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<th>English denotation</th>
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<tr>
<td>AIAG</td>
<td>-</td>
<td>Automotive Industry Action Group</td>
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<tr>
<td>APQP</td>
<td>Qualitätsvorausplanung</td>
<td>Advanced Product Quality Planning</td>
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<tr>
<td>APZ / IC</td>
<td>Abnahmeprüfzeugnis</td>
<td>Inspection Certificate</td>
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<td>BAG</td>
<td>Bemusterungsabstimmungsgespräch</td>
<td>Sampling coordination dialogue</td>
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<tr>
<td>BRIC</td>
<td>Brasilien-Russland-Indien-China</td>
<td>Brazil-Russia-India-China</td>
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<tr>
<td>BSM</td>
<td>Borgers Lieferantenhandbuch</td>
<td>Borgers Supplier Manual</td>
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<tr>
<td>CC</td>
<td>Kritisches Merkmal</td>
<td>Critical Characteristic</td>
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<tr>
<td>D/TLD</td>
<td>Dokumentationspflichtig / Technische Leitlinie Dokumentation</td>
<td>Subject to compulsory documentation / Technical Guideline for Documentation</td>
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<tr>
<td>DDP</td>
<td>Geliefert verzollt</td>
<td>Delivered Duty Paid</td>
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<tr>
<td>DFÜ</td>
<td>Datenfernübertragung</td>
<td>Remote Data Transmission</td>
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<tr>
<td>DIN</td>
<td>Deutsches Institut für Normung</td>
<td>-</td>
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<tr>
<td>EDI</td>
<td>Elektronischer Datenaustausch</td>
<td>Electronic Data Interchange</td>
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<tr>
<td>EMAS</td>
<td>-</td>
<td>Eco-Management and Audit Scheme</td>
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<tr>
<td>EN</td>
<td>Europäische Norm</td>
<td>European Standard</td>
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<tr>
<td>EOP</td>
<td>Ende der Serienproduktion</td>
<td>End of Production</td>
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<td>FIFO</td>
<td>-</td>
<td>First in – First out</td>
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<td>FMEA</td>
<td>Fehlermöglichkeits- und Einflussanalyse</td>
<td>Failure Mode and Effects Analysis</td>
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<td>FOT</td>
<td>Erste Serienwerkzeug fallende Teile</td>
<td>First of Tool</td>
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<td>HIC</td>
<td>Merkmal mit hohem Einfluss</td>
<td>High Impact Characteristic</td>
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<tr>
<td>IATF</td>
<td>-</td>
<td>International Automotive Taskforce</td>
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<td>IMDS</td>
<td>Internationales Materialdaten-System</td>
<td>International Material Data System</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>ISO</td>
<td>Internationale Organisation für Standardisierung</td>
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<td>JIS</td>
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<td>KVP</td>
<td>Kontinuierliche Verbesserungsprozess</td>
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<td>LC (L)</td>
<td>Gesetzliches Merkmal</td>
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<td>MSA</td>
<td>Messsystemanalyse</td>
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<td>NAFTA</td>
<td>Nordamerikanisches Freihandelsabkommen</td>
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<td>Produktionsteil-Abnahmeverfahren</td>
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<td>Produktions- und Prozessfreigabe</td>
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<td>PPM</td>
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<tr>
<td>PSB / PSO</td>
<td>Produktsicherheitsbeauftragter</td>
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<td>QM</td>
<td>Qualitätsmanagement</td>
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<td>QRN</td>
<td>Qualitätsanforderung an neue Materialien</td>
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<td>SC</td>
<td>Signifikantes Merkmal</td>
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<td>SCM</td>
<td>Logistik</td>
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<td>SOP</td>
<td>Start der Serienproduktion</td>
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<td>SPC</td>
<td>Statistische Prozess Kontrolle</td>
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<td>SQM</td>
<td>Lieferantenmanagement</td>
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<tr>
<td>VDA</td>
<td>Verband deutscher Automobilindustrie</td>
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<tr>
<td></td>
<td><strong>International Organization for Standardization</strong></td>
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<td><strong>Just in Sequence</strong></td>
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<td><strong>Continuous Improvement Process</strong></td>
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<td><strong>Legal Characteristic</strong></td>
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<td><strong>Measurement Systems Analysis</strong></td>
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<td><strong>North American Free Trade Agreement</strong></td>
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<td><strong>Production Part Approval Process</strong></td>
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<td><strong>Production and Process Approval</strong></td>
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<td><strong>Parts per million</strong></td>
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<td><strong>Product Safety Officer</strong></td>
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<td><strong>Significant Characteristic</strong></td>
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<td><strong>Supply Chain Management</strong></td>
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<td><strong>Start of Production</strong></td>
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<td></td>
<td><strong>Statistical Process Control</strong></td>
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<td></td>
<td><strong>Supplier Quality Management</strong></td>
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<td><strong>German Association of the Automotive Industry</strong></td>
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0. Preamble:

Internationally, the name of Borgers is associated with the highest quality; accordingly, the demands and expectations of our customers are extremely stringent. The quality of our products has a decisive influence on our position in the world market and is influenced directly by the quality of our suppliers and subcontractors. We therefore need suppliers with whom we can produce high quality products on an absolute basis of trust.

Our suppliers agree that quality and reliability of technical products and services must be improved constantly to meet high expectations and demands in the market.

