

Supplier Quality Contract (SQC)

Supplier (full legal company name): _____

Supplier quality officer (first and last name): _____

The Parties enter into this SQC in their own name and on behalf of their respective affiliated companies. Any reference to "Supplier" shall include Supplier's affiliates. Any reference to "Spheros" shall include Spheros's affiliates.

From the date of signature, this SQC applies to all business between Supplier, Spheros, and their respective affiliates, whether already contracted or future, and defines Supplier's minimum obligations regarding quality with the aim of delivering products of the highest quality with zero defects.

1. Documentation, communication

Supplier shall provide all information such as drawings, material certificate, technical documentation, test reports in English language at no additional cost to Spheros.

Supplier shall ensure that all relevant functions are able to communicate with Spheros in English.

2. Labeling of Spheros tools and tool life

Supplier undertakes to label all tools that are in the property of Spheros accordingly and to provide proof of this by means of images. Spheros reserves the right to take possession of its tools at any time, the assertion of any retention rights is excluded.

Supplier has to ensure that any tools are well maintained and shall provide records and proof of maintenance upon request. Supplier shall proactively inform Spheros of any defects in the tools and of their end of life so that Supplier and Spheros can plan their repair or replacement.

Further obligations around tools can be found in Spheros's General Terms of Purchase or in tooling agreements, if applicable.

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3. Quality and environmental management system certification

Supplier production site shall be at least certified to ISO 9001:2015, IATF 16949:2016 is preferred. Supplier should have in place an environmental management system certified to ISO 14001 or equivalent.

Supplier shall maintain or improve its quality certification levels during its business relationship with Spheros and inform Spheros about any new audit results and/or changes in the status of its certification.

Supplier shall pass on the requirements arising from these guidelines and standards to its sub-suppliers; compliance must be ensured in a suitable form.

4. Feasibility evaluation

Feasibility evaluation is the assessment of whether a part for which a quote has been requested can be manufactured under series conditions as described in and required by the relevant drawings and specifications.

The feasibility evaluation must be carried out by the Supplier. In case of deviations, Supplier must inform the Spheros purchasing department immediately. The feasibility evaluation is required for each and every part for which Spheros requests a quote.

Unless otherwise stated, Supplier's signature on the RFQ document confirms that they are able to manufacture the requested parts or components.

Spheros expects to receive suggestions from the Supplier regarding (proposed) changes, supplements and specifications. These will then be carefully examined and implemented as part of our approach to continuous improvement in terms of product quality, process reliability and the most economical production.

5. Supplier responsibility

The Supplier systems must ensure that only those parts are supplied to Spheros that comply with the specifications and customer-specific requirements. Supplier is responsible for all actions that contribute to the fulfillment of the specifications and customer-specific requirements (including implementation of the specifications in the FMEA, product control plan etc.) and must ensure fulfillment during the entire supply period. This includes sub-suppliers, internal procedures and packaging.

The incoming goods, in-process, final and outgoing goods inspections must be carried out in accordance with the production control plan and test instructions. The scope of the inspections and process monitoring must be in line with the stability and capability of the processes. The methodology of all Supplier activities must be geared towards

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failure prevention, in order to minimize inspection effort and to increase process reliability.

If Supplier discovers a deviation in the product, they shall inform Spheros immediately. No shipment of out-of-specification products is authorized without prior written approval by the quality department of the responsible Spheros site. A signed copy of the approved deviation should be shipped along with the out-of-specification product.

6. Quality requirements for project development and series production

Catalog-, Standard- and DIN parts are excluded from APQP, SPC and MSA, unless otherwise agreed with Spheros.

For all other parts the following applies:

Supplier shall manage all the development stages of the part according to APQP and provide a formal advanced quality plan for its product and process which is in line with the below commitments and target (SOP due date). In this advanced quality plan, the supplier must set up the necessary processes to meet commitments and targets. In case of deviations or delays in delivery, the resulting costs shall be borne by the Supplier.

Unless otherwise agreed with Spheros, Supplier shall identify all Significant, Special and Critical characteristics (customer and internal) on the RFQ document, and ensure that they are taken into account in the FMEA, and in the control plan.

For all Significant characteristics, Measurement System Analysis (MSA) will be performed by the Supplier. The results of MSA must be made available to Spheros first in the PPAP and then annually with requalification per section 13. Spheros will approve/release the MSA as needed.

