
Quality Assurance Agreement

between

sudhoff technik GmbH
August-Nagel-Str. 1

89079 Ulm

(hereinafter called Client)

and

XXX
XXX

Postcode Town
Country

(hereinafter called Contractor)

Recitals

In the interest of security of planning and implementation and in the interest of the most unproblematic handling of existing business relationships possible, the present agreement is concluded with the objective of ensuring the quality of the products to be supplied and protecting the environment against damaging influences.

The present quality assurance agreement is valid as a supplement to our Terms and Conditions of Purchase and Confidentiality Agreement, each as amended at the time in question.

1. Subject matter of the agreement

The subject matter of the present agreement is ensuring a constantly high quality of the services / products to be supplied and a reduction of double inspections. The contents are the fundamental quality requirements and regulations resulting from a supply relationship between the partners. The quality assurance agreement shall relate to all current and future orders.

2. Contractor's responsibility

Contractor shall be fully responsible for the fact that its products permanently fulfil the current, documented state of approval in the run-up phase and in series, including those of its sub-contractors, and match the technical specifications stated in the drawings and specifications.

Contractor shall examine the documents provided to it by Client without delay and contact Client without delay in the event of lack of clarity, obvious errors or incompleteness of the documents.

Contractor shall ensure that only the current documents provided to it by Client are used.

In the event of new inquiries, Contractor shall examine the documents received for technical feasibility in series production and inform Client of necessary adaptations of clarifications in writing.

3. Sub-contracting of orders

Sub-contracting of orders shall require Client's approval.

Change without prior approval shall represent a breach of contract within the meaning of § 323, sub-section 5, sentence 2 German Civil Code; thus, Client shall be entitled to terminate the order in question.

In the event of sub-contracting of orders, Contractor engages to negotiate the duties taken on by it in the present agreement with its sub-contractors and to aim for the conclusion of a corresponding agreement.

4. Quality assurance system

Contractor shall maintain a quality assurance system pursuant to DIN EN ISO 9001, latest version.

If Contractor does not maintain a quality assurance system, it must at least be able to prove that it works according to these standards. In addition, it shall present a plan of action with a schedule for the achievement of the certification to Client.

5. Audits

Contractor shall permit Client to carry out audits following corresponding coordination. These can be system, process or product audits. For this purpose, Contractor shall grant Client uninhibited access to all quality-relevant rooms in its branch establishment during customary operating and business hours and also insight into all quality-relevant documents to the extent that Contractor's or third parties' interests of confidentiality cannot be proven to contradict.

Client shall notify Contractor of the outcome of these audits in writing. If corrective measures are necessary in Client's point of view, Contractor shall engage to produce a plan of action without delay, to implement it in good time and to notify Client thereof.

6. Inspection of initial samples

6.1 Definition, initial sample

Initial samples shall be parts, products and materials completely manufactured with series operating equipment under series conditions and examined including all the required properties and shall form the foundation for the approval of series production. They shall be produced according to valid drawings, CAD data records, test specifications and with the required materials.

Individual parts of an assembly shall be examined separately.

To the extent that samples are produced before the actual inspection of initial samples, the operating equipment and the process conditions shall be approximated to the later series conditions to the extent sensible from the view of economy and process engineering. Deviations from the specification induced in this way shall be compensated by individual re-working.

6.2 Initial sample inspection by Contractor

Contractor shall hold an initial sample inspection without specific request for:

- new products
- changes to the product
- changes to the material
- changes in the production process
- changes of the production location.

All the dimensions and specifications stated on the drawing shall be examined and documented in the measurement report. If additional specification requirements exist, e.g. service life, temperature-resistance, corrosion protection, resistance against various liquids etc., they shall be confirmed by suitable inspections and enclosed with the initial sample documentation.

Deviations from this regulation shall be coordinated with Client.

The initial sample documentation shall be according to VDA, volume 2, or PPAP (the level of presentation in question shall be set by agreement).

This means that the following documents / proofs must be presented as a matter of principle in initial samples:

- EMPB cover sheet
- measurement report incl. 5 sample parts / mould cavity, assignable on the measurement record (possibly deviating quantities by agreement)
- proofs of process capability (cmk) must be produced by agreement
If a capability figure of $cmk \geq 1.67$ is not achieved, Contractor must prove either suitable optimisation of its systems / testing equipment or suitable inspections of the products manufactured ruling out defective delivery.
- material products
- technical data sheets
- if applicable, declarations of conformity.

