

GUIDELINE ON QUALITY, ENVIRONMENT AND ENERGY

Preamble

WINKEMANN's performance is essentially based on the top quality of its products. The quality of our products is determined to a large extent by the quality of WINKEMANN's suppliers

This Guideline on Quality, Environment and Energy (QEE) is also applicable to WINKEMANN and forms the basis for the cooperation with our suppliers. It defines the quality requirements for the management system, development, production and testing of supplied parts and services and reflects the requirements of WINKEMANN's customers.

We expect that our suppliers will establish the principles of corporate responsibility, anticorruption policies, as well as the code of conduct (<https://www.winkemann.de/en/company/code-of-conduct/index.html>) and ethics escalation policies in their companies.

WINKEMANN presupposes that all its suppliers will comply with the requirements of this supplier guideline. Suppliers shall ensure that their sub-suppliers will also comply with this QEE.

This QEE is a component of the WINKEMANN terms and conditions of purchase and binding to suppliers. It is a component of the contractual agreement between WINKEMANN and its suppliers and will be applicable already at the enquiry stage prior to conclusion of a contract.

We expressly, within the framework of optimisation of environmental management systems, invite our suppliers to actively cooperate with us in the development of products, the planning of manufacturing processes and packaging and the transportation of products, with the ultimate objective of consistent reduction of the environmental impact of operations.

The supplier is advised that, after issue of the order, WINKEMANN or a partner company approved by WINKEMANN can convince itself of the scope and condition of the information security measures taken by the supplier. This is to ensure that the security level of the supplier in principle complies with the requirements of the VDA ISA catalogue or ISO/IEC 27001, unless a corresponding certificate is already available.

The supplier undertakes to inform employees and subcontractors appointed by it in writing of the data secrecy, to obligate them to data confidentiality according to the requirements of the GDPR - even beyond the end of their respective activities - and to familiarize them with these provisions of the Act.

1. Procurement and quality

Our objective is cooperation and the achievement of long-term goals jointly with our suppliers. Constantly improved cooperation in terms of supplier processes and systems will contribute to improved economic efficiency, reliable delivery and improved quality.

Fast changing and increasing demands by customers on WINKEMANN will in turn demand top flexibility by WINKEMANN suppliers, including their willingness to creatively and quickly contribute towards problem solving. Supplier goods and services shall, therefore, meet all the agreed and regulatory requirements in full. Consistent quality planning and effective control of batch production will be a prerequisite to the achievement of our zero-defect objective. The focus must here lie on error prevention. Suppliers undertake to exclusively supply products that are free from defects.

This Guideline serves to better understand pertinent WINKEMANN requirements and to enable close cooperation in their implementation.

1.1 Demands on Suppliers' Management systems

Suppliers shall undertake to develop and maintain an ISO 9001 (as amended) compliant and audited Quality Management system. Suppliers shall endeavour to develop and verify the QM system in accordance with IATF 16949 (as amended).

We assume that applicable laws will be followed and compliance with the End-of-Life Vehicle Directive 2000/53/EC. Valid certificates shall be submitted to WINKEMANN Purchasing Department without solicitation immediately after issuance of the certificates.

2. Qualification of suppliers

2.1 Selection of suppliers

Suppliers for production materials and quality-related services will be selected exclusively from the "List of approved Suppliers" and taking into account existing supplier assessments.

2.2 Approval of suppliers

New suppliers meeting the criteria below may be added to the List of approved Suppliers:

- a) certification under ISO 9001 at the least, preferably under IATF 16949
- b) positive financial information
- c) positive preliminary assessment by the Purchasing Department/Supplier development
- d) positive analysis of potential as per VDA 6.3 [*German Association of the Automotive Industry*]

Suppliers shall ensure that their sub-suppliers have established appropriate QM systems and have suitable procedures and inspection plans.

WINKEMANN shall be informed of any changes at sub-suppliers or their processes, for approval.