During production, all Special characteristics shall be controlled by means of either Poka-Yoke, SPC, 100% automatic check, gauge control, first-/last-piece inspection or other specific control as agreed with the responsible Spheros quality engineer. All the records shall be made available to Spheros whenever requested.

In the prototype and in the pre-serial phase, Supplier shall conduct measurements in accordance with Spheros's requirements and share the test results with Spheros. These tests shall also encompass scatter and average and shall prove that all minimum requirements are being met or within tolerance.

Initial samples of at least 3 pcs must be taken from series production while using serial equipment. During this manufacturing process, and at any point in time during series

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production, Spheros may conduct an on-site process audit and assess product conformity.

Master samples, initial samples, all test results and material certificates must be archived at the Supplier plant for a minimum of 15 years after the end of lifetime of the manufactured part.

Verifications and/or validations carried out by Spheros shall not limit the liability of the Supplier regarding the quality of the parts delivered and its commitments to Spheros. Subject to confidentiality and competition law regulations, Supplier shall ensure that Spheros' purchasing teams and Spheros' customer representatives are permitted to visit the manufacturing facilities as well as those of its sub-suppliers subject to advance notice of no less than 2 working days. Such visits shall be made solely for purposes of quality monitoring.

In case that Spheros or Spheros's customer relocates its production site, or in case that Spheros's customer approaches Spheros with additional PPAP submission requirements such as dimensional test results, material certificates or IMDS etc., Supplier must submit these documents free of charge to and get approval from Spheros.

7. Traceability

Verification of traceability is required at any time for all parts and for characteristics related to statutory requirements. Supplier is obliged to install a system for the traceability of all parts that are supplied to Spheros, which must include information on the production lot, date etc. Supplier must continually improve and stabilize traceability in order to enable the quick isolation of defective parts. An effective traceability system contributes to cost reduction in the case of a recall action. The system must include at least the following:

- Traceability of the lots with regard to production line, shift, date of manufacture and test documentation
- The lot numbers/date codes must be delivered in order of production
- FIFO system for parts must be observed for stocking and warehouse

Spheros shall be entitled to reject parts delivered to Spheros without the appropriate labeling as to traceability, at the Supplier's expense.

8. PPAP Requirements

All PPAP documentation must be in English.

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In general, PPAP level 3 submission is required unless otherwise agreed.

Minimum documents to be submitted if PPAP Level 3 is not required:

- Part submission warranty (PSW)
- Cover sheet
- Full dimensional measurement report: numbering with reference to drawing
- If evidence of process capability or equivalent tests if special characteristics are defined on the drawing
- Legal certificates for example CE, ECE R118, ECE R10, etc.
- Test reports, as specified on the drawing or specification
- Raw material data sheets/material certificates
- Chemical substances regulation restrictions (e.g. REACH, POP, Biocide, California Prop65, etc.) via IMDS
- Control plan

Note: IMDS must be submitted to Spheros without any additional costs. If Supplier is not familiar with IMDS, the IMDS Manual from Spheros can be consulted.

When parts may be supplied to different Spheros sites, only one PPAP documentation is required for all Spheros sites, except for Spheros' customer requests for additional documentation.

First, the supplier sends the PPAP samples together with the PPAP documentation to the Spheros site. PPAP documents can also be sent by email.

Second, Spheros reviews the documentation and measures/assembles/tests the PPAP samples as necessary.

Finally, Spheros informs the Supplier about the approval or rejection of the PPAP samples and documentation. In the event of rejection, Spheros will inform the Supplier of the non-conformities found.

Supplier has to submit new PPAP samples and documentation after correcting any non-conformities found free of charge.

Spheros shall be entitled to reject parts at the Supplier's expense that are delivered without Spheros' PPAP approval.

9. Change Management

Any change or modification (including changes of production site) concerning the parts or process (including tooling) has to be formally communicated to Spheros Purchasing Department and accepted in written form before the Supplier is authorized to proceed with its implementation. Without special approval or PPAP approval from Spheros, no delivery of changed or modified parts is allowed.

To obtain approval from Spheros, Supplier shall:

- Inform Spheros Purchasing Department with a clear description and risk assessment at least 3 months in advance
- Prior implementation of any change or modification, the timeline for implementation has to be agreed with Spheros
- Inform all relevant Spheros sites, if a part, subject to a change, is shipped to several Spheros sites
- Validate the change and provide proof of validation to Spheros
- Cover all Spheros and customer costs for any validation testing
- Submit the initial samples and all requested documentation to Spheros prior to serial delivery
- Create safety stock to ensure only validated parts are delivered to Spheros.

