Between

**Companies of the KRAH Group**
Represented by
**KRAH Elektrotechnische Fabrik GmbH & Co. KG**
**Märkische Straße 4**
**57489 Drolshagen**

**- hereinafter referred to as: - KRAH -**

and

**Supplier Name**
**Supplier Address**
**Supplier Location**

**- hereinafter referred to as: - Supplier -**

**Preamble**

KRAH aims to establish a qualitative and long-term business partnership with its suppliers. The purpose of this agreement is to define the technical and organizational requirements between the parties to ensure product development and product quality, as well as continuous quality improvement, while complying with relevant environmental requirements. This agreement applies to all companies within the group.

**I. Scope**

The following provisions apply to deliveries and services from the Supplier to the KRAH Group. If additional product-specific agreements are required, these shall be documented. Such agreements also form part of the contract between KRAH and the Supplier and apply in addition to the respective supply contracts. The Supplier shall oblige its subcontractors to comply with the rights and obligations assumed under this agreement. This agreement may be inspected by KRAH upon request. The parties agree that any breach of the obligations under this agreement, after an unsuccessful warning, entitles KRAH to terminate the underlying supply contracts extraordinarily and without notice.

**II. Quality Objective**

Customer satisfaction is the highest priority of all quality assurance activities. All deliveries and services to KRAH and/or its customers must comply with the agreed and statutory requirements. The Supplier and its subcontractors are committed to the zero-defect target. The Supplier shall continuously optimize its performance accordingly. This objective is pursued through consistent quality planning and series monitoring, focusing on error prevention and continuous improvement, as well as resource conservation and the principle of sustainability.

**III. Quality Management**

The Supplier undertakes to permanently apply an appropriate Quality Management (QM) system in accordance with the requirements of the automotive industry, evidenced by a valid certificate according to IATF 16949 in its current version. If the Supplier does not maintain a certified management system according to IATF 16949, the Supplier commits to further develop its system accordingly. If, due to the nature of its business activities, the Supplier cannot obtain certification according to IATF 16949, the Supplier is obliged to maintain a certified management system according to DIN EN ISO 9001. As proof of the respective management systems of the Supplier and its subcontractors, the Supplier shall provide copies of the currently valid certificates without being requested to do so. The certificates must originate from accredited certification bodies. The Supplier shall immediately inform KRAH of the withdrawal of its certificates or the withdrawal of certificates of its subcontractors.

**IV. Representative / Contact person**

The Supplier shall appoint a representative (PSCR – Product Safety and Conformity Representative) who is responsible for coordinating the implementation of this agreement and thereby making or initiating decisions. This person shall always serve as the contact for KRAH.

Appointed representative:

Deputy:

Any change of the appointed representative must be communicated to KRAH in writing without being requested.

**V. Sub-Supplier Management**

The Supplier is responsible for ensuring the quality of raw materials used for KRAH and of individual parts purchased for KRAH. This also includes subcontracted processing such as heat treatment, surface finishing (e.g., galvanizing, painting, drilling, milling, turning, etc.). The Supplier shall ensure that its sub-suppliers implement appropriate quality control measures so that the quality of products delivered to KRAH meets contractual and legal requirements. The Supplier shall ensure that its sub-suppliers establish and maintain at least a quality management system in accordance with DIN EN ISO 9001.

**VI. Environmental Management**

The statutory requirements and limit values must be met as minimum requirements for all processes and services to be provided. Test results, if required by law, shall be made available to KRAH. For all processes and services provided by the Supplier's sub-suppliers, the test results must be made accessible to KRAH upon request. The medium-term goal for the Supplier should be the implementation of an environmental management system, evidenced by a certificate according to DIN EN ISO 14001.

Regarding the End-of-Life Vehicle Directive 2000/53/EC and, if applicable, the Waste Electrical and Electronic Equipment Directive 2002/96/EC, the Supplier shall provide all necessary data. Material data related to the End-of-Life Vehicle Directive shall be made available to KRAH via the International Material Data System (IMDS). The Supplier shall comply with the standards of the REACH and RoHS regulations. For substances of very high concern (SVHC category), an authorization for their use may need to be applied for. These standards must be adhered to by the Supplier.

Furthermore, it must be ensured that the requirements for the use of "responsible minerals" according to EICC (Dodd-Frank Act) are met. Violations of these regulations are considered a material breach of contract. The Supplier shall implement a concept for resource conservation and sustainability in its processes.