2.3 Supplier development

WINKEMANN is developing its supplier data base for compliance with IATF 16949 (as amended):

- a) Assessment of ISO 9001 compliance through "second-party" audits.
- b) ISO 9001 certification through "third-party" audits. Unless otherwise specified by the customer, suppliers shall prove ISO 9001 compliance via valid third-party certification carried out by a certifying company issuing certificates bearing the seal of accreditation as a member of the IAF MLA (International Accreditation Forum Multilateral Recognition Arrangements). The main field of activity of the certifying company must include the certification of management systems pursuant to ISO/IEC 17021.
- c) ISO 9001 certification and the assessment of compliance with other QM system requirements given by the customer (such as MAQMSR - Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers, or the like) through second-party audits.
- d) ISO 9001 certification and the assessment of compliance with IATF 16949 through second-party audits.
- e) IATF 16949 certification through third-party audits (valid third-party certification of suppliers by an IATF approved certifying company).

To meet WINKEMANN requirements, suppliers' Quality Management systems shall focus on prevention rather than detection of defects. The development and process know-how must for this reason be deployed to control manufacture within product specification.

WINKEMANN demands consistent further qualification of the staff of its suppliers and the deployment of systems that motivate advancement and constant improvement.

2.4 Supplier evaluation

The quality performance of suppliers will be constantly assessed and determined by way of evaluation systems. Suppliers are here classified as category A, B, C suppliers.

The following factors will be taken into account:

- quality performance (rate of complaints)
- logistical performance (on-schedule delivery)
- service performance

Critical suppliers require special supervision.

This includes suppliers who:

- were classified as B suppliers and lower after evaluation,
- are in the supplier escalation process,
- were flagged following negative deviations in terms of schedule, quantity and quality,
- are in economically difficult situations.

The submission of a plan of action for improvement of the quality will be mandatory for C suppliers. Discussions of quality may, furthermore, be scheduled with and at a supplier.

2.5 Supplier escalation procedures

The escalation procedure may be triggered by:

- classification as a C supplier following supplier evaluation
- accumulation of quality problems
- accumulation of supply problems

Standard procedure

The standard procedure comprises inspection of deliveries and, in case of deviations from specification, objection via complaints. WINKEMANN may after a complaint demand that a supplier performs special inspections of individual deliveries, e.g. 100% inspection of the next three deliveries. This demand will apply to the property objected to and the product as such.

Escalation level S1 – Intensified procedure

WINKEMANN may raise the demands for testing by a supplier should quality problems caused by him escalate. QA will in this case formally notify a supplier's Quality Department by means of a status report furnishing reasons for the classification, the new requirements and the next scheduled assessment.

A supplier will be reclassified to Level 0 should he take suitable corrective measures to avoid further complaints over a period/number of deliveries as stipulated by WINKEMANN.

Escalation level S2 - Warning

Should further quality problems arise with a supplier on escalation level S1, the escalation level will be raised to S2. QA will in this case formally notify a supplier's Quality Manager via a status report furnishing reasons for the classification, the new requirements and the next scheduled assessment. Classification on escalation level S2 may also occur in the event of particularly critical errors.

A supplier will be reclassified to Level 1 should his corrective measures avoid further complaints over a period/number of deliveries as stipulated by WINKEMANN. The procedure as described under S1 will thereafter apply.

Escalation level S3 – Blocked for new projects

Should all the action fail to clearly improve quality, the Purchasing Department will temporarily block a supplier by changing his status to *Blocked for new projects*. The Purchasing Department will in this case formally notify a supplier's Management via a status report furnishing reasons for the classification, the new requirements and the next scheduled assessment.

Classification on escalation level S3 may also occur in the event of

- lack of supplier cooperation towards taking requisite corrective measures;
- ongoing inadequate security of supply.

A check for effectiveness by WINKEMANN will be required before the *Blocked for new projects* status can be changed.

Escalation level S4 - Disqualification

Should supplier quality fail to significantly improve despite WINKEMANN support or should stipulated requirements fail to materialise, such suppliers will be permanently barred from new business and will be substituted as soon as possible.

2.6 Quality objectives

Suppliers are obligated to strive for zero defect. They shall apply suitable process parameters and use suitable plant and machinery to ensure that their goods and services will meet WINKEMANN requirements. Suppliers shall immediately inform WINKEMANN of any imminent negative deviations from the zero-defect objective or from agreed objectives, in writing.

Agreements on interim objectives shall not affect suppliers' liability for WINKEMANN claims based on damages or warranties as a result of defective goods or services they delivered.

