Annex 1 of the DRAEXLMAIER Group Global Terms and Conditions of Purchase
DRAEXLMAIER Group Quality Requirements for Production Material

Revision 4, dated June 15, 2022

Introduction

The DRÄXLMAIER Group Quality Requirements for Production Material describe the quality requirements and conditions effective between the supplier and the DRÄXLMAIER Group. In this document, the DRÄXLMAIER Group and all the affiliated companies are referred to as “DRÄXLMAIER”.
They apply to all the supply scope and deliveries by the supplier and its affiliated companies to the companies of the DRÄXLMAIR GROUP.

1. General Requirements

1.1. Management System for Quality, Environmental and Occupational Health and Safety

The supplier agrees to implement, verify and maintain a quality management system according to ISO 9001 (according to the currently effective version) in order to ensure the quality of the product it supplies. The quality management systems must be maintained continuously and its effectiveness must be improved with the aim of achieving IATF 16949 certification. The criteria for achieving the certification are described in IATF 16949. Deviations from this stipulation are only acceptable after prior separate written approval by DRÄXLMAIER.

The supplier shall implement, maintain and improve environmental and occupational health and safety measures according to the latest version of ISO 14001 and ISO 45001. DRÄXLMAIER must be informed of any deviation or failure to adhere to the afore-mentioned requirements along with corrective measures and a schedule. The obligation to fulfill and adhere to these norms shall remain unaffected thereby. The supplier furthermore agrees to comply with all the applicable environmental laws, occupational health and safety laws and regulations as well as the environmental demands imparted by the customer to the supplier.

The supplier shall document valid confirmation of its certification in the Supplier Portal of the DRÄXLMAIER GROUP at: http://www.draexlmaier.com/supplier-portal.html or send it to the following address: lieferantenzertifikate@draexlmaier.de.
The supplier shall inform DRÄXLMAIER of the expiration of a certificate without planned re-certification within at least 6 months before the expiry date. The afore-mentioned requirements shall remain unaffected thereby. New certificates must be documented automatically in the Supplier Portal or sent to the following address: lieferantenzertifikate@draexlmaier.de. Disqualification of a certificate must be reported without delay. Certifications must be made by accredited certification bodies.

1.2. Management System for Quality, Environmental and Occupational Health and Safety toward Third Parties

If a supplier procures products or product processing from a sub-supplier or a sub-contractor, it shall be obliged to make the contents of these Quality Requirements and of the customer-specific requirements of the DRÄXLMAIER customer known to the sub-supplier and to agree with them. The supplier is responsible for ensuring implementation and adherence by its sub-suppliers/sub-contractors.

Sub-suppliers and sub-contractors shall be obligated in such a way that compliance with the obligations of the supplier to DRÄXLMAIER is ensured at all times. If the supplier assigns third parties, it shall remain fully responsible for the delivery item and the deliveries.
This also applies to specified sources of supply (“directed parts” or “directed buy”) and suppliers of directed parts.

1.3. Quality Goals

The supplier agrees to develop a „Zero defect strategy" as part of quality planning and to take all the action necessary to achieve the "Zero defect" quality objective.
To measure and evaluate the achieved quality, the supplier will define internal and external quality objectives. In that connection, the following minimum requirements shall apply:

- Determination of the internal and external complaint quota (number of complaints and PPM (parts per million))
- Determination of internal and external non-conformity costs

In the event of deviations from the stipulated specification and/or of occurring defects, the supplier shall take corrective action. DRÄXLMAIER reserves the right to charge the supplier for inspection expenses and costs incurred due to deviations. DRÄXLMAIER reserves the right to stipulate individual quality objectives as part of a supplier development program.
The obligation to supply defect-free parts and all the rights of DRÄXMLAIER shall remain unaffected thereby.

