

Supplier Agreement

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Agreement for selected suppliers of raw materials and purchased parts

This agreement comprises all essential quality requirements for our suppliers.

It is part of the delivery contract even if it is not explicitly mentioned in the individual contract.

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Intention

In an increasingly tough competitive climate, customers order Optibelt products if they are sure or convinced of our capacity to offer highest quality.

As our products contain a large amount of raw materials and purchased parts, the product quality is highly dependent on the quality of the supplied goods.

Optibelt has no direct influence on the quality of the supplied goods. The suppliers have to ensure the quality at their own authority and account for a sufficient quality assurance to Optibelt.

On legal grounds, Optibelt is liable for the quality and reliability of its products to customers and users in line with the Product Liability Act. For the same reason, each supplier is liable for the quality of the supplied goods as if he were the manufacturer. Therefore, each supplier has to conduct a quality assurance on own authority, in order to determine possible defects of the goods. Depending on the source of the defect, the supplier can be held liable for the resulting damage or loss.

This agreement is intended to define the requirements for the quality assurance of supplied goods. Depending on the type of supplies, furthermore, the scope and type of quality proof to the ordering party are described in accordance with the standards of DIN ISO 9001:2008 and ISO TS 16949.

Optibelt – supplier relationship

It is no longer possible to select suppliers solely due to aspects of price or delivery dates. Besides the technical, economical and logistical aspects, the quality capability of the supplier is one of the essential selection criteria.

- The supplier is completely liable for the quality of all supplies to Optibelt, no matter whether he manufactures the goods himself, processes them or acts as sub-supplier.
- The supplier guarantees compliance with all quality characteristics as well as the given specifications within the scope of the tolerance limits agreed to.
- The supplier ensures a security of supply concerning raw materials as well as purchased parts.
- Every communicating with Optibelt has to be carried out via the centralised purchasing department. From there, all inquiries will be forwarded to the competent authority, if necessary.

In order to ensure the quality of raw materials and purchased parts, Optibelt is willing to co-operatively support suppliers in solving quality-related problems and in organising quality assurance measurements.

Supplier's quality assurance system

An effective quality assurance system conforming to standards is the pre-condition for a permanent quality assurance. It furthermore minimises all risks within the scope of the Product Liability Act.

- The supplier possesses a quality assurance system conforming to standards and fitting its structure.
- As evidence for the quality management system, the supplier has to send a copy of the valid certificate to the Optibelt purchasing department without being asked.
- The supplier's quality guidelines are bindingly defined in a quality assurance manual.
- On request, the supplier provides Optibelt with a copy of the manual

Based on this system, Optibelt wants to ensure that only products conforming to the contract are continuously delivered to Optibelt. Minimum requirement is a quality system according to DIN ISO 9001:2008.

However, ISO TS 16949 is desirable. With regard to supply relationships without a proven quality management system, we reserve our right to inspect the delivery capacity of a supplier by means of an audit.

Zero-defect objective

The quality objective "zero-defect" applies to all products of suppliers, i.e. all structures and processes of the supplier's quality management have to be optimised continuously, so that deviations from the specifications are avoided systematically (zero-defect strategy).

Quality control

In general, the supplier is provided with all quality criteria of Optibelt to ensure proper workmanship, and to provide a basis for the planning of the testing equipment.

- The supplier has to carry out each quality testing within the scope of the testing plan.
- The quality testing starts with development monitoring and contract review. In particular, it regulates all receiving, in-process and final inspections prior to dispatch.
- All quality-related criteria given by Optibelt are followed and checked.
- The utilisation of sufficient and technically appropriate testing equipment is secured and documented.
- The supplier has a system for the determination of capability, periodical monitoring, maintenance, calibration and adjustment.

If required, Optibelt has to be consulted about testing facilities, equipment and methods.

Sub-suppliers

The supplier only purchases semi-finished goods exclusively from suppliers with quality capability. The supplier has to verify the quality capability of the suppliers of semi-finished goods by means of audits and/or assessments of the current delivery quality. The supplier ensures the serial production quality via an appropriate and documented quality management receiving system. An intended change of subcontractors on the part of the supplier has to be co-ordinated with Optibelt at an early stage, right after the initial sample approval.