**VII. Information Security and Compliance**

The Supplier undertakes to implement and maintain an information security management system in accordance with VDA-ISA/TISAX® or DIN EN ISO 27001. Specific requirements regarding prototype protection and data classification shall be contractually agreed. Security incidents related to KRAH data must be reported in writing within 24 hours (email: compliance@krah-gruppe.de). KRAH and its customers are entitled to conduct appropriate audits.

**VIII. Audits**

In the event of quality issues or as part of process optimization, KRAH is entitled, after prior coordination, to conduct a system, product, or process audit in accordance with VDA Volume 6.3 through its employees. These audits must be announced with reasonable notice.

If quality problems arise that are caused by sub-suppliers, the Supplier shall enable KRAH to audit the sub-supplier as needed in the form of a system, product, or process audit.

The Supplier shall conduct annual self-audits in the form of a VDA 6.3 process audit on the products commissioned by KRAH. The results of these self-audits must be sent to KRAH upon request.

**IX. Advanced Quality Planning**

The principle of "error prevention instead of error detection" shall be observed by the Supplier. Systematic quality planning shall be carried out using APQP (Advanced Product Quality Planning) or VDA maturity level assurance. At least the following six aspects must be considered:

1. Manufacturability

The Supplier receives technical documentation from KRAH along with the order. The Supplier is obliged to point out any documents (such as drawings, test specifications, standards) that appear unclear, incorrect, or incomplete. KRAH will then provide corresponding written instructions or revised documents.

The Supplier shall ensure, via an internal distribution system, that all affected areas always have access to the latest version of the documents provided by KRAH. Documents that are no longer up to date must be destroyed or returned.

The Supplier shall review the deliveries and services specified in the order regarding their manufacturability. In this context, manufacturability means that the requested product can be manufactured under series production conditions, particularly with respect to requirements such as:

- Capacities / quantities
- Deadlines
- Specifications / requirement sheets
- Drawings
- Technical specifications
- Process capabilities for special characteristics: CCs with Ppk > 1.67 and SCs with Ppk > 1.33, short-term capability Cpk > 1.67

In addition to this information, the customer-specific requirements contained in the appendices must be considered. Manufacturability shall be reviewed for all new and modified parts/products and approved by KRAH.

2. Component Review (QSVP-Process)

During the component review, a common understanding between the Supplier and KRAH regarding the product/process shall be established prior to order placement, but no later than at the start of the project and documented using the “Requirements Checklist for a Product.”

3. Project Plan / Milestones

The Supplier shall prepare a project or milestone plan for the purpose of project planning and execution. The following milestones must be included in the project plan:

- Preparation of a design FMEA (if the Supplier is responsible for design)
- Preparation of a process FMEA starting from the process planning phase
- Preparation of a control or production control plan (including special characteristics, critical characteristics CCs, and significant characteristics SCs)
- Planning and provision of test equipment, including proof of test equipment capability
- Production of non-tool-dependent sample parts (if required)
- Production of first tool-dependent sample parts
- Determination of machine and process capability (for special characteristics CCs and SCs)
- Execution of initial sampling according to PPAP or VDA 2/PPF
- Execution of a capacity analysis (Run@Rate)
- Start of production and system setup
- Start and target dates, resources

The Supplier shall communicate the project status/progress and the open issues list/action plan at defined intervals to the responsible contact person at KRAH. Project risks shall be assessed by the Supplier and eliminated with suitable measures wherever possible or at least reduced to an acceptable level.

In special cases, such as complex projects or based on an end-customer requirement, the product development process may be monitored using the maturity level methodology. In this case, the VDA guideline “Maturity Level Assurance for New Parts” applies. Alternatively, APQP shall be used.

4. Inspection Planning and Test Equipment Planning

Through systematic inspection planning and test equipment planning, the Supplier shall ensure that for new and/or modified products, manufacturing processes, etc.:

- All quality-relevant characteristics are captured
- The inspection methods and frequencies applied are suitable
- The test equipment is properly designed and available in time before the start of pre-series production
- The inspection method is coordinated

The quality-relevant characteristics are included in the drawings and specifications. The definition of critical and significant product characteristics, which must be given special attention in inspection and test equipment planning, shall be carried out considering FMEA findings and in coordination with KRAH.

An inspection plan shall include the following information:

- Master data (such as manufacturer, designation, drawing number, technical revision status)
- Documentation requirements and creator/user/date
- Inspection characteristic(s) (at least all special characteristics CCs and SCs)
- Test equipment
- Inspection frequency
- Inspection method
- Type of inspection (quantitative or qualitative)
- Sample size or 100% inspection
- Corrective actions in case of detected defects and responsible persons for implementation

The definition of special characteristics is based on the VDA guideline “Product Development – Process Description of Special Characteristics (BM).”