3. Quality projection / APQP

3.1 General

Advance quality planning is the basis for the prevention of error potentials and for constant improvement. Quality planning covers all product lifecycle stages, from development to serial production. It requires an interdisciplinary team including all major departments such as Development, Production planning / Work preparation, Production, Purchasing and Quality Assurance.

WINKEMANN, therefore, expects its suppliers to perform quality planning according to VDA 4 and AIAG "APQP- Advanced Product Quality Planning specifications".

3.2 Feasibility assessment

Feasibility assessments evaluate whether a requested component can be produced as described and required in drawings and specifications under serial production conditions.

A feasibility assessment is required for every product requested by the Purchasing Department. A statement must be made whether supplier capacities will suffice for supply of the planned quantities and whether the projected deadlines can be met. Particular attention must be paid to characteristics given in drawings or order forms.

WINKEMANN expects suppliers to make proposals concerning requisite amendments or additions to drawings and specifications, which it will carefully check and implement in the context of constant improvement of product quality, process reliability and optimal economic manufacture.

This stage of advance quality planning constitutes a fixed component of quotations.

3.3 Specifications and requirements

Suppliers are obligated to compliance with all applicable statutory regulations, standards, specifications and customer-specific requirements. WINKEMANN will include standards pertaining to items when sending requests to suppliers.

Product safety and product liability are paramount in the automotive and automotive supply industry. Contractually agreed specific requirements are applicable not only to OEMs per se, but also along the entire supply chain. We, therefore, expect a **Product Safety Officer (PSO)** to be appointed as the contact person competent in the fields of product liability, with practical experience within the company and familiarity with the market. This will serve to identify specific risks of liability across the entire product development process, minimise such risks in product development and manage them throughout the development of processes.

Suppliers shall constantly check the technical data for completeness, relevance and correctness in the course of all quality planning stages. They will in cases of subsequent changes be responsible to ensure that the affected departments are familiar with all updated data and that these will be in agreement with all documentation, manufacturing and quality instructions.

Suppliers undertake:

- to procure and adhere to all statutory regulations, specifications and standards as amended (as referred to in drawings),
- to stipulate and adhere to special characteristics (BM safety, approval, functionality) according to VDA Volume “General supply chain quality management” recommendations,
- to point out missing information (e.g. specifications, standards, customer data, etc.) to WINKEMANN,
- to report discrepancies in the documentation to responsible person(s) in the WINKEMANN Purchasing Department.

3.4 Process flow diagram

The process flow diagram constitutes a graphic depiction of the flow throughout the process, from goods receipt to production and dispatch. It is complemented by brief descriptions of the individual production steps, showing the means of production, the various inspection points and the material flow. Process flow diagrams are indispensable to quality planning. They are the basis for maintenance and production control planning. These must be attached to the initial sample documentation, if required under order for such samples.

Important operations, automatic queries and testing bodies must be identified, evaluated in the course of FMEA in terms of existing risks and backed up by in-house testing included in production control plans, if applicable. Material identification and flow must be specified to ensure that wrong materials or parts cannot be processed.

3.5 Failure mode and effect analysis / FMEA

WINKEMANN expects its suppliers to perform FMEAs to assist in identifying potential product defects and assess their effect on the completed product, its users and/or associated subsequent costs of defects. The FMEA must systematically include potential risks arising from product design (system-FMEA – Product) and risks that may arise due to production, packaging and transport processes (system-FMEA – Process).

System-FMEA – Product needs to be compiled only if a supplier has agreed to accept responsibility for the development of his component. The scope and schedule for compilation of the expected system-FMEA - Product must be coordinated with the responsible WINKEMANN supplier development staff.

A system FMEA – Process or a revision is basically required for new or changed processes or processes that are verifiably disrupted and defective (e.g. following customer complaints).

The system FMEAs – Product/Process will normally produce the data for the production control plan. This may comprise both validation tests and tests supporting series production that serve to minimise identified risk potentials.

Product characteristics and process parameters identified by FMEAs as “significant” or “critical” (SC or CC) will be defined as special features in the production control plan.

VDA Volume 4 guidelines shall be followed for system-FMEA – Product/Process studies. The risk assessment and actions taken by a supplier shall on request be submitted to WINKEMANN for perusal.