1.4. Audit

The supplier shall allow DRÄXLMAIER or third parties assigned by DRÄXLMAIER to determine whether its quality assurance measures comply with the requirements of DRÄXLMAIER by performing audits. The supplier shall allow an audit to be made at the supplier's plant at any time after prior written notification. The supplier must ensure that the Quality Department of DRÄXLMAIER can also perform the audits at the plants of the supplier's sub-supplier or that it can take part in audits. If necessary, the audit can also be performed together with a customer of DRÄXLMAIER. To this extent, the supplier shall grant access to all the operating sites, test centers, warehouses and adjacent areas, as well as access to inspect all quality-related documents. The supplier will communicate the results of this audit. In the event that the Quality Department of DRÄXLMAIER considers that action is required, the supplier shall draw up an action plan, submit it in due time and implement it. In the event that an audit cannot be performed on site, DRÄXLMAIER reserves the right to perform the audit virtually. In this respect, the supplier shall agree to enable virtual audits to be performed and to grant all necessary inspections to be made, particularly an inspection of process-related locations and documentation via camera transmission.

1.5. Advance Quality Planning

The supplier must perform advance quality planning in accordance with the international Automotive Standards (VDA6.3, other VDA volumes, IATF 16949, ISO9001, AIAG). As part of its project management, the supplier must basically perform systematic planning according to AIAG APQP or VDA RGA, unless DRÄXLMAIER specifies a different process. This planning includes both the product manufactured by the supplier and the products made by third parties (sub-suppliers, sub-contractors). The supplier shall designate its responsible people. In addition, Sub-Supplier Management must be involved as part of project planning. It must include at least, but not limited to, the following areas: Technical Planning, Capacity Planning and Schedule Planning.

The supplier shall apply the following methods in particular:

- Feasibility analysis
- Design FMEA (if the supplier is responsible for the design)
- Process FMEA
- Production equipment planning
- Test equipment planning
- Statistical process control (SPC)
- Planning logistics processes
- Production and test instructions
- Process flow chart
- Control plan (PLP)
- Emergency plan

- Traceability
- Field Failure Analysis
- MSA

The supplier shall actively participate in coordinating all the quality requirements for the products with the quality requirements for the whole customer vehicle project. The supplier will compile the quality plans containing detailed descriptions of the quality requirements, the development cycles and the quality activities in the different development phases. The Quality Department of DRÄXLMAIER must be informed in writing of possible conflicts with the quality requirements and possible risks without delay.

Special quality requirements can be found in the technical specifications agreed on between the parties or provided to the supplier by DRÄXLMAIER, particularly technical documentation, the drawings, DRÄXLMAIER standards, the norms and requirements of third parties (e.g. the customers of DRÄXLMAIER) and samples.

The supplier is further required to inspect and adhere to the additional segment-based requirements listed in the Supplier Portal under http://www.draexlmaier.com/supplier-portal.html.

1.5.1. Process Flow Chart

The supplier shall clearly show and document its processes and materials, as well as the cycles of its products and product parts, including production lines and checkpoints. Moreover, the supplier shall ensure that the materials and product parts are stored in separate batches and are processed according to the "First-in-First-Out" principle over the entire process flow. Process flow charts form the basis for the compilation of Failure Modes and Effects Analyses ("**FMEA**") and production control plans and must therefore be compiled by the supplier.

1.5.2.Risk Analysis (FMEA)

In the event that the supplier is responsible for the design of product and product parts, it shall perform a Design FMEA.
The supplier shall perform a Process FMEA in order to evaluate all the influencing factors or complaints before the tools and equipment are manufactured. Moreover, the supplier shall test and, if necessary, incorporate continuous updating of the processes, products and product parts for the FMEA. The supplier will permit DRÄXLMAIER to inspect the FMEA.

1.5.3. Control Plan

The supplier shall compile a control plan for the prototype, pre-series and series phases and for the spare parts service and to upload it on http://www.draexlmaier.com/supplier-portal.html. The contents of the production control plan must correspond to at least the requirements of IATF 16949 and the relevant customer requirements of the customers of DRÄXLMAIER and contain all the processes of the supplier that are relevant to the products. All control plans must be continuously maintained and kept up to date. The production control plans must contain the results of the Product FMEA, Process FMEA, experience out of similar processes and products and the application of improvement methods. Only valid control plans may be used.