5. Risk Analysis/FMEA

For all parts/components to be manufactured according to a specified design drawing, the Supplier shall prepare a risk analysis using FMEA. The results of the Supplier’s risk analyses may be reviewed by KRAH at any time.

KRAH’s design and planning departments will support the Supplier with questions regarding system interfaces. System FMEAs will be initiated by KRAH as needed and carried out jointly on a project-specific basis.

Risk analysis must be completed by the deadlines defined in the project plan and updated accordingly

6. Technical Cleanliness

In the case of manufacturing components sensitive to cleanliness (KRAH will indicate this in the specification as a special characteristic), the VDA guideline Volume 19 Part 2 “Technical Cleanliness in Assembly” must be observed.

**X. Quality Assessment of Design Results**

The Supplier undertakes, in the interest of error prevention and continuous quality improvement, to perform a quality assessment of the achieved design results (development concept, development samples) within the framework of design reviews. The assessment shall be carried out against the requirements specified in the requirement specification and functional specification.

If the achieved results deviate from the quality requirements in the requirement/functional specification, the Supplier shall plan and implement corrective actions. Any resulting additional costs shall be borne by the party responsible for the deviation.

**XI. Proof of Process Capability**

Regardless of the definition of additional inspection characteristics for series monitoring, the Supplier must conduct process capability studies for special characteristics. The selection and definition of the characteristics for which proof of process capability must be provided shall be completed according to the project plan, at the latest by the pre-series stage. These include at least all critical and significant characteristics:

- Preliminary process capability: Cp; Cpk > 1.67
- Long-term process capability: Pp; Ppk > 1.33 for SCs and > 1.67 for CCs

Special characteristics are marked accordingly in the drawings and/or specifications and documented in the control plan. The Supplier must demonstrate proof of process capability for the defined inspection characteristics. The process capability study shall be carried out based on VDA Volume 4 “Quality Assurance Before Series Production.”

KRAH is entitled to review the relevant documentation (control charts, SPC) as needed. If the required process capabilities are not achieved, the Supplier and/or its sub-suppliers must immediately initiate measures for process optimization and apply suitable inspection methods to ensure that the quality target can be met.

Proof of process capability is a mandatory part of the initial sample inspection.

**XII. Sampling**

The sampling of products shall demonstrate, prior to the start of series production, that the quality requirements specified in drawings and specifications have been met. Sampling shall be carried out in accordance with PPAP or VDA 2/PPF. The applicable procedure and submission level shall be agreed with the Supplier.

At least one retention sample of the last sampled and approved version must be kept by the Supplier. The retention period shall comply with the current standard. A new sampling must always be performed; re-sampling and change sampling shall be carried out according to the trigger matrix defined in VDA.

Delivery of products to KRAH (including after changes) is only permitted after sampling approval or submission of a deviation permit/special release by KRAH. The corresponding goods delivered under special release must be clearly marked with the approved special release.

**XIII. Requalification Tests**

An annual requalification must be agreed upon with KRAH and carried out 12 months after the last approval by KRAH. Otherwise, the requirements of IATF 16949 in its current version apply. The results must be provided by the Supplier free of charge. This is considered an obligation of the Supplier.

**XIV. Process Verification (Run@Rate)**

When conducting Run@Rate, all production tools and equipment intended for series production must be in use. Any deviations from this must be agreed upon in advance. The achievement of the planned performance must be demonstrated using the personnel and facilities intended for series production.

The timing and scope of the verification shall be agreed upon in advance between the Supplier and KRAH. Preparation and execution responsibility lies with the Supplier, with participation and subsequent evaluation by KRAH. Deviations shall be documented in an action plan and must be addressed by the Supplier. If necessary, the procedure must be repeated in the event of significant deficiencies.

KRAH is entitled to charge the Supplier for any personnel costs incurred for further necessary verifications (travel, expenses, accommodation, daily allowance).

**XV. Marking, Storage, and Packaging**

Regarding the marking of tools, products, parts, and packaging, the specifications agreed upon with KRAH must be observed.