The objective of this manual is to create a joint strategy for reaching these quality objectives. A zero-defect-philosophy as well as a continuous improvement process (CIP) provides examples for these objectives and, at the same time, also are a specification to be met by our suppliers.

This manual is customer-specific and only applies to the Borgers automotive division and its suppliers including all associated companies within the meaning of Sect. 15 ff. AktG (German Companies Act). It defines minimum requirements for suppliers in order to ensure the realisation of the Borgers AG objectives to be achieved. It is based on IATF 16949 and does not represent any restriction of legal requirements or other regulations and codes mentioned in this correspondence.

The implementation of these requirements is to be achieved cooperatively between Borgers and the supplier.
1. General requirements

1.1 Definition of terms:

All terms not defined in detail are contained in the definitions of IATF 16949:2016 or ISO 9000:2015. If any terms used have a fixed assignment to a particular gender this term also applies to the respective gender not explicitly mentioned. For reasons of readability, this text refrains from using both forms at the same time.

1.1.1 Borgers

"Borgers" includes the Borgers Automotive segment as a whole and is used here and in the following quite independently of the plant delivery is made to. The Borgers Automotive segment consists of the following companies:

- Johann Borgers GmbH
- Johann Borgers Berlin GmbH & Co. KG
- Borgers Süd GmbH
- Ningbo Borgers Tuopu Automobile Parts Co., Ltd.
- Borgers (Shanghai) Trading Co. Ltd.
- Borgers CS spol. s.r.o.
- Borgers Nord AB
- Borgers Ltd.
- Borgers S.A.U.
- Borgers Ohio Inc.
- Borgers USA Corp.
- Borgers Polska sp. z.o.o.

1.1.2 Customer

"Customer" shall be every customer supplied by Borgers directly or indirectly (via a supply chain).

1.1.3 Supplier

"Suppliers" are all suppliers who supply Borgers with production materials and purchased parts. This manual does not apply to service providers, suppliers of machinery or suppliers of tools.
1.1.4 Products

“Products" are all goods from the supplier delivered to Borgers or from Borgers to the customer. This comprises intellectual property and physical goods as well as software.

1.2 Basis

The precondition for cooperation with a supplier is the certification of the quality management system (QM system) of the supplier according to IATF 16949, but at least according to DIN EN ISO 9001. Inasmuch as there is a certification according to ISO 9001, a certification according to IATF 16949 must be the medium term objective of the supplier. Suppliers with a certification to IATF 16949 are preferably taken into consideration for new projects. A missing certification to IATF 16949 is evaluated negatively in the supplier evaluation.

The certification according to IATF 16949 is mandatory, if end-customer-specific requirements contradict the above paragraph.

Due to Borgers production being orientated in a continuously environmentally aware direction, the supplier should establish in the medium term an environmental management system according to ISO 14001 or Eco-Management and Audit Scheme (EMAS).

Furthermore, the supplier guarantees compliance with the quality requirements of the respective customer which result in particular from drawings, agreed means of testing or test instructions, packaging regulations etc., inasmuch as these are available to the supplier.

1.3 Area of Application and contract duration

With each offer the supplier accepts this manual in full. It becomes content of the contract as soon as the supplier is assigned by Borgers with the delivery of products and it stays effective for the whole period of production, from the assignment to the production of the last spare part. Verbal agreements in extend to this standard require a written form.

The current version of the manual as well as the expired versions complete with the relevant change notes can be retrieved from the Borgers Internet page or are available on request from the responsible employee of the purchase department.

1.4 Quality objectives

The supplier shall be obligated to perform all actions required to achieve the zero-defect objective. Borgers reserves the right to complain about all malfunctions and/or each failed part and to demand an 8D report in accordance with item 5.4. In order to achieve the zero-defect objective, no separate ppm values shall be agreed between Borgers and the supplier. Nevertheless the actual ppm values are considered within the supplier evaluation.

The supplier is requested to improve the processes continuously throughout the entire project.
2. QM-System

2.1 Requirements for the management system

The precondition for a supply relationship with Borgers is a quality management system according to item 1.2 paragraphs 1 and 2. The effectiveness of this system must have been verified and subject to regular review. This is assessed annually by Borgers in its supplier evaluation. However, this does not release the supplier from his obligation to verify the effectiveness of his quality management system.

For example, the effectiveness of a QM system is reflected in:

- Continuous and verifiably improvements of processes, procedures and products
- Delivery quality
- Delivery reliability
- Effectiveness and rapidity when implementing corrective measures
- Communication on all levels
- Content processing and on schedule processing of new projects and modification projects

The supplier shall maintain and develop his quality and environmental management system continuously. The effectiveness of these management systems hast to be verified by presenting the appropriate certificates, issued by an accredited certification company. The evaluation of the quality and environmental management system by Borgers remains unaffected.

New certificates, for example on expiry of an old certificate, must be verified to Borgers in good time by submitting an updated certificate. If a certificate is revoked, Borgers has to be informed immediately in writing.

2.2 Preparing a quotation

With every offer, the supplier shall confirm to Borgers the manufacturability of the requested product according to the specifications determined in the inquiry as well as the timely implementation in case the order is placed.

Actions improving the manufacturability and quality can be introduced by the supplier, but they needs to be approved in writing by Borgers prior to the implementation. For the process of analysing manufacturing feasibility, the “Feasibility Commitment” form sent out by Borgers together with the enquiry, Item 3.1 has to be used.

