

Supplier Quality Requirements

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Supplier Quality Requirements

1 Scope

These quality requirements apply to all suppliers (hereinafter "Supplier" or "Contractor") of AUNDE Achter und Ebels GmbH, as well as affiliated companies (hereinafter "AUNDE"). Furthermore, these quality requirements apply as a supplement to AUNDE's General Purchase Terms and Conditions for suppliers for customised or contracted products.

The detailed provisions of internationally applicable standards and the VDA guidelines can be found within the respective regulations. These are listed in chapter 6 "Applicable documents".

Additional specific requirements as well as individual agreements of the contractual partners regarding quality requirements/agreements are to be regulated via a framework agreement and may include, among others, the following:

- product liability
- quality (ppm rate/ targets)
- product reliability
- service level
- other specific requirements of AUNDE

Unless otherwise agreed within a framework agreement, a limit of 500 ppm applies in general.

Where a framework agreement or any other agreement has been made with the supplier for the supply of customised products or contracted products, the contents of that agreement shall take precedence over this general quality requirements.

Definitions:

Special characteristics

Product features or production process parameters that may have an impact on safety or regulatory compliance, fit, function, performance or on the further processing of the product.

Escalation process

Process to indicate or highlight certain (critical) issues within an organisation so that the relevant employees can react to this situation and to supervise its solution.

Customer requirements

The totality of all requirements of the customer (e.g. of technical or commercial nature, concerning the product and the production process, technical delivery conditions, purchasing conditions or customer-specific requirements).

Customer specific requirements (CSR)

Interpretation of additional requirements that relate to specific sections of the automotive QMS standard.

Customised products

Customised products are products that have been requested and / or developed for AUNDE by suppliers according to an agreed specification or that have been developed by AUNDE itself or by a third party and are manufactured by the supplier. Customised products for AUNDE are in particular yarn, foam, nonwoven, knitwear and other production components.

Zero-defect principle

The pursuit of the zero-defect principle includes consistent advanced quality planning, effective series production monitoring, effective complaint handling and continuous improvement (CIP).

Product safety

Standards to ensure that products are designed and manufactured in such a way that they neither harm nor pose a risk to end-users.

Third-party rights

Third-party rights are registered and unregistered industrial property rights and similar rights as well as the registration of such rights and rights of anyone who is not a contracting party (in particular patents, trademarks, copyrights, design and ancillary copyrights).

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Service level

The service level describes the quality level of the services provided. Quality of delivery, sufficiency of delivery and adherence to delivery dates are used for the evaluation.

Written form

The written form requires that the declaration of intent, which is regulated in the definition of the individual contract by a person or persons authorised to duly represent the respective contracting party

1. by hand with a name signature or
2. signed by means of a notarially certified hand sign or
3. is notarised and transmitted to the other contracting party as an original or by fax.

Text form

Text form is the legible reproduction of a declaration of intent, in particular an e-mail or a letter, which clearly identifies the respective contractual partner. An electronic signature and / or a handwritten signature by the respective contractual partner are not required.

Confidential information

Confidential information is any information, facts, documents, data and / or knowledge, in particular technical and / or economic information, design documents, specifications, drawings, samples, prototypes, test results as well as data of customers of AUNDE and / or secret know-how and operational secrets of AUNDE. This includes any identifiable information that is only accessible to a certain group of persons, e.g. in the form of information about manufacturing processes that is not publicly known or audit results that the supplier / contractor receives from AUNDE in the course of the business relationship between AUNDE and the supplier, irrespective of the form of this information.

Non-confidential information is information that,

1. were demonstrably already known to the recipient at the time the individual contract was concluded, without legal regulations, official orders or non-disclosure agreements being violated.
2. were already publicly known at the time of the conclusion of the individual contract or made public immediately
3. thereafter, insofar as no violation of confidentiality obligations occurred.

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2 Responsibilities

2.1 AUNDE

AUNDE commits to provide the supplier with all necessary technical specification documents, e.g. specifications for customer-specific products, drawings, parts lists, CAD data, factory standards, instructions as well as process guidelines. The technical documents should be sent to the supplier with the order.

Binding demands, instructions and agreements are made exclusively by AUNDE's purchasing department.

