Quality Assurance Agreement

For assurance of production– and 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>

and all companies of the SUPPLIER (Appendix 2)

hereinafter referred to as “supplier”.

Both parties are referred to as “contract partners”.

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1. Regulation

1.1 This quality assurance agreement ("QAA") is a binding agreement for quality assurance procedures between EGSTON and supplier for acquisition of goods, equipment's and services. All shipments of goods, equipment's and services have to follow the regulations of this agreement. Therefore both parties agreed that the QAA will be applicable to all claims emerging from such deliveries.

1.2 Deviating provisions, e.g. Supplier Terms of delivery shall only be deemed agreed between the Parties if EGSTON has explicitly confirmed such provisions up front in writing. Employees of EGSTON are not entitled to accept such provision in any other than written format. Contract negotiations between the Parties shall not be deemed as EGSTON´s acceptance of any deviating provisions.

1.3 This QAA is an EGSTON customer-specific requirement within the meaning of the ISO/TS 16949.

2. Legal Basis

2.1 The legal basis between for a cooperation between the parties shall be construed by applying the agreements listed below in the following hierarchical order:

* Supply agreement concluded between EGSTON and the SUPPLIER
* Price agreements concluded between EGSTON and the SUPPLIER
* Tooling contracts concluded between EGSTON and the SUPPLIER
* QAA concluded between EGSTON and the SUPPLIER
* Logistic agreements concluded between EGSTON and the SUPPLIER
* Non-disclosure agreement concluded between EGSTON and the SUPPLIER

2.2 The QAA is also valid for all orders which are placed at the supplier, or any company specified in annex 2, 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 All documents, standards and policies listed in annex 3 are always valid in their latest revision.

3.3 This additional quality agreement substantiates and amends the present quality assurance agreement and other procurement documents.

3.4 In case EGSTON has not specified products or product quality in a purchase order the SUPPLIER shall be obliged to deliver products in such a way and with such a quality level, that delivered products are fit for the purpose stated in EGSTON´s purchase order, or if no purpose is stated in

the purchase order, that the products delivered are fit for the purpose such products are generally designed for.

3.5 The product has to be in accordance with all valid safety standards, the state-of-the-art technical requirements und the law of the country for the final application of the product. Upon EGSTON´s request the SUPPLIER shall send the respective certificates of conformity to EGSTON.

4. Accomplishment of the quality assurance

Quality management system

4.1 The supplier is liable for the compliance of quality of all goods and/or services delivered by him.

4.2 The supplier commits to aim for zero defects and to improve continuously for the purpose of enhancing his competitiveness.

4.3 The supplier commits to continuous improvement and enhancement of his methods and processes.

4.4 To cope with this responsibility the supplier has to adhere to at least a quality management system according to ISO 9001 and OHSAS 18001. Once a year the transmission of a valid certificate issued by an accredited certification company in copy is demanded as proof.

4.5 Suppliers of automotive parts are additionally and mandatory required to maintain a system according to ISO/TS 16949.

4.6 Suppliers of medical parts are additionally and mandatory required to maintain a system according to ISO 13485.

4.7 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

4.8 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.

4.9 All technical changes (parts, drawing etc.) have to be documented by the supplier and remain traceable for a period of 15 years.

4.10 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.

Contract review

4.11 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.

4.12 EGSTON reserves the right to demand a written confirmation of the feasibility study.

Performance guarantee

4.13 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

4.14 The supplier warrants to inform EGSTON immediately in written about any intended and unintended deviation and/or change of products, property of products, services, raw materials of products, production technologies, vendor parts, data sheets, raw material supply chain, equipment or manufacturing process and place of production or any other changes of the products or service of the supplier . 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.

4.15 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.

4.16 Initial sample parts have to be produced with the serial production tools and under conditions of serial production. According the order from EGSTON the valid initial sample stage according K0402-WI06 with the forms in K0402-WI06-F01 have to be applied. 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 production from new / changed tools
- before serial production of changed product / material
- before serial production of 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.

4.17 Through issuing an initial sample report according to VDA 2 respectively PPAP Supplier warrants that the parts correspond to all requirements. In general all characteristics have to be tested by the supplier. 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.

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

Special Characteristics

4.19 EGSTON will define traceable special product characteristics such as but not limited to safety-, function- or processing characteristics in the product specifications.

4.20 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.

Prozess-FMEA

4.21 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. (mandatory also for equipment's) 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.