The respective current version of this manual is mentioned at each enquiry.

2.3 Project planning

The following subsection is only applicable if the product requires a project or development phase. For example a project phase is existent when a tooling design and construction or
new parts are appointed. Only if Borgers purchases a product out of an existent product pool and if these parts are not exclusively designed and produced for Borgers a project phase does explicitly not exist.

The supplier undertakes to implement a project management system as early as during the planning stage according to Item 2.6 AIAG APQP or VDA 4.3 (Project planning). Borgers shall be entitled to audit this project documentation.

The supplier prepares an emergency concept, e.g. according to item 3.2.5, an analysis of manufacturing feasibility as described under item 3.1 and a capacity analysis 4.5.7. These documents are made available to the Borgers central purchasing department.

When awarding a project to a supplier, Borgers prepares a project planning time schedule up to FOT (first parts of tool). This date is determined by Borgers using customer data and then communicated to the supplier during the enquiry. The time schedule is prepared by means of the form “APQP” and needs to be processed by the supplier in accordance with item 3.2.2. The scheduling of important project key points by Borgers does not release the supplier from the obligation to carry out his own scheduling of the project.

In order to ensure an on-schedule and quality-compliant project procedure, the supplier is committed to implement, maintain, and further develop project planning in accordance with item 3.

2.4 Subcontractor

2.4.1 Monitoring of subcontractors

The supplier ensures that his subcontractors also comply with the requirements of this customer standard/manual. The supplier is responsible for the development of his subcontractors according to item 2.1. Upon request, the supplier shall provide Borgers with respective quality agreements with its subcontractors as well as the quality planning documentation and the product and process releases at subcontractors.

The supplier shall monitor its subcontractors regarding their compliance with the requirements of this customer standard/manual. The supplier shall document its monitoring activities and assess its subcontractors.

The activities with the subcontractors are to be planned such that the production and process release (PPF) at the subcontractor is scheduled and completed before the PPF of the supplier.

2.4.2 Change of subcontractors

The change of a subcontractor shall be communicated to Borgers in advance and must be approved by Borgers. A production process and product release has to be carried out mandatorily by the supplier and their result is communicated to Borgers. Borgers reserves the right to additionally carry out a release by itself or by a third party, in particular the customer, under the supervision of the supplier. A negative result may cause the subcontractor to be blocked inasmuch as the supplier is not allowed to supply Borgers with parts of this subcontractor. Changing the subcontractor may not cause any production failures or downtimes at Borgers or the customer.
2.5 Auditing

At any time, subject to a timely prior notice to and in coordination with the supplier, Borgers shall be entitled to satisfy itself locally of the effectiveness of the quality and environmental management system at the supplier's production sites as well as at the subcontractors, and perform an audit based on IATF 16949, ISO 9001 or VDA 6.3. Borgers shall be entitled to commission a third party, especially also the customer, with this. The audit can be performed as a process or environmental audit (according to ISO 14001 or EMAS). The supplier shall support Borgers during the audit. The supplier is obliged to conclude respective agreements with its subcontractors ensuring that Borgers can also apply these rights towards to the subcontractors and their subcontractors.

If the supplier is dependent on subcontractors to meet its contractual obligations concerning Borgers, it must integrate and appropriately evaluate their deliveries in its quality management system. This shall also apply to subcontractors designated by Borgers. Alternatively, Borgers can acknowledge audit results of third parties.

The final audit report is discussed with all participants and in case of deviations an action plan has to be agreed. Borgers or a third party commissioned by Borgers (including the customer) shall be entitled to satisfy itself, even locally, of the implementation of defined actions.

The supplier has to implement an internal audit schedule and to audit its processes annually. The supplier also has to audit its subcontractors regularly at suitable periods. The above-mentioned rights remain unaffected.

2.6 Verification for products with special characteristics

Products with special characteristics are products whose function has a significant influence on vehicle safety or the functionality of the vehicle. This includes all national and international legislation. With products of this type, a special risk is to be expected; therefore, it is expected that the supplier controls these products with appropriate care. Special characteristics are marked in drawings and specifications either with “CC”, “SC” or “HIC”.

The supplier has to determine special characteristics following the IATF 16949 and include all special features in the control plan. Even special characteristics, which Borgers or the customer regard as critical, shall be taken into account (e.g. parts, which are subject to documentation with D/TLD identification VW or L-identification BMW). The supplier shall ensure that these are available accordingly and consistently in all documents and always correspond to the valid specification. Documents controlling the production process, including drawings, FMEA, Control Plans and work instructions have to be marked with the symbol for special characteristics. The continuous and consistent marking of these characteristics is a basic requirement for a successful initial sampling.

For simplification of the marking and for preventing inconsistency Borgers marks characteristics with duty for documentation throughout all documents with “CC”. For “CC”-marked characteristics the duty for archiving is 15 years after EOP.

In addition, in terms of its content the verification must comply with the requirements of VDA Volume 1 and be made up such that in the event of any damage it is possible to prove the exercise of due and proper care as exonerating proof. Here, traceability is to be designed such that delivery data can be clearly identified and assigned up to the production lots and test lots. It must be ensured that there is an effective tracing system up to the subcontractor. Borgers reserves the right to inspect such traceability after a short-term prior announcement;
this inspection is either carried out by Borgers itself or by a third party, in particular the customer.

