

# QUALITY ASSURANCE AGREEMENT

## Dynamit Nobel Defence GmbH (hereafter referred to as DND)

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## Preface

The quality of DND-manufactured products not only greatly depends on the quality of the supplier-made products, but is also a direct result of this.

In order to supply its customers with a fault-free product, DND has developed a zero defects strategy which also extends to its suppliers in the process chain.

DND therefore expects all goods ordered from the supplier to be supplied in a fault-free condition. Faults due to a delivery of defective goods from the supplier, which subsequently affect the product's start-up phase, are unacceptable. In this respect, the supplier is expected to take into account all measures required to achieve this in the offer (e.g. additional testing during the start of production until achievement of a stable process can be demonstrated). The supplier is also to maintain a system for quality control of the goods during production, including incoming goods inspection and corresponding documentation of the test results. A more detailed definition of the quality management system required of the supplier is set out in this QAA.

**The QAA is therefore to be considered an integral part of each and every DND order/contract in addition to the other order/contract documents and is not to be understood merely as General Terms and Conditions.**

Furthermore, DND requests that its suppliers provide voluntary notification of any optimisation potential and possible forms of improvement in terms of the goods to be supplied and the process to be observed.

## 1 General

### 1.1 Scope of application

The terms and conditions defined in this document shall apply to all goods and services ordered by DND as a matter of principle.

The exceptions are standard and catalogue parts, and industrial standard products.

The implementation and observance of these terms and conditions are an essential basis for proper fulfilment of the order/contract.

Other specific requirements of the goods are set out in the documents accompanying the order/contract.

### 1.2 Documents and order of precedence

If contradictions and/or ambiguities and/or overlaps arise from the documents in the context of a contract or order, the following order of precedence shall apply:

1. Contract/order between the supplier and DND
2. Delivery specifications\*
3. Parts lists\*
4. Drawings\*
5. Project or order-related stipulations\*
6. QAA (this document)

(\*This shall apply only if the cited document is enclosed in the order/contract.)

### **1.3 Purchasing options for the current QAA**

The current QAA can be purchased online on the DND website [www.dn-defence.com](http://www.dn-defence.com). Or contact DND.

## **2 DND documents**

The Supplier shall be obliged to check all of the documents enclosed with the order/contract for completeness upon receipt. If the supplier claims incompleteness, DND shall provide the missing documents immediately.

Furthermore, the supplier is to check whether the delivery specifications, parts lists, drawings, project and order-related stipulations are evidently faulty, unclear, or contradictory in as far as this concerns the enclosed documents. If the supplier notices this is the case, DND is to be informed immediately.

## **3 Quality management system**

### **3.1 Quality assurance and certification**

By accepting the order/contract the supplier shall be obliged to DND to implement the zero defects strategy. In order to fulfil this strategy effectively the supplier must implement an effective quality management system (QMS) in-company which will ensure that the goods it supplies to DND is of a consistently high, verified quality.

The supplier's QMS must be certified to DIN EN ISO 9001 or a comparable standard. DND is entitled to view the supplier's QM Manual upon request.

Individual agreements will be made with suppliers who have no relevant certification.

### **3.2 Accountability for quality**

The supplier is fundamentally responsible for the quality of the goods and fulfilment of their characteristics as specified in the order/contract.

### **3.3 Quality records**

The supplier shall document the implementation and fulfilment of the characteristics of the goods as specified in the order/contract by means of quality records. The supplier shall be responsible for ensuring that the quality controls specified in the order/contract have actually taken place and that the results of all these have been continuously documented (interim inspections during production and final inspections prior to delivery). DND has the right to view these quality records. Upon request, the supplier is to provide DND with a copy.

Unless otherwise specified, the retention period for technical quality records shall be a minimum of 12 years as of delivery.

### **3.4 Quality planning**

The supplier is to undertake appropriate quality planning to ensure that the required zero defects strategy is consistently implemented. The quality planning is to define the objectives of quality management, the quality requirements of the goods, and the application of quality management factors.

