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Creator:	Martin, Jörg		
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1.1

Quality Assurance Agreement with Production Material Suppliers

Preamble

Scherzinger Pumpen GmbH & Co. KG, and the companies associated with it, hereinafter “Scherzinger Pump Technology” or referred to as “we,” seeks to meet the high expectations of customers and consumers in the international market with strict quality assurance. The flawless condition and reliability of the purchased products (systems, components, raw materials) or the related services directly influence the quality of products from Scherzinger Pump Technology. This Quality Assurance Agreement with production material suppliers (QAA) is the binding commitment to the technical and organisational framework conditions regarding all deliveries and services necessary for achieving the jointly pursued quality objective of “zero defects.” It outlines the minimum requirements for the supplier’s quality management system and serves to understand our demands and implement them in a partner-based collaboration. We expect that all suppliers adhere to the points listed in this QAA. They are components of every request and contract. The suppliers shall ensure that their subcontractors also adhere to the provisions of this QAA.

Contents

1 The Supplier’s Responsibility for the Quality of Their Products and Services

The Supplier is responsible for the flawless workmanship and performance of their products and services in accordance with the technical documentation agreed to in writing (see Chapter 3.1). They shall verify the completeness and accurateness of the documentation and, if necessary, request further information from Scherzinger Pump Technology. The Supplier must be aware of the product requirements and obtain information from Scherzinger Pump Technology in the case of ambiguities.

The Supplier's quality strategy shall be oriented towards the continuous improvement of their processes and services. The objectives are to have zero defects, be 100% reliable with deliveries and reduce costs.

The Supplier is unrestricted in their responsibility for the product they delivered and the service they provided.

Furthermore, the supplier is obliged to maintain the agreed due dates, e.g. for the delivery of samples, the implementation of measures, submission of APQP Status Reports.

2 Quality Management System

2.1 General

A ISO 9001 certification is a fundamental requirement for a supplier for Scherzinger Pump Technology.

For the classification as a strategic supplier and thereby special consideration in the awarding of contracts, the Supplier is obliged to develop their quality management system in accordance with IATF 16949.

Depending on the product application, additional certifications for specific sectors, e.g. aerospace, railway or medical engineering, can be contractually agreed in individual cases.

2.2 Verification of the Quality Management System

The supplier is responsible for submitting their certificates to the customer's purchasing department and immediately reporting any updates after the expiry of the period of validity or in the case of a certificate being withdrawn. Failures in this result in a downgrading of the supplier assessment (see QAA 5 Supplier Assessment)

2.3 Inspection

In the inspection of the Quality Management System as well as the process or product quality, the Supplier must conduct internal process, product and system audits at regular intervals.

In the event of quality deficiencies or system weaknesses on the part of the Supplier, we have the right to review the Supplier's compliance with the customer's requirements. This review can be carried out as a technical meeting, quality meeting or a system or process audit and an appointment is agreed on in advance with the Supplier.

Furthermore, Scherzinger Pump Technology is entitled, if necessary, to also review the Supplier's quality assurance measures with a representative of the end customer at a prior agreed appointment.

The Supplier shall grant Scherzinger Pump Technology access to the areas involved and the corresponding documents. The Supplier bears the costs for the quality management regulated in Chapter 2.3.

3 Fundamental Requirements and Measures

To identify sources of defects as far in advance as possible, specific preventative measures shall be introduced before beginning production. During production, defects that occur must be identified in good time to be able to implement the appropriate immediate measures for prevention.

3.1 Technical Documentation

The quality features to be observed are outlined in the technical documentation, e.g. drawings, tool specifications, product delivery guidelines, delivery conditions, applicable instructions for the order, processing guidelines, and customer specifications and requirements. The Supplier shall always receive the most recent technical documentation in printed or data form from the customer. Without a special request, the exceptions here are catalogue goods or merchandise.

The Supplier is obliged to ensure that production and inspection run according to this jointly agreed documentation available to them.