Initial samples shall be clearly marked as such and shall be supplied to Client's quality management separate from other series parts.

6.3 Initial sample inspection by Client

The foundation for the assessment of the initial samples shall be the contractually agreed component specifications, the drawings, the construction data and the documents presented by Contractor within the framework of its initial sample inspection pursuant to 6.2.

Inspection of the initial samples can also be done by Client on Contractor's premises following agreement of an appointment.

If the initial samples are rejected by Client, Contractor shall be obliged to take remedial measures without delay and to present new initial samples matching the specification.

Production of boundary samples shall require separate agreement.

7. Quality control plans and control instructions

Contractor shall produce quality control plans and control instructions for all the necessary inspections, in particular for inspections of incoming goods, intermediate, final and special inspections.

If necessary, Client shall be supportive in this regard, which shall however not release Contractor from its sole responsibility with a view to the completeness of the testing process.

The quality control plans must be designed in such a way that all function-relevant deviations which can occur in the object of delivery in question are found. The quality control plans shall be supplemented systematically if complaints arise.

Contractor shall ensure that only the current quality control plans and control instructions on the basis of Client's current requirements are used.

8. Testing equipment

Contractor shall guarantee that all the necessary testing equipment for the testing of the parts to be supplied to Client is available at any time.

The testing equipment shall be subjected to permanent monitoring, calibration and upkeep in accordance with the requirements of the QM system proven by Contractor.

Identity of testing equipment between Contractor and Client shall be aimed for.

9. Changes

9.1 Changes to the product and similar changes

Contractor shall not be authorised to make changes with a view to contractual agreements, e.g. the specification, material or finish, without Client's approval.

9.2 Change of subcontractors

Contractor shall only be authorised to change a subcontractor with prior written approval of Client. Regulations pursuant to 6.2 shall be taken into due account.

10. Information duties

If Contractor establishes quality defects in its company which could have affected products already supplied, Client's Quality Management shall be notified immediately, in particular about:

- scope of the products affected by this defect
- causes of this defect
- initiated or planned measures to remedy the defect
- date for subsequent delivery.

After establishment of changes in the procurement market or product changes, Contractor shall notify Client hereof in writing without delay.

To the extent that reference is made to client-specific standards in specifications, drawings or other documents describing the product(s), Client shall provide them to Contractor upon request.

Contractor shall be responsible for the up-to-dateness of national and international standards to which reference is made in the specifications in question (see also point 16).

11. Labelling and traceability

It is known to Contractor that it is to install, maintain and further develop a labelling and tracing system as a result of the Appliance and Product Safety Act.

All deliveries (packaging units) must be unambiguously traceable via the part / reference number, revision index, manufacturing date, batch number, order number etc..

If an error occurs, it must be possible to establish the products affected by this error. If it is not possible, from a technical point of view, to identify the products accordingly, the packages / units are to be labelled in a corresponding way.

In order to secure traceability, a "first in, first out" (FIFO) system is to be introduced and maintained.

12. Duties to keep documentation

Contractor shall keep test documentations for at least 10 years following delivery of the tested standard parts and for 15 years for parts with specific identification (pursuant to drawing / specification).

With a view to documents produced before, at or shortly after the start of the series which are of significance during the entire series production, the period for keeping shall commence at the end of series production.

13. Inspection of incoming goods

At its own discretion, Client shall make a random inspection of incoming goods for obvious defects, identity of the goods, transport damage and completeness.

Further duties to inspection for Client pursuant to § 377, German Commercial Code, shall not exist. To this extent, Contractor waives the defence of delayed notification of defects.

Products deviating from the specification may only be supplied following prior notification to Client and following approval by the latter. Both the notification and also the approval shall require written form. The approval is to be enclosed with the delivery, the delivery to be identified accordingly.

14. Defective deliveries

The nominal property corresponds to the agreed specification. To the extent that specifications are incomplete or missing, the property of the goods last supplied without complaint before the goods giving rise to complaint shall be deemed the agreed nominal property.

If Client discovers damage or a defect in the aforementioned inspections, a complaint report shall be produced and, if possible sent to Contractor with samples of the defects.