2.2 Supplier

The supplier is responsible for compliance to these quality requirements as well as applicable documents, such as purchase terms and conditions and the framework agreement. After receipt of the relevant documents, the supplier is obliged to examine them for validity, completeness and general consistency as well as in respect to the contracted item. Shortcomings, omissions or ambiguities have to be communicated to AUNDE immediately in text form or in writing.

It is also the supplier's responsibility to ensure defect-free products in accordance with the technical specifications. The fulfilment of an order shall be secured by appropriate contingency plans. In addition, continuous improvement of manufacturing processes must be pursued from an economical point of view and with the aim of minimising defects.

3 Quality / Regulations and Obligations

3.1 Management systems

Suppliers of AUNDE must demonstrate a quality management system that is certified in accordance with ISO 9001. A certification according to IATF 16949 is to be strived for. If there is no valid quality management system certification, an appropriate action plan with a set timeframe has to be defined, during which the business partner shall strive to achieve the designated management systems. The business partner is further obliged to maintain and further develop its management system so that product quality can be maintained or improved. Evidence must be provided in form of corresponding certificates from accredited certification bodies. These certificates must be made available to AUNDE without request. In case of a certificate revocation by the certification body, AUNDE has to be informed immediately.

Basic requirements for the supplier:

- Consequent defect prevention according to the zero-defect principle
- Full accountability for product quality, including that of sub-suppliers
- Inclusion into the own quality management system of production equipment, testing equipment and packaging provided to the supplier by AUNDE
- Use of continuous quality improvement (CIP) procedures.
- Ensure that the requirements listed in this document are also implemented by its sub-suppliers
- Granting access to the supplier's production facilities for AUNDE, its customers or authorised third parties.

3.2 Effectiveness of the quality management system

The supplier shall conduct internal process and product audits at regular and planned intervals. AUNDE reserves the right to verify compliance with the contractual requirements at the supplier's facilities, especially in case of increasing quality problems of the supplier. Depending on the circumstances, the effectiveness verification may be conducted in form of a quality meeting or as a product, process or system audit. AUNDE shall coordinate the agenda and the procedure with the supplier before the planned audit date.

3.3 Sub-supplier management

If a supplier permissibly subcontracts its orders to sub-suppliers, the supplier is obliged to enforce the present quality requirements also towards those sub-suppliers. Sub-suppliers are therefore subject to the same rules

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and approval procedures. AUNDE may periodically request documented evidence from the supplier confirming that the supplier is satisfied with the effectiveness of the quality management system at its sub-suppliers. The supplier has to monitor its sub-suppliers on a regular basis, to develop them further, to audit them if necessary and to verify necessary corrective actions.

3.4 Goods inspections / Complaints / Information obligation

3.4.1 Goods labelling and traceability

The supplier commits to provide its products - as far as geometrically and technically possible - and their packaging with suitable traceability features for each product (e.g. serial number, article number) or the production lots (e.g. batch number, data code). The VDA label according to VDA 4902 is to be used. In addition, the supplier shall take appropriate measures to ensure complete traceability of all materials, manufacturing processes and products. This also includes compliance with the FIFO principle throughout the entire supply chain. These traceability features must be documented and archived by the supplier. Upon request by AUNDE, the relevant information shall be provided to AUNDE by the supplier for traceability purposes. The supplier must ensure that test data, test reports and test results of the respective products/materials can be associated verifiably with the traceability data. Traceability must be designed in such a way that it is possible to clearly isolate the defective products, in case of a fault. Each product number and the corresponding batch number must be listed on both the delivery note and the inspection certificate. The tests for the inspection certificate must be carried out and reported in accordance with the requirements of the corresponding technical delivery specification (TL). Traceability throughout the entire process chain must be ensured by means of a batch number and a delivery note number.

In case of a special status of the goods, the status must be visible at any time:

- A special release by the quality department of AUNDE shall be requested prior to shipment in the event of problems due to, i. e. out of specification test results, transport damage, etc.
- If a special release is granted, the goods must be clearly labelled. In addition, a closed control loop with measures for future problem prevention must be defined.
- Sample material is to be marked as such.

3.4.2 Incoming and outgoing goods inspection

Incoming goods inspection at AUNDE is carried out in accordance with the procedure described in the purchasing terms and conditions under point 8.2.

AUNDE randomly inspects all incoming goods for obvious external transport damage and their identity based on the delivery documents and the inspection certificates (IC).

