

# Supplier Manual Requirements

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**HS Products Engineering GmbH**

[www.hsp-engineering.de](http://www.hsp-engineering.de)

Supplier Manual Requirements  
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## 1 Introduction

This supplier manual applies to both HS Products Engineering GmbH and companies affiliated with HSPE (hereinafter "HSPE") and supplements the HSPE Conditions of Purchase as amended, available at

<http://www.hsp-engineering.de/downloads.html>

The supplier manual is only used in German and English. In the event of contradictions or deviations, the German version is authoritative.

Global competition, increasing demands from our customers and cost pressure are challenges that HSPE has to face together with its suppliers. Prerequisites for this are mature products at the start of series production, as well as stable processes during series production. In order to achieve this, we need capable suppliers/partners who are committed to meeting the challenges of the future, going beyond the basic requirements.

This manual serves as a guide to working in partnership between suppliers and HSPE. It is a mandatory document and is part of the contractual agreement between HSPE and the supplier and must be taken into account at the pre-contractual inquiry stage.

## 2 Terms and Abbreviations

AIAG	Automotive Industry Action Group
APQP	Advanced Product Quality Planning
BOH	Business On Hold - blocking of the supplier for new scopes
CC	Critical characteristic
CSL	Controlled Shipment Level
CSR	Corporate Social Responsibility
D / TLD	Feature subject to documentation
EMPB	Initial sample test report
EOP	End of Production
FMEA	Failure mode and effects analysis
GDA	Quality Development Agreement
HPQ	HSPE Produces quality
IMDS	International Material Data System, see <a href="http://www.mdsystem.com">www.mdsystem.com</a>
CIP	Continuous improvement process
MSA	Measurement System Analysis
NOL	Nomination Letter
NPM	Non-production material
PMS	Product market segment
PPAP	Production Part Approval Process
QAF	Quotation Analysis Form
QM	Quality management system
R&R	Run and Rate (process approval for a new project)
WZ LH	Tool specifications
REACH	Registration, Evaluation, Authorization of Chemicals
RoHS	Restriction on Hazardous Substances
SC	Significant characteristic
SCE	Supplier Cost Engineer
SOP	Start of production
SQA	Supplier Quality Assurance
SQE	Supplier Quality Engineer
TRL	Technical Revision Suppliers
UM	System environmental management system
VDA	Association of the Automotive Industry

### 3 Procurement and Quality Policy

We strive for partnership-based and long-term cooperation with our suppliers. Constant improvement of cooperation in the processes and systems of the suppliers contributes to profitability, delivery reliability and quality improvement.

Rapidly changing and increasing customer requirements for HSPE also require maximum flexibility and willingness from our suppliers to contribute to solving problems creatively and quickly. The deliveries and services of the supplier must therefore meet all agreed and legal requirements in full. In order to pursue this zero-defect goal, consistent advance quality planning and effective series monitoring are essential. The focus here must be on error prevention. The supplier thus undertakes to consistently pursue a 0-defect strategy.

Together with the supplier we want to achieve the following goals:

- Building a long-term customer/supplier relationship.
- Safeguarding the common competitiveness.
- Optimal communication.
- Minimization of storage and transport expenses for the benefit of both sides.
- Creation of the prerequisites for the supplier to optimally assume responsibility for quality be able.
- Quality assurance before series delivery (project phase).
- Assurance and continuous improvement of quality in the series.

Scope of Supplier Handbook

- without exception for all production material suppliers, including raw materials.

### 4 Supplier Management System Requirements

The supplier undertakes to introduce a quality management system that at least meets the requirements of DIN EN ISO 9001 and to prove this with a corresponding certificate. The aim of the suppliers should be to align their QM system to IATF 16949 and also to document the implementation of the automotive standard with a certificate. Failure to meet this requirement can have negative effects on the individual supplier evaluation and supplier classification and can therefore also be decisive for the award of new orders.

HSPE reserves the right to check the effectiveness of the QM system (after notification) in the form of a second party audit (system audit) at any time.

Environmentally friendly production and environmentally friendly products are requirements that we all have to face up to. We therefore ask our suppliers to introduce an environmental management system in accordance with DIN EN ISO 14001. HSPE has a data protection management system according to ISO 27001/TISAX and recommends its suppliers to also integrate this content into their existing management systems. The aim should be to prove this with the respective certificates.

We assume compliance with applicable laws and regulations.

### 5 Supplier Selection

#### 5.1 Supplier Pre-selection by STRATIK Procurement

Supplier pre-selection is carried out using the STRATIK Procurement process from HSPE using a multi-stage selection process. In the first step, the general data is sent to HSPE in the form of a supplier self-assessment plus RFI (Request for Information - simplified supplier self-assessment). If the minimum requirements are met, a specific request (RFQ) is sent for processing, which must be returned within a specified time. If the specifications are met, the preliminary negotiations regarding the purchasing framework contract, including quality assurance, logistics and non-disclosure agreements, begin. Only after these documents have been signed is a provisional inclusion in the pool of potential suppliers made.

## 5.2 Potential Analysis

For new, potential suppliers, a potential analysis according to VDA 6.3 is planned by a suitably qualified auditor in coordination with purchasing and central supplier development and, if necessary, carried out at the supplier. This potential analysis serves to evaluate new, as yet unknown suppliers, locations and technologies.

It serves to prepare the award decision on the basis of comparable manufacturing processes and products. A positively evaluated potential analysis does not necessarily lead to an award to the supplier, but a negative evaluation (red) excludes an award.

The evaluation is carried out in the report in the same way as the traffic light system and the evaluation rules according to VDA 6.3. The report on the potential analysis, as well as any improvement program that may be required, are sent to the evaluated company promptly after implementation.

The supplier is obliged to present a binding program with implementation dates and follow-up activities to HSPE on the planned award date.

In the event of an award, the improvement program must be implemented by the nominated supplier by the specified dates and the effectiveness of the measures must be proven with a self-audit on the agreed date before the SOP.

## 5.3 Procurement / Approved Supplier List / Business-on-hold

At HSPE, the decision to award the contract is made by a cross-departmental committee (management, PMS, purchasing, quality, operations, controlling).

The contract is awarded via a separate assignment/nomination. By signing the order, the supplier is included in the list of approved suppliers. Negative assessments during audits, non-compliance with HSPE requirements, significant deterioration in quality, non-signing of contracts can lead to the supplier being completely or partially blocked (business-on-hold). The business-on-hold status is reported to the supplier in writing.

## 5.4 Warranty / Product Liability / Insurance

The details of the warranty and product liability are regulated in the HSPE Conditions of Purchase in their currently agreed version.

These are also available at: <http://www.hsp-engineering.de/download.html>

Warranty cases are to be processed in accordance with the regulations in the respective purchasing conditions. In addition to this, the regulations of this supplier handbook and according to the VDA volume "Common Quality Management in the Supply Chain - Marketing and Customer Service - Field Failure Analysis" apply in the currently valid version.