2.7 Hazardous substances

At Borgers, a large number of various raw and operating materials as well as ancillary materials are used. Their selection and proper use affect the quality, environmental friendliness and safety of the products manufactured at Borgers, during production as well as during the entire service life of the product. Moreover, due to legal provisions and/or requirements of the customers, already existing specifications shall be taken into account with regard to the selection of substances and the flow of information and be met within the entire supply chain, i.e. from the raw material to the final product.

The applicable Borgers substance negative list including the normative notes is to be seen as a company-specific implementation of legal standards and regulations for the protection of the environment and people and is binding both for Borgers and the suppliers. Their current and valid version can be downloaded from the Borgers homepage or obtained from the responsible contact person at Borgers Central Purchasing.

Furthermore, the supplier shall ensure that all statutory specifications in particular by the European Union (EU), North American Free Trade Agreement states (NAFTA) and BRIC states, regarding the use of hazardous substances are met and that products manufactured by him do not contain illegal substances and those having to be declared, are identified as required.

The here described verification has to be submitted mandatorily at the point of initial sampling and, if it is not available or non-compliant, leads to the rejection of the same.

The conflict minerals tin, tantalum, tungsten and gold (3TGs) are not prohibited but must be reported by the supplier unrequested. Further information can be found in Borgers substance negative list / restricted substances list.

2.8 Traceability

The traceability of products must be ensured in accordance with their risk. Particular consideration shall be given to products with special characteristics according to item 2.6. These products have to be marked such that a full traceability is possible up to the raw material batch used, including date of production and quantity.

2.9 Product Safety Officer (PSO)

The supplier commits to entitle an employee as a PSO in accordance with IATF 16949 and train him at an approved training company in medium-term. The certification of the training and the contact data of the employee have to be submitted to Borgers. Is any customer-specific requirement contradicting to the above passage, the customer’s requirement is applicable.
3. Project planning

The aspects of the advanced quality planning from item 3.2, excluding item 3.2.11, are only applicable under the conditions of item 2.3.

In connection with project management, the supplier has a duty to systematically carry out planning according to VDA Volume 4 or AIAG APQP and to inform Borgers regularly about the relevant implementation status, if nothing to the contrary has been agreed. Requirements that go beyond this manual shall be agreed between Borgers and the supplier on a project-specific basis.

3.1 Analysis of manufacturing feasibility and contract review

In order to determine potential problems and difficulties even before awarding a contract to a supplier, on submission of an offer the supplier commits to carry out an analysis of manufacturing feasibility. Here all technical documents (e.g. drawings, specifications, environmental / recycling requirements, test requirements, etc.), that have been prepared by Borgers or the customer, have to be considered completely - including product- and process-specific aspects.

Within the feasibility study Borgers expects the supplier to share his experience and recommendations for mutual benefit.

The supplier is obliged to point out all items in the specification, drawing or other documents which may appear inaccurate to him.

For summarizing the results and verifying the manufacturability in terms of quality, capacity and scheduling, the “Feasibility Commitment” form shall be used and sent out together with the enquiry. Supplementary explanations and proposals are to be filed in an annex.

Without this commitment there is no chance to obtain an order.

3.2 Content of the advance quality planning

By careful advance quality planning geared to prevent non-conformities during the product and process development it shall be ensured that only technically mature products are manufactured within a qualified manufacturing process. All applicable items of the sampling process to be applied resulting from the sampling coordination dialogue, have to be observed and verified. In order to avoid risks during the concept stage and the series monitoring later on, the focus shall be on the following methods.
3.2.1 Quality Requirement for New supplied material (QRN)

If required, a QRN form sheet on the basis of the specifications will be prepared by Borgers, which the supplier shall strictly adhere to. The QRN is a list of all features to be checked as a minimum for the annual requalification and shall be considered within the initial sampling.

The QRN may contain the need for:

- a Safe Launch acc. to item 5.1.2
- process or measurement capabilities
- characteristics to be handled via acceptance inspection certificate acc. to 5.1.1
- characteristics to be checked during serial production

The QRN is respectively prepared for a certain specification status; when sending the QRN to the supplier, Borgers therefore does not claim that the data are complete. Borgers reserves the right to adapt the QRN at any time, if necessary.

The respective state of the art is assumed as a quality requirement and is also used if product features to be derived correspondingly have not been mentioned in the QRN.

3.2.2 Advanced Product Quality Planning (APQP)

To support the supplier and for traceability by Borgers, the form “APQP” is prepared by Borgers for each project and sent to the supplier. APQP contains all relevant scheduled dates and these must be confirmed by the supplier. The APQP must be processed and returned by the supplier within a period of two weeks. If certain individual scheduled dates cannot be met, this must be communicated to Borgers and the corresponding changes needs to be accepted by Borgers. If this consent is missing, the data originally agreed upon shall be deemed to be the contractual basis. Any new scheduling by the supplier does not need to be contradicted, in order to declare the same to be invalid.

An update of the APQP is to be sent by the supplier, pursuant to coordination with SQM, without any prior request, to the responsible employee at Borgers, in order to inform Borgers of the current project status. This update contains a check of the planned scheduled dates as well as the closing date for closed processes. Borgers reserves the right to trace the process on site after a short prior announcement.