3.6 Production control plan

Drawing up of a production control plan constitutes an important phase in quality planning. The production control plan describes the system on which testing of parts and processes is based. A production control plan may refer to a product group or product family manufactured using the same processes at the same location. Instructions on process monitoring and maintenance plans must also be defined and constantly applied.

A production control plan describes the actions required in each phase of manufacturing, including incoming goods inspections, process-supporting inspections and goods dispatch inspections, including all periodic inspections serving to confirm that all the processes are under control. Periodic inspections may, for instance, be functional tests, reliability and service life tests according to technical specifications and product requirements.

Production control plans must be updated over the entire service life of a product. Updates may be needed, for instance, following customer complaints or in the event of product or process modifications. Production control plans contain at least all special characteristics detailed in the drawings and specifications and derived from FMEAs, including the requisite re-qualification tests.

Production control plans shall be presented to WINKEMANN for perusal in the course of sampling.

3.7 Planning of facilities

Process flow diagrams, FMEAs and production control plans must be checked to confirm that all requirements added after previous problems have been taken into account in the development of new machinery, measuring instruments and facilities. Short-term capability must be verified before supplies by new facilities are released.

Suppliers shall draw up detailed schedules for the procurement of new or changed measuring instruments and facilities. These schedules shall regularly be checked for compliance, to ensure agreement with WINKEMANN planning. Responsible WINKEMANN Purchasing Department staff shall be notified immediately should a supplier’s schedule deviate as a result of technical changes or for other reasons. Proposals for requisite action to ensure that original due dates will be met shall be submitted in writing.

3.8 Measuring and test instruments

Suppliers will be responsible to ensure that their measuring and testing instruments (including software and programs) will be capable of satisfactory process monitoring.

Suppliers shall be solely responsible for the availability of standard measuring instruments. The production control plan must include measuring methods and instruments. These will be coordinated between WINKEMANN and suppliers, as needed. Suppliers shall install and maintain suitable monitoring systems for instruments and other facilities used for measurements and testing. To guarantee the reliability of production and dispatch of flawless parts, the capability of measuring and testing instruments (MSA, VDA 5) listed in the production control plan shall be verified.

3.9 Documentation of special characteristics

Suppliers shall ensure that full, traceable and constantly accessible documentation of test results for special characteristics will be available to ensure that specifications are met over the entire period of manufacture.

The VDA Volume 1 (as amended) requirements shall apply.

3.10 Special characteristics

WINKEMANN will define special parameters relating to characteristics critical to functionality and processes. Suppliers may define additional special characteristics. Suppliers shall perform process planning relating to all characteristics. Suppliers shall check the suitability of manufacturing facilities for characteristics that are critical in terms of functionality and processes.

3.11 Quality assurance of subcontractor components

Suppliers shall be fully responsible for quality assurance of goods and services procured from their subcontractors. Suppliers will be invoiced for negative effects on the quality of WINKEMANN products and services verifiably caused by a subcontractor.

Suppliers shall constantly ensure, monitor and assess the quality capacity of their own suppliers and subcontractors and integrate this process in their quality planning.

3.12 Quality Assurance Agreements (QAA)

Further Quality Assurance Agreements may be agreed on and concluded between suppliers and WINKEMANN to e.g.

- closely specify ensured properties and their control,
- agree on special boundary samples or similar binding rules.

A QAA may at any time be drawn up on request of either party in writing, to be concluded following agreement on the scope and period of application.

4. Initial samples

4.1 Presentation of initial samples

Initial samples will always be required prior to supply of initial series production, as per VDA Volume 2 or PPAP and in-house requirements.

Reason for initial samples

- when products are ordered for the first time (indicated in order)
- after suppliers change subcontractors
- after a delivery block
- after interruption of delivery for more than a year
- for all characteristics affected after changes of production procedures/processes
- after relocation of production facilities or deployment of new or relocated machinery and/or resources
- after use of alternative materials and constructions.

Initial samples must be produced under series production conditions.

WINKEMANN in principle demands sampling by its suppliers pursuant to VDA Volume 2 – submission level 2. In exceptional cases and subject to customer requests to WINKEMANN, sampling may be required pursuant to PPAP methods (AIAG/PPAP).