The supplier undertakes to maintain verifiable product and business liability insurance. In the case of the delivery of safety-relevant components, proof of recall cost insurance with a customary level of coverage per personal injury / property damage for the delivery item to be delivered must be proven before the order is placed

The lack of proof of the mentioned insurance entitles HSPE to terminate the delivery relationship at no cost to HSPE or to break off negotiations with the supplier.

## 6 Cooperation in the Product Development Process

### 6.1 General

Development projects are to be scheduled in conjunction with the project managers from HSPE according to the respective requirements of the end customers. The supplier will make a sufficient number of qualified employees available for this purpose.

### 6.2 Advance Product Quality Planning APQP / Status Report

HSPE designed a form with the most important cornerstones according to APQP elements for the planning and execution of projects. This plan represents the minimum requirements for documentation in the joint project work.

The status report is created by the supplier in coordination with HSPE and updated by the supplier at regular intervals and sent to HSPE without being asked.

### 6.3 Specifications / Drawings

The supplier undertakes:

- Legal regulations, all specifications, specifications and standards in the current version, (according to the specifications of the drawing) to obtain and comply with, these can also be provided by HSPE on request.
- Request specifications and evaluate, coordinate and comply with the requirements.
- Define important characteristics, necessary parameters for process capabilities, coordinate with HSPE and comply with them.
- To point out missing information (e.g. specifications, standards).
- Report discrepancies in the documentation to the responsible department in purchasing.
- To coordinate any product and process changes that affect the requirements in advance with HSPE and to keep them in the construction status list.
- To exclusively use the data exchange portal of HSPE for the exchange of CAD data and, if necessary, to independently acquire and use suitable software for reading CAD data in the original format (usually CATIA or Unigraphics).

### 6.4 FMEA

A design FMEA is only to be created if there is responsibility for development. The need to be agreed with the appropriate product developer from HSPE.

A process FMEA must be created or updated to secure the product launch, in the event of changes and complaints. The creation takes place in accordance with the specifications of VDA Volume 4 or the requirements of the AIAG in the currently valid version.

The FMEAs must be submitted to HSPE for inspection upon request. If necessary, interface FMEAs must be carried out by the supplier to the customer or supplier.

### 6.5 Production Management Plan / Control Plan

The control plan (production control plan, form) forms an overview of all quality requirements, their verification and test criteria of the components and is to be created for the prototype, pre-series and series phase according to the requirements of IATF 16949 or VDA in the currently valid version.

An adjustment in the progress of the project must be made in coordination with the respective quality planners of HSPE.

The control plan includes the incoming goods, intermediate and final inspection, product audit and requalification inspection. Evidence of the performance of requalification tests (e.g. fire tests) must be carried

out on a regular basis, documented accordingly and presented immediately if necessary or at the request of HSPE.

Features that are marked as special features in the drawing and in the FMEA, as well as the process dimensions agreed with HSPE, must be reflected in the control plan.

## 6.6 Proof of Skills

Process capability studies serve to prove the quality capability of the processes.

The suppliers must independently provide proof of their ability for all test and functional characteristics. Additional proofs of capability (e.g. SC, CC) must be agreed with the responsible quality planners at HSPE.

The process capabilities must be calculated and implemented in accordance with VDA Volume 4 or the specifications of the AIAG (process capability study), unless the customer has other higher-level requirements.

The following limits apply to SC/CC characteristics or process dimensions to demonstrate process capability:

- Short-term capability  $C_{mk} \geq 1.67$
- Preliminary process capability  $C_{pk} \geq 1.67$
- Long-term capability  $C_{pk} \geq 1.33$

Evidence of process capability must always be determined free of charge for HSPE, handed over on request and also verified for the current series. If the process capability parameters mentioned above are not achieved, the affected characteristics must be checked 100% and the results documented. The traceability of the data must be ensured.

## 6.7 Process Acceptance / Run@Rate / Proof of Capacity

The delivery release is issued through a process acceptance, which is carried out by HSPE at the supplier's site if required. The decision to carry out a process acceptance is made by an internal committee on a component/supplier-specific basis and with regard to critical characteristics or processes. The supplier will be informed of this at an early stage.

Triggers for the implementation of a process acceptance (R@R) can be in particular:

- New parts.
- Critical manufacturing processes.
- Technical changes (changed parts, changed specifications).
- Relocation of the supplier's manufacturing facility.
- Changes in the supply chain.
- Significant increase in quantities.

In general, HSPE requires a self R@R (own process series by the supplier) for each project. The documents for this must be enclosed with the respective initial sampling. If these documents are not submitted, no production process and product approval can be granted. The documents must be made available to HSPE upon request.

Unless otherwise agreed in writing, the required capacities from the nomination must always be ensured for each part number with a flexibility of +/- 15% for a maximum of 240 working days with 15 shifts per week and 48 weeks per year.

## 6.8 Sampling / Samples

### 6.8.1 Prototype and Pre-series Parts / Other Samples, Test Parts

The contact person for the scope and timing of the sampling of prototype and pre-series parts / other samples / test parts is the respective project buyer or product developer at HSPE and the Q planners in the respective HSPE plants. This is where the parties agree at an early stage.

The supplier undertakes to create and document a measurement report for prototype and pre-series parts and other samples in accordance with the drawing specifications and data record. The sample parts are to be sent free of charge to the requesting office of HSPE together with the measurement protocol and marked accordingly.

Prototype, pre-series and series parts

Deliveries after changes or with a special release must be clearly marked as such when they are first delivered to the container. In the case of components whose dimensions, function and/or geometry do not permit such identification, the identification must be carried out in coordination with the responsible HSPE quality planner via the container identification.

If there are defects in the delivered scopes during and after the tests, or if the parts are not able to be installed, the supplier must remedy the defects on site. The costs for expenses incurred (e.g. repeated repetition of the environmental test) that can be attributed to defective parts will be passed on to the supplier by means of a complaint.

Proof of the successful execution of tests (after consultation) is the basis for a successful initial sample release.

### **6.8.2 Initial Sample with Initial Sample Test Report (EMBP)**

The basis for the initial sampling from suppliers to HSPE is VDA Volume 2 or AIAG (PPAP). The production of initial sample parts must be carried out under series conditions.

The initial sampling also includes proof of the test regulations and specifications drawn on the drawing. The materials used must be verified by the materials test report.

The production of the initial sample parts and the creation and maintenance of all necessary documents and evidence (e.g. FMEAs, measurement reports, MSA, process capabilities, control plan, etc.) are to be created free of charge for HSPE. The initial sample parts and the associated documentation must be marked and sent to HS-P or the e-mail address [empb@hsp-engineering.de](mailto:empb@hsp-engineering.de).

