

Supplier Quality Manual (SQM)

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1. Scope:

Zero defects and zero tolerance of non-quality are the AKEBONO quality objectives, for the satisfaction of AKEBONO customers. It is our customers who decide of our future by awarding us contracts as long as they are convinced that we do not compromise on Quality.

The strong partnership between AKEBONO and its supplier is fundamental to achieve this target.

This Supplier Quality Manual (SQM) sets out AKEBONO policy and procedures for the selection of suppliers and the management of the panel. A strict compliance with the content of this manual is requested.

The arrangements described in this manual apply to all suppliers of original external parts (including subcontracting parts), raw materials and packaging. This quality assurance manual is applicable to all contracts made with Akebono Europe's suppliers.

The supplier quality assurance (SQA) comes within the Akebono-Europe Quality – Purchasing policy, based on ISO/TS 16949 and ISO14001 standards.

Rosine FRULEUX

Europe Purchasing Manager



Melanie LEMAIRE

Europe Supplier Quality Manager



2. Supplier Quality Policy:

The supplier, a professional in its field, is perfectly aware of the demands and requirements of the Automobile Industry, in particular in terms of quality. It is supplier responsibility to define and implement a quality policy in compliance with this Industry's standards and customary practices, as well as with laws, regulations and standards in force.

This SQM shall supplement supplier quality policy. Nothing under this SQM may be interpreted as relieving the Supplier from any of its obligations towards AKEBONO and especially its responsibility to deliver the Components in compliance with all documents that govern the relationship between AKEBONO and the Supplier in connection with the supply of the Components.

Activities performed by each Party and especially, inspection, audit, validation, testing and/or approval made or granted by AKEBONO under this SQM as well as AKEBONO decision not to enforce all or part of this SQM shall not affect Supplier responsibility concerning the quality and reliability of the Component and compliance with its contractual obligation.

3. Quality commitment

The supplier commits itself implementing a customer – oriented policy, based on the principle of the “Zero defect”, in a constant preoccupation of continuous improvement.

This quality manual describes the minimum requirements that are expected from our suppliers, in order to establish a strong partnership necessary for the production of high quality products, for our final customers.

Supplier must:

- guarantee the reliability of processes and keep records
- have a process of continuous improvement
- have a process to continuously capture what has been learned

It is based on:

- a clearly defined quality policy
- an organization capable of assuring quality at all stages of the component life

- the willingness to work in a spirit of partnership, continuous improvement and problem solving attitude with AKEBONO.

4. Environmental commitment:

AKEBONO is involved in an environmental protection.

Monitoring the impact of our activities on the environment, the risk and pollutions prevention is done through:

- Regulatory compliance,
- Total control of waste.
- Risk assessment associated with our various activities.
- Emergencies management (fire, explosion).

We are recommending to our suppliers to have an environmental management system.

Suppliers should comply with all laws of environmental protection applicable to their organization. Continuous improvement of environment protection and action to avoid environmental pollution will be carried out systematically.

The compliance with ISO 14001 may be required in some cases.

5. AKEBONO suppliers Development

5.1 Supplier Introduction into AKEBONO panel:

AKEBONO has a specific strategy in supplier's introduction into the panel. The objective of AKEBONO is to develop suppliers that can participate in the customer oriented vision and zero defect.

For this purpose, to be introduced into the panel, a supplier has to fulfill the following requirements:

- Quality and environmental certification acknowledged by AKEBONO
- System audit and financial evaluation validated by AKEBONO purchasing and supplier quality assurance department (SQA).

5.1.1 Quality certification:

Quality and environment certification acknowledged by Akebono Europe are:

- ISO 9001 last valid edition
- ISO/TS 16949 last valid edition

- ISO 14001 last valid edition
- Those acknowledged by automotive industry.

Akebono Europe encourages its suppliers to obtain at least recognized quality certification, preferably ISO/TS 16949. Moreover, Akebono Europe strongly encourages any plan related to obtain an environmental certification.

The selection of the suppliers is based, for the criterion “quality certification”, on a valid date of certificate or at least, on a realistic planning of process for certification.

5.1.2 Supplier Evaluation:

A supplier intending to be part of AKEBONO panel has to confirm its capacity to respect AKEBONO expectations in terms of **Quality – Deliveries – Stability (financial, human resources ...)**.

In this objective, AKEBONO’s SQA and purchasing departments, organize a system audit and financial evaluation on existing process of the supplier. The duration of this audit can be until 3 days depending on supplier structure after what an audit report is issued.

If no major non-conformity is found, the supplier is accepted into AKEBONO suppliers’ panel. However, in case of minor non-conformity, the supplier has to present corrective actions plan to Akebono Europe within two months and has six months deadline to implement these actions.

If the deadlines of corrective actions plan are not respected, the quality and purchasing department start a procedure of disengagement of current productions.

In case of major non-conformity, the supplier must submit corrective actions within two weeks to Akebono Europe, and has two months delay to implement these actions. Akebono Europe introduces the supplier into its supplier panel after implementation and verification of these correctives actions.