4.2 Generation of initial samples

Initial sample inspection reports, corresponding initial sample components/materials and the required documentation shall be marked “initial sample” and sent to the requesting WINKEMANN department.

4.3 Marking and delivery of initial samples

Suppliers shall clearly identify all initial samples by marking these prior to dispatch. They shall be dispatched separately from other shipments. They shall be marked on the delivery slip as “initial sample”. The quantity shall be given in the delivery slip. Shipments will be declined unless properly marked.

4.4 Evaluation and approval of initial samples via ISIR (PPAP)

WINKEMANN will, if necessary, carry out own tests (e.g. dimensions, material, functionality and/or usability) after receipt of initial samples and their inspection report. The findings of tests will be noted on the cover sheet and returned to the supplier.

One of the following decisions will be taken:

- 1.) score 1 (approval): Series production delivery may continue without restriction.
- 2.) score 3 (conditional approval): Deviations from specifications. Products may be supplied for only a certain period or in certain numbers. Scheduled new initial sampling will be required.
- 3.) score 6 (not approved): A date for new samples must immediately be agreed on between the responsible WINKEMANN department and the supplier. Deviations from specifications or requirements that were not detected during validation of the initial sample may be objected to also as detected.

The Quality Department may also grant special approval in writing prior to serial production deliveries, should approval not be possible.

4.5 Additional costs of testing new initial sampling

Should defects for which a supplier may be held responsible be detected and thus require additional WINKEMANN sampling, such costs (WINKEMANN, customer) will be for the account of that supplier.

4.6 Changes

Changes of any kind to components, production processes and locations shall be reported to WINKEMANN Purchasing Department in writing for approval. This arrangement also applies to all changes to quality assurance measures used in manufacture of the product.

Suppliers will after approval/authorisation by WINKEMANN continue the sampling process.

Should WINKEMANN not approve, then the current status and delivery will remain in force unchanged, i.e. suppliers will continue using the same processes.

5. Demands on product and process quality

5.1 Supplier's responsibility

Suppliers' systems shall after initial sampling and supplier approval ensure that WINKEMANN will be supplied exclusively with components meeting specifications and requirements, i.e. the properties of the approved initial sample. Suppliers shall be responsible for all measures deployed to meet the aforementioned requirements and shall ensure that this will be maintained over the entire term of delivery.

5.2 Process control and routine testing

Suppliers shall perform routine testing using statistical process control (SPC). Suppliers will be required to deploy quality control charts (QCC) as verification of statistical process control in all cases of special (SC and CC) controlled characteristics. WINKEMANN at all times reserves the right to inspect such documentation, as needed. Suppliers shall take regular random samples in cases of characteristics that are not subject to statistical process control. No batch shall be accepted should random sampling have found a defective component. All records shall clearly and unequivocally highlight quality control measures.

5.3 Action by suppliers in cases of defects

Suppliers shall test the quality of their products prior to delivery to WINKEMANN to ensure that no products that are defective or do not fully meet agreed specifications will be dispatched.

Both parties agree that suppliers' outgoing goods control system will ensure that WINKEMANN incoming goods inspection needs to carry out random sampling only. WINKEMANN will immediately notify a supplier of any evident defects found on delivery, in writing. Suppliers will also be informed should hidden defects be detected as components are processed.

WINKEMANN will give notice of objections based on defects in the normal course of business. Suppliers shall in this respect waive the argument of delayed objection to hidden defects (as defined by §§377 HGB [Commercial Code] in Germany).

5.4 Audits

Suppliers shall undertake to carry out regular and special audits designed to monitor, evaluate and, if necessary, improve the efficacy of quality assurance. Suppliers shall determine the rate of such audits, based on existing working procedures and systems.

WINKEMANN or its representative shall have the right to audit suppliers and subcontractors (sub-suppliers) where applicable, designed to check their QM systems. Such audits may comprise system, process or product auditing. The type and extent of an audit shall be agreed in advance. Audits by WINKEMANN shall neither release a supplier from his obligation to deliver acceptable products and materials nor shall they exclude rejection by WINKEMANN.