The measures taken must ensure that the quality requirements are defined and met in all phases of development and manufacture, including material procurement.

### **3.5 Test planning**

The supplier shall create the test specifications in relation to the requirements of the goods and based on its own analyses. They shall include specifications regarding:

- Test criteria
- Tolerances
- Scope of testing
- Test equipment
- Test conditions
- Etc.

The test specifications are to be provided upon request for viewing.

If requested in the order/contract and/or accompanying documents, the test specifications are to be discussed with and approved by DND.

### **3.6 Subcontractors**

If the supplier procures production or test equipment, software, services, material or other initial supplies from subcontractors for manufacturing or the quality assurance of goods, the supplier shall include them in its QMS in accordance with this Agreement, or ensure the quality of initial supplies by taking the appropriate measures.

DND may request evidence from the supplier that substantiates its full confidence in the constant efficacy of the QMS applied by its subcontractors. The supplier shall be solely responsible for the quality provided by subcontractors.

The supplier maintains a process for prevention of counterfeit parts or materials. If counterfeit parts or materials have been detected, DND must be informed of that by written ways within 5 days from the detection.

If in the course of the order/contract between DND and the supplier test plans and documentation are to be made, which are assumed into the contractual relationship between the supplier and subcontractor, the supplier shall be obliged to ensure that they are produced in line with the order requirements.

The supplier shall be liable for any fault of its subcontractor to the same extent as for its own.

### **3.7 Configuration management**

Configuration management (CM) is a core process of an effective QMS, which provides for the traceability, identification and monitoring of any modifications to the goods being supplied by the supplier and its quality assurance measures.

To this end, the certified supplier is to maintain a system for CM.

The DIN ISO 10007 may be used as a guideline.

Any modifications or changes in the CM and therefore the goods being supplied and their quality are to be coordinated with DND beforehand as a matter of course. In all other respects, the provisions set out in Section 5.2 shall apply.

### **3.8 Traceability**

The supplier shall ensure the traceability of the goods it supplies in accordance with DIN EN 9100 and DIN EN ISO 9001.

In the event of a fault being identified, traceability must be provided for that allows localisation of the faulty goods. The supplier shall provide DND with the data required for traceability.

The Supplier shall be obliged to provide identification of the goods in line with the regulations agreed with DND set out in the order/contract. The quality records/documentation of goods requiring serial numbers must indicate the serial numbers of these goods.

### **3.9 Right to inspection and audits**

DND shall be entitled to verify at appropriate intervals that the agreements reached in this QAA have been upheld and to inspect the goods being supplied at the supplier's facilities throughout the entire manufacturing/supply process. In this respect, DND may also check the supplier's observance of quality assurance measures. The audit may be carried out as a system, process, or product audit and is to be duly agreed before the scheduled implementation. The supplier shall permit access to DND staff and/or those obliged to confidentiality and assigned who are not in direct competition with the supplier, or customers of DND, and competent authorities (e.g. official goods inspectors or pricing review authority); access shall be in observance of the applicable safety provisions.

DND is to take account of the non-disclosure of trade and business secrets in an appropriate manner.

In the event of quality issues arising from the deliveries and/or services of a subcontractor, the supplier has the option of arranging an audit at the subcontractor's in conjunction with DND at the latter's request.

If quality issues are determined for the goods being supplied and/or the supplier's QMS, DND will document these and inform the supplier accordingly ("Findings" and associated actions). Measures to stop the quality issues will be agreed with the supplier and are to be worked through within the agreed time periods set; completion is to be reported to DND automatically.

### **3.10 Provisions**

The supplier shall inspect the items provided by DND immediately upon their delivery. If the supplier determines any differences in quantities or notices that an item provided by DND has some other defect, it shall notify DND of this immediately and coordinate with DND the action to be taken.

If a provided item is later subject to loss, damage, or destruction, DND is to be informed of this in writing immediately upon discovery.