1.5.4.Parts History, Part Evaluation

All product and process-related changes must be documented in the appropriate parts history. Segment-specific index markings (incl. BX status) and part evaluation procedures are listed in http://www.draexlmaier.com/supplier-portal.html and must be complied with and applied by the supplier. Appropriate documentation must be transmitted electronically to DRÄXLMAIER.

1.5.5. Master Samples, Norms and Customer Specifications

The supplier shall actively request master samples or product and project-specific customer requirements required to fulfill delivery commitments from and to DRÄXLMAIER.

1.5.6. Machine and Process Capability

The supplier shall evaluate the machine and process capability in compliance with the latest versions of (i) the VDA volume 4 and (ii) the AIAG along with statistical process control (SPC).

For specification of the capability index, the measurement readings must be checked systematically for normal distribution. In the event of deviations from the specified normal distribution, the results must be analyzed and corrective measures must be taken. In the case of non-normally distributed characteristics, the appropriate distribution model must be determined and the analysis must be made accordingly.

The following limits apply for special characteristics (SC):

- Machine capability / short-term capability
  „c_{mk}“ > 1,67
- Provisional process capability
  „c_{pk}“/„ p_{pk}“ > 1,67
- Long-term capability
  „c_{pk}“/„ p_{pk}“ > 1,33

The following limits apply for safety-related and legally relevant characteristics (e.g. CC):

- Machine capability/ short-term capability
  „c_{mk}“ > 2,00
- Provisional process capability
  „c_{pk}“/„ p_{pk}“ > 2,00
- Long-term capability
  „c_{pk}“/„ p_{pk}“ > 1,67

The supplier shall comply with any higher (stricter) limit values required for a specific project.

The designations **c_{pk}** / **p_{pk}** must be applied analogously to the process behavior according to AIAG for stable/ unstable processes.

In view of the suitability of the manufacturing process, all the function and safety-related characteristics must be extensively analyzed, verified and documented

Sample size analogously to VDA volume 4:

- **Machine capability / short-term capability**
  At least 50 parts produced in uninterrupted sequence. The sample size can be reduced analogously to VDA volume 4 with simultaneous increase of the minimum value (P_A=99%) as coordinated with the responsible contact person for Supplier Quality.
- **Provisional process capability**
  At least 125 units to be examined; taken in individual samples (usual sample size = 3-5 units);
- **Long-term capability**
  Statistical evaluation of serial tests /control charts (usually > several days of production)

Sample size for attributive characteristics: at least 300 parts

If a capability value is not achieved, the supplier shall validate its deliveries with suitable test methods, which must be coordinated with the DRÄXLMAIER Quality Department.

For series production, the supplier must submit documented proof of the required capability value for special safety-related, legally and regulatory relevant as well as functionally relevant and requirement-related characteristics. For that purpose, the supplier must apply a suitable process, e.g. statistical process control. If it fails to achieve a capability value, the supplier must improve the manufacturing process until the required capability values is achieved to ensure error-free delivery of the products. 100% testing must be performed until process capability is achieved.

The following requirements apply for test measurements (e.g. CD, oblong; balloon dimensions):

The test measurements must be included in the test plan/ control plan and verified in the serial tests. The supplier is responsible for the definition of the necessity of process verification
Test measurement marked with „*“ are equivalent to a special characteristic [SC].

1.6. Changes

DRÄXLMAIER must be informed of changes to products, processes, manufacturing processes, change of sub-suppliers/sub-contractors, relocation of production facilities and changes to the quality management system in writing within a reasonable period, however at least 3 months in advance. The supplier must ensure that its sub-suppliers /sub-contractors also meet these deadlines. Change requests to implement changes must be sent to DRÄXLMAIER in a timely manner.

The supplier must not start to implement the requested changes until written approval is received from DRÄXLMAIER. The time of application of the implemented change and the scope of the sample have to be agreed to by DRÄXLMAIER. Any costs connected with the change must be borne by the supplier.

1.7. Documentation

1.7.1.General Information

The supplier shall properly organize the documentation of its quality management system, including quality assurance measures and shall make them available to DRÄXLMAIER at any time upon request. The supplier must implement the documentation requirements of the quality management system according to VDA volume 1, the AIAG specifications and the IATF16949, unless specified otherwise.