Re-sampling scopes are to be treated like initial sampling scopes.

The proof of process capability is part of the initial sampling. Material data (material test certificate) must be made available to HSP prior to initial sampling; the corresponding IMDS entries must be made available with the initial sample test report at the latest.

### **6.8.3 Reference Samples and Limit Samples**

Reference and limit samples must be coordinated with the quality planners / SQA of the HSPE works in the project phase, marked as such and protected from environmental influences during the entire product life cycle - but at least until EOP. They are to be made available to HSPE upon request.

The original samples for color, grain, paintwork etc. specified in the technical documents must be made available to the supplier for the start-up and series production by HSP.

### **6.8.4 Parts History**

The supplier keeps a parts history/construction status list for all products. All product and process changes are documented here. The use of the HSP construction status list is recommended. An equivalent list with at least the following content can be used:

- Item number.
- Article description.
- HSPE Drawing Index and associated Supplier Change Index.
- Reason for change.
- Change effective date.
- Starting date of sending the samples.
- Marking whether hand sample. VWZ (pre-series tool) or SWZ (series tool).
- Machine setting data.



If necessary, machine setting data sheets can be requested. For all development statuses according to the HSPE drawing index and the respective optimization measures carried out by the supplier, the machine setting parameters must be documented in the supplier's parts history

The updated part history must be sent immediately to the product developer and the QS staff at the relevant plant.

### **6.8.5 IMDS Data**

All requirements are included in the IMDS Handbook for Suppliers. The IMDS manual is available at [www.hsp-engineering.de/supplier-support](http://www.hsp-engineering.de/supplier-support).

### **6.8.6 Special Release**

Before the initial sampling, features deviating from the target values/specifications must be agreed in writing with the product developer.

Deviations are to be analyzed BEFORE by the supplier and provided with remedial measures/suggestions for optimization. These documents must be enclosed with the application for a limited (quantity or date) special release. The HSP form is recommended for this. After evaluation of the application for a concession by HSPE Development and Quality, a response in the form of a rejection or issuance of a concession is communicated to the supplier. Applications without prior analysis and a plan of action will be rejected as a matter of principle.

In the event of a refusal, the supplier must immediately initiate measures at his own expense to rectify the deviations found.

If a special release is granted, this must be enclosed with the initial sample documents and ALL components that are delivered to the plants and sent to the affected HSPE plants IN ADVANCE. The containers, bundles, etc. of the components that are delivered with a special release must be clearly marked with the SPECIAL RELEASE notice.

Without prior notification to the HSPE factories, the supplier is prohibited from delivering non-conforming parts to the HSPE factories.

The limitation of the special releases (quantity or date) is to be followed by the supplier. If these deadlines are reached and the supplier has still not implemented any effective remedial measures, he is obliged to approach HSPE Development AND the affected plant at least 5 days before the end of the deadline and ask for an extension. A current plan of action must be enclosed with the application. Without this action plan, the application for an extension will be rejected in principle.

## **6.9 Tool Management**

In addition to the HSPE tool purchasing conditions, available at <http://www.hsp-engineering.de/download.html>, the following regulations also apply to tool procurement:

The supplier undertakes to store, insure and maintain the tools properly and appropriately. Likewise, the owner of the tool must be traceable on the basis of suitable nameplates (provided by HSP).

The supplier must use appropriate technical means for the design, manufacture and dimensional inspection of tools and gauges. When subcontractors are awarded, these requirements must also be met under the responsibility of the supplier. Tools that are used by the sub-supplier and that are the property of the customer or HSPE's own tools must be clearly marked with type plates.

The intervals at which the tool status report is to be submitted must be agreed with the responsible tool manager at HSPE.

The tool is released after a successfully completed initial sampling. If required, the tools can be accepted directly by employees and commissioned third parties from HSPE at the supplier.

The supplier shall plan and implement a tool management procedure. This must include the following criteria in particular:

- Tool CV.
- Maximum production quantity (number of shots).
- Appropriate storage system.
- Proof of preventive tool maintenance.

The last part of a batch must be kept on the tool until the next start of production.

The access of the tool or purchasing manager of HSPE or an authorized third party to the tool inspection at the respective toolmaker is to be ensured by the supplier and is part of the contract with the assignment. If necessary, the right of access, including tool inspection, will be extended to HSPE customers. The tools must be prepared accordingly for the tool inspection (e.g. both halves of the mold separately).

## 6.10 Test Gauges / Test Equipment

Test gauges and test equipment are to be included in the supplier's test equipment monitoring. These must be marked accordingly and assigned to the product. Capabilities of the test equipment must be proven in the course of the initial sampling. The structure of test gauges and measurement recordings must be agreed with the respective quality planner or product developer.

The measuring equipment must be designed by the supplier in such a way that it can cover the entire product development and production period.

The supplier bears the costs for test gauges, test equipment and measurement recordings. For all special features (CC/SC) and test features, the supplier must independently provide test and measuring equipment capability verifications (MSA, IATF Core Tools) early in the project phase. This must be coordinated with HSP in advance.

If the supplier is provided with test or measuring equipment by HSPE, these must also be included in the supplier's test equipment monitoring. Changes to this testing or measuring equipment may only be made after approval by HSPE. In the case of product changes that affect the test equipment, the procedure for changing the test equipment must be coordinated with HSPE. Damage to the customer's property must be reported immediately to HSPE and any special measures (e.g. 100% inspections, alternative coordinated measuring equipment, etc.) must be taken. The polluter bears the costs for this.

## 7 Sub-Supplier Management

Sub-supplier management serves to identify and protect against possible risks in the supply chain. The supplier is fully responsible for his scope of services, as well as that of his suppliers and service providers, which also includes full responsibility for quality. The supplier is also obliged to carry out the evaluation of his suppliers on his own responsibility.

The supplier is responsible for his supply chain including purchased parts and outsourced process steps. The supplier must therefore ensure that he independently identifies and evaluates all risks in his supply / process chain and systematically reduces them through suitable remedial measures.

The supplier is responsible for meeting all requirements in the supply and process chain. He must inform his suppliers about this and ensure that the requirements (including customer-specific requirements) are known, understood and implemented.

The supplier must present its supply chain in the self-audit or upon request. This includes the project-specific assessments, risk analysis (critical paths analogous to VDA maturity level assurance) and assessment of the quality capability of the entire supply chain. HSPE can view these ratings and has the right to work with the supplier to verify their ratings at the sub-supplier. The evaluation according to the questionnaire according to VDA 6.3 is recommended.

Changes in the supply chain caused by the supplier (incl. material and process changes) must be reported to HSPE in advance. Before implementing the changes, the supplier must obtain approval from HSPE. If HSPE rejects the change, the supplier is not permitted to implement it. Changes in the supply chain can lead to a re-evaluation of the supplier and re-sampling of the scope. HSPE reserves the right to verify the changed sub-supplier structure. In this case, the supplier bears the costs for this.