3.2 Quality Advance Planning
For the preparation of series production, the requirements under QAA-1 Quality Advance Planning shall be implemented.

3.3 Production Process and Product Approval Process
Before the start of the series production, the Supplier must observe the requirements under QAA-2 Production Process and Product Approval Process.

3.4 Statistical Process Regulation and Series Testing
Consistent quality performance can only be achieved through a stable, statistically capable process. Therefore, the Supplier must incorporate appropriate control methods such as, e.g. series accompanying records. In this, process parameters that can negatively influence product characteristics, e.g. thermal treatment, welding or plastic injection moulding, shall be documented accordingly. Process interruptions, such as tool damage, and quality-regulating measures must be clearly comprehensible in the records.

The Supplier is obliged to take regular samples and document the results. For batch approval, a defective product cannot be found in the sample (zero-defect principle). Statistical process control (SPC) based on known processes, such as VDA 4, AIAG SPC or DGQ, is binding for the customer concerning, e.g. features agreed to in the product drawing. The corresponding capability parameter of the agreed features shall be made available to Scherzinger Pump Technology upon request within a workday. A capable series process is then present when a long-term process capability test yields a capability value of Cpk >1.33.

In a non-capable process (Cpk <1.33), the Supplier is obliged to immediately introduce the appropriate correction measures. A 100% test must be conducted until process capability is regained. The achieved process capability must be verified.

From an economic point of view and with the objective to minimise defects, we expect continuous improvement in the Supplier's processes.

3.5 Defect Detection by the Supplier

If a defect is detected in the product or the service to be provided by the Supplier during the production process, the Supplier must immediately interrupt the process and eliminate the defect. In this case, all products that have been produced since the last positive sample test (last good portion) must be tested 100%. Defective products are to be secured immediately and stored in a safe location (quarantine store) until the final clearance of the cause of the defect. Initiated correction measures shall be comprehensively documented in the records.

Should this yield a verification that the defective product cannot be reworked, then it is sent to the scrap pile. In the case of reworking, all stipulated series tests must be carried out.

If, in the limitation of the defect quantity, it is determined that already defective products could have been delivered to the customer, the respective quality assurance points at the Scherzinger Pump Technology plants must be immediately informed and the next steps must be clarified.

3.6 Request for Special Approval

In the case of deviations from the product or service specification (drawing, technical delivery condition, tool, material characteristics, etc.) or from the approved process, the Supplier must request a special approval from the customer prior to delivery. Written consent from Scherzinger Pump Technology must be granted via the contact person cited on the order for the customer-specific application form (see QAA 3 - Annex 1 Change Authorisation / Special Approval)

3.7 Request for Change Authorisation

The Supplier is obliged to request planned changes to the product, process, material, tools or production location (transfer), also with subcontractors, as early as possible via the contact person from Scherzinger Pump Technology cited on the order using the customer-specific application form (see QAA 3, Annex 1).

3.8 Defect Detection by the Customer

If defective products are first detected by Scherzinger Pump Technology, the Supplier is obliged to immediately initiate suitable measures to localise the defect.

We will inform the Supplier of a finding in written or text form, e.g. in the form of an inspection report. The following complaint analysis and preparation of effective measures shall be carried out according to QAA 4 – Complaint Processing.

Findings are included in the supplier assessment (see QAA 5 Supplier Assessment) which is an important deciding factor for Scherzinger Pump Technology in the assignment of new contracts.

The Supplier is liable for damages and expenses incurred as the result of the delivery of defective products or services. After informing the Supplier, Scherzinger Pump Technology is entitled to take further action, particularly sorting/reworking, at any time.

3.9 Escalation Process

In the case of accumulating quality issues or repeated complaints, Scherzinger Pump Technology is entitled to place increased requirements for the inspection of the goods on the Supplier or initiate other measures, and ultimately also control the Supplier.