Initial sample testing

One of the most important quality assurance methods for Optibelt is the testing of the supplier's first samples of new or modified raw materials or purchased parts manufactured under batch conditions. This supplier is obliged to the initial sample testing in order to ensure a smooth processing of new or modified parts, and, because at this stage, it is the last opportunity to detect and eliminate systematic defects.

- Initial samples are required for new parts, process modifications as well as supplies from new production facilities or manufacturing plants.
- The supplier gives proof of the initial sample testing by means of test reports.
- Initial samples are checked by specialised departments of Optibelt. After Optibelt has given the approval for the initial samples, the goods may be delivered in batch.
- The supplier conducts the samplings according to standard systems of the market.

Consideration of quality-related aspects of new products

In the course of the product development the supplier has to allow for the following quality-related actions:

- Quality management plan / control plan
- Product FMEA for own developments and constructions
- Process FMEA
- Production of sample parts / prototype parts
- Assessment and testing
- Determination of special product and process criteria
- Development of processes for batch production
- Design of tools
- Production start-up
- Logistics strategy/scheduling
- Co-ordination of the sub-suppliers
- Production process approval
- Initial sample testing

The project process planning for critical parts has to be co-ordinated with Optibelt, and the progress of the project has to be proved via progress reports.

Product FMEA, process FMEA

Suppliers commissioned with product development have to conduct a product FMEA for own designs and constructions. The supplier is obliged to provide Optibelt an insight into the FMEA documentation and, on request, to permit the participation in FMEA meetings.

Serial production delivery and testing

Optibelt strictly demands zero-defect supplies.

- The supplier is responsible to Optibelt for the performance of all duties related to the placing on the market of the goods.
- The supplier is also responsible for the inspection of the goods immediately before the delivery to Optibelt. The result of the inspection is recorded in written form. The supplier is obligated to make sure that the required quantity is on hand, to check the type and packaging of the supplied goods, and to ensure that they are free from easy detectible quality defects.
- The supplier may only provide Optibelt with specification-compatible products.
- Serial deliveries are not carried out until the approval of the sample.
- Each delivery of goods has to be labelled explicitly.
- The supplier has to ensure that the delivery of the goods is carried out in such a manner that damaging during transportation is impossible. In special cases Optibelt has to be consulted about the packaging.
- A certification about materials testing according to DIN 10204 standards (3.1 inspection certification) has to be included in delivery as agreed upon with Optibelt.
- The receiving of supplied goods does not imply the purchase and particularly not the approval of the goods with regard to their quality.
- In general, supplies are checked in order to decide whether the goods fulfil the requirements or whether they are sent back to the supplier in whole, in case defects are detected. This check is limited to random samples, though. At any rate, the application of a single standard Optibelt testing method is only sufficient concerning typical deviations in type, quantity, quality and packaging. It will not suffice for defects of title or compliance with legal regulations.
- By the way, the receipt inspection is not intended to separate defective parts from those free from defects!

Control plan/work instructions

The supplier has to develop a control plan and/or work instructions. The following contents have to be included at least:

- General information (e.g. name, drawing number, change status, originator, date)
- Process description
- Special product and process criteria
- Specification (guidelines, tolerances)
- Testing equipment, testing method
- Testing frequency, testing scope
- Type of record
- Responsibilities
- Modus operandi when defects occur

Optibelt reserves the right to check and/or co-ordinate the appropriate definition of quality-related criteria as well as the control plan.

Contingency plans

In order to minimise the impact of unexpected events (e.g. broken tools, machine failure, software loss), contingency plans have to be present at the supplier for all process steps affecting consistent quality and delivery, not later than at the start of the production process. These contingency plans need to be updated at regular intervals. On request, they have to be submitted to Optibelt.

Supplies with variations in quality

Optibelt has committed itself to the zero-defect strategy. Defects have an essential potential to learn from. That is why our supreme imperative is to analyse the defects, initiate correction and elimination measures and control their success. We expect this attitude of our suppliers, as well.

- The supplier is informed about defective supplies by the Optibelt purchasing department.
- The supplier is obliged to conduct systematic correction and elimination measures or to permanently eliminate the cause of the problem.
- The supplier has to inform the Optibelt purchasing department immediately about all related actions.