4.22 The process-FMEA has to be carried out according latest to state-of-the-art technical requirements.

Monitoring of production processes and products

4.23 The supplier undertakes to define a test layout capable of guaranteeing compliance of delivered products with the required specifications.

4.24 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 (according ES001) throughout the entire production process. Special product characteristics for which process reliability cannot be guaranteed 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.

4.25 As far as possible monitoring/production methods inevitably avoiding delivery of nonconforming parts have to be applied (Poka Yoke).

4.26 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.

4.27 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

4.28 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.

4.29 Production has to be based on the FIFO-principle (First in First Out).

4.30 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.

4.31 Quality-related data and samples must be archived after the last volume/service part delivery for a period of 15 years.

4.32 For all EGSTON orders or call-off 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.

4.33 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.

4.34 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

Audit

4.35 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 cooperation 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 fixed according the incident.

4.36 If a supplier engages sub-suppliers or suppliers, the supplier commits to carry out audits at the sub-suppliers or suppliers together with EGSTON or from a third party.

Defective products

4.37 It is agreed that the supplier has to perform an outgoing quality control of products delivered to EGSTON. EGSTON shall have no obligation to perform incoming quality inspection according to § 377 UGB. 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. The SUPPLIER expressively waives the right to hold EGSTON accountable for either incomplete or delayed incoming quality inspection, or delayed notice of defect.

4.38 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.

4.39 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

4.40 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.

4.41 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

4.42 Products delivered to EGSTON shall deemed to be in line with agreed product specification and quality level if they are supplied in accordance with the product release version or product specification defined in the purchase order. Any customary or specificly agreed product documentation such as service manuals, product drawings or any other product related documentation is agreed to be part of the SUPPLIER´s delivery obligation.

4.43 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.

4.44 The supplier will immediately inform EGSTON about detected defects and take all actions to minimise harms caused by the fault.

4.45 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 it´s own staff or by a third party. All cost incurred will be in full charged to the supplier.

4.46 EGSTON´s receipt of a SUPPLIER delivery shall neither be deemed as an acceptance with regard to completeness, conformity or quality of the products delivered nor shall EGSTON´s payment of a delivery be deemed a an acceptance of a defect free delivery. The parties agree that neither the receipt nor the payment of a delivery shall be considered to be a waiver of any of EGSTON´s right under this contract.

Exemption

4.47 Products delivered from the SUPLIER to EGSTON have to be in accordance with product specifications and quality requirements stated in the purchase order. Product specifications and quality requirements may be defined of by referring to DIN Norms, Industry standards, EGSTON standards, information stated in drawings or other means of information. In case the SUPPLIER has doubts if the product delivered to EGSTON will meet agreed product specifications or quality requirements it is his obligation to inform EGSTON immediately. Such information will not limit any of the liabilities the SUPPLIER has under this agreement.

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.

4.48 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.

4.49 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).

4.50 Any 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.

5. Liability of defects

5.1 According the applicable sections of the Supply Agreement

6. Liability

6.1 According the applicable sections of the Supply Agreement

7. Non-disclosure

7.1 According the applicable sections of the Supply Agreement

8. Documents, Intellectual property

8.1 According applicable sections of the Supply Agreement

9. Environment protection

9.1 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.

9.2 Approved products, materials or parts have to comply with industry standards and/or customer specific requirements.

9.3 Legal limits (such as: ROHS, Reach,…) 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.

9.4 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.

9.5 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.

9.6 The supplier undertakes to comply at the time of delivery with the current revision of applicable legal provisions from the target country (eg. ROHS, REACH,…). EGSTON is authorized to call relevant verfications or perform an audit on the spot at any time.

10. Applicable law and place of jurisdiction

10.1 Austrian material law shall apply to any and all legal issues arising out of this agreement. The application of the United Nations Convention on Contracts for the International Sale of Goods of April 11, 1980 shall be excluded.

10.2 In case the legal seat of the SUPPLIER is located in a country where the European regulation (EG) Nr. 44/2001 issued by the European council on 22 December 2000 is applicable the Parties agree, that the Commercial Court of Vienna shall be the exclusive place of jurisdiction for any and all legal actions related to this agreement. Upon EGSTON´s sole discretion EGSTON may also take legal action at the competent court at EGSTON´s or the SUPPLIER´s legal seat.