Immediate measures which have been taken shall be notified to Client's Quality Management by fax or e-mail within 24 hours. If no comments are received from Contractor within this period of time, Client shall be entitled to initiate suitable and necessary measures to limit damage.

The complaint is to be attended to by Contractor in the form of a 4-D or 8-D report and presented to the Client as written comments within 5 working days.

In exceptional cases, there can be agreements in order to ensure the delivery capability of Client, taking costs, deadlines and capacities into due account. This shall include, for example, sorting out or re-working by Contractor's personnel on Client's premises. Defective parts recognised on Contractor's premises must be marked unambiguously and stored separately by Contractor.

Client shall be entitled to charge all the costs resulting from the complaint to Contractor and also to charge a lump-sum for expenditure orientated to the market.

In the event of recurrent defects, Client can demand a re-qualification in the form of a product or process audit as well as presentation of a process capability inspection (cpk figures).

15. Packaging

To the extent that no supplementary part-specific packaging specifications exist, Contractor shall pack the parts in such a way that they are not damaged in transport.

The means of packaging used shall be kept neutral, stipulated packaging units shall be complied with.

Each independent packaging unit must be marked easily visibly with a product tag according to VDA (barcode-capable) (marking according to point 11).

Unnecessary packaging waste is to be avoided and the recycling capability / reuse of the packaging must be ensured.

Adhesive and packing tapes as well as labels and product tags may not limit the recycling capability of the carrier material.

16. Environment

Contractor shall have an environmental management system (EM system) ensuring at least compliance with national environmental laws. We recommend reduction of the environmental strains from the production process as well as possible within the framework of a continuous improvement process. Client reserves the right to audit Contractor's EM system.

Further, Contractor must ensure that the statutory directives for industrial safety and accident prevention are complied with.

National and international directives with regard to substances requiring declaration must be obeyed and complied with (for example: REACH, RoHS 2002/95/EC, GADSL, 2003/11/EC (PBB, PBDE), 2005/69/EC (PAK), 2006/122/EC (PFOS) - as amended at the time in question).

If a substance / material used becomes liable to declaration or forbidden in the course of a series production, this must be notified to Client without delay.

To the extent compatible with the technical requirements, the parts may not contain any elements which are a risk to health, harassing and / or damaging to the environment. If this is unavoidable, a completely filled-in EC safety data sheet according to EC Directive 91/155/EEC must be sent to Purchasing with the quotation and as a copy to Client's Quality Management. This shall also apply to packagings used. Approval shall be granted at sample inspection. In the event of changes to the products to be supplied, a corresponding procedure shall be used.

Upon request, material data must be kept in the IMDS (International Material Data System; www.mdssystem.de) and be provided to us. The sudhoff technik article number is to be stated in a continuous figure without hyphens and spaces (e.g. 123456). The data sheet shall be dispatched via IMDS - our customer identification number: 8080).

17. Reservation

Client can terminate an order or a part thereof with written notification to Contractor if a breach of cardinal duties of the present quality assurance agreement has been committed on the part of Contractor (e.g. breach of the duty to custody and notification by Contractor, failure to perform owed duties of cooperation).

18. Liability

The supplier shall be obliged to cover its third-party liability risk from the contract concluded with us by conclusion of sufficient insurance and to render proof in this regard by presentation of the insurance policy upon request.

19. Term, validity

The present agreement shall come into effect upon signing and be concluded for an indefinite period. It can be terminated to the end of a calendar year by either contracting party by registered letter. However, such termination shall only apply to products not yet agreed with legal binding between the contracting parties at the time of the termination.

Termination of the present agreement shall not automatically result in termination of any delivery contracts which may exist. Termination of any delivery contracts which may exist shall not automatically result in the termination of the present agreement.

20. Amendments

Possible amendments to the present agreement shall be agreed in writing by both parties.

21. Partial nullity

If individual provisions of the present agreement are ineffective, the validity of the remaining provisions shall not be affected. Law shall apply in lieu of the ineffective provision.

22. Place of jurisdiction

Place of jurisdiction shall be Ulm.

23. Applicable law, contract language

The relationships between Contractor and Client shall exclusively be governed by German law, to the extent not agreed to the contrary. Contract language shall be German. In cases of doubt, the German version of the present quality assurance agreement shall be decisive.

Ulm, ...

sudhoff technik GmbH

sudhoff technik GmbH

Contractor

Contractor