

Purchasing Directive of the DRAEXLMAIER Group for Leather Skins and Leather Cut Parts

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1. General

The purpose of this Purchasing Directive of the DRAEXLMAIER Group is to stipulate leather-related characteristics and to structure the handling of defects / complaints about leather skins and leather cut parts in the supply chain.

The stipulations in the DRAEXLMAIER Group Global General Terms and Conditions of Purchase including its Annexes (together, the "Terms and Conditions"), which can be viewed under: <http://www.draexlmaier.com/supplier-portal.html>, and the international IMDS-Regulations shall remain unaffected.

2. Abbreviations and Definitions

2.1 Applied Abbreviations

DRX	DRAEXLMAIER Group
OEM	Original Equipment Manufacturer
PDCA	Plan-Do-Check-Act in the sense of quality assurance standards
QSYS	Complaints Processing and Tracking System / area of Quality Assurance
EDV	Electronic Data Processing

2.2 Definition of Terms

Assortment and Definition of Skin Assortments

"Assortment" refers to the surface quality and the properties and condition of the back of the leather skin with regards to the natural characteristics and their distribution. The required assortment is one that allows components to be manufactured economically and in accordance with the requirements of the Customer. In the course of the first series deliveries, the assortment shall be determined mutually by Supplier and Buyer and a written agreement shall be concluded thereon. The agreement shall be complied with and implemented by the parties.

Specifying the assortment is a means for elucidating the quality expectations of Buyer and for assessing the quality during the delivery of leather skins in series. The primary aim is to attain a mutual understanding of the quality evaluation and to be able to recognize changes and fluctuations in the quality of the leather skins at an early stage.

Obvious Defects

Deviations in the actually delivered leather skin or in the actually delivered leather cut parts from the specifications, which are detected before processing.

Obvious defects are plainly visible differences in the contour, colour, veins, thickness, long fibres, loose grain effect and bite marks left by insects as well as unacceptable natural characteristics.

Unobvious Defects

Deviations in the actually delivered leather skin or the actually delivered leather cut parts from the specifications, which are not detected before processing.

These defects particularly include elongation and unacceptable natural characteristics, which are not detected before the parts are processed.

3. Determining the Assortment and Classification of Leather Skins

The assortment will be determined in relation to the project. The supplementary written agreement for the determination of the assortment forms the premise for the classification. In order to be able to classify a leather skin, pattern in defined sizes are placed on the as OK assessed areas of skin (assessment according to the Customer specifications and boundary samples and the natural characteristics catalogue and the DRX List of Requirements Leather).

If the number of patterns can be placed onto the skin as specified in the assortment agreement, it complies with the A assortment.

4. Mark-up and trimming

The edges of the leather skins have to be cut clean.

The Buyer shall be compensated for the cost of leather skin surface with natural characteristics that do not permit its use in series production according to the natural characteristics catalogue and/or boundary samples, OEM specifications and DRX list of leather requirements.

Supplier's label attached to the leather skin must show the complete (gross) surface area delivered. The Supplier must clearly mark the surface area suitable for series production upon deduction of its unsuitable sections (net area) on this label. Only the net surface area may be invoiced by the Supplier. In case the Supplier invoices the gross surface area, Buyer is entitled to reimbursement.

5. Action Plan

Any action requested of Supplier as a result for example of quality or delivery problems, based on audit and meeting reports, shall be summarized in an action plan in accordance with the PDCA and the progress shall be reported to Buyer.

6. Liability for Defects / Warranty

The supplier is liable for defects in the leather skin and Leather Cut Parts

All causal and required expenses and costs including without limitation the labor costs as in customary local hourly pay rates, for sorting work and extra tours which are incurred by Buyer due to defects are to be borne by Supplier.

Obvious Defects in the Leather Cut Parts

When complaints based on obvious defects are made regarding one or more leather cut parts, Supplier shall reimburse the costs for a complete set of cut parts and shall assume the damages incurred by Buyer in this connection (including without limitation to the labour time at the customary local hourly pay rates).

Unobvious Defects in the Leather Cut Parts

When claims based on unobvious defects are made regarding one or more leather cut parts, Supplier shall pay damages for a complete set of cut parts, material costs, costs of carriers (if these parts are not re-usable) and shall assume any damages incurred by Buyer in this connection, including without limitation the labour time incurred up to the detection of the defect (this also includes separating the leather and the component for possible re-use) at the local hourly pay rate customary in manufacture.

Further rights and remedies

This Section 6 does not preclude or waive any other rights and remedies available to Buyer under the Terms and Conditions or applicable law, including without limitation Buyer's rights under Section 17 of the Terms and Conditions.

7. Complaint

The basis for the assessment of complaints based on defects shall in particular be the Customer specifications and boundary samples and natural characteristics catalogue and the DRAEXLMAIER List of Requirements Leather and, if necessary, reference parts, drawings of leather cut parts validated by Buyer as well as supplementary written agreements, including in particular the agreed assortment.

Complaints, including compensation for defective parts, shall be processed by way of the computer-aided QSYS according to regular industrial standards (8D Reports etc.). Measures may include collective scrap, particularly at the onset of the project. In doing so, the assessment will be made at the place of manufacture.

Complaints and the collective scrap are ppm-relevant.

The costs for compilation of the test report shall be calculated on a time basis.

8. Further Definitions

Capitalized terms used herein and defined in the Terms and Conditions shall have the meaning as defined in the Terms and Conditions.

9. Additional Requirements

The most current version of the Specification for Labeling Leather Skins, available under <http://www.draexlmaier.com/supplier-portal.html> shall apply.