lead to the resolution of the problem, or if he has not implemented the proposed corrective actions. The Supplier is informed in writing about all qualitative problems. In cooperation with the Supplier, the SQA technician of KE designates new corrective actions which should lead to the elimination of the existing problems. Or a problem analysis or process audit is performed according to VDA 6.3. During discussions on quality the SQA technician of KE agrees with the Supplier on the procedure for the implementation of corrective actions. The Supplier then must confirm in writing the date for the achievement of corrective actions. If the Supplier does not achieve the corrective actions on time, he is escalated to Escalation degree 2. If the corrective actions are implemented effectively, he is de-escalated to Escalation degree 0.

A Supplier is classified in **Escalation degree 2**, if the existing remedial measures from escalation degree 1 have not lead to a resolution of the current problem, or he has not implemented the proposed remedial measures. The Supplier is informed in writing about the persisting qualitative problems. He is invited to a meeting concerning quality with the participation of the SQA technician and Quality Manager of KE. The output from the quality negotiations is an action plan with dates. The Supplier is informed that if he does not implement the required remedial measures by the designated deadline, he is escalated to Escalation degree 2. If the corrective actions are implemented effectively, he is de-escalated to Escalation degree 1 or removed from the KE escalation programme.

A Supplier is classified in **Escalation degree 3,** if the existing corrective actions from escalation degree 2 have not lead to a resolution of the current problem, or he has not implemented the proposed corrective actions. Classification in this escalation degree persists until the problem is eliminated. For the period of classification of the Supplier in Escalation degree 3, he is excluded from the process of awarding of new orders. Elimination from Escalation degree 3 has to be performed on the basis of a process audit according to VDA 6.3 with the result A or stable B, which means equal to or more than 85%. Then the Supplier is de-escalated or removed from the escalation programme of KEMMLER.

De-escalation occurs after the effective elimination of a qualitative problem or according to the result of a process audit according to VDA 6.3 at the Supplier. The individual escalation degree is hereby chosen by the SQA technician of KE.

Escalation plan between Supplier and KE



Price list for extra costs in case of complaints

Charges to Supplier that occur or may occur, if nonconforming products were sent to KE respectively a complaint has arisen:

- Administration fee for each claim of 100€
- In-house sorting by KE personnel, if required to avoid a production line stop – The Supplier bears the actual incurred costs. Sorting prices for KE sites are as follows:
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  KEMMLER CZ (facility in Czech Republic): 20 € per hour
  KEMMLER BG (facility in Bulgaria): 20 € per hour
  KEMMLER DE (headquarter in Germany): 40 € per hour

- Off-site 3rd Party Sorting - charges are paid directly by the Supplier to 3rd Party Sorting Company.
- Cost of production stoppage – The Supplier bears the actual incurred costs.