10.3 In case the legal seat of the SUPPLIER is located in a country where the European regulation (EG) Nr. 44/2001 issued by the European on 22 December 2000 is not applicable any legal issue in connection with this agreement shall be finally settled by the international arbitrage committee of the Austrian chamber of Commerce in Vienna in German language by the appointment of one arbitrageur. The arbitrage committee shall also decide upon related cost of the procedure

11. General

11.1 In case of significant deterioration of the SUPPLIERS credit standings EGSTON shall be entitled to rescind from this agreement as well as from any pending orders.

11.2 By signing this agreement the SUPPLIER confirms (i) that the SUPPLIER has carefully read and understood this agreement, (ii) that the SUPPLIER is in agreement with this QAA and (iii) that the QAA will form an integral part of all EGSTON purchase orders. The SUPPLIER´s general terms of delivery shall not apply.

11.3 If provisions of this Agreement are, or should become entirely or partially invalid or unenforceable, this shall not affect the validity of the remaining provisions. The foregoing shall also apply if the Agreement contains any regulatory gap. Instead of the invalid or unfeasible provision, or in order to close the gap, a ruling shall be used, which, in so far as it is legally permissible, as closely as possible reflects the intentions of the Parties concluding the Agreement or, considering the meaning and purpose of the Agreement, the potential intensions of the Parties had they considered the point at the time of concluding the Agreement

11.4 The supplier may only offset receivables against EGSTON execute the right of retention if such receivables are either undisputed or legally recognized by a competent court.

11.5 This agreement shall come into force upon it´s signature by the parties and shall be concluded for an indefinite period.

11.6 The SUPPLIER be allowed to terminate this agreement if EGSTON has conducted a severe default of it´s obligations under this agreement, the SUPPLIER has sent a written notice to EGSTON describing such default and EGSTON has not remedied such default within a reasonable period of time. EGSTON shall be entitled to terminate this agreement with a two (2) month´s notice period.

11.7 Any changes or amendments to this agreement have to made in written format and signed by both parties.

11.8 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.

11.9 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 applicable framework of the direct buyers plant of the EGSTON group.

11.10 All statements of the contract partners in fulfilling this agreement are written in English..

11.11 The responsibility of the supplier for delivering products free of any defect is not limited by this quality assurance agreement.

12. Signatures

Supplier:

_____, on _____
(Location) (Date)

_____
(Name in print and/or stamp

_____
(Name in print and stamp)

EGSTON:

_____, on _____
(Location) (Date)

_____
(Name in print and/or stamp)

_____
(Name in print and stamp)

Annex 1

Companies of EGSTON Group

- EGSTON System Electronics Eggenburg GmbH
- EGSTON Automotive Eggenburg GmbH
- EGSTON Far East Ltd.
- EGSTON Far East GmbH
- EGSTON System Electronic spol. s r.o.
- EGSTON Electronics (Zhuhai) Ltd
- EGSTON Electronics (India) Private Limited
- Kurt Springer Ges.m.b.H

Annex 2

Companies of the supplier

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Annex 3

Applicable documents, standards, policies

EGSTON

ES001 Drawing Standards
K0402-WI06 Sample Requirements of Raw Materials
K0402-WI06-F01 PPAP-Requirements
K0401-F07 Non-Disclosure-Agreement
K0401-F08 Supply Agreement or K0401-F11 Supply Agreement (Short)

General

ISO9001	Quality Management System, Requirements
ISO14001	Environmental Management System
ISO13485	Quality Management System for medical applications
ISOTS16949	Quality Management System; Special requirements for the application of ISO 9001 for volume and spare parts production in the automobile industry
OHSAS 18001	Occupational Health and Safety Assessment Series
DINEN10204	Types of inspection documents

VDA-Rules and Standards

VDA Band 1	Documentation and Archiving
VDA Band 2	Quality Assurance of Suppliers
VDA Band 3	Part 1 and 2: Ensuring Reliability of Car Manufacturers and Suppliers
VDA Band 4	Quality Assurance in the Process Landscape
VDA Band 5	Suitability of Inspection Process
VDA Band 6	Part 3 Process Audit Part 5 Product Audit

AIAG-Standards and Rules

AIAG PPAP
AIAG APQP
AIAG MSA
AIAG FMEA
AIAG SPC

Annex 4

Product related PPM-agreement

(Calculation base is one incoming lot)

EGSTON Material number	agreed PPM-value