Additional inspections and inspection frequencies are defined and carried out in response to past complaints. Costs resulting from additional work will be charged to the supplier. The incoming goods inspection by AUNDE does not release the supplier from his responsibility to carry out his own outgoing inspections to ensure delivery of compliant products.

3.4.3 Quality inspection certificates

The supplier is obliged to control and document all relevant product properties. An inspection certificate (IC) in accordance with DIN EN 10204, 3.1 must be issued and submitted with each delivery batch.

The content of the inspection certificates are test results based on specific tests (according to the technical delivery specifications (TL)) on the corresponding delivery batch. These IC's must contain the specified target values, their tolerance and the actual values determined. Confirmation of the suppliers' quality inspection serves as the basis for AUNDE's decision to accept a delivery. The IC shall be submitted unsolicited with each delivery. Archiving of test results shall be ensured for a period of 15 years after EOP.

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3.4.4 Control plans and documentation

Depending on the product requirements and based on the supplier's own analyses, the supplier shall define test instructions/control plans detailing:

- test characteristics
- tolerances
- test scope
- test methods
- testing environment
- testing conditions

3.4.5 Special characteristics

The supplier shall take into account all "special characteristics" defined by AUNDE and include them in their production control plan. If no special characteristics are defined by AUNDE, the supplier shall define characteristics that ensure compliance with the requirements.

The requirements of VDA Volume 1 "Documentation and Archiving" apply to the documentation and archiving of quality records and especially of safety-critical characteristics (CC). The applicable retention period shall be adhered to in accordance to the customer-specific requirements and is specified within the quality assurance agreement, where deviating from VDA Volume 1.

The supplier must ensure and document the stability of the manufacturing processes over the entire production time by means of suitable process control. Process capabilities are to be determined for special characteristics. If process capabilities cannot be met, a 100% inspection of the product and process characteristics must be carried out.

Characteristic	Description	Proof of capability	
		Master sample PPAP/EMPB	Serial production
CC general	Safety-critical variable characteristic	$p_{pk} \geq 2,0$ $c_{mk} \geq 2,0$	$c_{pk} \geq 1,67$
CC special	flame retardancy	EN 10204 – 3.1	EN 10204 – 3.1
SC	key characteristic	$p_{pk} \geq 2,0$ $c_{mk} \geq 2,0$	$c_{pk} \geq 1,67$
LR	legal requirement	Approval	re-qualification
other	Testing equipment / MSA	$c_{gk} \geq 1,33$	by agreement

Changes of material, material type and change of material manufacturer are only possible following a complete sampling and approval by the OEM, for CC and LR features.

3.4.6 Master sample / reserve sample

Relevant material properties such as colour, bulkiness or yarn structure, foam surface and cell structure, surface of backing fabric and nonwoven must be uniform throughout a batch, and the material must match the master sample. Master samples are to be controlled and maintained. The archiving period is set at 15 years after EOP.

In addition, reserve samples must be kept for each production batch. The archiving period for reserve samples is set at one year and may be adjusted in a separate framework agreement.

3.4.7 Disruption of delivery quality

Deficiencies must be reported in accordance with AUNDE's General Purchase Terms and Conditions (GPTC, sections 8.4 and 8.5), unless specified otherwise.

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In case of deviations from the required specifications, the supplier will receive a complaint with a request for immediate rectification of defects or damages. Defect samples will be sent to the supplier or made available at AUNDE for inspection - as far as reasonably practicable for AUNDE. A 14-day period is granted for the inspection or collection of the claimed goods following the date of the claim. After expiry of this period the claimed goods will be disposed of or returned carriage forward if necessary.

The supplier shall provide information on planned and realised corrective actions through an 8D report and keep AUNDE informed on the progress.:

- Provision of initial information on immediate corrective actions and cause of failure within a period of 24 hours in the form of a 4D report.
- Submission of a complete 8D report to AUNDE in written or text form within one week (five working days).
- The start of processing is determined either by receipt of all relevant information and/or the defect sample.
- Indication of the date of the next defect-free delivery to AUNDE.

The supplier shall immediately take action to remedy the situation (on-time replacement delivery incl. special transports, sorting or reworking), in case of impending production standstills at AUNDE or its customers due to defective deliveries. Sorting and reworking companies are to be commissioned directly by the supplier in consultation with AUNDE.

If the supplier fails to comply with its obligation to provide compliant products and to follow up on corrective measures, the supplier shall bear the resulting additional expenses of any necessary assistance provided by AUNDE.