1. The Supplier shall mark the goods so that the product status and inspection status are clearly identifiable at all times, from goods receipt through to goods dispatch.
2. Each load carrier with goods ready for shipment must be provided with a fully completed goods tag (VDA label).
3. Every package must be marked in such a way that batch traceability is ensured. The plain text and the content of the Data Matrix code must be coordinated with KRAH.
4. The marking of goods must remain visible during transport and storage.
5. For deliveries of non-series-conforming parts, a separate approval must be obtained.
6. The Supplier shall ensure that products are delivered in suitable transport containers approved by KRAH to prevent damage. The packaging specifications can be found in the relevant packaging data sheet.
7. If tools are manufactured and handed over to the Supplier, they must be fitted with signs provided by KRAH indicating that the tool is the property of KRAH.

**XVI. Traceability and Documentation**

The Supplier is obliged to ensure traceability that is complete in the event of a detected defect. For the creation and retention of documents, the recommendations of VDA (Volume 1 “Documentation and Archiving” and “Evidence Management”) in their current version must be observed.

Documents requiring special archiving, particularly those concerning special characteristics classified as CCs, must be archived for 30 years; other documents must be archived for at least 10 years. These archiving obligations also apply after the end of the contract.

In the event of a claim by third parties, the Supplier shall grant KRAH access to the relevant quality documentation for the purpose of defending claims and, where necessary for providing exculpatory evidence, make such documentation temporarily available.

**XVII. Production/Series Monitoring**

The Supplier is obliged to fully carry out the inspections listed in the control plan to ensure product and process quality. The control plan shall be provided to KRAH together with the sampling documents and approved by KRAH. Any changes to the control plan must be communicated to KRAH and require KRAH’s approval.

In the event of process disruptions and quality deviations, the Supplier shall analyze the causes, initiate corrective actions, and verify their effectiveness.
If recurring production problems occur that affect the quality and delivery reliability of the products to be supplied, the Supplier shall grant KRAH insight into all relevant process parameters and characteristics. Access to manufacturing processes and other trade secrets requiring confidentiality may be refused.

**XVIII. Series Delivery**

The Supplier shall ensure the supply of parts in accordance with the agreed quality and delivery conditions, in the agreed delivery quantities, and on time. To prevent disruptions and machine or tool failures, the Supplier shall maintain preventive maintenance and servicing.

To avoid interruptions in the supply chain, safety stocks of purchased parts and finished products must be maintained.

**XIX. Defective Parts**

If defective or suspect parts are identified, they must be blocked, clearly marked, and segregated. The party responsible shall bear the costs of any subsequent measures. Mixing with good parts must be prevented to ensure that only defect-free contractual items are delivered.
The Supplier is only permitted to deliver parts that deviate from the specification or drawing requirements if an approved deviation permit from KRAH is available. This permit must be affixed to the outside of the shipping packaging.

**XX. Incoming Inspection and Defect Notification**

1. Waiver of Inspection Obligation pursuant to § 377 HGB
   The parties expressly agree that KRAH is exempt from the statutory inspection obligation under § 377 HGB. An immediate inspection of the delivered goods upon receipt is not required.
2. Waiver of Objection to late defect notification
   The Supplier waives the objection that a defect notification was made late. Defects may be reported by KRAH at any time after their discovery without this leading to an exclusion of warranty claims.
3. Legal Consequences
   The agreed exemption from the inspection obligation and the waiver of the objection to late defect notification apply regardless of the type and scope of the defect. All statutory warranty rights of KRAH remain unaffected.

**XXI. Complaints**

The supplier shall respond immediately to complaints regarding defective deliveries or services. The supplier shall provide a report in accordance with VDA guideline "8D – Problem Solving in 8 Disciplines." The following response times must be observed; failure to comply shall be deemed a breach of contract and may result in liability for damages:

- Problem description, including fault delimitation and risk assessment, as well as initiation of immediate actions to prevent further defective products at KRAH (feedback within 24 hours).
- Root cause analysis for the occurrence and non-detection of the problem, and definition of corrective actions (within 5 working days).
- Confirmation of implementation of corrective actions and preliminary evidence of the effectiveness of the measures taken (within 10 working days).
- Confirmation of the effectiveness of corrective actions (within 20 working days), unless design-related.

Warranty claims arise from customer complaints and field failures attributable to a defect in the product supplied by the supplier.

**XXII. Rejection of Defective Deliveries/Services**

Before sorting out, rejecting, or reworking defective deliveries/services, the further procedure shall be coordinated between the supplier and KRAH in order to minimize potential damage as much as possible. Taking into account the assurance of production and delivery capability, appropriate measures shall be initiated:

- Return shipment and prompt replacement procurement
- Sorting by an external sorting company or by the supplier
- Reworking by an external sorting company or by the supplier
- Replacement by the supplier

The next three-part deliveries after the correction have been carried out must be marked in accordance with customer requirements.