5.2 Supplier Selection:

5.2.1 Definition of AKEBONO requirements:

In order to specify adequately the AKEBONO requirements to its suppliers, the AKEBONO project team will establish the Supplier Quality Specification Sheet (SQSS). The SQSS will be sent with the RFQ and will include:

- The product information
- The special characteristics
- AKEBONO specific requirements

- Requirements for PPAP submission
- Packaging specifications

5.2.2 Supplier selection:

AKEBONO project team will:

- Compare pre-selected supplier's performance
- Review quality of the answers and robustness of the quotation received
- Analyze strengths and weaknesses of the suppliers
- Select the supplier representing the best choice.

As soon as the selection is done, purchasing department inform the supplier and validates the nomination.

5.3 Design validation:

As the supplier has been nominated, AKEBONO is asking for a drawing and design review of the involved components. This information has to be submitted to AKEBONO SQA department and purchasing department before starting any realization activity.

The drawing and design review has to include the study of any origin of risk on final user safety. This part has to be clearly identified even if there is no risk identified in the drawing and design review by the mention "*NO REMARK*".

5.4 Quality assurance files validation:

5.4.1 Quality assurance files submission:


The supplier must send to Quality department of Akebono Europe a quality assurance file as defined in the document "Supplier Quality specification sheet" (SQSS) and including at least :

- Contact persons for quality and logistic
- SQSS signed
- Control plan: manufacturing flow chart with machines names that are going to be used in manufacturing the goods.
- Traceability system description
- Material safety data sheets, in the language of the delivered country and in compliance with last edition of EU directives.
- Contingency plan

- Product/Process capabilities that during serial life of the product have to be sent to AKEBONO SQA in a monthly frequency
- Maintenance instructions: tools and machines
- Process parameters
- FMEA: Design-FMEA (if the supplier is the product design's responsible) and Product and Process-FMEA
- Any other document specified in the SQSS file

5.4.2 Requirements for S/R characteristics:

- Transpose the symbols S, R or S/R to all documents in the quality assurance system on which reference to these characteristics is made

- Place the sign  or equivalent symbols on workstations where these characteristics are implemented and checked

- Ensure that personnel assigned to workstations producing parts with safety/regulation characteristics are personnel that have received training via a training program that demonstrates clearly that the personnel have attained the required level of knowledge and skill. Records of this training, in the form of a document dated and signed by the operator himself, must be archived for the stipulated period of time
- Machines conferring Safety/Regulation characteristics must have a high level of priority in the preventive maintenance program
- No changes to the process may be carried out without the prior approval of the customer
- Internal audits must be conducted and documented to ensure that all process parameters are controlled. A record of the effectiveness of corrective actions must be kept up to date
- Labels identifying batches for delivery must show the specific safety/regulation mark.

5.4.3 Quality assurance files validation:

According to documents received and the results of the open tests carried out, Akebono Europe SQA department decides to accept or not the Quality Assurance file (QAF) and informs the supplier. In case the file is not accepted, the supplier shall submit an updated version of his QAF to Akebono Europe within 10 working days.

For projects with new processes, AKEBONO SQA will perform a process audit at supplier facilities before validation of the quality assurance file.

5.5 Initial samples validation:

5.5.1 Initial sample submission:

The supplier, in accordance with requirements defined in “Supplier Quality Specification Sheet”, submits initial samples.

All the required information must be attached to this sheet and submitted to Akebono Europe SQA department.

<Note>: The production part or raw material approval is granted for:

- A part number
- A raw material reference
- A production line
- A technical modification level
- A production site
- One or more suppliers of raw materials
- A production tooling

Change in any of these variables; require a new request for approval from Akebono Europe SQA. All modifications must be applied through a prior request to the Akebono Europe quality and purchasing departments.

Before any change, the supplier must contact Akebono Europe SQA and purchasing departments, to obtain the approval to do so.

5.5.2 Initial samples validation:

The purpose of Supplier Initial Samples (IS) validation is (i) to check that the component (performance, characteristics, reliability, capability, etc.) comply with AKEBONO requirements and (ii) that the process developed by supplier is capable to produce the defined components in compliance with AKEBONO requirements.

Mass production components must be in compliance with Initial Samples approved by AKEBONO: no change on product, nor on process neither on packaging.

Master samples and initial samples file will be archived at the supplier plant during 15 years after the end of lifetime of the manufactured product.

A. Parts and accessories

The I.S. have to be made with production equipment and be representative of series conditions.

If all the initial sample deliverables have been qualified, AKEBONO SQA will release the Part Submission Warrant (PSW) signed.

The initial sample approval decision will be communicated to the supplier by sending the AKEBONO approved PSW.

As soon as the Initial Samples have been accepted by AKEBONO, the supplier is allowed to deliver components to AKEBONO according to the needs. Size and frequency of deliveries are fixed between Akebono Europe purchasing department and the supplier's concerned department. This is the serial production phase.

Delivery of IS by the supplier must be:

- Identified by the labeling "Initial Samples"
- Packaged in compliance with the fixed specifications: dimensions of packaging and quantities
- Documents defined in the SQSS must be attached to the delivery.

B. Raw Materials

The first delivery takes place of initial samples submission. Analysis certificate, systematically requested for all deliveries, is the necessary document to be compliant with "Raw material Specification Agreement" (RMSA).

Raw material suppliers shall agree to provide AKEBONO with safety data sheet for free in **the language of the delivered country**, during the first delivery and each update.