The supplier must send all the documents required for the approval, operation, maintenance and repair as well as the documentation for the manufacture of samples (e.g. dimensional test reports, material reports and functional tests) to DRÄXLMAIER automatically and free of charge.
The supplier will provide an inspection certificate for „Documents with special archiving“ upon request (also refer to 4.6).

The supplier agrees to grant DRÄXLMAIER access to all the samples, test results and appropriate documents.

1.7.2. Archiving Period

Documents with special archiving must be stored according to the classification system of the currently effective standard of VDA volume 1, unless a longer archiving period is agreed on for a specific project.

2. Product Safety

The supplier shall implement a product safety process in accordance with the requirements of the VDA volume ‘”Product Integrity” and the IATF 16949. The supplier shall ensure all that is organizationally and technically possible in order to ensure product safety, particularly to avoid risks from product liability.

The supplier shall furthermore implement the function of its own Product Safety and Conformity Representative (PSCR (formerly called PSB)).

The supplier shall ensure these requirements along the entire supply chain.

The supplier’s contact person for the Product Safety and Conformity Representative (PSCR) must be maintained in the Supplier Portal at https://www.draexlmaier.com/supplier-portal/ . The supplier shall keep this up-to-date.

The supplier shall produce training documents, Product Safety and Conformity Representative (PSCR) upon request.

3. Production Process and Product Approval (PPA)/Production Part Approval Process

3.1. General Information

The assessment of the production processes and the initial sample inspection form the basis for series release of the products to be supplied. The sufficiency of the sampling documents, including an accepted IMDS entry and a DUNS number of the supplier's production site, are required for assessment of the provided sampling verification.

3.2. Other Samples

The DRÄXLMAIER Quality Departments must be provided free of charge with at least 5 measured samples for each prototype stage (verified using a suitable gauge, if applicable) with a parts history and product evaluation, unless specified otherwise.

3.3. Samples for the PPA (Initial Samples)

„**Initial samples**" for "PPA" and "PPAP" production process and product releases refer to products and product parts, which were made with series production equipment under series manufacturing conditions only and were tested with regard to all the necessary, stipulated characteristics. Initial samples must be provided by the supplier at its own cost for the testing and release of new products, unless specified otherwise.

The supplier shall perform and complete the PPF/PPAP process in accordance with regulations and on a timely basis before the first series delivery. The supplier must agree on the schedule with DRÄXLMAIER's Quality Department.

All the documents that refer to the initial samples and the PPF/PPAP report, including all the cover sheets of all the supplier's subcontractors and sub-suppliers must be uploaded on the sampling portal under http://www.draexlmaier.com/supplier-portal.html or https://drx-portal.draexlmaier.com/irj/portal/collworklist. The supplier agrees to use the portal.

The production process release is an integral part of the process described above and must be verifiably carried out by the supplier. The Quality Department of DRÄXLMAIER can take part in the release or perform it instead of the Supplier on supplier's expense.

Irrespective of the PPF/PPAP process, the supplier is always required to perform, document and archive an internal PPF/PPAP process in the cases described in the VDA volume 2 and PPAP.

The scope of submission of the PPF/PPAP will be agreed on between the parties. The minimum requirements of the latest versions of VDA volume 2 or the PPAP guidelines level 3 shall apply, unless specified otherwise. DRÄXLMAIER can request further documents at a later time.

Five (5) parts according to VDA volume 2 and six (6) parts according to PPAP must be sampled for each material number per cavity for the sampling inspection, unless specified otherwise.

In the event that non-conformities are detected in the initial samples, the supplier shall determine the causes, take suitable corrective action and communicate this to DRÄXLMAIER.
Incomplete, rejected samples or samples approved only with limitation will be given a negative assessment by DRÄXLMAIER in the supplier evaluation. The supplier shall bear and refund the additional costs occurred in this connection, particularly costs due to not met schedules, reworks, special releases at the plants of DRÄXLMAIER's customers and/or quality requirements (including stipulated delivery dates, delivery periods and delivery sequences).