Furthermore, the following aspects have to be considered during the processing of complaints:

- When using the 8D problem solving process, the supplier has to provide Optibelt with an 8D report within 24 hours after the communication of the problem. This report has to include the following information:
 - Immediate measures to ensure the freedom from defects of subsequent deliveries
 - Competent authority and team responsible for solving the problem
 - Comprehensive description of the problem
 - Temporary correction measures in order to ensure the freedom from defects for subsequent deliveries
- In order to achieve an effective and lasting solution of the problem, the supplier has to submit the complete 8D report within ten working days after the communication of the problem. Among others, the report has to include the following additional information:
 - Evidence of the cause of the problem
 - Scheduled action plan for the permanent elimination of all problems and causes
 - Evidence of the effects of deployed correction measures
 - Preventive measures to avoid recurrence

In individual cases, different deadlines can be arranged with the responsible Optibelt purchasing department.

Modifications

Modifications in raw materials, products and/or processes are mainly quality-related as they can be ascribed to defects, alternative raw materials or optimisation.

Quality variations in raw materials usually have an impact on the processability, either positively or negatively. Therefore, it is mandatory for the supplier to inform Optibelt before any modification becomes effective, in order to previously evaluate potential effects and risks.

- Suppliers are obliged to adapt all quality values of their goods to new, proven findings by means of technical or organisational modifications.
- Optibelt has to be informed about any modification which has an impact on the characteristics of a quality criterion in sufficient time to evaluate possible effects and risks of the modification.

Parts history documentation

Starting with the first supply of parts for prototypes and pre-production series, a parts history documentation has to be established, containing the following information:

- Changes of the production conditions
- Modifications of basic materials
- Modifications of geometry
- Functional modifications
- Definition of a new quality status for each modification
- Date of the first supply of a new change status

The parts history documentation has to be sent to the responsible purchaser at Optibelt. It has to be included in the first parts supply and in each updated supply. During the prototype and pre-production phase, the parts history documentation has to be included in each parts supply.

Supplier rating

Optibelt conducts a continuous quality assessment of all serially supplied goods as a special measurement to ensure the quality of supplies. Based on this assessment, the quality capability of each supplier is evaluated.

After the goods inward inspection at Optibelt, each supply is rated with a quality index, resulting in a classification A, B or C. For the Optibelt purchasing department, this classification is an essential reference for subsequent orders.

- Supplies classified A are free from defects; the supplier is approved for further deliveries without restrictions.
- Supplies classified B have minor defects; the supplier has a limited quality capability. He is informed by the Optibelt purchasing department to upgrade his supplies to the level of quality and documentation agreed upon.
- Supplies classified C have major defects which results in a rejection of the delivery. Our due diligence as a manufacturer obliges us to avoid liability cases. If necessary, we have to stop the supply relationship with said supplier.

If applicable, Optibelt is willing to co-operatively support suppliers in solving quality-related problems and in organising quality assurance measurements.

Environmental protection

The supplier is obliged to comply with all legal regulations concerning environmental, health and work protection. Furthermore, he has to minimise the impact on humans and the environment according to ISO 14001 (UMS) by means of an organised environmental protection according to the quality assurance guideline and appropriate internal environmental protection.

Optibelt reserves the right to evaluate the level of implementation in the course of audits.

Warranty and liability

The supplier issues a warranty of 24 months for all products regarding defects resulting from improper workmanship or material defects. The warranty period begins on the date of selling the product by the recipient or a third party to end users or secondary producers.

According to legal regulations, the supplier is liable for all effects resulting from defective products, and he reimburses the recipient regarding respective claims of third parties.

The supplier confirms to have contracted a general liability insurance with sufficient coverage and obligates himself to maintain this insurance throughout the course of the contract, at least in this scale. On request, the recipient is allowed to inspect the documents at any time.

Validity

The present quality agreement has joint validity with the purchase conditions and individual agreements of each ordering company of the Arntz Optibelt Group.

Höxter, date

Place, date

Place, date

Management Board of the
Arntz Optibelt Group

Arntz Optibelt Group
(Corporation)

Supplier

Company stamp

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