Safety data sheets must be in conformity with regulations (Annex II REACH1907/2006/EC and 91/155/EC) and respect deadline regarding transition to new classification and new labeling of hazardous substances (Directives 67/548, Directive 1999/45 and (CLP) 1272/2008/EC).

Concerning REACH regulation, supplier must inform AKEBONO about each material status. Substance or mixture manufactured or imported into European territory must be registered under REACH regulation (1907/2006/EC) for AKEBONO use.

Products that do not comply with REACH requirements should not be provided.

Supplier shall agree not to use any substance known as "substances of very high concern (SVHC)" contained in the candidate list. Candidate list is published by European Chemicals Agency (ECHA) and updated regularly.

For recording of our use, thank you to contact our quality and environment service:

quality-europ@akebono-brake.com.

6. Suppliers performance monitoring:

6.1. Product Quality Assurance (PQA):

Akebono Europe quality department sets a product in Product Quality Assurance (PQA) position after validation of three (3) consecutive lots in incoming control. This setting in PQA does not release the supplier of its responsibility to deliver products in conformity with the contractual requirements.

If the conditions above are achieved the PQA status is granted and AKEBONO will give to the supplier a notification of PQA status achievement allowing the supplier to deliver to AKEBONO without receiving inspection performed by AKEBONO.

All PQA component deliveries must be flagged by the supplier with PQA identification on each container box.

When a component is granted as Product Quality Assurance (PQA) status, the component is no longer subjected to incoming control.

For raw materials, the PQA status does not remove the necessity to send Certificate of Analysis (COA) with each delivery.

PQA Management Flow purpose is to ensure that supplier fulfills AKEBONO requirements and supplies quality-secured purchased components along all the production period.

Any Non Conformity related with the delivery of parts without respecting the requirements agreed must be formalized by the supplier by sending a Supplier Deviation Request. The supplier is not allowed to send doubt parts/material without approval by AKEBONO of the deviation request.

PPAP is re-validated on a yearly basis and shall be presented by the supplier to AKEBONO Europe at least 1 month prior the anniversary date of Initial Samples approval (the year before).

In the frame of yearly initial sample re-validation AKEBONO will verify that the Product Quality Assurance Management Flow are and have been respected since the previous year submission.

AKEBONO will especially look for evidence of the:

- Respect of the control plan at the defined and agreed frequencies (number of components measured –frequency – timing).
- Monitoring of supplier total line rejects (measured in PPM).

For PQA products, upon request, the supplier must provide AKEBONO with the results of inspections carried out for each batch delivered.

If a product supplied in PQA is found to be non-conform, PQA deliveries are stopped temporarily and returned for incoming checks in our laboratories. The supplier is then informed within 48 hours by Akebono Europe SQA department of this non-conformity.

Akebono Europe can only resume PQA deliveries after acceptance by quality department of the corrective action plan presented by the supplier and respect of the 3 lots controlled OK.

6.2. Continuous quality improvement:

A Quality Improvement Plan (QIP) is required from suppliers to achieve the level of “Zero defects” that the automotive industry requires. This plan will focus on:

- Preventive quality
- Eradication of problem root causes
- Learning from mistakes with Lessons Learned.

This QIP is initiated by the supplier at start of serial production. Its implementation is reviewed every year by AKEBONO during supplier audits.

The development of new business between AKEBONO and a supplier depends on the achievement of the quality and delivery performance levels and on the definition and the deployment of a formal QIP by the supplier to achieve “Zero defects”.

6.2.1 Incidents processing:

i. Incidents levels of generation:

AKEBONO has divided supplier quality issues in 3 different categories:

- **Customer Level.** starting from a *single* non-conform part detected at AKEBONO customer’s plant => an official incident is notified to the supplier
- **Internal incident level.** More than 3 non-conform parts with same defect detected at AKEBONO => an official incident is notified to the supplier

- **Alert level:** Until 3 non-conform parts detected at AKERBONO with the same defect that can be captured in AKEBONO process => an Alert is sent to the supplier and bad parts cost is invoiced to the supplier

By reception of an Alert from AKEBONO, the supplier is not asked for containment actions on AKEBONO stock. Nevertheless, the supplier has to guarantee the quality of next deliveries according to this defect and send to AKEBONO an action plan to prevent recurrence within 5 working days.

ii. Costs involved by incidents generation:

In case AKEBONO or AKEBONO's customer declare that some parts do not conform with the agreed requirements, the Supplier will pay the following administrative costs:

- Customer level: 300€
- Internal incident level: 150€

These costs shall cover **ONLY** administrative handling actions. In addition, the Supplier will remain liable for all other direct or indirect costs (AKEBONO and/or customer line stoppage, non-conform AKEBONO parts, transport ...) under current contracts and in accordance with automotive standards and applicable laws.

These administrative costs will be multiplied by 2 in case of recurrent incidents.

For raw materials, in case of COA missing with the delivery, a cost of 100€ will be directly deducted from the next invoice.

iii. Incident processing:

Incident notification

When defective component(s) is/are identified, AKEBONO will notify the supplier responsible of the incident by email with all needed information about the defect and the traceability.