The delivered products, product parts, materials and material groups must be entered into DRÄXLMAIER's International Material Data System (IMDS) by the supplier as part of the PPF/PPAP. The appropriate material data sheet identification number must be entered in the PPF/PPAP cover sheet. The IMDS guidelines, as displayed at http://www.draexlmaier.com/supplier-portal.html must be adhered to.

3.4. Archiving the Initial Samples

The initial samples and the sampling inspection documents must be archived by the supplier. The initial samples must be archived in accordance with VDA volume 1 specifications and provided upon request.

4. Manufacturing under Series Conditions

4.1. Feasibility studies and evaluation

The supplier shall conduct a feasibility study before they submit an offer. For that purpose, the supplier will independently procure the necessary norms and guidelines (particularly DIN, EN, ISO and VDA) and customer requirements referred to in the RFQ. The supplier must check all the technical requirements and documents (e.g. drawings, part specifications, 3D data, requirement specification, quality requirements, etc.) related to the feasibility of manufacturing, while considering their own production equipment and capacities. In the event of discrepancies between the technical requirements and the documents, the supplier must clarify these issues with DRÄXLMAIER without delay.

The feasibility study must be submitted along with the offer and is a prerequisite for award of the business. The feasibility study will be made with the „Template for a technical feasibility study", which is available in the DRÄXLMAIER Supplier Portal at: http://www.draexlmaier.com/supplier-portal.html.
On that basis, the supplier will be invited if necessary to a "Tech Day" by DRÄXLMAIER in which it will present the relevant processes, products, services, production equipment, tools and test equipment planned for the scope of the offer.
All the sub-suppliers and sub-contractors planned for products and processes also have to be included in the feasibility analysis and documented in the template for a technical feasibility analysis.

4.2. Suppliers with Development Responsibility

The supplier is wholly responsible for development, implementation, fulfillment and for providing proof of confirmation of the requirements described in the requirement specification. The supplier is responsible for and will carry out development, assembly studies, tests, validation and an increase of the maturity level to series production of the assembly groups described in the requirement specification.
The development target described in the requirement specification must be coordinated and clarified by the development supplier with all the responsible departments at DRÄXLMAIER.

4.3. Personnel

The personnel required for the scope of production in this project must be planned in a timely manner. Planning must be done so that sufficient, suitable, trained and instructed personnel is available in every phase of the project (particularly for development, series and after sales). Employees must be trained in the conditions of the workplace and the activity to be performed, appropriate training certificates must be kept and provided upon request.

4.4. Run@Rate

The supplier shall carry out an (internal) Run@Rate under series conditions as a verification of the required output and quality capability of the process. It must be verified by using the Run@Rate document, which is available in the DRÄXLMAIER Supplier Portal: http://www.draexlmaier.com/supplier-portal.html. After a successful Run@Rate has been carried out by the supplier, DRÄXLMAIER reserves the right to perform an external Run@Rate at the supplier's plant in order to verify the performance and quality capability of the process. In the event of an unsuccessful Run@Rate, the supplier must bear the additional costs to repeat the Run@Rate.

4.5. Series Production

The supplier shall take and implement action to ensure reliable series production (e.g. additional tests and increased testing frequency) for a defined period of time, however for at least 90 days. This action must be communicated to the responsible Quality staff at DRÄXLMAIER in the course of process planning. DRÄXLMAIER may request the presence of a supplier representative at its production plants if disruptions occur in series production due to the supplier's delivery scope or products. This representative must be adequately authorized by the suppliers. The supplier shall bear the associated costs.

4.6. Inspection Certificates

The supplier shall produce an inspection certificate for each delivery of safety-related products, products individually manufactured for DRÄXLMAIER and products from the following categories (raw materials, airbag nets, adhesives, airbag screws/metal sheets/modules, foams, padding, leather, PVC rolled goods and other rolled goods. The supplier shall bear the associated costs.

Inspection certificates must correspond to the requirements of the latest versions of DIN EN 10204 or DIN EN ISO/IEC 17050 (part 1 and 2). Each test must be documented by the supplier and archived according to item 1.7.2 Archiving Period.