5.5 Requalification

Unless otherwise agreed with WINKEMANN, all products/processes shall be subject to annual requalification testing. In cases of similar WINKEMANN components/processes and subject to prior WINKEMANN agreement, requalification may take place per product group ("family")/process and may include the results of current routine testing, such as:

- cyclical release for series production
- product audits (units, modules, components, parts etc.)
- records of first and final routine tests
- SPC evaluations
- initial sampling
- incoming goods inspection

Requalification will be based on applicable customer specifications. Requalification testing will normally include:

- dimensions
- materials
- functionality

Requalification testing shall be planned and included in production control planning. The results must be documented and made available for customer evaluation purposes. The results may be documented on the initial sample test report form. The archiving period is EOP plus 15 years.

5.6 Marking of shipments

Suppliers undertake to mark products, components and packaging as agreed with WINKEMANN. They shall ensure that markings on packaged products remain legible also in transport and storage.

5.7 Products not to specification

Suppliers shall, should they after delivery become aware that their supplied products fail to meet specifications, notify WINKEMANN of this circumstance without delay, in writing.

5.8 Property of WINKEMANN

Any manufacturing and test equipment WINKEMANN may make available to suppliers, especially equipment and facilities made available in terms of the procurement of supplies, shall be marked as the property of WINKEMANN. Suppliers will be held responsible for the sound condition and proper functionality and shall carry out maintenance and repairs.

5.9 Sub-suppliers

Suppliers shall carry full responsibility for WINKEMANN products manufactured by sub-suppliers. This means that he must demand that his sub-suppliers implement consistent measures towards quality assurance, such as FMEA (see Point 3.2), process capability examinations and the deployment of statistical process control and monitor such systems. In the event of complaints, suppliers shall furthermore be obligated to bind their sub-suppliers to relevant remedial measures and to monitor the implementation.

5.10 Supplied products

Suppliers shall subject products supplied or provided by WINKEMANN for processing to suitable incoming goods quality inspection prior to processing or modification.

Characteristics that will, after suppliers have performed their tasks and final inspection, continue to impair quality and potentially lead to complaints by WINKEMANN customers shall in this respect be examined.

Findings shall be submitted to WINKEMANN in the form of a test report no later than 3 working days (depending on urgency) after receipt of the goods, in writing. Such goods must be blocked and remain untouched pending WINKEMANN decisions. This shall apply especially in the event of uncertainties or doubts regarding characteristic values or characteristics with uncertain effect. Returns or objections by suppliers to WINKEMANN shall refer exclusively to conditions as delivered.

5.11 Traceability

Suppliers undertake to ensure the traceability of their supplied products. Traceability and the extent of flawed products/batches etc. must be guaranteed when defects are detected.

5.12 Spare parts supply

Irrespective of whether a supply contract persists, suppliers undertake to supply WINKEMANN or third parties designated by WINKEMANN in sufficient quantities with goods or services for use as spare parts for a period of fifteen (15) years after termination of supply by the suppliers for the serial production of WINKEMANN or for a shorter period specified by WINKEMANN in writing. Suppliers must ensure that their subcontractors comply with the provisions contained in this clause 5.

6. Deviations and corrective measures

6.1 General

WINKEMANN expects suppliers to deliver components that will fully meet the requirements for approval. Suppliers that are uncertain about required standards should immediately contact the WINKEMANN Quality Department. WINKEMANN will also expect immediate notification should a supplier determine that deviating materials may have been delivered. Suppliers may request special approval in the event that WINKEMANN quality standards have not been met. The validity of special approvals will be limited in terms of duration and/or supplied quantity. The requisite corrective/remedial actions shall be defined and implemented within this period. WINKEMANN shall be kept informed of the progress or results.

WINKEMANN Purchasing Department shall be notified of any supply bottlenecks without delay. WINKEMANN reserves the right to charge additional costs to suppliers.

6.2 Handling of defective units

Should WINKEMANN on examination find that delivered goods deviate from drawings or specifications, then WINKEMANN shall be entitled to demand one of the following consequences:

Rejection: WINKEMANN will reject the entire delivered batch

- WINKEMANN provides the supplier with a test report for information.

The supplier shall immediately replace the delivered reject batch and provide WINKEMANN with reworked components.