Suppliers' response time is measured and recorded according to AKEBONO Reactivity requirements:

- Within **48 hours** of the notification: 8D report fulfilled until D3
- Within **5 days** of the notification: 8D report fulfilled until D5 with 5why analysis
- Within **10 days** of the notification: Completed 8D report until D8

In case of an incident "Customer Level", first supplier answer (until D3) has to be within 24 hours. In the same case, a process audit will be conducted by AKEBONO SQA before incident closer. All related costs will be at supplier's charge.

In the case, the 8D analysis shows that the defect is not the supplier responsibility; the incident is cancelled by AKEBONO.

Sorting activity:

Supplier shall ensure that the organization of the sorting enable an immediate communication of any relevant information (including especially the sorting results) obtained by the supplier and/or the sub-contractor during the sorting. All costs linked with the sorting, including costs to be paid to the subcontractor, will be borne by the Supplier.

Sorting at AKEBONO plant:

The Supplier shall mandate a sorting company within the first 5 hours following the incident notification. The goal is to ensure that AKEBONO is secured at the latest 8th hours following the incident notification to the Supplier.

In case of delay, AKEBONO will contract directly a sorting company. AKEBONO will charge back to the supplier all the corresponding costs incurred by AKEBONO.

CSL activity:

In the case of multi recurrence (three (3) times and more with the same defect or 4 and more incidents concerning the same part within six (6) months), Akebono will ask the supplier for a Control Shipment Level 1 (CSL1) to be implemented on the concerned parts.

For this activity, the supplier has to sort these parts according to the defects presented in the CSL1 letter.

During this sorting, the supplier has to commit to send to Akebono's SQA the sorting results and the following action plan to exit from this activity. Criteria of exist are:

- No bad parts detected at both Supplier's plant and Akebono, on defined criteria.
- Inspection data shows no rejects into the inspection area for a minimum of one month after implementation of irreversible corrective actions
- Written authorization from Akebono to exit Controlled Shipment Level 1.

If the Supplier fails to meet the commitments stipulated in CSL1, the CSL2 procedure will be implemented. CSL2 requires that an external company validated by Akebono implement the sorting in line with criteria defined for CSL1 at supplier's charge.

6.2.2 Quality improvement plan:

In order to achieve the objectives asked by AKEBONO, the supplier has to define and deploy a formal Quality Improvement Plan (QIP) based on a continuous improvement strategy.

For each AKEBONO supplier performance tracking indicators defined (Customer incidents, recurrent, reactivity, PQA rate, initial sample validation right the first time, Service Rate) and non-conformity declared by AKEBONO as well as for each internal supplier Quality objective that can impact the performance of AKEBONO (Supplier Total Line Rejects ppm, supplier scrap), the supplier will analyze with facts and data the performance and situation on the previous period based on the following questions:

- What was the performance reached in the previous year compared to the objective?
- What improvement actions were done and what efficiency obtained?
- What is the root cause explaining the gap to the objectives?
- What needs to be done in the next period to reach the objectives?

This analysis will take into account the development of Lessons Learned from the previous incidents as well as the weak points in the manufacturing process and in the management at the supplier's.

Based on this analysis, the supplier will define the strategy and the detailed action plan to be deployed for the commencing year, specifying solution, milestones and names of the assigned leaders in charge of the implementation of countermeasure to close the gap to objectives.

6.3. AKEBONO customer's responsibility

AKEBONO supplier is a fundamental part of the logistic chain in customer deliveries. This situation makes the supplier responsible of any delay in deliveries to AKEBONO or in some cases directly to the final customer.

AKEBONO isn't in any case responsible of the supplier production planning or any delivery delay of the supplier suppliers.

7. Product & Process Change Management:

The supplier has the obligation to communicate to AKEBONO and in a written form, any product or process change intention (design, manufacturing process, material, color ...) prior to its implementation, in order to obtain a written approval from AKEBONO relevant people.

Implementation of a Product or Process change by a supplier with no AKEBONO written agreement will be reported to the ISO TS registrar by AKEBONO. AKEBONO will require from the supplier to put in place 100% sorting activity on all deliveries by an external company.

8. Audits & Audit schedule:

During serial production, supplier sites will be re-evaluated by AKEBONO through Process audit, System audit and financial evaluation on a regular basis (see chart below).

A new process audit may be scheduled at any time by AKEBONO.

A yearly product audit will be performed by supplier in accordance with the control plan approved along the Initial Sample approval stage

The quality system of the supplier will ensure that any production return of experience involving a product or process change(s) is fed-back for a post mortem analysis.

Type of Audit	Validity Period	Leader	Where
System Audit and financial evaluation	New suppliers and every 2 years	AKEBONO Purchasing and SQA	At supplier's plant
Process Audit	AKEBONO reserves the right to perform process audits every 2 years (after IS validation) as minimum	AKEBONO SQA	At supplier's plant
Customer incident process audit	For each customer claim related to the supplier	AKEBONO SQA	At supplier's plant
ISO TS 16949/ISO 9001 (last valid edition)	3 years	ISO TS 16949/ISO 9001 Accredited bureau	At supplier's plant
Logistic Audit	AKEBONO reserves the right to perform process audits every 2 years (after IS validation) as minimum	AKEBONO SQA AKEBONO Logistic	At supplier's plant

9. Agreements and responsibilities:

AKEBONO is supplying security products within automotive market. Suppliers, as AKEBONO partners, have to commit to automotive regulations especially European and local regulations.