The preparation of the APQP does not release the supplier from his responsibility to prepare an own project-related schedule. This must be made available to Borgers on request.

3.2.3 Design-/ Process-FMEA

A Failure Mode and Effects Analysis (FMEA) is an important tool for examining possible risks and carrying out their evaluation with regard to significance, probability of occurrence and possibility of detection.
For risk analysis and failure prevention the supplier prepares a Process-FMEA in connection with its project work. If the supplier has design responsibility, a Design-FMEA has to be prepared additionally during the construction phase. According to VDA Volume 2 and AIAG PPAP the FMEA is a mandatory component of initial sampling and must be made available at any time on request by Borgers. It is permissible that the supplier prepares so-called family FMEAs for product groups.

The process FMEA shall be updated continuously with regard to errors occurring, newly detected risks, complaints, process changes, etc. The risks are to be reduced by introducing suitable measures and the effectiveness of these measures have to be traced and documented.

### 3.2.4 Control Plan

The Control Plan, in international terms QM plan or test schedule, is a tool for failure prevention and is based among others on the results of the FMEA. This process assurance is produced by a systematic analysis of all process stages and comprises work and test processes as well as product features.

The supplier shall develop a Control Plan for the following stages of the project management:

- prototype stage
- pilot production stage
- series production stage

Among others work and test schedules, frequency of testing, requalification as well as the documentation of the various individual points are a result of the Control Plan. In particular, features as at item 2.6 must be fully and continuously marked and taken into account in these documents.

The procedure for preparing the Control Plan can be found in VDA Volume 4 and in AIAG APQP.

### 3.2.5 Emergency concept

The management of the supplier has the duty to prepare emergency plans and initiate and agree with Borgers correction and prevention measures such that the problems cannot have any lasting effect on the process sequence at Borgers. Any breakdown must be reported immediately to Borgers. Basically the emergency plan contains measures and scheduled dates for rectification of the problem as well as contacts that can be reached 24h a day. Before the first delivery this emergency concept needs to be agreed with the logistics department of the destination plant.

In general, Borgers expects measures that guarantee supply, such as safety stocks or a demonstration of a flexible production mode.

The selected option must be satisfactorily presented during the quality audit and available for inspection by Borgers at any time on request. If it turns out that the agreed measures are inadequate, Borgers reserves the right to build up safety stocks mandatorily.
3.2.6 Process flow chart

The supplier prepares a process flow chart for all scopes of supply. This comprises all process stages required. The chart must be consistent, logical and comprehensible. For initial sampling the process flow diagram must at least be submitted in the form of a flow chart. It is also possible to submit the flow chart, when sufficiently described, in writing and not in a visualized form.

3.2.7 Work instructions

For all working steps the supplier prepares a work instruction on the basis of the Control Plan. The working steps are consolidated in a work schedule and supplemented by all further process stages such as internal and external transports as well as means of transportation.

3.2.8 Planning and procurement of resources

The supplier plans all raw materials, auxiliary and operating materials and procures them in good time, so that all necessary resources are available for FOT production at the latest. The capability or suitability must be verified by initial sampling. For each production plant (as well as for each tool cavity, if applicable), the supplier must verify the process capabilities of the features described in the QRN.

The supplier is obliged to only use exactly the same production machinery that have been used and released for initial sampling. Within the scope of initial sampling, the supplier may have individual machines or a machine type approved for production.

3.2.9 Personnel

The supplier must schedule the personnel resources considering the project volume and serial production on time. For serial production, personnel must be available at the latest for the start of the series in sufficient quantity and level of qualification.

Personnel qualifications must be determined in good time and any gaps in qualification must be trained up before the date of initial sampling. Proof of such training must be kept in sufficient quality so that the content of such training and the participants are evident to Borgers. These proofs must be available to Borgers on request.
3.2.10 Workplace approval

Before the initial sampling date all supplier workplaces involved in the manufacture of the product must be approved under aspects of quality. This is done internally by the supplier and must be documented. Here, if applicable, at least the following points must have been met:

- Existence of all regulations required at this workplace (work schedule, Control Plan, test schedule, work instructions, parts list…)
- Proofs of capability prepared
- Required resources made available
- Maintenance schedules prepared
- Test devices made available
- Means of transport made available

Documentation can be carried out using a suitable checklist. Non-conformities must be documented and remedied. For this purpose, responsible persons must be designated; the minimum qualification required must be specially taken into account.

The workplace can be approved as soon as all counter measures have been carried out successfully. A process can be only approved after the workplace has been approved.

A quality-technical approval of the workplace according to the above stated requirements does not release the supplier from its responsibility, irrespective of this manual, to proceed an approval of the workplace in concordance with safety regulations of the country in which the workplace is stated. Borgers is not liable for any injuries or damages occurring to persons, machines, material or other that arise even though the workplace has been approved according to this manual.

3.2.11 Test schedule and requalification

Based on the Control Plan, the supplier prepares a test schedule for the product; QRN and customer requirements must be specially taken into account. Additional tests which are set by the supplier in order to be able to guarantee the product quality, must also be found in the inspection planning. In addition to the tests, the test schedule must also comprise the scope, test frequency, documentation type and response plan.

It is the supplier’s responsibility to ensure that all resources and test materials required are available and ready for use on the date of the initial sampling. The test resources must be verifiably capable and suitable on the initial sampling date.