The supplier is prohibited from a pledge or transfer of ownership of the provisions by way of security. The supplier is to take all action necessary to release the items provided by DND from confiscation, seizure, or other orders or actions by a third party and notify DND immediately in this regard.

DND is the owner of the provisions unless otherwise specified. If the provisions are processed or transformed by the supplier, DND shall be the manufacturer in terms of Section 950 of the German Civil Code (BGB).

### **3.11 Acceptance test; notice of defects**

DND shall inspect the goods purchased from the supplier upon receipt for any deviations in quality and quantity.

If a defect becomes apparent during the incoming goods inspection and no further investigation is required for its identification, notification of this defect is to be given immediately.

If an investigation is required to identify a product defect, DND is to undertake this without delay, in as far as this is feasible in the normal course of business, and notification of a discovered defect is to be given immediately.

The notification of a defect is deemed timely if it is sent to the supplier within a period of 3 working days upon discovery of the defect.

## **4 Handling of Faults/Defective Goods**

### **4.1 Handling of faulty goods at the supplier's**

Any faulty goods identified at the supplier's premises are to be labelled, separated out, and not sent to DND by the supplier.

#### **4.1.1 Special approval/approval of deviation**

If there are deviations in the characteristics with regard to the requirements stated in the order/contract by DND (drawings, specifications, inspection specifications, etc.), a special approval/approval of deviation is to be requested from DND provided that the parties have agreed delivery is still to take place.

Goods that do not have the agreed characteristics are only to be supplied once the special approval/approval of deviation has been granted. The request for special approval/approval of deviation is to be submitted in good time to ensure the agreed delivery dates are not adversely affected.

Delivery notes and shipping containers (packaging) for these kinds of deliveries must be labelled accordingly with clear information indicating the authorised special approval/approval of deviation.

Copies of the special approval/approval of deviation are to be enclosed with the delivery documents.

The supplier is to pay DND a flat-rate general fee of EUR 100 to cover the administration costs related to the special approval/approval of deviation.

#### **4.1.2 Supplier's obligation to inform**

If the supplier is unable to rule out for sure that faulty goods have reached DND, it is to inform DND immediately in order to coordinate localisation of the scope of delivery concerned. The supplier shall provide DND with all the data required for traceability.

## **4.2 Handling of defective goods**

Upon identifying defective goods at the DND site, DND will decide on how to handle the goods/lots concerned. The decision may incorporate one of the following measures:

- Reworking: immediate return of the entire delivery/goods concerned to the supplier for analysis (if applicable, with DND) and their rework (in consultation with DND). Immediately upon receipt of the returned goods, the supplier shall state a binding date for the

redelivery of the goods/lots concerned. Reworking may also take place at the DND site.

- Subsequent delivery: immediate return of the entire delivery/goods concerned to the supplier and replacement delivery to DND. Immediately upon receipt of the notice of complaint, the supplier shall state a binding date for the subsequent delivery of the goods/lots concerned.
- Rework by DND: DND is authorised to rework the defective goods/lots itself, if it cannot be expected to grant a period of grace, or not conclusively for instance on account of imminent production downtime or an imminent delay in DND's delivery to the end customer. DND will coordinate this rework with the supplier and provide a rough cost estimate.
- The supplier shall bear all expenses associated with the identification and rectification of defects even if the expenses are incurred by DND. DND may charge the supplier a flat-rate general fee to cover the administration costs related to this in accordance with the DND guideline "Rates for the identification and rectification of any defects". Moreover, DND shall be entitled to request payment of other expenses from the supplier incurred in relation to the identification and rectification of any defects, in particular, inspection costs, removal and installation costs, labour and material costs, as well as transportation costs and any other costs for the return of faulty parts and the delivery of non-defective parts.

This shall also apply if the costs increase as a result of the goods having been moved to a different location than the place of performance.