Being AKEBONO supplier doesn't remove its responsibility to the supplier in final user safety. In this context, the supplier has to include this point in its FMEA study and in all relevant part of its activity that can take part of the assurance of the final user safety.

9.1 Warranties:

The supplier warrants that it has good and merchantable title to the Parts and that the Parts shall:

- Be free from defects in design (to the extent that Supplier has furnished the design), materials, workmanship and performance;
- Be of merchantable quality and fit for the particular purpose for which the Parts are sold;
- Comply with all Akebono Drawings, Acceptance Drawings and Specifications designated or approved by Akebono;
- Be free and clear of all liens and encumbrances ;
- Comply with all Applicable Laws;
- Comply with all other warranties implied or provided for by law.

All warranties shall extend to Akebono for at least the time and mileage limitations of relevant customer warranties. Supplier shall reimburse Akebono for all costs (including labor charges, cost of replacement parts, towing, dealer handling charges and other expenses) incurred by Akebono as a result of Supplier's breach of any warranty. There are no exclusions, or disclaimers of warranties other than those that may be expressly recited in this SQM. The warranties expressed in this SQM shall be construed as consistent and cumulative with one another and with all other warranties, whether express, implied or statutory.

9.2 Recall and reimbursement:

Supplier shall reimburse Akebono to the extent attributable to Supplier, for all costs incurred by Akebono (including costs for notification, replacement parts, labor, penalties, fines, and buy backs) as a result of any recall, service campaign or similar program initiated by Akebono, or required for compliance with any Applicable Law.

9.3 Indemnification:

In addition to what is specified elsewhere in this SQM, Supplier shall indemnify and hold harmless Akebono and their officers, directors and employees, in full against all loss, liability, damages, costs and all expenses, including attorney fees and expert fees, arising directly or indirectly out of

Supplier's performance of work hereunder or the use or sale or importation of any Parts, including claims, actions or lawsuits alleging:

- Personal injury, property damage or economic damage;
- Any design, manufacturing or warning defect relating to any Part;
- Any violation by Supplier of any law, rule or regulation applicable to Supplier or Supplier's business, facilities or operations;
- Any act or omission of Supplier or its employees, agents or sub-contractors designing, manufacturing, supplying or delivering the Parts, including any injury, loss or damage to persons caused or contributed to by any of their negligence or by faulty design, workmanship or materials ; or
- Any other claims resulting from the acts or omissions of Supplier or its employees, agents or sub-contractors.

Upon request from Akebono, Supplier shall, at its sole expense, provide Akebono with reasonable access to documents, records and witnesses in connection with Akebono's defense and resolution of any claim, action or lawsuit described previously.

Akebono may, in its sole discretion, require Supplier to defend and resolve any claim, action or lawsuit. In the event that Akebono so requires, Supplier shall absorb all loss, liability, damages, costs and all expenses, including attorney fees and expert fees, in connection with such defense.

Nothing in this SQM shall exclude or limit the liability of a Party for death or personal injury resulting from the negligence of that Party or its directors, officers, employees, contractors or agents.

Supplier shall at all times insure and keep itself adequately insured with a reputable insurance company against all insurable liability under this paragraph and, in particular, against all its liabilities under this Article and against the consequences for any act or default of Supplier's, Supplier's Affiliates and Subcontractors' employees whilst on the premises of Akebono or the premises of Akebono's Affiliates, as the case may be, and shall, on request, provide Akebono with such evidence of such insurance as Akebono may reasonably require. Supplier shall provide all facilities, assistance and advice required by Akebono or its insurers for the purposes of contesting or dealing with any action, claim or matter arising out of Supplier's performance of this SQM or failure to perform.

9.4 Right of access to supplier's claims' information:

At Akebono's request, Supplier shall promptly provide access to its records of warranty or product liability claims relating to the Parts. Akebono has the right to review and copy such records, and to require Supplier, at Supplier's cost, to prepare and provide reports or analyses of the quality, reliability, performance, or safety of the Parts, and/or complaints, actions or claims relating to the Parts. Supplier shall retain such records, reports and analyses as required by the Applicable Laws or for at least fifteen (15) years, whichever is longer.

9.5 Intellectual property rights:

Each Party and/or its Affiliates will retain its rights in the Intellectual Property Rights that it acquired, generated or created prior to starting the Development Work.

Supplier shall grant and hereby grants Akebono and its Affiliates paid-up, royalty-free, non-exclusive, world-wide irrevocable license to all Supplier's Intellectual Property Rights subsisting or embodied in or used in connection with the Acceptance Drawings except for Background Patents of Supplier, with a right to grant sub-licenses to others, to make, have made, use, offer to sell, sell, repair, reconstruct or rebuild, and have repaired, reconstructed or rebuilt, products including the Parts and products similar or identical to the Parts.

If Supplier makes or creates an invention, patentable discovery, improvement or process based on the technical data, information, proposals or opinions provided by Akebono, Supplier shall forthwith notify Akebono thereof and the Parties shall discuss in good faith and agree on the ownership of the Intellectual Property Rights subsisting or embodied therein.

9.6 Akebono Property:

All Akebono Drawings, Intellectual Property Rights owned by Akebono and Confidential Information supplied to Supplier by Akebono shall remain the property of Akebono, and Supplier shall use such property only for the purpose of fulfilling its obligations under this SQM.