## 8 General quality requirements

The supplier is required to continuously optimize its core processes in line with the 0-defect philosophy.

The supplier undertakes to introduce and permanently maintain systematic product monitoring for his products, i.e. the supplier creates an analysis of the actual and potential failures in the use phase and their influence on quality, safety or the environment.

The supplier independently analyzes its current PPM figures and immediately agrees any necessary remedial measures with the respective HSPE customer plant. Coordination with the plants must take place before the respective supplier evaluation is completed. Subsequent changes to the supplier evaluation are not carried out.

In the event of deviating results (B or C result in the HS-P supplier evaluation), the supplier must take measures independently with the aim of regaining the contractually specified quality requirements for his product.

The requirements of IATF 16949 and VDA Volume 1 (documentation and archiving) as well as the customer-specific standards and requirements apply to all features marked "CC" or "SC" or other customer-specific requirements in the product description (e.g. drawing, control plan).

This means, among other things:

- Identification and labeling of internal documents (e.g. test and work instructions, test reports, training certificates, individual drawings).
- Archiving according to VDA Volume 1: i.e. 15 years after the end of production.
- Legally usable design and availability of the documentation.

The supplier undertakes to comply with the requirements of the EU end-of-life vehicle directive (2000/53/EG and 2002/525/EG) and the implemented national laws (in Germany: end-of-life vehicle law of June 21, 2002, Federal Law Gazette I p. 2199 ff), which To meet the requirements of the EU Directive 2002/95/EG and REACH in the currently valid version.

## 9 Supplier Cost Engineering

HSPE aims to make its products and the respective manufacturing processes as efficient and effective as possible. This is also expected of our suppliers and service providers in the direct and indirect supply chain. For us, transparency in the manufacturing costs (e.g. QAF, cost break down, etc.) is a basic requirement in our partnership. In the course of cost optimization measures, HSPE reserves the right to carry out lean audits in the value chain together with the supplier and to identify potential for improvement. The supplier undertakes to support HSPE in this activity and to grant access to the manufacturing processes.

## 10 Auality Assurance in the Series

### 10.1 Incoming Goods Inspections

Regardless of the outgoing checks to be carried out by the suppliers, HSPE carries out the following random checks in incoming goods:

- Identity check.
- Visual inspection for directly recognizable transport damage.
- Quantity check.
- Dimensional/functional tests according to HSP - WE test plan

HSPE will report obvious defects to the supplier in writing.

Defects that were not apparent during the incoming goods inspection or were not recognized are reported to the supplier after they become known or in the case of collective scrap acceptance.

Sorting actions of defective parts:

If faulty parts are found during the pre-series and series before the start of production (processing or installation), the supplier has the option, upon request, to immediately sort the scope of the suspicious parts at HSPE at its own expense.

If the supplier is not able to carry out the sorting action within a reasonable period specified by HSPE, or in the case of urgency or unreasonableness, HSPE reserves the right to have the sorting action carried out by employees of HSPE or external third parties, whereby the supplier has to bear the resulting costs. (See also Charge Back Policy/Chapter 11).

## 10.2 Product Safety, Product Liability

The primary manufacturing responsibility for the purchased parts built into the end product of HSPE lies with the supplier. The supplier must ensure compliance with all product liability and product safety laws and regulations in order to minimize any risks of product liability or product recall.

The supplier ensures and also obliges its sub-suppliers accordingly that, in particular:

- There is a pronounced awareness of quality throughout the company.
- the required product safety is guaranteed when developing components.
- product safety is given special consideration in quality planning.
- the quality capability of the manufacturing processes is ensured and verified.
- The probability of the occurrence of defective products is minimized through appropriate quality assurance measures accompanying series production.
- the timely detection of faulty products in the production process is ensured as early as possible by appropriate measures.
- Quality data and legally or contractually required proof tests are documented in detail in order to be able to prove that the products were manufactured in accordance with laws and safety standards, a material tracking system is used in order to be able to limit the effects of errors that have occurred if necessary.
- the responsible employees are given detailed information and training on the subject of "product safety and product liability".
- Components with a limited shelf life that meet specific labeling requirements have an on-site Product Safety Officer (PSB). If the component is delivered to the VW Group (also indirectly), a PSB must be named in any case. Changes in the composition of the PSB must be reported to HSPE immediately.

## 10.3 Supplier Self-Audit

In order to be able to assess and improve the quality capabilities, the supplier must carry out internal audits (system, process, product) regularly, but at least annually, in accordance with the specifications of IATF 16949 or VDA Volume 6.3.

The supplier self-audit based on VDA 6.3 serves to provide evidence for the supplier regarding the fulfillment of all statutory, official, customer and product-specific and own requirements for the respective production site for the respective product group. The self-qualification of the supplier is part of the CIP and aims at the classification "A". After a self-assessment with rating "A", HSPE reserves the right to carry out a process audit itself or through commissioned third parties at the supplier to check the status A supplier. The assessment by HSPE is decisive for the final classification of the supplier.

The aim is for the supplier location to achieve an A rating after two self-audits at the latest. If the self-audit does not achieve an A-classification within a reasonable period of time, HSPE reserves the right to carry out an audit at the supplier itself or through commissioned third parties. The resulting costs are billed to the supplier (see Chapter 11 Recourse/HSPE Charge Back Policy).

The internal process audit must be carried out by suitably qualified auditors (e.g. IATF / VDA6.3 specifications - currently valid) for all process steps of the product groups commissioned by HSPE. The self-audit is to be sent to HSPE on request. The implementation and sending of a self-audit including an improvement program can also be requested by HSPE at any time.

#### **10.4 Product Audit**

Process fluctuations and a lack of process capabilities often have a direct impact on product quality. A product audit can identify deviations from customer requirements and draw conclusions about the influencing processes. Taking into account identified deviations, the causal processes can be identified, analyzed and corrective measures implemented.

A product audit according to VDA 6.5 must be carried out for every product produced in series at least once a year or after a completed and documented risk assessment. The product audit must be regulated in the production control plan. The results of the product audit are randomly checked by HSPE as part of process audits. Upon request, these audits must be submitted to HSPE.

In the event of deviations identified in the product audit, the supplier is obliged to initiate suitable measures immediately and to monitor their implementation. The sustainability and effectiveness of the measures must be checked within a reasonable period of time.

#### **10.5 Process Audit VDA 6.3 by HSPE**

Process audits are used to assess quality capability. They should lead to capable and controlled processes that are robust to disturbances. The VDA process audit monitors the product development process, supplier management, series production and customer satisfaction/customer care/service. Process audits according to VDA 6.3 can be used internally as well as externally. Suppliers use process audits to design and improve their processes.