The test materials required must be listed in a list of test resources. If required in the QRN, measurement capability tests must be carried out for some individual test resources.

Requalification is demanded annually by Borgers. Requalification must comprise all QRN features and must verify that all features as well as the material correspond to the specifications of the most recently released sampling status. As a minimum requirement, requalification must comprise the cover sheet as well as all sampling information and transmitted to
Borgers if so requested. In the case of end-customer-specific requalification requirements these must also be mandatorily implemented.

All requalifications must be documented without any special request and archived for a minimum period of 15 years following the production end of the series (EOP) and made available to Borgers on request. When carrying out requalification, the supplier confirms that it is aware of and accepts all updates of the customer-specific requirements.

3.3 Logistics

If nothing to the contrary has been agreed with Borgers, the supplier is responsible for transporting the parts to the series production works. The following requirements are minimum requirements to be met by all suppliers. Any non-conformity from these requirements must be reported to Borgers in writing in each case and need to be approved by Borgers in written form. This also includes separate forms of delivery by customers such as e.g. JIS, pearl chain etc. Borgers reserves the right to conclude a supplementary supplier agreement with the supplier.

3.3.1 Packaging planning

Borgers does not provide any additional means for containers and packaging. The provision of the products in quality-protecting packaging is included in each price offered. The costs for this must be shown separately in the offer.

The type of packaging as well as the packaging unit must be described in full detail by using the provided form “Packaging Data Sheet”. The packaging system must have been submitted to the SCM department at Borgers on the date designated in APQP and Borgers must have accepted this in writing before first use. This agreement is a mandatory part of the initial sampling according to item 4.3.

All deliveries must be packaged and marked as agreed. Unless other requirements have been advised, the packages shall be identified according to the current VDA recommendation so that the goods can be identified at any time.

After a change, the first delivery must always be clearly highlighted as such; if the goods are used at several sites of the Borgers Group, this requirement shall apply to each plant separately. After the changed goods have been delivered for the first time, a delivery of goods with the obsolete revision status shall no longer be admissible (FIFO).

Furthermore the following commitments are applicable for all suppliers of fibre materials. The fibres are to be delivered in bales not greater than 350 kg. For the packaging of the bales a recyclable PE-foil and plastic straps in a sufficient amount are to be used. The packaging materials have to be chosen in such a way that no damage on the material and the packaging are occurring during an appropriate transport handling or an appropriate way of storing. Neither the foil nor the plastic straps are allowed to decay at Borgers or in advance by environmental influences. The bales are to be produced in such an extent that Borgers is able to store those up to 6 bales high over the long edge without any safety concerns. The compliance with these requirements does not release the supplier to submit a filled packaging data sheet as mentioned above for the initial sampling.
3.3.2 Electronic data exchange

As a supplier for the automotive industry, Borgers has a duty to handle all logistical processes in its complete supply chain via an EDI relation. Therefore, the supplier undertakes to establish a corresponding system before first delivery and to use the same for deliveries to Borgers.

The supplier processes its calls for delivery exclusively in accordance with VDA 4905, the sending of the delivery notes is effected pursuant to VDA 4913. For this purpose the supplier always uses an electronic data interchange (EDI) connection. Deviating, for the US-market the ANSI standards 830, 856 and 862 are effective.

3.3.3 Transportation and delivery

All deliveries to Borgers are carried out according to Incoterm DDP. The Transport costs must also be shown separately in the offer. The planned delivery quantities in the series must never exceed either the demand for a full week nor the volume of a complete truck or container. On delivery the packaging units must be marked by a goods label in accordance with VDA 4902. For the US-market goods have to be marked in accordance with AIAG B10.

3.4 Continuous improvement process

With the start of the serial production, at the latest during the ramp-up phase, the supplier must define measures whose successful implementation will result in a continuous improvement of the process. The effectiveness of the measures can be verified by e.g.:

- Increase in process capability
- Increase in productivity
- Reducing PPM / Achieving zero defect target
4. Product and process release

Borgers releases the serial production for the supplier by using an Initial sampling, unless otherwise specified, in accordance with VDA Volume 2.

The supplier sends Borgers the documents and samples of the scheduled dates defined in the project plan. In addition, a process approval can be carried out in accordance with item 4.2.

If any non-conformities from the specification should occur and if it should not be possible to remove these in spite of all reasonable best efforts, a non-conformity permit must be obtained in writing from the responsible Borgers department, prior to the initial sampling, and must be enclosed with the initial sampling.

Without an approved initial sampling, the supplier shall not supply any parts. The responsible Borgers employee is free to grant a time-limited or quantity-limited approval in the event of any minor non-conformity. If limited approval is granted, the supplier must submit a re-sampling on its own initiative and in good time before expiry of the period set. The processing time for initial sampling is at least 2 weeks.

The initial sampling shall be performed in agreement with the following guidelines – of the respective valid version:

- VDA Volume 2, Submission level 2
- PPAP, Submission level 3
- Customer-specific requirements

The method to be applied as well as the time of submission is communicated within the BAG and with the appointment of the initial sampling.

4.1 Internal approval

The supplier must approve and document its processes and products internally. A process or product release and subsequent take-up of serial production may only takes place if the supplier has successfully implemented all activities and measures defined in the project.