Conditional acceptance:

- WINKEMANN conditionally accepts the shipment in the assumption that reworking will be possible.

Reworking at WINKEMANN:

- WINKEMANN may rework goods that cannot be returned for reasons of deadlines or cost.

WINKEMANN will in such cases explain to the supplier how to apply the relevant corrective measures and the costs chargeable to him.

The supplier will have no immediate reworking option, e.g. by substitute delivery (regulatory measure), should this threaten WINKEMANN supply to its customers. The responsible supplier departments will be notified immediately. In order to avoid production downtime at WINKEMANN, timeous delivery of flawless parts to production lines must be paramount to the supplier.

Suppliers shall respond to complaints by 8D reports.

The following deadlines shall in this respect be met:

- definition of immediate actions (8D report up to and including Point 3) within 24 hours,
- description of planned remedial action (8D report up to and including Point 5) within 10 working days,
- completion after 3 OK deliveries in sequence.

Suppliers will be held liable for all complaint-related costs culpably caused by them.

6.3 Recall

Suppliers shall bear the cost of any recalls by WINKEMANN or its customers caused by defective supplier or sub-supplier components.

Including especially:

- costs/expenditure for installing and uninstalling,
- costs/expenditure for rectification/reworking,
- costs/expenditure of new parts,
- costs/expenditure arising from sorting or replacing stock,
- costs/expenditure of notification of consumers,
- costs/expenditure of inspections directly or indirectly accruing to WINKEMANN, and
- costs/expenditure for processing of claims at current WINKEMANN flat rates.

This shall not affect claims for compensation or further reimbursement lodged against WINKEMANN.

7. Continuous improvement (CIP)

7.1 General

Continuous improvement is one of the basic principles of our corporate policy. Maintaining and improving our position on the market is paramount. The major effects our suppliers have on WINKEMANN products and services demand implementation of philosophies of continuous improvement throughout our supplier organisation.

Continuous improvement of our suppliers shall comprise: Quality of parts, service (i.e. duration, delivery, technical capabilities and cooperation) and price. This demand will not substitute for the necessity of innovative improvements. In order to effectively implement the continuous improvement process suppliers shall consistently expand their know-how about known measures and methods of process analysis, monitoring and evaluation.

7.2 Continuous improvement of processes

Notwithstanding the demands on process capability, continuous improvement prioritising special characteristics will be cardinal.

Suppliers must recognise opportunities for improvement of quality and productivity and develop/implement suitable projects towards this.

For example:

- machine downtimes, machine set-up times
- cycle time/transport
- scrap, reworking and repairs
- utilisation of floor space offering no added value
- excessive variety of parts
- rotating stocks and warehousing
- excessive cost caused by inferior quality
- difficult assembly or installation of products
- waiting times and idle periods

7.3 Documentation and archiving of test results and records

Suppliers shall maintain quality documents compliant with the specific requirements and shall specify how test results are documented. They shall ensure a one-to-one relationship between results and products/batches. Suppliers must ensure that the results are clearly assigned to the products/batches and that they are available to WINKEMANN for a period of 15 years after EOP.

7.4 Liability

Suppliers shall take out business and product liability insurance including extension of the latter to cover at least EUR 5 000 000.00. A copy of the policy or relevant confirmation of insurance shall be submitted to WINKEMANN. Expenditure and costs arising from breaches of these standard procedures will be for the supplier's account. This also implies that suppliers assume liability towards WINKEMANN for their commissioned sub-suppliers.

8. Emergency planning

Suppliers shall draw up an emergency plan outlining the measures in place to ensure uninterrupted supply to WINKEMANN in the event of:

- power outages
- staff shortages (sickness)
- failure of important machinery and resources
- capacity bottlenecks due to increasing customer demand
- capacity bottlenecks caused by customer complaints

- quality and supply problems at their sub-suppliers
- other serious events potentially jeopardising supply.

WINKEMANN (Purchasing Department, Logistics) shall be notified in writing without delay should supply despite emergency plans remain uncertain.