Reasons for conducting process audits include:

- Maturity assessment regarding product or process release.
- Ensuring product and process start-ups.
- Assessment of the quality capability of suppliers and sub-suppliers.
- Analysis due to product or process problems.
- Initiation and monitoring of improvement processes.
- Disruptions in the supply chain.
- Ensuring availability.
- Vulnerability and risk analysis / prevention.
- Multiple C ratings in a row in the HSPE supplier rating.
- Potential addition of a supplier to the HSPE supplier base.

VDA 6.3 process audits at suppliers are planned worldwide in the annual audit planning at HSPE and announced and carried out regionally by the SQE's.

If an audit results in a C classification (not quality-enabled), a follow-up audit will be carried out by HSPE within 9 months at the expense of the supplier.

(see Charge Back Policy Chapter 11).

Supplementary grading regulation according to VW Formula Q compared to VDA Volume 6.3

If the supplier (who delivers in the VW process chain) does not have a system certification according to IATF 16949 or VDA Volume 6.1, a B classification can be achieved at best.

The applicable customer specifications are generally part of every VDA 6.3 process audit. The content, implementation and compliance with these requirements are randomly checked by the auditors during the audits.

## 10.6 Quality Audit Verification of Safety-relevant Components

Laws impose requirements on automobile manufacturers that must be met as minimum requirements for all production vehicles. This also results in verification for suppliers, which is intended to protect the supplier and the automobile manufacturer from consequential damage such as sales bans and contractual penalties despite strict liability (product liability).

In addition to the general requirements for the QM system, part-specific quality certificates for safety-relevant parts must be kept by the supplier and archived for at least the retention period required by the customer. This includes technical documents marked with SC, CC or "TLD" such as drawings, tables, production approvals, technical delivery conditions, test specifications, sample reports and other quality records that are required in the case of evidence and can be exculpatory.

The proof of quality also includes proof of planning activities, selection and qualification of personnel, suitability of testing facilities as well as process capability studies and correspondence.

In the event of damage and/or at the request of HSPE, the supplier must be able to prove that he has fulfilled his corporate duty of care in order to rule out defects in the product.

The HSPE Group expects its suppliers to apply the system to every safety-relevant part they supply.

More detailed information can be found in the "VW Formula Q Capability" or other customer requirements as amended.

The requirement for safety-relevant components will be communicated to the supplier by HSP in advance (e.g. note on the drawing)

## 10.7 Technical Review Suppliers

The Technical Revision Suppliers (TRL) is another quality instrument to ensure the quality of purchased parts throughout the supply chain. HSPE is entitled to carry out a technical revision at its suppliers or in the entire supply chain at any time, which will be announced no later than the day before the implementation.

With the technical revision, HSPE pursues the following goals:

- Ensuring the conformity of parts and components to the specified requirements.
- Review of on-site product manufacturing and all other safeguarding activities.
- Effectiveness check of corrective actions and verification of agreed quality management standards.

Reasons to implement TRL

- Error analysis and definition of measures in relation to defects in the process or product are insufficient.
- Fixed information obligations on the part of suppliers regarding production relocations, changes, etc. were not complied with.

The technical review suppliers is not a substitute for process audits. The evaluation of the TRL is based on VDA 6.3. A negative result (RED) triggers an escalation and can ultimately lead to the location being downgraded to C (business on hold) in terms of quality performance.

## 10.8 Complaints Process / Claims for Defects

In the event of a complaint, the supplier will be informed by HSPE through a complaint report. The supplier must analyze the error, define and implement suitable remedial measures and verify/validate them for their lasting effectiveness.

HSPE expects a reasonable response time when errors occur, particularly due to existing JIS/JIT delivery obligations. The parties agree on a maximum time of 24 hours (on working days) from receipt of the complaint to the first qualified statement from the supplier. An 8-D report with an analysis of the causes of the error and the planned remedial measures must be sent to HSPE within one calendar week (5 working days) after the error has occurred (in advance by fax / e-mail).

### **Immediate statement**

If the analysis of the facts requires a longer period of time, or if a statement from the supplier is required at short notice due to the urgency of the situation, an informal report must be sent immediately to the complaining party.

Errors that can lead to customer complaints must be dealt with immediately by the supplier, i.e.

- Immediate sorting / rework of stocks on site at the receiving HSPE plant.
- Use of a 100% firewall to avoid further errors.

If this cannot be implemented by its own staff, the supplier must commission a third party to carry out the processing at its own expense.

If defective parts are delivered, HSPE is entitled to assert the agreed warranty rights. Details can be found in the HSPE Charge Back Policy under Chapter 11 of the Supplier Handbook

Appropriate methods are to be used for error analysis and sustainable error elimination, e.g.:

- 5 Why analyzes for occurrence AND non-detection.
- Ishikawa.
- PDCA.
- Is / is not.

These tools are part of the HSPE quality philosophy and must be attached to the 8D report based on plant requirements. HSPE supports the supplier in qualifying and using the Q-Tools as well as in understanding and implementing the quality philosophy in your company. The aim is to implement a sustainable and effective error elimination process at the supplier.

In the event of repeated defects in terms of communication or delivery quality, the supplier will be invited to the relevant plant in cooperation with central supplier development and the quality departments of the plants. The supplier must comply with this invitation. The subject of this meeting is a presentation of the delivery performance on the part of HSPE, as well as the evaluation of a preliminary action plan to eliminate the supplier's deviations. The measures to be taken by the supplier are jointly defined in order to optimize performance again.

### **10.9 Continuous Improvement Process**

Continuous improvement must be part of every supplier's quality strategy. The supplier is required to implement and maintain a continuous improvement process to reduce its internal scrap and rework rates. The results of CIP must be proven as cost savings or quality improvements.

### **10.10 Change Management**

The supplier is obliged to notify the receiving plant of HSPE of any changes in its process chain (e.g. location, product, process, sub-suppliers) in accordance with VDA Volume 2 BEFORE implementation and to obtain the approval of the departments concerned. The need for re-sampling must be agreed with the responsible quality assurance department. The additional expenses resulting from the renewed approval process are borne by the supplier.

### **10.11 Requalification Tests**

All features (in particular function, material and geometry) must be verified as part of an inspection that is repeated at least once a year for all parts and components supplied to HSPE. The scope of the characteristics to be checked can only be restricted in coordination with the HSPE quality planners. The proofs are to be made available to HSPE free of charge upon request. Depending on the end customer of HSPE, there are special specifications that must be observed and implemented (including VW Formula Q, BMW GS90018, etc...).

## 11 Recourse and Charge Back Policy

HSPE's expectations of suppliers and their sub-suppliers are a 0% error rate for 100% of all deliveries and the timely processing of open issues and measures in projects and in series production. If this general requirement is not met, a corresponding recourse under the HSPE Charge Back Policy will come into effect.