The supplier must compile the test records of a production and/or batch of the appropriate series supply and confirm them with an inspection certificate. Inspection certificates must be sent by e-mail to inspection.certificate@draexlmaier.com.

4.7. Requalification

The supplier shall carry out annual requalification for all the supplied products in accordance with the specifications of DRÄXLMAIER and according to the requirements of the IATF 16949 at their own cost.

The supplier must complete the first requalification by no later than 12 months after initial sampling approval or after the start of production of the relevant product. The consequently following requalification must be completed by the supplier within twelve (12) months of the most recent requalification. The results and associated test reports, test protocols and lab reports must be documented and archived according to Item 1.7.2. Archiving Period. The annual requalification must be confirmed by the supplier in the Supplier Portal of the DRÄXLMAIER Group: http://www.draexlmaier.com/supplier-portal.html.
In the event of negative test results, the DRÄXLMAIER Quality Department must be informed without delay, immediate action must be taken and a risk assessment must be completed by the supplier and communicated to the Quality Department of DRÄXLMAIER. A defect analysis must be made and the corrective measures derived from that must be implemented on a sustainable basis and checked for effectiveness. Costs arising therefrom will be charged to the supplier.

The supplier shall provide detailed documents and proof of successful completion of all the requalification tests upon request within 24 hours. The Quality Department of DRÄXLMAIER reserves the right to review the supplier's requalification (planning, results and their documentation) in a VDA 6.3 audit or in an on-site visit.

The supplier shall plan and clearly mark the scope of the requalification of the products and processes in their control plan.
„Product families" may be formed after consultation with the DRÄXLMAIER Quality Department.

4.8. Test Equipment / Production Equipment

The supplier shall ensure that all the required test equipment is suited for each measurement purpose, is available at all times, is constantly monitored, calibrated and clearly marked and is kept in good condition. In doing so, the supplier shall apply VDA volume 5 or the MSA procedure (AIAG) according to the specifications of DRÄXLMAIER in order to fulfill the IATF requirements.

Test equipment / production equipment put at the disposal of DRÄXLMAIER's supplier or the customer must be stored free of charge with care and only used for deliveries to DRÄXLMAIER. Instructions by the DRÄXLMAIER Quality Department must be complied with and the test equipment must be incorporated

into the supplier's quality management system. The supplier is moreover required to fulfill any requirements that are indicated.

5. Complaint Management

If quality or logistics deviations relating to products, processes or services, particularly defective products, defective services, delayed deliveries, under-deliveries, failure to delivery and transport damage are detected by DRÄXLMAIER, by the customers of DRÄXLMAIER or by the supplier (self-disclosure), a fee-based complaint will be opened against the supplier.

5.1. General Complaint Process

The supplier shall appropriately process the initiated complaint according to at least the basic requirements of the latest version of VDA Volume 8D "Problem Solving in 8 Disciplines" in order to avoid further damage and a repetition of the deviation that has occurred. In that context, the supplier shall take immediate corrective action to ensure permanent elimination of the deviation and its cause. DRÄXLMAIER furthermore reserves the right to lay down special requirements to process the complaint. In the event that field failures are incurred by DRÄXLMAIER's customer, the steps according to the jointly agreed analysis concept, the latest version of VDA volume " Field Failure Analysis" and the DRÄXLMAIER GS10000 must be taken.

The supplier shall ensure the fastest possible reaction by, among other things, being available, providing personnel, and if necessary, carrying out exchange, sorting or rework actions. In special cases (e.g. for JIS/JIT deliveries), for which the supplier is not able to take the fastest possible appropriate action, DRÄXLMAIER reserves the right to take or organize the necessary action itself and to charge the additional cost (e.g. ad hoc sorting) of minimizing the damage.

DRÄXLMAIER is entitled to charge the supplier with the costs and follow-up costs of field/0km complaints and invoices by DRÄXLMAIER's customers.