The responsibility for the quality of the parts remains with the Supplier also in case of approved changes or modifications.

10. Non-conformities

10.1 Remedial actions

In the event of non-conformities, whether detected at Spheros site (Level L1) or at customer site, 0km or field (Level L2), Supplier has to investigate the root causes for occurrence and non-detection and implement corrective and preventive actions. This must be tracked and recorded in a 8D report, which has to be submitted to Spheros in accordance with the following deadlines:

- Within 1 working day of notification: Quick response (8D: 1, 2 & 3D)
- Within 15 working days of notification: Plan Do (8D: 4, 5 & 6D)
- Within 30 working days of notification: Check Act and closure (8D: 7D, 8D)

If the 30 working days are not sufficient due to return transport and examinations, an extension of the deadline has to be agreed in advance with Spheros.

Supplier must respond within 1 working day from notification of the complaint and provide details on such as sorting, replacement stocks, re-working, etc. If Supplier does not respond within 1 working day from notification of the complaint, Spheros shall be entitled to start all necessary activity and to pass on to the Supplier all costs incurred as a result, including consequential costs incurred by third parties. Such costs may include without limitation:

- Part price (serial conditions apply), if no replacement part is delivered;
- Examination and sorting costs;
- Logistic/Transportation costs for returns, including custom costs;
- Costs for rework (internal and/or external);

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- Disassembly and assembly costs.
- Supplies and tooling cost required to put system back in service

Spheros and Supplier shall cooperate to mitigate any such costs.

10.2 Recall costs

In case Spheros' customer or Spheros itself starts a recall or other defect-removing or preventative measures, Supplier shall reimburse those expenses and costs incurred from or in connection with such actions.

10.3 Complaints handling

In addition to any damages or costs incurred (e.g. for rework, sorting, line stop, removal of defective parts and installation of new parts), Supplier shall pay to Spheros the following amounts:

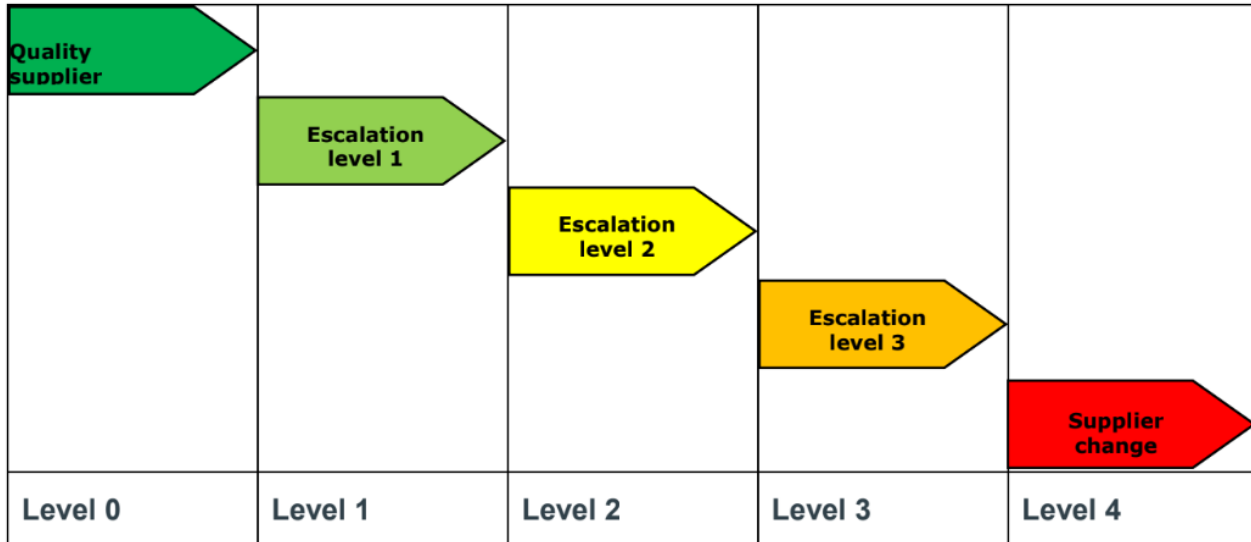
Cost overview for complaints		
Quality Level	Error occurred / Location of discovery	Costs per batch €*
L1	Spheros incoming inspection / Production	100 €
L2	Customer 0km / In the field	150 €

* In equivalent local currency

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11. Escalation process

The escalation process describes the procedure for non-conforming deliveries, logistic issues and insufficient sustainability in troubleshooting. Spheros reserves the right to charge Supplier for all costs incurred through the application of the escalation process.