Recourse is based on performance and can include travel costs, sorting costs, rework costs, customer expenses, etc.

Details can be found in the HSPE Charge Back Policy

### HSPE Charge Back Policy (if the supplier is at fault)

	Description of the activity	Package in €
1	Rejected by HSPE or with n.i.o. Evaluated initial sample test report from the supplier (e.g. n.i.o. dimension reports, missing documents, etc.). The minimum goal of sampling by the supplier is a provisional release (e.g. grade 3)	1. refusal €1,000 2. refusal €2,500 3. refusal €5,000  Application for concession 300 €  Expiry of the special release without prior information to HSPE development and plant 500 €
2	RED (rejected) process acceptance (R&R) result by HSPE PLUS travel expenses SQE/SQA (see item 5)	1. acceptance €1,500 2. acceptance €3,000 3. acceptance €6,000
3	Not timely/incomplete processing of action plans (e.g. potential analyses, requalification tests, supplier evaluation, audits, process acceptance, APQP, tool progress reports,...)	€500/event  If employees from HSPE are required on site at the supplier due to the issue, the costs under item 5 must be observed.
4	Failure to process complaints in a timely manner. Delivery of the 8D report does not take place on the date specified by HSPE or the supplier does not report a possible delay in writing to the relevant HSPE employee at least 3 days before the deadline.	€500/event  In the event of a delay in delivery that has not been notified in advance, €100 per delayed working day
5	Failure to achieve the goals specified by HSPE (e.g. PPM agreement) and the associated necessary development measures by HSPE supplier development	<u>Calculation according to expenditure</u> A flat-rate amount of at least €1,500 per necessary working day will be charged per HSPE employee SQE/SQA/tool manager/logistics. In addition, there are travel costs of €0.50 per kilometer, any travel costs with a flat rate of €200 per day (domestic)/€400 per day (outside Germany). If flight costs are incurred, they will be estimated according to the actual costs (economy). Should external support be necessary, this will be charged in full to the supplier. Please also note the regulations for the HSPE escalation procedure (Supplier Manual Chapter 14).



<b>6</b>	Necessary audit due to a multiple negative supplier rating (C rating) at the supplier/subcontractor or due to an escalation (customer complaint, repeat complaint,...). In the case of a C result in the process audit, this flat rate is also claimed.	1. system audit €5,000 2. process audit €3,500 3. technical revision €2,000  In addition, there are the travel expenses and flat rates described under item 5
<b>7</b>	Process changes not reported by the supplier (e.g. relocation of production, change in the process without sampling/agreement with HSPE,...)	Lump sum €50,000  If the customer incurs validation costs for HSPE or escalations due to a process change that has not been approved, these will be passed on to the person responsible in full.
<b>8</b>	Stricter incoming goods inspections at HSPE required due to poor delivery performance/defects (see also Chapter 14)	Package rate 150 €/WE Other costs incurred will be passed on in full (e.g. increased effort required for incoming goods inspections over a longer period of time)
<b>9</b>	Repeat complaints (measures by the supplier not effective) that are discovered at HSPE	Lump sum 1.000 €
<b>10</b>	Repeat complaints that are reported/complained to HSPE by the customer (see also Chapter 14)	Package rate €2,500 Any costs incurred due to any escalations by the customer will be passed on in full
<b>11</b>	Exceeding and not promptly confirmed information/confirmation from the supplier (at least 5 days before the deadline) of a temporary or quantitative limited special release.	Lump sum 500 €
<b>12</b>	Wrong/incorrect labeling of containers (VDA label)	€150/operation
<b>13</b>	Wrong/Incorrect/Missing Delivery notes/EDI data	€150/operation
<b>14</b>	Sorting or rework actions at HSPE necessary due to poor delivery performance/defects In general, HSPE aims to outsource sorting/rework actions to qualified external service providers. In this case, the supplier undertakes to contact these service providers directly and to commission and control them independently.	Should it be necessary for HSPE employees to start short-term actions (e.g. in the event of an imminent line standstill, etc.), the following costs will be charged as a flat rate.  hourly rate (Rework/sorting, logistics, etc..) Europe 70€/h Asia/Americas 40€/h
<b>15</b>	Line stoppages in HSPE production caused by the supplier	Package rate €10,000 and burden of downtime in the HSPE production Calculation based on downtime, the HSPE employees concerned x hourly rate x hours
<b>16</b>	Line stoppages caused by the supplier in the customer's production	Package rate 15,000 € + further charges of all charged by the customer to HSPE Costs.  Additional costs that are charged to HSPE by the customer are charged in full to the supplier. In such cases, it should be noted that the customer estimates that this worst case will cost between €3,000 and €5,000 per MINUTE.

<b>17</b>	General processing fee for complaints	€150/claim process
<b>18</b>	Special freight costs due to the fault of the supplier	Package rate 250 € per process Added to this are the actual costs incurred by the respective transport service provider

## 12 Supplier Evaluation

The supplier evaluation is carried out regularly on the basis of facts and includes the following criteria:

- Quality costs in relation to the purchase volume / goods receipts
- Number of Q reports/complaints.
- Delivery quality / adherence to delivery dates.
- Quality development agreement signed.
- Certification level / certification status QM system.
- Certification level / certification status UM system.
- Outcome of process audit.

The results are communicated to the suppliers in writing if required. The supplier undertakes to check the results.

In the event of multiple C classifications or a negative trend within the period under consideration, the scheduling and implementation of a process audit or other development measures by HSPE may be necessary. The costs for this are borne by the supplier (see Chapter 11 Recourse). If the audit result is also a C, the supplier can be put on business-on-hold.

In the case of a C classification, the supplier is requested to draw up appropriate action plans and to send them to HSPE on request. Action plans are queried through an activity in the supplier portal by the central strategic supplier development.

## 13 General Packaging Requirements for Suppliers

The packaging for the prototype, pre-series and series parts, or the product-specific packaging and its identification, including the materials used, must be defined, tested and monitored together with HSPE. The packaging must be marked according to VDA 4902 or according to the respective customer requirements.

The packaging data sheets must be approved by the receiving HSPE plants. Alternative/alternative packaging must also be included in the packaging data sheets.

## 14 Escalation Procedure HSPE

### 14.1 Objectives and Procedure

The escalation procedure is used to ensure smooth production and project processes and to identify problems at an early stage.

HSPE distinguishes between two phases

- Project phase (development, pre-series)
- Series phase

The objectives of the procedure are

- find effective solutions to significant problems during the supply relationship with the supplier.
- Ensure a strategic balance between the interests of the HSPE and the responsibility of the supplier.
- All those involved know their responsibility for a quick and efficient problem solving.