All supplies, materials or other items paid for or reimbursed by Akebono to perform Supplier's obligations hereunder (collectively "the Akebono Property") shall remain the property of Akebono. Supplier shall use the Akebono Property only in connection with this SQM, and shall not use the Akebono Property in any manner whatsoever for the benefit of any other customer or third party without Akebono's prior written approval. Supplier shall, immediately upon Akebono's request, deliver the Akebono Property to Akebono or its nominee in accordance with Akebono's

instructions. The Akebono Property shall be marked as the property of Akebono by Supplier, shall not be commingled with the property of Supplier or any third person, and shall not be moved from Supplier's premises without Akebono's prior written approval.

9.7 Tooling:

Supplier shall maintain the Tooling in good condition so that the manufacture of the Parts is not interrupted.

Supplier shall only use the approved Tooling for manufacturing the Parts for Akebono. Supplier shall, immediately upon Akebono's request, deliver the approved Tooling to Akebono or its nominee in accordance with Akebono's instructions. All approved Tooling shall be marked as the property of Akebono by Supplier, shall not be commingled with the property of Supplier or any third person, and shall not be moved from Supplier's premises (except for repair or modification) without Akebono's prior written approval. Supplier shall not modify, lease, transfer or dispose of any approved Tooling unless Supplier obtains Akebono's prior written approval.

9.8 Sales to third party:

Supplier shall not, without Akebono's prior written approval, manufacture for the benefit of or supply to a third party any goods that :

- Are based in whole or in part upon the Akebono Drawings;
- Use any Intellectual Property Right of Akebono or any of its Affiliates; or
- Are based in whole or in part upon the Acceptance Drawing, or any derivative or copy thereof, except for any products or parts that Supplier independently developed.

Akebono will not withhold its consent to the use of Akebono Drawings and/or Acceptance Drawings by Supplier provided the use of such Akebono Drawings and/or Acceptance Drawings does not require the use of any Intellectual Property Rights of Akebono or any of its Affiliates.

9.9 Subcontracting:

Supplier may delegate or subcontract the manufacture of the Parts to third parties ("Subcontractors"); provided that Supplier shall obtain the prior written approval of Akebono in the event of delegation or subcontracting of all or a substantial part of the manufacture of the Parts to a third party. Supplier shall ensure that all Subcontractors comply with and abide by the terms and

conditions of this SQM, and in no event shall Supplier be released from any of its obligations under this SQM. *If Akebono notifies Supplier that Akebono has an objection to a particular Subcontractor, Supplier shall not subcontract to such Subcontractor any work under this SQM and shall promptly terminate any subcontracts with such Subcontractor.*

9.10 Confidentiality:

The Parties recognize that each of them (“Receiving Party”) may, during the course of this SQM, gain knowledge of, have access to, and have otherwise disclosed to it certain non-public information that is proprietary to the other Party and its Affiliates (“Disclosing Party”) and which is of a secret or confidential nature (“Confidential Information”). The following information shall be considered the Confidential Information:

- Information concerning the business operations of either Party, its Affiliate or dealers (including product planning, manufacturing, advertising programs, sales promotions, complaints, budgets, and forecasts) ; and
- Inventions, designs, and research and development programs.

The Receiving Party shall not disclose, publish, release, transfer or otherwise make available Confidential Information of the Disclosing Party in any form to, or for the use or benefit of, any third party without the Disclosing Party’s prior written approval.

The obligations of confidentiality shall not apply if:

- The Confidential Information is, or becomes (other than through a breach of this SQM) generally known to the public;
- The Confidential Information was in the Receiving Party’s possession prior to its disclosure by the Disclosing Party, as demonstrated by the Receiving Party’s written records ;
- The Confidential Information is developed independently by the Receiving Party without reliance on information or materials provided by the Disclosing Party, as demonstrated by the Receiving Party’s written records ;
- The Confidential Information was rightfully received by the Receiving Party without obligation of confidentiality from a third party, as demonstrated by the Receiving Party’s written records ; or

- Disclosure is required by law; provided that the Receiving Party gives the Disclosing Party prompt notice of the request for disclosure, cooperates with the Disclosing Party in obtaining a protective order or other remedy, and discloses only that portion of the Confidential Information which it is legally compelled to disclose.

Each Party acknowledges that the disclosure of the other Party's Confidential Information may result in irreparable injury to that Party and that such Party will be entitled to seek injunctive relief in addition to any other legal or equitable remedies that may be available.

Any know-how provided by Akebono to Supplier shall be deemed secret and substantial, and shall thus constitute an Intellectual Property Right of Akebono, unless Supplier can demonstrate to Akebono that such know-how has entered the public domain other than by an act of or attributed to Supplier.

9.11 Term:

This SQM shall commence on the Effective Date and, unless earlier terminated as provided herein, shall continue in force for an initial period of three (3) years. Unless either Party notifies the other Party in writing at least six (6) months prior to the last day of the initial term or any extension thereof, the term of this SQM shall be automatically extended for a further period of one (1) year.

