Quality Assurance Agreement

Version: 2024-05

Between

J.M. Voith SE & Co. KG

Division Turbo

St. Pöltener Straße 43

89522 Heidenheim

Germany

(hereinafter referred to as Purchaser)

and

(hereinafter referred to as Supplier)

**Preamble**

Voith customers place high demands on the quality of Voith products (hereinafter referred to as "final products"). In order to meet these demands, Voith operates and maintains an effective and certified quality management system.

If selected and qualified suppliers are involved in the manufacturing process of Voith products, Voith has to ensure that the products purchased from such suppliers meet the specified quality requirements.

The Supplier produces ………………… (hereinafter referred to as "product") and is known to Voith as a quality-oriented and reliable manufacturer.

Voith intends to incorporate the "product" into other products or to assemble it with other products manufactured by Voith or by the final customer. The Supplier is aware of the intended use of the product.

The contracting parties agree that a consistently high quality and reliability of the "product" and consequently of this final product can only be achieved if the quality requirements for the design and manufacture of the "product" are clearly defined, the requirements for the Supplier’s quality management system are specified and the quality control methods, including those adopted under the Voith quality management system, are documented.

**§1 Subject matter**

The products to be manufactured and delivered to the Purchaser by the Supplier are described in the purchase order documents. The Supplier is required to check this description for apparent defects and to immediately report to the Purchaser such defects, along with suggestions for correction.

**§2 Quality requirements**

1. The quality requirements for the Supplier’s "products" referred to in clause 1, e.g. with respect to the material to be used, the physical and chemical properties of the material, the manufacturing process to be employed, etc., are described in the purchase order documents. In the event that the Supplier receives a product sample from the Purchaser, or the Purchaser accepts a product sample submitted by the Supplier, such sample shall be used as a reference in the design and manufacture of the products.

2. The Supplier shall, in the performance of its obligations hereunder, comply with all applicable statutory and regulatory requirements and all general technical rules and standards and base its work on the state of the art in science and technology.

**§3 Supplier’s quality management system**

1. In order to guarantee sustainable quality assurance of the "products" to be delivered to the Purchaser, the Supplier shall, at its own responsibility and for the duration of this Agreement, establish, operate and maintain an effective quality management system to DIN EN ISO 9001 (newest version) or an equivalent QM system designed to ensure that the "products" meet the agreed quality requirements.

2. The Supplier shall document the implementation of the quality management system and of the quality management measures described therein and shall make such documentation, and possible product samples, if any, promptly available to the Purchaser for the purpose of review and inspection.

3. The Supplier has to inform the Purchaser prior to any changes to processes or procedures.

4. The Supplier shall designate a Quality Management Officer who shall co-ordinate the implementation of this Agreement and take or bring about any decisions associated therewith. The QM Officer shall also act as contact person for the Purchaser. The name of the QM Officer designated under this Agreement is …………………………… The name of the deputy QM Officer is …………………………… In the event that the QM Officer is replaced, the Supplier shall inform the Purchaser in writing thereof without being requested to do so.

**§ 4 Audit of the Supplier’s quality management system by the Purchaser or third parties**

1. The Supplier shall grant the Purchaser access to its premises during normal business hours for the purpose of verifying the correct implementation of the quality management measures and the correct preparation of the required documentation by the Supplier. The Purchaser’s right of access shall also apply to the premises of the Supplier’s sub-suppliers. In the course of such quality audits, the Supplier shall make available to the Purchaser's agents all necessary documents and any information that may be requested by the Purchaser. The audit results and any measures arising from such audits shall be documented and considered in the Supplier assessment conducted by the Purchaser.

2. The Supplier agrees to have quality audits conducted by a certification body (e.g. TÜV) at regular intervals or at the Purchaser's request to verify compliance of its products with the specified quality requirements and determine the correct implementation of the quality management measures. The audit results and any measures arising from such audits shall be documented and made available to the Purchaser.

The Purchaser shall be entitled to conduct the quality audits on its own account or have them conducted by third parties.

3. Certification of the Supplier’s quality management system shall be envisaged in order to simplify the procedure. Upon certification, the Supplier shall, without request, inform the Purchaser about the results of the audit and submit a copy of the issued certificate.

**§ 5 Quality control by the Supplier**

1. The Supplier agrees to plan, organize, implement and control its production process and quality management measures at its own responsibility, subject to the Purchaser's instructions, in such a manner as to allow comprehensive control and monitoring and to ensure compliance of its "products" with the specified quality and safety requirements. The Supplier especially undertakes to perform the agreed in-process controls, using the measurement and test systems specified in the purchase order documents.

For special characteristics the supplier has to prove and to keep records of the ability of the production facility, the measurement equipment and the process ability (as far as it is possible with the ordered quantities).