Sorting/rework activities that have occurred as part of a complaint must be organized and implemented by the supplier without delay. The supplier shall be responsible for communicating the appropriate inspection/rework instructions per agreement with the DRÄXLMAIER complaints processor and any assigned sorting/rework company. If necessary, a local sorting/rework company may be recommended by DRÄXLMAIER. If the supplier is not able to organize a sorting / rework company within the required time, DRÄXLMAIER reserves the right to undertake the organization and charge the supplier with the costs for this.

Any potentially necessary substitute deliveries shall be coordinated with the DRÄXLMAIER complaint coordinator ; compare and refer to call-off situation(particularly quantity and time). If coordination like that does not take place, the supplier shall always use the transport method with the shortest delivery time period. The substitute delivery shall be organized at the expense of the supplier and by the supplier. In the event of a delayed substitute delivery, DRÄXLMAIER is entitled to claim all the costs, expenses and damages caused thereby without setting any further grace periods. That particularly includes costs of loss of production by DRÄXLMAIER and its customers as well as the cost of special transports.

OK goods must be marked temporarily after emergency and corrective action is taken (cleanpoint). The type of marking on components, the load carrier and/or the packaging and the shipping documents must be agreed on with DRÄXLMAIER beforehand.
DRÄXLMAIER reserves the right to charge the supplier for the confirmation of the effectiveness of the action by extended incoming inspection action by external service providers or its own employees.

5.2. Special Action for Repeated Defects, Controlled Shipping Level (CSL)

In the event of sustained poor delivery performance (e.g. repeat defects (see VDA volume Quality Management in the Automotive Industry "Standardized Process for Handling Customer Complaints"), similar defects in product groups, etc.), enhanced requirements may be made to the supplier for the inspection of goods in terms of the Controlled Shipping Level 1/Level 2 for products and product groups.

The supplier shall comply with the following list of rules for the Controlled Shipping Level (CSL):

"**Controlled Shipping**" is a requirement that obligates suppliers to implement a redundant inspection procedure to detect a particular error pattern, while at the same time to implement a process to eliminate the basic causes. The redundant examination is also made in addition to the normal checks.

The DRÄXLMAIER Quality Department or a third party assigned by it is authorized to make the tests (e.g. audits) for effectiveness on site. Exit criteria are specified for the appropriate Controlled Shipping Level.

There are two Controlled Shipping Levels:

a) Controlled Shipping - Level 1:
The supplier's staff performs additional inspections/ procedures at its own cost in order to prevent DRÄXLMAIER from receiving non-conforming products/ materials.

b) Controlled Shipping - Level 2:
This level contains the same processes as Controlled Shipping Level 1, except that here the additional inspection procedure is carried out by a third party that complies with the interests of DRÄXLMAIER with regards to special sorting actions. This third party shall be chosen by the supplier, approved by the DRÄXLMAIER Quality Department and paid by the supplier.

5.3. 8D Report Requirements

The 8D report must comply with at least the basic requirements stipulated in the latest version of VDA Volume "8D – Problem Solving in 8 Disciplines"".

Complaint-specific methods and requirements by DRÄXLMAIER's customers and by DRÄXLMAIER must be complied with.

Communication between the supplier and DRÄXLMAIER shall be in English, following consultation also in German or in two languages (e.g. national language and English).

The supplier shall check the FMEA (Failure Mode and Effect Analysis) and the CP (Control Plan) as well as the appropriate work instructions and will adapt them if necessary. Appropriate verifications must be documented and submitted to the DRÄXLMAIER complaints processor upon request.

5.4. Deadlines for Complaint Processing

Complaints must be processed within 10 working days and the following applies to every single 8D report:

- Processing D1 - D3, (D1 problem-solving team, D2 problem description, D3 immediate action) within 24h (1 working day)

- Processing D4 - D8, (D4 root cause analysis, D5 selection and verification of the corrective action, D6 execution and validation of the corrective action, D7 prevent error from being repeated, D8 completion and acknowledgement of team success) within 10 working days.

The relevant corrective action must be implemented and documented within two (2) weeks for mid-term action and six (6) weeks for long-term action. In order to complete a complaint, the effectiveness of the corrective action must be confirmed and documented. A photo of the reference sample with full labeling must be attached to the test report upon request by DRÄXLMAIER.