ESC0 (Escalation level 0)

Criteria: Supplier fulfills the quality and supply requirements.

Actions: Standard incoming goods inspection and complaints are handled by the plant.

Results: Display current statistical evaluation.

Responsibility: Spheros Plant Quality department and disposition

ESC1 (Escalation level 1)

Criteria: Supplier does not fulfill the quality and supply requirements.

Actions: Supplier is requested to provide and implement corrective actions based on normal supplier evaluation (e.g. update every 3 months).

Results: introducing mandatory and suitable effective corrective and preventive actions and optional visit of supplier as part of supplier development.

Responsibility: Spheros Purchasing and SQA department

ESC2 (Escalation level 2)

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Criteria: Implemented corrective and preventive actions do not show any improvement. The management board of the supplier is requested to get involved with the plant.

Actions: Supplier management is requested to submit a management plan with effective actions to improve the quality and the management.

Results: New agreement on 12M PPM Target and management recovery action plan.

Responsibility: Spheros Site Purchasing Management and SQA

ESC3 (Escalation level 3)

Criteria: Inadequate supply reliability + failure of corrective measures + insufficient cooperation by Supplier.

Actions: Supplier to be put "on-hold" for all new requests and new business.

Results: Temporary block for the supplier and inform other Spheros plants about new status.

Responsibility: Spheros Segment Purchasing and SQA Manager

ESC4 (Escalation level 4)

Criteria: If an improvement in the supplier evaluation cannot be expected within a 6-month period.

Actions: Permanently block for the supplier and inform other Spheros plants about new status. Phase out process to be started as soon as possible.

Results: The supplier shall be replaced as soon as possible.

Responsibility: Spheros Purchasing-Director and Quality-Director

12. Legal requirements

Supplier must comply with all applicable legal requirements for the country/region to which parts are supplied, e.g. Product Liability Directive 85/374/EEC, General Product Safety Directive 2001/95/EC, Type Approval and Market Surveillance Regulation (EU) 2018/858, REACH Regulation (EC) 1907/2006, etc. (list not to be considered exhaustive) at any time, especially, but without limitation, those recorded on Spheros drawings and must renew the legal certificate(s) accordingly and on time before the date of expiration.

13. Requalification

Supplier shall at least annually review whether its products and services correspond to Spheros' specifications (including measurements, materials, reliability, statutory requirements, environmental requirements). Spheros shall be notified of the results of this review on request. Supplier shall submit a yearly requalification report with the following information at no additional cost:

- Legal certificates

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- Tool life statement
- Measurement report / functional tests according to the control plan

The yearly requalification report shall refer to at least one part number, which shall be different each year.

14. Continuous improvement of quality

The ever-increasing quality expectations of the bus industry also require our suppliers to constantly improve the quality of their products.

Target agreements serve the purpose of driving this continuous improvement. For this purpose and until achievement of the zero-defect target, interim ppm-targets are defined for all Spheros sites. The target agreements continue to be valid without change, even when the zero-defect target is achieved.

Spheros reserves the right to propose a new 12 months rolling PPM agreement depending on the supplier performance.

15. List of abbreviations

APQP	Advanced Product Quality Planning
FIFO	First In – First Out
FMEA	Failure Mode and Effects Analysis
IMDS	International Material Data System
MSA	Measurement system analysis
OEM	Original Equipment Manufacturer
PPAP	Production Part Approval Process
PPM	Parts per million
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
RFQ	Request for Quotation
SPC	Statistical process control
SQA	Supplier Quality Assurance

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16. Revision documentation

No.	Issue	Revisions	Author
00	23.10.2024	Initial issue of the Spheros Supplier Contract	A. Rauch

For and on behalf of **Supplier**:

Signature

Name: _____

Title: _____

Place/Date: _____

For and on behalf of **Spheros**:

Signature

Name: _____

Title: _____

Place/Date: _____