If there is no additional agreement, the process capabilities have to be added to the initial sample delivery and/or to the first delivery. If a process capability is not possible (for example due to a too small quantity), the proof can be done at similar products (in accordance with the quality dep. of the Purchaser). The supplier evaluates the possibility of applying statistical process control and uses it as far as it is possible and reasonable. This should assure that a permanent process control happens at the supplier. The Purchaser expects as a proof for a long-term capability a cp- and cpk-index of at least 1,33 for all characteristics defined in the Advanced Quality Planning, in drawings, specifications and so on. Further a continuous effort of the supplier for improvement is expected.

2. If specific inspections or tests are performed by third parties, the Supplier shall make available to the Purchaser the certificates requested.

3. Deviations from the controls referred to in sub-section (1) above shall not be allowed without the prior approval of the Purchaser.

4. The Supplier shall document the quality control measures and make such documentation available to the Purchaser immediately upon request. This documentation shall be retained for a minimum period of 10 years and shall be made available to the Purchaser for review if so required by the Purchaser. After expiry of the specified retention period, the contracting parties shall jointly determine whether the records are to be further retained or destroyed.

The Supplier undertakes to notify the Purchaser, without request, of any product defects identified during quality control activities, and, more specifically, of any impact of such defects on the final product. Such notice shall be accompanied by suggestions for correction of the quality defects. Upon receipt of such notice, the Purchaser shall promptly inform the Supplier about its decision concerning the suggestions for correction. Should the Purchaser suffer any damage as a result of the identified quality defects, the Supplier shall compensate the Purchaser in full for any such damage.

**§ 6 Quality controls by the Purchaser**

1. Sample inspection

Unless otherwise specifically agreed, prior to the initial delivery of new or changed products and/or products manufactured with new or changed tools and/or manufacturing processes, the Supplier shall submit to the Purchaser samples of such products, along with inspection reports, for approval by the Purchaser. Where possible, such samples shall be produced under series production conditions. They shall be delivered to the Purchaser in the agreed quantity and shall bear a specific identification.

The Purchaser shall inform the Supplier about the result of the sample inspection. The following results are possible:

- approved

- approved subject to conditions (e.g., with respect to the accepted quantity)

- rejected

2. Acceptance tests

Unless otherwise finally determined in the purchase order documents, the Purchaser reserves the right to conduct acceptance tests at the Supplier's premises. Such acceptance tests may be announced by the Purchaser at short notice and shall be deemed to be equivalent to product audits. The results of such acceptance tests shall be binding.

3. Incoming goods inspections

Since the required quality controls are solely performed at the Supplier's premises subject to section 5 of this Agreement, the Purchaser shall inspect the goods received only for detectable transit damage and apparent "product" defects. Insofar the Supplier shall, for an appropriate period of time, waive its right to raise defenses and objections for delayed presentation of a notice of defects.

**§ 7 Complaints and rejections**

1. In the event of non-compliance of the "products" with the agreed quality limit values, the Supplier and Purchaser shall immediately consult each other to determine whether the total quantity delivered shall be returned to the Supplier or whether it shall be subjected to a 100% inspection by the Supplier or Purchaser at the Supplier's expense. If no agreement can be reached between the parties, the Purchaser shall be entitled to reject the total quantity or perform a 100% inspection at the Supplier's expense.

2. In case of ongoing non-conformity, the purchaser has the right (in accordance with the supplier) to receive the goods via an external test laboratory at the expense of the supplier.

3. In case of defects which are detected only at the time of processing of the delivered "products", the Supplier shall waive its right to raise defenses and objections for the non-performance of incoming goods inspections and delayed presentation of a notice of defects pursuant to section 377 HGB [German Commercial Code]. In all other respects, the Purchaser shall have the statutory rights in the event of receipt of defective "products". This shall also include the Purchaser's right to remedy the defects on its own account and claim the reasonable cost of such remedial action from the Supplier pursuant to section 637 BGB [German Civil Code].

**§ 8 Quality and logistics targets**

Binding targets for quality and logistics performance are agreed between supplier and purchaser and a penalty is defined if targets are not met (see Appendix 2 / Additional agreement on quality and delivery performance).

The goals should be redefined regularly in the spirit of continuous improvement.

The evaluation logic of quality and delivery performance is described in detail in Appendix 1 / Supplier Quality Guideline VOITH TURBO, Section 6.

**§ 9 Escalation in the event of target failure**

If a sustainable improvement is not achieved in individual complaint cases or the agreed targets are permanently missed, the process is escalated in several stages.

The initiation of the escalation levels will be announced to the supplier in advance. The supplier is expected to take appropriate measures to stabilize and improve the quality situation.

Here, problem solutions to the existing deviations are first required (e.g., 8D report). If the defects cannot be remedied, further activities will be initiated (e.g., creation of a detailed action plan, 100% control of deliveries, summoning the supplier, process audit according to VDA6.3, relocation of components, etc.).

The sequence of escalation levels as well as their triggers and content are described in VN3207.

**§ 10 Cost transfer**

1. In the event of a return due to a defect discovered upon receipt of the goods, the supplier will be invoiced for all costs incurred after prior agreement. This includes, among other things, costs for testing, sorting, possible rework, decisions about usability and packaging/transport.