**Basically, each stage of the escalation procedure proceeds as follows:**

- Root cause analysis / problem description.
- Coordinating an action plan to eliminate the causes and defining responsibilities accordingly.
- Implementation of the action plans.
- Depending on the result of the actions taken, an escalation to the next stage of the respective procedure takes place or the escalation procedure can be discontinued.

Other rights to which HSPE is entitled under the contractual agreements or the agreed law apply in addition to this escalation procedure and remain unaffected.

#### **14.2 Escalation Level 1 / Controlled Shipment Level 1 (CSL1)**

Escalation criteria series inputs / possible triggers

- Negative supplier rating (multiple C rating).
- Significantly exceeding the agreed ppm intervention limit for delivery quality and logistics problems.
- Sorting action required for safety or function-related features.
- Explicit written Q-Gate requirement from HSPE customers.
- Serious repeat error despite completed 8D report.
- Measures are delayed in terms of content/dates or agreements are not kept (e.g. no 8-D report) and the supplier has already made representations to HSPE plants.
- Impending supply shortage due to Q issues.
- Supplier-related supply bottlenecks.

Additional escalation criteria for field failures / inputs from the field

- Multiple field complaints with identical error patterns in a production period of < 3 months.
- Damaged part analysis is not carried out sufficiently.

Activities

- Development and implementation of an action plan.
- Creation of a separate Q-Gate area at the supplier location.
- Controlled Shipment Level 1 (CSL1).
- Possibly setting up a Q-Gate in the HSPE plant and/or at the HSPE customer.
- Identification of parts, material and containers to trace manufacturing.
- Conduct a 100% final/additional inspection for all suspect parts.
- Updating of all relevant documentation.
- Regular reporting to HSPE regarding the status of the action plan, results of added 100% inspection and bug fix process advances.

The supplier is informed by HSPE about the CSL1 status. HSPE also coordinates with the supplier the frequency with which the supplier must inform the affected HSPE plant about the sorting action. The running costs for CSL1 are borne by the supplier.

The Q contact person at the HSPE plant coordinates the coordination of the test methods directly with the supplier.

Downgrading from escalation level CSL1

- Error-free deliveries over 5 error-free deliveries.
- All measures are implemented and accepted by HSPE.
- The responsible SQM informs the supplier in writing about the downgrading from CSL1.
- All costs incurred will be charged to the supplier.

#### **14.3 Escalation Level 2 / Controlled Shipment Level 2 (CSL2)**

Escalation criteria series and field

- Classification in escalation level 1

#### Additional inputs / triggers

- Not OK parts are delivered despite the special labeling of the parts (from CSL1).
  - ⇒ Follow CSL2.
- The measures from CSL1 are not accepted by HSPE or not fully implemented.
  - ⇒ Follow CSL2.
- Insufficient content-related preparation for the CSL1 escalation discussion on the part of the supplier.
- There are structural process or system deficiencies that prevent permanent and error-free delivery not save.

#### Activities

- CSL2 => 100% outgoing goods inspection at the supplier by an external service provider (proposed or approved by HSPE).
- Daily reporting of test results to HSPE (results from sorting actions, etc.).
- Process audit according to VDA 6.3 by HSPE or by an external person determined by HSPE
- Service provider. The costs incurred will be charged to the supplier.

The supplier is informed by HSPE about the CSL2 status. The Q contact person at the HSPE plant coordinates the coordination of the test methods directly with the supplier.

#### Downgrading from escalation level CSL2 to CSL1

- Error-free deliveries over 5 error-free deliveries
- All agreed measures have been implemented and accepted by HSPE
- The responsible SQM informs the supplier in writing about the downgrading from CSL2.
- All costs incurred will be charged to the supplier.

### 14.4 Escalation Level 3 / Controlled Shipment Level 3 (CSL3)

#### Escalation criteria series and field

- Classification in escalation level 2

#### Inputs / triggers

- Non-compliance with the measures and deadlines agreed in CSL2 (from escalation discussion, audits, 8D report).
- Management of the supplier does not support error correction and escalation discussion and rejects Costs from CSL1 / CSL2 down.
- Recall or field action required.

#### Activities

- Non-consideration in further awards by HSPE (New Business On Hold).
- Unannounced short-term visits to suppliers.

#### Downgrading from escalation level CSL3 to CSL 2

- Error-free deliveries over 10 deliveries
- Plan of measures agreed with HSPE for structural / system-technical improvement at the supplier and clear concession by the supplier's management for a sustainable improvement of the structures / the QM system.
- The action plan has been completed on time and the effectiveness of the measures has been verified before.
- If necessary, final audit by HSPE or an external service provider designated by HSPE proves successful processing and shows a correspondingly positive audit result.

## 15 Declaration of Incorporation of the Parties

This supplier manual is an integral part of the contractual relationship between HSPE and suppliers.

It is agreed in the order (nomination letter) in the current version, in addition to the HSPE purchasing conditions for production material and other relevant HSPE conditions to which the order refers.

As our potential supplier, you assure by submitting your offer that you are familiar with the requirements described, that you acknowledge them, comply with them without restriction and also ensure that they are implemented in your supply chain.

## 16 Corporate Social Responsibility (CSR)

HSPE has committed itself to complying with the CSR code of conduct and expects its suppliers to comply with and ensure compliance with these or comparable standards and the corresponding obligation from their sub-suppliers as well. The HSPE Code of Conduct is available at: <http://www.hsp-engineering.de/de/supplier-support/purchasing.html>

### **HSPE CSR Conduct Policy and Expectations for direct and indirect suppliers + service providers**

In order to be able to pursue a holistic sustainability approach, HSPE considers the entire value chain. Its suppliers and service providers in particular therefore make an important contribution to responsible procurement. For this reason, we seek suppliers and service providers who are committed to the ethical principles set out in this Supplier Code of Conduct. We expect our direct and indirect suppliers to comply with laws and standards and to conduct their activities in compliance with applicable laws and regulations and to be able to demonstrate this.

#### **Conflicts of Interest**

HSPE does not expect its suppliers to take any action that creates or even appears to create a conflict of interest.

#### **Fair Competition + International Trade Law**

HSPE expects its suppliers to comply with antitrust and competition laws. We also expect you to understand and comply with applicable international trade laws, including import and export control, sanctions, and anti-boycott laws.

#### **Improper Payments**

HSPE undertakes not to influence its suppliers directly or indirectly through bribery, kickbacks or any other unethical means.

#### **Innovation**

For HSPE, the continuous improvement of processes is a firmly anchored concept and therefore also requires this from its suppliers. HSPE also expects its suppliers to use customer insights to improve product and manufacturing performance, extend product life and sustainability, and provide a productive, safe and more efficient work environment.

#### **Diversity and Inclusion**

HSPE expects its suppliers to promote diversity in the world of work, condemn any form of discrimination or harassment and that their employees and their own sub-suppliers – regardless of gender, race, nationality, ethnic origin, religion or belief, disability, age, sexual orientation and identity – do the same to give appreciation.