3.10 Packaging and Labelling

The supplier is responsible for the protection of the products they deliver and must use appropriate packaging/outer packaging or means of transport. When delivered, both the (outer) packaging and the product must be labelled according to the agreements with Scherzinger Pump Technology and the valid packaging regulations from Scherzinger Pump Technology.

Delivery note and packaging units (outer packaging, individual packaging) shall be at least labelled with:

- Order/contract number
- Quantity and unit
- Customer reference number and customer item number

Additional information, if appropriate:

- Batch number (if required in the material specifications)
- Copy of the deviation approval distributed by Scherzinger Pump Technology (Special approval see Annex QAA 3 – Change Authorisation and Special Approval)
- Reference to partial or remaining deliveries
- Label for initial volume production samples

3.11 Requalification Testing

The Supplier shall subject all products to an annual full dimensional and function test according to the control plan/inspection plan taking into account the applicable customer specification for material and function. The results are made available to Scherzinger Pump Technology upon request.

3.12 Verification of Material Properties

The Supplier shall prepare acceptance certificates based on Standard 3.1 of the DIN EN 10204 or DIN EN 55350-18 for the verification of the material properties and send these to Scherzinger Pump Technology within 24 hours upon request.

3.13 Storage of Records

In the event of quality defects, the Supplier is obliged to ensure traceability by keeping production-related quality records, e.g. measuring protocols, material test certificates or other test results, for at least five years after their creation.

Deviating from this, relevant documents on records of quality performance of features requiring documentation shall be stored securely for 15 years. Features requiring documentation are clearly labelled in the technical documentation (drawings and provisions).

This only applies if longer periods are not provided for by law.

3.14 Testing Material

The Supplier is obliged to equip themselves with testing materials or equipment that can test all product features. If an external company is used for audits, the company must be demonstrably accredited.

If necessary, the Supplier and Scherzinger Pump Technology must come to agreement on suitable testing equipment and methods.

3.15 Environment, Safety, Recycling

The customer aims to rule out any adverse effects of their products and purchased products on humans and the environment. The Supplier is obliged to comply with the relevant current laws and regulations. An ISO 14001 certification is recommended and will be considered in the supplier assessment (see QAA 5 – Supplier Assessment)

3.16 Inspection of the Delivered Contractual Products

The Supplier is responsible for the delivery according to the specifications of the contractual products delivered. When the customer receives the goods, the incoming goods shall be inspected in quantity, identity, and for transport and packaging damages. Any defects detected will be reported to the Supplier immediately.

Furthermore, the customer shall inspect the delivered goods according to the conditions of a proper business process during production and immediately report any defects that occur to the Supplier after their detection. In this respect, the Supplier waives the objection of a delayed notification of defects.

3.17 Delivery Reliability

The Supplier is obliged to observe and monitor the agreed quantities and due dates. They recognize that if the ordered delivery quantity cannot be delivered on the agreed due date, the contact person from Scherzinger Pump Technology cited in the order shall be informed immediately.

Deviations from the agreed delivery date and quantity are included in the supplier assessment (see QAA 5 – Supplier Assessment) which is an important deciding factor in assigning new contracts.

The Supplier has to regularly assess its delivery reliability to Scherzinger Pump Technology – including cases associated with additional freight costs. This data shall be made available to Scherzinger Pump Technology upon request.

4 General
- Contract changes and supplements must be in written form.
- German law applies to the contractual relationship to the exclusion of conflict of laws. The place of jurisdiction is Donaueschingen, Germany. However, Scherzinger Pump Technology is entitled to file an action against the contractor at another competent court.
- If a contractual provision is or will be ineffective, this will not affect the validity of the other provisions.

The parties are obliged to act in good faith within the bounds of reason to replace ineffective provisions with effective provisions that are equivalent in economic meaning.

5 Annexes
The following annexes are contractual components in their current version of the Quality Assurance Agreement with Production Materials Suppliers

QAA 1 Quality Advanced Planning
QAA 2 Production Process and Product Approval Process
QAA 4 Complaint Processing
QAA 5 Supplier Assessment
QAA 6 Escalation Process