An internal approval must be documented on the part of the supplier by all competent employees with date and signature. As a minimum requirement, the responsible persons from the departments Quality Assurance, Production and Planning as well as other departments involved in the project planning process must sign the approval.

4.2 Process release

Borgers reserves the right to perform a process release at the supplier, which, if necessary, will also involve the customer. The process release is carried out by a VDA 6.3 audit including a capacity analysis. The responsibility for the process will always remain at the supplier. In any case, even without a request, an internal process release by the supplier is carried out and must be enclosed to the initial sampling report.
4.3 Initial sampling documentation

The scope of samplings must be in accordance with the submission level required and the extended Borgers requirements unless otherwise agreed. An insufficient or incomplete documentation leads to a rejection of the initial sampling test report.

The initial sampling test report has to be sent as a single, coherent PDF-file or printed and sends together with the initial samples.

4.4 Initial sampling and sampling of the changes

Initial samples are products that have been produced and inspected under series production conditions (same plants as well as parameters, operating and testing resources etc.). The samples must be labelled and, after non-destructive testing has been carried out, sent to Borgers together with the initial sampling inspection report.

The samples have to be marked and the test report structured in such a way that the tested parts can be easily assigned to the respective value in the initial sample test report. The type of marking must be selected in such a way that tests at Borgers are not influenced by it. If, for example, inspections such as fogging or formaldehyde content are required, the components themselves are not allowed to be labelled.

In accordance with the above-mentioned regulations and codes, e.g. VDA Volume 2, Annex 2 or AIAG PPAP, a sampling is required to be provided by the supplier. The sampling must in principle be carried out before the first serial delivery of products and requires an approval or a temporary approval.

Product or process deviations with regard to the last release by Borgers shall be unacceptable, unless they have been announced in the form of a written request and with resampling. The approval of a product or process does not release the supplier from his obligation to carry out and document an internal approval according to item 4.1.
### 4.5 Scope of sampling

<table>
<thead>
<tr>
<th>Scope inasmuch as applicable for the product</th>
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<td>S</td>
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<td>Material data sheet via IMDS</td>
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<td>Parts history</td>
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<td>PPF status of the supply chain</td>
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<tr>
<td>Documentation via a qualified laboratory</td>
<td>S(B)</td>
<td>S</td>
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</tbody>
</table>

**Legend:**

- **R** Document remains with the supplier, shall be made available to Borgers on request
- **S** Submission of the document when initial sampling test report is submitted
- **S(B)** Submission of the document to Borgers, although not required in VDA / PPAP.
4.5.1 Test results

The supplier must check all characteristics, features, legal requirements and standards required on the drawing and document the results. If no destructive tests have been carried out on them, the samples tested must be marked up according to item 4.4 and sent to Borgers with a clear assignment of the results. All non-destructive tests are carried out and documented on the same components.

4.5.2 Material data sheet via International Material Data System (IMDS)

At Borgers, material data are entered via the Internet-based IMDS system. Latest before the FOT, the supplier generates an IMDS entry and releases it for the responsible office at Borgers. Without this released IMDS entry, an initial sampling will be rejected. Requirements in addition such as IMDS-entries for prototype parts have to be met if these are communicated to the supplier.

4.5.3 Process capability verifications

For the analysis of the process capability, the features affecting the function or the quality of the component shall be determined jointly by the supplier and Borgers. Usually these are the special characteristics described under 2.6.

The following capability indices must be reached:

- Temporary process capability $P_{PK} \geq 1.67$
- Permanent process capability $C_{PK} \geq 1.33$

If the capability indices are not achieved, automatically a 100% inspection shall be performed by the supplier or an external company commissioned by it. The supplier undertakes to notify Borgers accordingly and immediately.

4.5.4 List of test equipment

All test equipment required for tests during serial production, initial sampling and requalifications must be included in this list.

Each individual test must be clearly assignable to the respective test equipment in the test report.

4.5.5 Measurement System Analysis (MSA)

The MSA has to be generated according to VDA Volume 5 or AIAG MSA for all test equipment used.

4.5.6 Tool data sheet

The tool data sheet comprises all important features of the tool such as number of cavities, type of tool, weight, material etc. The form sheet “Tooling data sheet” by Borgers must be fully completed and enclosed with the initial sampling.
4.5.7 Verification of agreed capacity

The verification of the agreed capacity is carried out by the form sheet “Evaluation of capacity” and is completed part of the initial sampling. Basis is the commissioned amount of parts.

4.5.8 Self-assessment in writing

Borgers requires from its suppliers a self-assessment in writing for each component. This is used as an aid for assessing the risk with the supplier and has three classification possibilities. For a sampling, the self-assessment will only be accepted if its overall classification is “green”. A classification as “yellow” automatically leads to a temporary release of components; the supplier must take appropriate measures for risk reduction. A classification as “red” leads to the rejection of the initial sampling test report.

The self-assessment is a form sheet of VDA Volume 2 and is made available to the supplier at the latest for initial sampling.

4.6 Non-conformity in the case of samplings

If test results or dimensions deviate from the nominal values, then a non-conformity permit must be obtained before sampling and enclosed with it. Samplings with non-conformities but without any declaration of consent by Borgers are rejected.
5. Series production

5.1 Coordination of series monitoring

The series-accompanying scope of testing results from the Control Plan according to item 3.2.4 including the specified test frequencies. As a matter of principle, all product and process features are important and must be complied with.