**XXIII. Escalation Process**

Depending on the nature and frequency of problems, discussions will be held at the following supplier levels (escalation process):

- **Level 0:** Operational staff level
- **Level I:** Department management
- **Level II:** Group Quality and Purchasing Management
- **Level III:** Executive Management

If the measures defined at each level do not achieve sufficient success, the discussion will proceed to the next higher level.

**XXIV. Changes**

The supplier shall inform KRAH (e.g., via PCN) of any changes (e.g., process, material, location, or sub-suppliers; see also VDA 2 / PPF trigger criteria for sampling) at least 6 months prior to implementation, so that KRAH can review their significance and relevance to the end customer. Approvals for changes must be handled in accordance with the sampling requirements (PPAP, VDA 2 / PPF) and therefore also include validation of the change prior to approval.

Part life cycles must be maintained from the start of prototype production until the end of series production. Part life cycles include all internally and externally initiated product and process changes as well as details such as part name, part number, drawing or build level revision, description of change, prototype delivery date, series delivery date, and sampling status. Upon request, the part life cycle must be made available to KRAH.
No change shall be implemented without prior approval by KRAH.

**XXV. Confidentiality**

Both parties undertake to keep confidential any information and knowledge obtained from the other party—regardless of how it was acquired—and not to make it accessible to third parties without the prior written consent of the other party, nor to use it for any purpose other than that for which it was provided.
The obligation of confidentiality shall also apply after termination of the contract for a period of at least five (5) years.
Furthermore, both parties agree to process personal data in compliance with the General Data Protection Regulation (GDPR).

**XXVI. Requirement for Written Form**

Any amendments or additions to this agreement must be made in writing to be valid. This also applies to any waiver of the requirement for written form.

**XXVII. Validity and Term**

This agreement shall enter into force on the date of signature by both the supplier and KRAH. It is valid for an indefinite period and may be terminated by either the supplier or KRAH with six (6) months' notice in writing by registered letter. Termination must comply with the written form requirement pursuant to §126 BGB.

The right to extraordinary termination remains unaffected. Termination of this agreement does not affect the validity of ongoing supply contracts until they have been fully executed.

**XXVIII. Emergency Strategies**

The supplier is obliged to develop and, if necessary, implement emergency strategies or contingency plans to ensure the delivery of the agreed parts and their quality. An annual review and update of these plans is mandatory. These plans must be made available to KRAH for inspection upon request.

**XXIX. Force-Majeure**

Neither party shall be liable for non-performance or delayed performance of its contractual obligations insofar as such non-performance is due to events of force majeure. Force majeure includes, in particular, natural disasters, war, terrorist attacks, official orders, strikes, pandemics, epidemics, fire, floods, or other unforeseeable, unavoidable events beyond the control of the parties.

The affected party must notify the other party in writing without delay of the occurrence and the expected duration of the event. During the period of force majeure, the mutual obligations to perform shall be suspended. If the event lasts longer than **90 days**, both parties shall be entitled to terminate the contract for good cause in writing.

**XXX. Final Provisions, Law, Jurisdiction**

This Quality Assurance Agreement represents the minimum requirements and takes precedence over any conflicting provisions of the Supplier. The Supplier's general terms and conditions are excluded. In the event of contradictions, the following order of precedence shall apply:

individual call-off/order → product-specific agreements → framework agreement → Quality Assurance Agreement.

Should any provisions of this agreement be invalid or unenforceable, or become invalid or unenforceable after the conclusion of the agreement, the validity of the remaining provisions shall not be affected. In place of the invalid or unenforceable provision, a valid and enforceable provision shall apply that most closely reflects the economic intent pursued by the parties with the invalid or unenforceable provision. The foregoing provisions shall apply accordingly in the event that the agreement proves to be incomplete. Section 139 of the German Civil Code (BGB) shall not apply. For all disputes arising from or in connection with this Quality Assurance Agreement, German law (excluding the UN Convention on Contracts for the International Sale of Goods) shall apply, and the exclusive jurisdiction shall be the courts at the purchaser's registered office.

**XXXI. Applicable Documents**

The currently valid VDA volumes must generally be taken into account. Form F10-3-3 ("Requirements Checklist for a Product of the KRAH Group").

**Drolshagen,** _____

**Place,** _____

**KRAH Elektrotechnische Fabrik GmbH & Co. KG**

**Supplier**

_____

(Legally binding signature)

_____

(Legally binding signature)