9.12 Termination:

Notwithstanding the provisions of Article 9.11, either Party may terminate this SQM effective immediately by notice in writing without liability to the other if the other is in material breach of this SQM and, if such breach is remediable, such breach has not been remedied within thirty (30) days of written notice. Material breaches by Supplier ("Material Breach") shall include:

- Refusal or failure to make deliveries of the Parts in whole or in part covered by any applicable Purchase Order and/or Release within the time specified in any Purchase Order and/or Release ;
- Failure to perform any other provision of any applicable Purchase Order and/or Release ; or
- Failure to make progress so as in the reasonable opinion of Akebono to endanger the performance of any applicable Purchase Order and/or Release in accordance with its terms and does not cure such failure within the time period after receipt of notice from Akebono specifying such failure.

Akebono may terminate this SQM without liability with immediate effect by serving a written notice on Supplier in the event that Supplier:

- Becomes insolvent or bankrupt, is placed into administration, receivership or liquidation, commences proceedings to be wound up, enters into any voluntary arrangement with its creditors, or on the happening of any similar event according to the laws of its domicile ; or
- Undergoes any change in its ownership or disposes of all or a substantial part of its business or assets (other than for the purposes of a legitimate reorganization) without Akebono's prior written approval, which approval shall not be unreasonably withheld or delayed (provided that Akebono may withhold such approval if it does not receive adequate evidence of Supplier's ability to continue to perform its obligations in accordance with the terms of this SQM).

In the event of expiration or termination of this SQM for any reason, unless otherwise directed by Akebono, the following shall apply:

- If any Purchase Order is pending at the time of the termination or expiration of this SQM, Akebono shall have the right, at its sole discretion, to cancel any such Purchase Order or to have it completed by Supplier. If Akebono elects to cancel such Purchase Order, Supplier shall immediately terminate all work under this SQM. If Akebono elects to have such Purchase Order completed, this SQM shall continue to apply to such Purchase Order;
- Supplier shall immediately deliver, at Supplier's expense, the Akebono Property, Akebono Drawings, Acceptance Drawings and approved Tooling to Akebono or its nominee in accordance with Akebono's instructions ;
- If Supplier possesses completed Parts, Parts in the process of manufacture, or Tooling (excluding approved Tooling) used exclusively to manufacture the Parts, Akebono shall have the option to purchase the same at reasonable prices as shall be agreed between the Parties;
- Supplier shall immediately return all Confidential Information of Akebono, or destroy it and certify such destruction ;

In addition, in the event of expiration or termination of this SQM for any reason, the Parties shall meet and discuss in good faith any matters not described above or further details. The principal objective of such meeting will be to discuss how to minimize any disruption to Akebono's business.

Supplier recognises that if this SQM is terminated due to Supplier's inability, failure or refusal to perform, or Supplier's failure to adequately assure Akebono of future performance for any reason (including Material Breach, insolvency, bankruptcy, being placed into administration, receivership or liquidation, commencement of proceedings to be wound up, entering into any voluntary arrangement with its creditors, or on the happening of any similar event according to the laws of its domicile), in order to facilitate Akebono's procurement of the Parts from an alternative supplier Akebono shall have the following rights :

- In addition to those rights granted elsewhere in this SQM, or in any other agreement, Supplier hereby grants Akebono and its Affiliates a paid-up, royalty-free, non-exclusive, worldwide irrevocable license to all Supplier's Intellectual Property Rights subsisting or embodied in or used in connection with the Acceptance Drawings, as well as those Intellectual Property Rights (including Background Patents of Supplier) subsisting or embodied in or used in connection with the Parts or their manufacture, with a right to grant sub-licenses to others, to make, have made, use, offer to sell, sell, repair, reconstruct or rebuild, and have repaired, reconstructed or rebuilt:
 - the Parts; or
 - Parts used by Akebono or its Affiliates as a substitute for the Parts products similar or identical to the Parts (collectively "the Substitute Parts").
- The license described in the above paragraph shall apply only to those Substitute Parts that Akebono or its Affiliates use to replace Parts, products similar or identical to the Parts that would otherwise have been provided by Supplier under this SQM, had this SQM not been terminated for a reason described above.

Akebono may terminate any Purchase Order, in whole or in part at any time (including the existence of Force Majeure) by giving advance written notice to Supplier.

9.13 Entire agreement:

This SQM states the entire agreement between the parties relating to the sales and purchase of the parts. It cancels and supersedes all prior communications, negotiations, agreements, promises commitments, representations and understandings, whether written or oral, between the parties. All amendments and modifications to this SQM shall be made in writing signed by both parties.

9.14 Independence:

This SQM shall not constitute either Party as the agent or legal representative of the other Party for any purpose whatsoever. Neither Party is granted any express or implied right or authority to

assume or to create any obligation or responsibility on behalf of or in the name of the other Party or to bind the same in any manner whatsoever.

9.15 Severability:

If any court of competent jurisdiction finds any provision of this SQM to be unenforceable or invalid in whole or in part, such finding shall not affect the validity of the other provisions of this SQM or the remainder of the provision in question.

9.16 Force majeure:

Neither Party shall be responsible to the other by reason of failure to perform obligations under this SQM to the extent that the failure to perform is caused by an Act of God, flood, fire, shipwreck, acts of public enemy, acts or omission of any sovereign government or branch of agency thereof. Supplier shall promptly notify Akebono of an inability to perform any obligation required under this SQM as a result of any of the foregoing and take such action as Akebono shall reasonably request to alleviate the situation.