## **Freedom of Association and Right to Collective Bargaining**

The right of workers to form and join organizations of their choice and to bargain collectively shall be respected. In cases where freedom of association and the right to collective bargaining are restricted by law, alternative means of independent and free association for the purpose of collective bargaining must be provided and workers' representatives protected from discrimination. They shall be given free access to their colleagues' workplaces to ensure that they can exercise their rights in a lawful and peaceful manner.

## **Confidential Information, Privacy + Asset Protection**

HSPE considers all information in its possession to be assets and protects them accordingly. This includes tangible and intangible assets such as our technology, business information and intellectual capital. We expect that trade secrets, confidential information of all kinds, plans for the development of new products or services and other sensitive company data and personal information are protected by appropriate and reasonable safeguards and, if necessary, by legally enforceable agreements. Where our suppliers share information from HSPE and our customers with others, e.g. B. their own suppliers, they ensure that adequate control measures are in place to adequately protect the interests of all parties. HSPE is certified according to ISO 27001 / TISAX and asks its suppliers to implement this in their companies and to demand it in their supply chain.

## **Health + Safety**

HSPE implements an Occupational Health and Safety Management System based on ISO 45001 and expects our suppliers to put safety first and strive to prevent all injuries, work-related illnesses and safety incidents. Our suppliers and service providers must actively promote the health and safety of all employees with policies and practical programs to protect each individual from hazards. We expect our suppliers to provide us with safe and reliable products and services and to demonstrate this through a certified occupational health and safety management system.

## **Human Rights, Forced and Child Labor, Working Hours, Remuneration**

HSPE is committed to upholding internationally recognized human rights. We also expect our suppliers and service providers to fully comply with these principles and laws. The exploitation of children and their employment (child labor) are prohibited. If the national regulations prescribe a higher age, this is decisive. The rights of young workers must be protected. Working hours must comply with applicable national regulations and industry standards; the strictest provision applies. Pay for regular hours worked and overtime must meet the legal minimum or industry minimum standards, whichever is greater. Overtime pay must be in line with statutory regulations or industry standards. Statutory minimum wages must be observed.

## **Conflict-free Procurement**

On August 22, 2012, the U.S. Securities and Exchange Commission ("SEC") final rules implementing reporting and disclosure requirements related to "conflict minerals" as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

"Conflict Minerals" refers to gold, as well as tin, tantalum and tungsten and their compounds, regardless of where they are sourced, processed or sold. The US Secretary of State may also name additional minerals in the future. The purpose of these requirements is to advance the humanitarian goal of ending violent conflicts in the Democratic Republic of the Congo (DRC) and surrounding countries, which has been funded in part by the exploitation and trade of conflict minerals.

HSPE expects its suppliers to source conflict minerals contained in any component, part or product they manufacture from conflict-free sources and establish appropriate conflict minerals sourcing policies and then communicate this to their own suppliers. Our suppliers are expected to work with their own suppliers to track conflict minerals at least to the smelter and encourage the use of standard reporting procedures.

HSPE reserves the right to require its suppliers to provide further evidence of their conflict minerals supply chain to the mine. HSPE expects its suppliers to maintain such tracking data and be able to provide this information upon request. (Suppliers reporting high-risk smelters are requested to closely monitor their supply chain and take the necessary actions to discontinue dealings with these

operations. Likewise, the supplier has a responsibility to provide its consolidated report at least annually via standard reporting procedures .

Standard reporting procedures are:

- iPoint Conflict Minerals Platform (iPCMP) - <http://www.conflict-minerals.com>  
(Basic license iPCMP is available free of charge)
- Conflict Minerals Reporting Template (CMRT) - <http://www.conflictreesourcing.org/conflict>

## **Environmental Responsibility**

HSPE expects its suppliers to actively support environmental protection by using processes that eliminate waste, improve quality and promote efficient use of resources at their sites. Suppliers must comply with applicable environmental protection laws and regulations. We require certification according to DIN EN ISO 14001 (or comparable systems - e.g. EMAS). If this does not yet exist, the supplier must initiate environmental responsibility measures, implement them and, at the same time, present a schedule for the introduction of an environmental management system.

### **Material Bans (e.g. REACH, RoHS) + Responsible Chemical Management**

In principle, we would like to point out that applicable laws relating to material bans must be observed. The respective legal requirements must be followed. HSPE reserves the right to also query laws on material bans that do not apply to the country of manufacture, e.g. Proposition 65, a California law that must be observed as soon as goods are imported from there.

We expect our suppliers to respect the chemicals they use:

- Identify and mark according to regulations.
- Proper storage and handling (safe transport).
- If necessary, dispose of or recycle according to regulations.

Current material and safety data sheets according to the applicable legal requirements must be available and sent to HSPE on request. IMDS data must be transmitted to HSPE in the complete supply chain to identify and classify (critical, toxic,...) all chemicals and materials used in the manufacturing process.

## **Water Protection**

HSPE recognizes that water scarcity in many countries has far-reaching economic, social and environmental consequences. We expect our suppliers to implement policies and procedures that ensure water discharges are minimized and water consumption is reduced.

## **Reduction of Emissions**

HSPE recognizes that energy is essential to sustainable progress and development around the world and is a foundation for economic and social development. We expect our suppliers to implement policies and procedures to:

- Reduce greenhouse gases.
- Minimize emissions.
- Improve energy efficiency.
- Increase the use of alternative/renewable energy sources.

## **Waste Reduction**

HSPE works consistently to minimize waste in order to conserve resources. We expect our suppliers to develop policies and procedures to minimize hazardous waste, increase waste recycling, ensure appropriate disposal and recycling practices are implemented, and improve the overall efficiency of products, processes, and services.

## 17 Applicable Documents

IATF 16949

Quality management systems - special requirements when using ISO 9001 for series and spare parts production in the automotive industry, currently valid version

DIN ISO 9001 quality management systems currently valid version

DIN EN ISO 14001 environmental management systems currently valid version

VDA 6.3 process audit currently valid version

VDA 6.5 product audit currently valid version

VDA Volume 2 Assurance of the Quality of Deliveries currently valid version

VDA Volume 4 Quality Assurance before Series Use currently valid version

VDA Volume 3.1 Reliability Management currently valid version

VDA Volume 3.2 Reliability methods and tools currently valid version

VDA Volume Failure Analysis Field currently valid version

Forms from HSPE: <http://www.hsp-engineering.de/supplier-support/>

Project plan Q-Supplier / APQP Status Report

Control plan

Special release

Quality Development Agreement

Part CV / Part History

Initial Sample Report

Escalation procedure HSPE

8D report according to / based on VDA

IMDS Handbook for Suppliers