Special characteristics require the verification of process capability and must be verified separately in a series-accompanying manner. The results are to be used for preparing a SPC, as described at item 4.5.3.

5.1.1 Inspection Certificate (IC)

The features marked as IC-relevant in the QRN according to section 3.2.1 must be documented in an IC. It is the smallest and largest determined value for the current batch and for statistical characteristics the current Cpk value.

ICs must be sent to the factory with each delivery and contain the corresponding delivery note number.

5.1.2 Safe Launch Concept

If defined in the QRN according to item 0, a Safe Launch Concept has to be installed by the supplier. Especially a Safe Launch is required if the risk classification performed by Borgers for purchased parts results in a medium or high risk. As soon as a Safe Launch Concept is requested the supplier ensures for the first five deliveries after approval of the initial sampling that all features are in concordance with the requirements of the specifications. If there is a complaint from Borgers within this period, the Safe Launch period will be extended by five additional deliveries. The inspection certificates during this period shall be marked with an appropriate note stating that they are part of the secured serial start-up.

5.2 Changes to the product or process

Product and process changes will not be accepted without any request in writing and without any sampling of the changes having been carried out. The sampling of the changes will be processed up to 90 days after SOP by the central headquarter. All changes occurring later will be processed by the serial production plant.

In case of non-conformities, the supplier shall submit a respective sample as well as the corresponding reports to Borgers in advance. Each change is to be noted in the product history (part history).

Reporting changes to the product or process does not release the supplier from his product or process responsibility. Following a change of a product the deliveries must be marked in accordance with item 3.3.1.

5.3 Management of defective products

If the supplier recognizes during the process of development, product review or production that defective products have entered into circulation, then the supplier must report this imme-
diately to Borgers in writing and also submit improvement proposals. In this connection, any
delays in delivery must be communicated to Borgers complete with details on cause and dur-
ation (if this can be determined).

If defective products are already in circulation and the quality conformity can be completely
corrected by rework, this rework is permitted to the supplier.

5.4 Complaints and objections

The supplier shall ensure that the delivered products correspond to the performance charac-
teristics, dimensions, tolerances and surface finish according to drawings and samples with
the respective valid processing status and other contractual bases. If, despite the committed
zero-defect target, defective products are identified, the supplier is obliged to sort out these
and other, possibly also defective, parts. The traceability shall be documented accordingly
and the documentation made available to Borgers on request.

Borgers or the customer will only perform an incoming-goods inspection with regard to the
quantity, identity as well as externally visible defects and transport damage. Defects are
deemed complained in time when the complaint is send to the supplier within an ordinary
course of business: In every case the complaint is in time if it is received by the supplier
within a period of 10 days from the acceptance of the goods or in case of latent defects as of
the discovery.

In the case of a complaint, fault removal measures must be immediately defined and initi-
ated, documented and then submitted to Borgers. The documentation must be effected in a
structured manner using the form sheet “8D-Report”; within 24 hours the form sheet must
have been completed up to item 3D and submitted to the corresponding department at Bor-
gers. If required, additional more detailed methods of analysis are to be used. The closing by item 8D has to be done within 28 days.

Other Borgers sites, also receiving deliveries of these materials, must be informed immedi-
ately by the supplier. Borgers reserves the right to also verify on site the effectiveness of
complaints processing.

Following a complaint, the immediately following delivery must be marked up such in each
plant supplied, that it is clearly and immediately recognizable that this is the first delivery im-
mediately after a complaint.

5.5 Escalation matrix

If faults occur more frequently, if defective products have negative consequences for the pro-
duction processes of Borgers, lead to customer complaints or if repeat defects occur, this
leads to an escalation. The objective is to identify between the supplier and Borgers a joint
solution for the quality defects. This is described in an escalation matrix.
6. Additional requirements

6.1 Supplier evaluation

In order to monitor the performance of the supplier, Borgers conducts a supplier evaluation. Every year, the supplier receives an evaluation of the elapsed calendar year.

The evaluation is done for selected suppliers (commercially, qualitatively and strategically).

6.2 Commitment to supply spare parts

The supplier shall ensure that the parts purchased by Borgers and provided for the use within the customer’s series production, can still be supplied after the end of the customer’s series production for a period of at least 15 years. During series production, the series prices shall apply to the supply of spare parts; for the supply following the end of the series, the prices and terms applicable shall be defined in concordance with the responsible employee of the purchasing department. Irrespective of the property issue, the scrapping of component-specific tools or units and production tools shall require Borgers’ approval in writing.

6.3 Non-conformity permit

If, during serial production or already prior to initial sampling, a constant and not temporary non-conformity of one or several features occurs and if this non-conformity cannot be removed in spite of all reasonable best efforts and measures, the supplier must obtain a non-conformity permit from Borgers.

Any deviation that contradicts statutory requirements is to be mandatorily removed by the supplier. If there is a non-conformity permit before the maturity of the product for series production, then the verified non-conformity permit according to item 4.6 must be enclosed with the initial sampling. A non-conformity permit does not release the supplier from its sole liability for the product.

If the above case occurs during serial production, then, before delivery of any affected part, the supplier must submit a renewed sampling. Borgers will only accept products with non-conformity from the supplier after prior approval and release of the sampling by the responsible department at Borgers. Despite a non-conformity permit is given the non-conformity is at own risk of the supplier.