9.17 Governing law:

This SQM is to be governed by and construed in accordance with the following:

- Akebono Slovakia s.r.o (Trencin, Slovakia): laws of Slovakia
- Other Akebono Europe plants: laws of France

9.18 Compliance with laws and corporate social responsibility:

Supplier shall comply and shall ensure that all Subcontractors and the entire supply chain for the Parts comply with all Applicable Laws of countries and regions in which they operate, including, but not limited to, environmental, labour, child labour abuse, forced labour, working environment, anti-trust, unfair competition, consumer protection, and privacy laws and regulations.

Supplier shall comply and ensure that all Subcontractors comply with the concepts in the United Nations Global Compact (the "Global Compact"), which can be accessed at www.unglobalcompact.org. The "Core Values" of the United Nations Global Compact include:

Human Rights

- Businesses should support and respect the protection of internationally proclaimed human rights; and

- Make sure that they are not complicit in human rights abuses.

Labour Standards

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- The elimination of all forms of forced and compulsory labour ;
- The effective abolition of child labour; and
- The elimination of discrimination in respect of employment and occupation.

Environment

- Businesses should support a precautionary approach to environmental challenges;
- Undertake initiatives to promote greater environmental responsibility; and
- Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Businesses should work against corruption in all its forms, including extortion and bribery.

Supplier shall establish and maintain an effective and appropriate internal control structure and system in order to strictly comply with all Applicable Laws.

Supplier shall use its reasonable efforts to ensure that its suppliers relating to the Parts comply with the provisions of this principle.

Supplier shall notify Akebono immediately upon discovery of any apparent or threatened breach of the provisions of this paragraph. In this case, Supplier shall investigate and take remedial actions against such breach immediately. Concurrently, Supplier shall report to Akebono such investigation results and remedial actions.

If Supplier is in breach of any of the provisions of this paragraph, Akebono may, at its sole discretion, elect (i) not to invite Supplier to participate in and/or (ii) to discontinue Supplier's participation in a supplier selection process for any new parts. For the avoidance of doubt, the foregoing sentence shall not be construed as limiting or otherwise affecting Akebono's right to take any other actions under this SQM or under this paragraph.

Akebono shall be entitled to terminate this SQM without any liability to Supplier immediately upon written notice to Supplier, if Supplier's breach of any of this paragraph significantly undermines the brand image or goodwill of Akebono and its products.

9.19 Governing language:

This SQM is drawn up in the English language. This SQM may be translated into any language other than English provided, however, that the English text shall in any event prevail.

In Witness Whereof, the Parties have executed this SQM in duplicate in English by causing these presents to be signed by their duly authorized representatives.

DEFINITIONS

QUALITY: All the properties and characteristics of a product or service, which make it satisfactory for the explicit or implicit requirements (ISO8402)

PRODUCT: A complex or elementary, real or imaginary, component, identified and appearing in a design or manufacturing parts list, whatever the nature of the coefficient that associates it to this list (Standard A 10 11 00). Examples: material, part, component.

EXTERNAL SUPPLY: Products made by an external manufacturer with certain resources in a fixed place (Standard A 10 11 00)

CONFORMITY: Fulfilment of a requirement. Note: The term "CONFORMANCE" is a synonymous but deprecated. (ISO 9000 - 2000)

CERTIFICATION: Notice given by an OFFICIAL organization on the basis of the appropriate procedures or documents by which the component is recognized as being in compliance with STATUTORY requirements

CONTROL PLAN: Documented description of the systems and processes required for controlling component. (ISO TS 16949)

IS: INITIAL SAMPLES: Units manufactured by final production methods and under "full production conditions". IS approval shall validate the production equipment. After approval, they are used as reference for the volume production.

INCIDENT: Event linked to substandard work requiring the supplier's immediate corrective action.

PPM: PARTS PER MILLION: measures the ratio of defective supplier production parts detected at reception, in production and at the customer. It includes technical defects as well as packaging and labeling errors.

$$PPM = \frac{\text{Number of nonconforming parts months to date sliding}}{\text{Total number of parts received months to date sliding}} \times 10^6$$

* Only parts that have entered the site; consignment stocks awaiting reception are not included.

** For raw materials, replace number of parts by number of delivery units, i.e. unit of weight in most cases.

Non-conformance is determined in terms of specifications: identification, size, aspect, function, mix, error in quantity, etc. Non-conforming parts formally accepted by AKEBONO are not included

in the measurement of defective parts; batches of products that have been destroyed or returned will be recorded as non-conforming.

In the event that sorting operations have to be carried out at AKEBONO to which the supplier has agreed and paid for, only the defective parts will be recorded as non-conforming. In all other cases, the whole batch is recorded as being defective.

SQA: Supplier quality assurance

PQA: Product quality assurance

QAF: Quality assurance file

SQSS: Supplier Quality Specification sheet

RMSA: Raw Material Agreement Specification Sheet

RFQ: Request for Quotation

CSL: Control Shipment Level

ASSOCIATE DOCUMENTS

Product Quality Assurance Notification

Initial Sample

Deviation Request

Modification Request

Quality Claim Notification

8D Report

SQSS: Supplier Quality Specification sheet

Raw Material Specification Agreement

Supplier Logistic Protocol