The supplier shall reserve the right to demonstrate no costs or substantially lower costs have been incurred, especially in accordance with the "Rates for the identification and rectification of any defects" guidelines.

DND shall also reserve the right to assert claims for damages.

#### **4.3 Corrective action**

Following every complaint/notification of defects by DND, the supplier shall investigate the cause of fault. The cause of fault and the courses of action derived from this to eliminate and prevent the fault occurring, and their efficacy at ruling out recurrence of the fault, are to be submitted to DND within 3 weeks or any other agreed period following receipt of the complaint/notification of defects. The corrective and preventative action must be appropriate for all faulty goods.

The measures taken are to eliminate and remedy the reported defects. DND shall reserve the right to reject the remedial action and request new or different measures to be taken. The "Staff instruction" measure is not generally accepted as the only course of action.

The supplier is to document the corrective action taken. An 8D report can be used for documentation purposes. Documentation shall be submitted following execution of each and every measure described below.

Immediate action:

The supplier is to get in touch with DND within 3 working days of receipt of the complaint or notification of defects regarding intended action. In particular, the supplier is to inform DND of the immediate action taken to limit further faults/defects.

Permanent corrective action:



The supplier is to analyse the probable causes of fault within 3 weeks of receipt of the complaint or notification of defects; based on this, the supplier is to identify suitable action to rectify these, and check that this action is effective. The suitable measures established are then to be implemented in the supplier's production processes.

Corrective/preventative action concluded:

The supplier is to conclude any corrective/preventative action within 6 weeks or any other agreed period following receipt of the complaint or notification of defects. The causes of fault are to have been rectified at the supplier's site and subsequent performance rendered. The supplier has additionally taken preventative action to ensure that the same or similar faults/defects will never recur in future.

## **5 Prototypes and samples**

### **5.1 Prototypes**

Prototypes and initial samples are parts that are not manufactured in serial production or similar conditions. The supplier shall coordinate the manufacturing and test conditions for the product and process characteristics with DND. The test results are to be documented and made available to DND upon request. The use of materials other than those specified or expressly agreed shall require the prior written consent of DND. Prototypes/initial samples are to be labelled as such for delivery.

Pilot plant production always means prototype production.

### **5.2 Initial samples**

Initial samples are those samples which are manufactured using tools provided for serial production and processes in series production conditions or similar and which correspond with the subsequent series production in terms of dimensions, materials, material properties and functions.

For initial samples special requirements are applied which are defined in the guideline "Initial samples". Within this guideline it is defined at which occasion and to what extent initial sampling procedures are conducted.

If deviations are determined in the initial sample testing of the product and/or documents, the supplier is to request a special approval/approval of deviation.

In the event of deviations, action is to be taken to ensure the fault is prevented from reoccurring in series production.

If an initial sample test is not possible at the start of production (e.g. series production facilities are not available yet; prototypes or small batches), or DND has expressly waived this is in writing, the supplier is to increase the level of testing accuracy in consultation with DND to ensure compliance with the drawing.

## **6 Products with special requirements**

### **6.1 Expiry date and storage conditions**

The supplier is to indicate the expiry date and storage conditions on the goods and/or packaging. If the date of manufacture is specified on the product and/or packaging instead of the expiry date, the entire shelf life period is also to be indicated. An appropriate key is to be provided for encoded data.



A minimum remainder of 3/4 of the storage period is to be guaranteed upon delivery. Deliveries without the relevant information will be rejected by DND.

In the case of explosive substances, the date of manufacture must not be older than a maximum of 9 months. Dates are to be given in written German form if not requested otherwise: DD.MM.YYYY d MM.YYYY

## **6.2 Safety data sheet, hazardous substances, and hazards**

The delivery is to include the currently applicable safety data sheet pursuant to the REACH Act 1907/2006/ EC. Only the original version of the manufacturer's safety data sheets are to be sent. If the original version is not in German, the supplier is to include a German translation in the delivery.

In all other respects, the delivery is to be rendered in accordance with statutory regulations.