9. Demands on supplier environmental and energy management

9.1 Environmental management

In view of our common environmental responsibility, suppliers are requested to develop and maintain a DIN ISO 14001 compliant environmental management system. Supplier assessment will include ISO 14001 certification. WINKEMANN audits may include the presence or not of environmentally relevant aspects. Suppliers without DIN ISO 14001 or EMAS certificate will be requested to:

- implement a formal environmental management system,
- have an environmental protection programme in place,
- be familiar with and adhere to laws, ordinances and regulations for the protection of the environment and to be aware of and prepared for imminent amendments,
- be familiar with environmental issues and impacts, document these, assess significant aspects and base programmes for improvement on these,
- carry out appropriate staff training on environmental issues,
- take into consideration environmental aspects in the course of research and development, process planning and production.

9.2 Environmental guidelines and laws

Suppliers shall in terms of their deliveries comply with the regulations of the European Union and the Federal Republic of Germany as amended, e.g. the REACH Ordinance (Ordinance EC No. 1907/2006), the Act governing returning and environmentally sound disposal of electrical and electronic equipment (ElektroG) in their national promulgation as Directive 2011/65 EU (RoHS) and Directive 2012/19/EU (WEEE), with the End-of-Life Vehicle Directive as the national promulgation of EU Directive 2000/53/EC and with the Dodd/Frank Wall Street Reform & Consumer Protection Act of 2010 on the avoidance of "conflict minerals". The origins of conflict minerals that may be required for the manufacture or functionality of products supplied by suppliers shall be disclosed. Suppliers will be required on request to immediately and in full provide WINKEMANN with documentation on the use and origin of conflict minerals as required by the Dodd-Frank Act. Suppliers shall immediately inform WINKEMANN about changed goods, especially changes relating to the REACH Ordinance, surety of supply, options for use or quality, and in individual cases coordinate suitable action with WINKEMANN. The same shall apply as soon and insofar as suppliers realise that such changes are imminent.

Compliance with the following points for environmental protection listed in the WINKEMANN Sustainability Guideline for Suppliers is expected:

- Environmentally friendly production and products
- Treatment and discharge of industrial wastewater
- Managing air emissions
- Handling of waste and hazardous substances and
- Reducing consumption of raw materials and natural resources

9.3 Energy requirements

Energy efficiency constitutes an important building block towards the protection and sustainable handling of resources. Systematic energy management pursuant to DIN ISO 50001 will ensure consistent improvement of energy efficiency in a company. Cost savings will thus simultaneously improve the competitive edge. Certified energy management systems will assess sustainability,

including in the supply chain. Suppliers are therefore encouraged to strive for DIN ISO 50001 certification and plan measures towards improved energy efficiency and reduced consumption.

10. Compliance

Upon WINKEMANN's request, suppliers confirm in writing that they comply with the obligations under the WINKEMANN Sustainability Guideline for Suppliers (<https://www.winkemann.de/en/terms-and-conditions.html>) and that they are not aware of any breaches of the obligations under this Guideline.

Insofar as there is a reasonable suspicion that the obligations under the Sustainability Guideline for Suppliers have not been complied with, WINKEMANN has the right, within the framework of the applicable laws and after notification of the reasonable suspicion to the supplier, to require that suppliers agree at their costs – to an auditing, investigation, certification or screening procedure to verify compliance with the obligations under the Sustainability Guideline for Suppliers and that they participate in it. These procedures may be carried out by suppliers, WINKEMANN himself or a third party who is obliged to maintain confidentiality, in compliance with the applicable laws.

In the event that suppliers, despite corresponding information, repeatedly violate obligations under the Sustainability Guideline for Suppliers and do not prove that the respective breach has been committed through no fault of its own or that reasonable precautions are taken to prevent future breaches, WINKEMANN has the right to withdraw from individual or all supply contracts or to terminate them without notice. These termination rights also exist in the case of one-off serious infringements, unless they have not been culpably committed. In addition, existing contractual and/or statutory termination rights continue to exist independently and without restriction.

Suppliers shall hold WINKEMANN and its employees completely harmless in respect of all claims, demands, liability claims, damages, losses, costs and expenses arising from a culpable breach of the Sustainability Guideline for Suppliers.

Suppliers will make best efforts to pass on the contents of the provisions of the Sustainability Guideline for Suppliers to their suppliers, to oblige them accordingly and to check regularly in the supply chain that these provisions are complied with.