In the event of persistent problems (repeat defects, insufficient project handling, persistently poor supplier rating, etc.) or failure to implement measures on time, an escalation process is initiated.

3.4.8 Field failure parts

Complaints from the field are sent to the supplier via a complaint. The supplier is responsible for carrying out an analysis of the field failure parts sent to him and for initiating suitable measures to remedy the problem.

In general, the recommendations of the VDA Volume Field Failure Analysis & Audit Standards apply.

3.4.9 Information obligation

If it becomes apparent that agreements made cannot be complied with, the supplier is obliged to inform AUNDE immediately and to initiate its internal escalation process. In the interest of finding a quick solution, the supplier is obliged to disclose relevant information.

3.5 Product safety

A Product Safety and Conformity Representative PSCR (formerly PSB) must be appointed in writing by the supplier for each site and inform AUNDE of this appointment without being requested to do so..

3.6 New projects / project management

The supplier commits to carry out the product development process for new projects in accordance to an advanced quality planning procedure (e.g. APQP methodology). A functioning project management with the necessary resources must be in place.

Project schedules including the main customer specifications must be made available upon request by AUNDE. Project progress must be kept accessible and verifiable at all times by means of documentation or project meetings at the supplier. Deviations from project deadlines, product quality or other relevant information must be indicated immediately. Depending on the component, further activities may be required, such as maturity workshops or colour comparison and matching, in which the supplier has to participate.

The supplier must prepare a product and process FMEA, a production flow diagram and a production control plan for components to be developed/supplied in time and keep these documents updated.

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3.7 Approval process

3.7.1 REACH / IMDS

The supplier shall ensure that the requirements of the REACH Chemicals Regulation (EC 1907/2006) are complied with during production.

Separate specifications of AUNDE regarding substance bans must also be observed. Furthermore, within the framework of the End-of-Life Vehicle Agreement 2000/53/EC, all suppliers are required to document information regarding the ingredients of their products within the international material database system IMDS. The IMDS record is part of the production process and product approval procedure and can lead to initial sample rejection in the event of incorrect execution.

3.7.2 Production process and product approval

Prior to the start of the first series delivery, the supplier must obtain a production process and product approval from AUNDE for the product. The PPF (alt. PPAP) procedure has to be applied for:

- new products
- product changes (e.g. material change, modifications)
- production process changes
- new and/or modified tools
- production suspensions of more than 1 year
- production relocation
- new sub-suppliers
- re-qualification

The PPF approval according to VDA Volume 2 is carried out on the basis of records, documents and initial samples that prove the serial production fitness. In addition to the mandatory information, the PPF content is agreed in a supplier meeting if needed. Deviating from this, a series approval according to the PPAP procedure can also be agreed.

Should subsequent sampling become necessary due to the supplier's negligence, the additional costs may be charged. Documentation must be sent to AUNDE in text form (exclusively as PDF files).

3.8 Product history / change management

At AUNDE's request, the supplier must present the product history. All changes to the product and process chain must be documented in a product history in accordance with VDA Volume 2. AUNDE shall be informed in writing of any changes made to the product. Each change requires a new PPF/PPAP approval and may only be implemented after written approval by AUNDE.

3.9 Requalification test

The requalification tests shall be carried out on the basis of the customer specifications presented with the PPF/PPAP release. The supplier commits to perform a requalification test annually after the last PPF/PPAP approval for the products currently supplied to AUNDE. The scope and frequency can only be reduced after written consent has been given by AUNDE.

Should deviations from the specifications occur during a requalification test, AUNDE shall be informed immediately. Otherwise, the results shall only be made available to AUNDE for evaluation upon request.

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4 Supplier management

4.1 Supplier selection / self-disclosure

A supplier self-disclosure with the accompanying evaluation is considered an integral part of the approval process for a supplier. AUNDE requires the supplier self-disclosure on a regular basis. Additional requirements concerning the stipulated management systems are contained within the General Purchase Terms and Conditions (Section 10.2).