Periods for processing of field complaints are given in the DRÄXLMAIER Group Standard GS10000.

The afore-mentioned periods shall begin upon receipt of the complaint by the supplier. DRÄXLMAIER furthermore reserves the right to demand shorter specifications for time-critical complaints in the complaints notification.

Exceeding the deadlines shall not exempt the supplier from compiling and sending an 8D report.
Both parties can agree on a different deadline in advance on a case-by-case basis. In that case, acceptable justification must be provided.

In the event that defective parts are not collected or if shipment is not requested within 10 working days, DRÄXLMAIER shall reserve the right to scrap the parts subject to charge.

5.5. Complaint costs

The supplier shall refund all damages, costs and expenses incurred by DRÄXLMAIER in connection with a deviation and a resulting complaint. At the same time, DRÄXLMAIER is entitled to charge for damages, costs and expenses in accordance with the Cost Impact Policy “Cost Compensation Directive for Direct material and Services of the Companies of the DRÄXLMAIER GROUP”. The latest applicable version can be viewed at http://www.draexlmaier.com/supplier-portal.html. Contractual and legal claims and rights shall remain unaffected by the Cost Impact Policy “Cost Compensation Directive for Direct material and Services of the Companies of the DRÄXLMAIER GROUP”.

5.6. Ruling on PPM Relevant Quantity

The payment form of the ppm calculation in the DRÄXLMAIER Group is given in the table below.

Pre-series parts are not included in the ppm evaluation.

The payment form of series parts shall be carried out as follows. A part is considered released for series production as soon as the green sampling status is reached, however not later than 90 days after SOP.

General information	PPM relevant quantity
In all cases, regardless of whether parts were replaced or reworked	Number of detected NOK parts
Self-disclosure, Material no. not installed yet	1
Depending on material groups	**PPM relevant quantity**
Applies to the following material groups: Bulk material (e.g. granulates) Rolls (e.g. buffers, wrapping tapes) Piece goods (e.g. wires) Barrels (e.g. adhesives)	1 (per packaging unit)
Depending on complaints class	**PPM relevant quantity**
Logistics complaints e.g. wrong delivery, label errors, packaging, quantity variances	0

The ppm-related quantity will be calculated after completion of all the sorting and rework actions at the plants of DRÄXLMAIER and its customers.

6. Special Feature in case of Field Failures and Series Defects

The supplier is basically required to comply with the provisions of the VDA Volume (Defective Part Analysis Field), the appropriate customer specifications on field failures – insofar as they go beyond the provision of the VDA Volume (Field Failure Analysis) and the DRÄXLMAIER Group Standard “Field Failure Analysis & Audit Standard [VDA]”. The currently effective DRÄLXMAIER Group Standard “Defective Part Analysis Field & Audit Standard [VDA]” can be seen at https://www.draexlmaier.com/supplier-portal/.

7. Escalation Program

The latest version of the DRÄXLMAIER Escalation Program is applied. It can be found in the Supplier Portal at: https://www.draexlmaier.com/supplier-portal/ .

8. Other Rights and Legal Remedies

The other rights and legal remedies of DRÄXLMAIER shall remain unaffected this these quality requirements.

9. Standards

The following latest versions of the list of standards must be complied with by the supplier:

DIN EN ISO 9001
IATF 16949
Effective volumes of the German Association of the Automotive Industry (VDA)
Publications by the Automotive Industry Action Group (AIAG): including

- Advanced Product Quality Planning (APQP)
- Failure Mode and Effects Analysis (FMEA)
- Production Part Approval Process (PPAP)
- Measurement System Analysis (MSA)
- Statistical Process Control (SPC)

Publications by the Evaluation Aptitude Quality Fournisseur (EAQF) and the Association of Quality System Evaluators (AVSQ)
EU End-of-life Vehicle Directive, (2000/53/EG, 2002/525/EG,2005/63/EG)
Reach Chemicals Regulation. EG no. 1907/2006
DIN EN ISO 17025
Further crucial requirements are listed at http://www.draexlmaier.com/supplier-portal.html.