2. Due to the urgency, it may be necessary to sort purchaser’s inventory. The sorting must be carried out or commissioned by the supplier. The supplier bears the costs of sorting.

3. Purchaser charges a handling fee of €150 for the administrative costs of preparing and coordinating a complaint.

4. If a deviation is reported before delivery via “Application for special release”, the costs incurred for the check will be passed on to the supplier. This also includes costs charged by the product's customers for checking the special release.

5. For each reminder of a missing 8D report, the supplier will be charged a flat rate of €100 (agreed response time: 24 hours for 3D report / 10 working days for 8D report).

6. If an audit must be carried out by purchaser on the supplier or its subcontractors due to quality problems / problems with delivery performance (yellow/red performance evaluation), the supplier will be charged an audit fee of €2880 per audit plus any travel costs incurred. This audit fee is based on the following calculation: 3 employee days, 2 people a. 60 €/hour.

**§ 11 Sub-suppliers**

The Supplier shall not sub-contract to third parties any part of the work or services under this Agreement without the Purchaser's prior consent. Any such permitted sub-contracting shall not relieve the Supplier of its overall responsibility for quality assurance.

**§ 12 Liability**

1. The Supplier shall indemnify and hold harmless the Purchaser on first demand against any legitimate claims made by third parties against the Purchaser which relate to liability in tort or to product liability subject to the German Product Liability Act [ProdHG] and for which the Supplier bears the sole responsibility in relationships with third parties.

2. In the event that, pursuant to sub-section (1), the Supplier is under an obligation to recall a defective product and undertakes such recall action, the Supplier shall reimburse the Purchaser for any expenses the Purchaser may have incurred in connection with such product recall. Any recall action shall be co-ordinated by mutual consultation between the contracting parties.

3. The Supplier undertakes to maintain product liability insurance with a lump-sum coverage of EUR ……………. per instance of personal injury / damage to property for the duration of this Agreement.

**§ 13 Confidentiality**

The contracting parties undertake to keep business secrets obtained in the course of their business relationship confidential and not to disclose them to third parties without the written consent of the other party, nor to make unauthorized use of such confidential information for their own business purposes, including data sets and intellectual property. Such confidentiality obligation shall continue in effect after termination of this Agreement.

**§ 14 Use of Purchaser-supplied means of production and documents**

1. Models, patterns, samples, manufacturing equipment, tools, measurement and test systems, materials, drawings, standard data sheets, templates, delivery specifications and other information supplied to the Supplier by the Purchaser shall be used for the sole purpose of providing the products and services hereunder and shall not be disclosed or otherwise made available to third parties without the prior written consent of the Purchaser. IN case of toolings the contractual agreements have to be considered. Such obligation shall continue in effect after termination of this Agreement.

2. At the request of the Purchaser, the means of production and documents referred to in sub-section (1) shall be returned to the Purchaser or destroyed upon termination of this Agreement. The return or destruction of such means of production and/or documents shall be documented to the Purchaser by the Supplier.

**§ 15 Term of this Agreement**

1. This Agreement shall remain in effect for an indefinite period of time and may be terminated by either party at the end of a calendar quarter by giving three months prior written notice to the other party.
2. In the event that a petition is filed for the institution of insolvency proceedings against the Supplier, the Purchaser shall be entitled to terminate this Agreement with immediate effect.
3. Termination shall be made in writing.
4. The validity of purchase orders placed with reference to this Agreement shall not be affected by the term of this Agreement. Purchase orders not yet completed at the time of termination of this Agreement shall remain unaffected by such termination and shall continue in effect under the provisions contained therein.

**§ 16 Miscellaneous provisions**

1. If the contracting parties sign this Agreement in relation to the performance of a sales contract or contract for work entered into by the parties, the provisions of such contract shall apply, unless otherwise specifically stipulated in this Agreement. Insofar as specific reference is made to such provisions in this Agreement, they shall be referred to as "purchase order documents".

2. This Agreement and its performance shall be governed by and construed in accordance with the laws of the Federal Republic of Germany. The parties hereto agree to submit to the jurisdiction of the courts at the location of the Purchaser's principal place of business.

3. Should any part or section of this Agreement be held or declared invalid, the validity of the remaining provisions or terms shall not in any way whatsoever be affected or impaired thereby. Such invalid provision shall be replaced by a provision that comes closest to what the contracting parties had intended to conceive in accordance with the meaning and effect of the Agreement. This shall also apply if the Agreement is found to contain gaps or omissions.

4. No modifications and/or amendments to this Agreement shall be effective unless made in writing.

Appendix 1:

Supplier Manual, Revision 7.0, 2024-05

Appendix 2:

Additional agreement on quality and delivery performance

**§ 17 Signature**

**Purchaser**

**J.M. Voith SE & Co. KG, Division Turbo**

………………………… ...............................

**Purchasing** **Quality Dep.**

date / signature date / signature

**Supplier**

…………………………. ………………………

**General manager quality manager**

Date / name / signature date / name / signature

**At this stage we announce the following person responsible for quality issues:**

Name / signature phone/fax email