A supplier is ranked as follows based on the supplier self-disclosure:

Ranking	Criteria	Recommended / required action
Excellent “optimal conditions - observation”	Supplier evaluation is inconspicuous. The relevant self-disclosure information has been entered transparently.	Monitoring via the quarterly supplier evaluation
Good “strengthen supplier development”	The supplier has not fully completed the self-disclosure but has largely filled in the relevant information.	Event-driven supplier visit / audit
Adequate “supplier development”	Supplier provides non-transparent information or inconsistencies in the self-disclosure. No progress or lack of compliance to essential standards, guidelines and/or legal requirements is apparent in the maturity assessment.	Supplier visit / Actions plan and proof of effectiveness are required.
Sufficient “Potential risk”	In the evaluation of the self-disclosure, the supplier is conspicuous and does not provide details on the relevant information. Moreover, the supplier shows a partial lack of compliance in the maturity assessment.	Supplier audit
Inadequate “New business hold”	The supplier is considered inadequate in the maturity assessment due to insufficient information and / or lack of compliance.	Supplier is excluded from new projects / supplier audit

A new supplier who is not able to demonstrate the necessary requirements at initial contact, AUNDE's second party audit / potential analysis will verify whether the prerequisites for the necessary qualifications are in place and can be achieved by the supplier.

Suppliers that score below 50 % (fifty percent) of the total evaluation points in the supplier self-disclosure will receive a "New Business Hold" status and can receive approval by means of corrective actions and a repetition of the approval process. This is also applicable to new suppliers and / or suppliers already included in AUNDE's supplier base.

4.2 Supplier development

Supplier development triggers include the following points:

- result of the supplier self-disclosure
- quality performance not satisfactory
- result of regular supplier assessment
- sustainability requirements inadequate
- unlocking potential for optimisation and cost reduction

Action plans are formulated in close coordination between AUNDE and the supplier.

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4.3 Supplier evaluation

Suppliers are evaluated quarterly by AUNDE and are informed of the results. Suppliers are ranked based on defined criteria and their degree of fulfilment. Key criteria are the product quality, the quantity and on-time delivery, as well as the supplier's certified management systems.

Supplier evaluation		
Ranking	Rating	Ranking criteria
A	> 90 %	The supplier currently meets all requirements in terms of delivery reliability, delivery quantity, quality of purchased products and service.
B	< 90 % - > 70 %	The supplier meets the requirements of delivery reliability, delivery quantity, quality of purchased products and service with reservations.
C	< 70 %	The supplier does not meet the requirements. The supplier is required to initiate immediate corrective actions to achieve an improvement in case of a C-rating and to inform AUNDE thereof in writing. If a C-rating is received for three evaluation cycles (quarterly evaluation) during a 12-month period, the supplier will be disqualified for new projects. A renewed supplier approval requires the successful completion of the supplier approval process.

4.4 Supplier audits (second-party audits)

Supplier audits may be triggered by several factors, as explained previously. Supplier audits are also applied in order to:

- analyse the suppliers' risks as well as the supply chain risk
- further development of the supplier's QM systems
- maturity assessment of the supplier's QM system
- verifying sustainability requirements
- verifying product safety requirements

Frequency of a supplier audits is determined according to necessity, risk identification, certification level and regulatory activities / requirements. Audits are carried out in accordance with the VDA 6.3 process audit standard.

AUNDE reserves the right to verify corrective actions through a follow-up audit in case of critical non-conformities (grade 4 and lower).

4.5 Risk management / emergency planning

Suppliers are required to integrate risk management into their QM system to preventively minimise risks and eliminate potential risk sources through identification and analysis as well as corresponding preventive actions. The risk management has to contain the following elements:

- risk analysis including documentation of identified risks
- preventive actions to minimise risks
 - identification of failures and their causes
 - implementation of measures to address identified risks and the establishment of contingency plans
 - effectiveness analysis of the implemented measures

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5 Corporate responsibility

According to paragraph 14 of AUNDE's General Purchase Terms and Conditions, both parties acknowledge their social responsibility and duty of care within the scope of their worldwide business activities. Both parties commit themselves to the contents of AUNDE Group's Code of Conduct as well as to compliance with AUNDE's Sustainability Requirements for Suppliers.

6 Applicable documents

Current versions of the following standard, VDA and AIAG publications:

- ISO 9001 Quality management systems — Requirements
- IATF 16949 Automotive Quality Management System
- VDA Volumes: 1 – 6 as well as volumes referenced within the documents
- AIAG technical literature: PPAP, APQP, MSA, QSA, SPC and FMEA
- prohibition of hazardous substances and their use: GefStoffVer Annex 4