

Quality Assurance Agreement

between

sudhoff technik GmbH
August-Nagel-Str. 1
89079 Ulm
Germany

(hereinafter called -Client-)

and

Company
Street
Postcode Town
Country

(hereinafter called -Contractor-)

Preamble

The Partners enter into this quality assurance agreement (hereinafter referred to as "Agreement") in the interest of planning and execution security and in the interest of an efficient handling of existing business relationships with the aim of ensuring quality of the products to be delivered and protecting the environment from harmful influences.

1. Subject of the Agreement, contract documents

The subject of this Agreement is to ensure a consistently high quality of the services / products to be delivered and to reduce the need for double testing. It contains the basic standards and regulations for quality demands that result from a supply relationship between sudhoff technik GmbH (hereinafter referred to as "Client") and the Supplier (hereinafter referred to as "Contractor"), hereinafter jointly referred to as "Partners". The Agreement applies to all current and future orders.

In addition to this Agreement, the General Terms and Conditions of Purchase of Client shall apply in their latest version. In the event of any contradiction between this Agreement and the Client's General Terms and Conditions of Purchase, the provisions of this Agreement shall prevail.

2. Responsibility of Contractor

Contractor shall ensure that his products always comply with the latest documented release status, both in the initial phase and during series production. This also applies to the products of Contractor's subcontractors. Contractor shall further ensure that the products comply with the technical regulations listed in the drawings and specifications.

Contractor shall immediately review the documents made available to him and contact Client immediately in the event of any uncertainties, obvious mistakes or incompleteness of the documents.

Contractor shall ensure to use only the latest documents provided by Client.

In the event of new enquiries, Contractor shall check the documents received for their technical feasibility in series production and inform Client in text form of any required adjustments or clarifications.

3. Subcontracting

Any subcontracting by Contractor requires the express consent of Client in text form.

In the event of subcontracting, Contractor shall be obliged to negotiate the obligations under this Agreement with the relevant subcontractor and to obtain the conclusion of a corresponding agreement.

4. Quality assurance system

Contractor maintains a quality assurance system according to DIN EN ISO 9001 in its latest version.

If Contractor does not maintain a quality assurance system, he shall at least be able to prove that he works according to these standards. He further shall provide Client with an action plan including a time schedule in order to obtain a corresponding certification.

Contractor further undertakes to establish and maintain a risk management system in accordance with the requirements of ISO 9001, which identifies and evaluates internal and external risks and provides an action plan to mitigate these risks. Internal risks are, e.g., the risk of fire, natural forces and corresponding insurance coverage. External risks are, e.g., the degree of supply chain security and the reliability of sub-suppliers.

5. Audits / Supplier evaluation

Subject to appropriate coordination among the Partners, Contractor shall allow Client to carry out audits (system audit, process audit or product audit). For this purpose, Contractor shall grant Client access to all quality-relevant rooms of his premises during usual operating and business hours and shall allow Client to inspect all quality-relevant documents. This shall only apply in so far as there are no conflicting confidentiality interests of Contractor or third parties. Irrespective of the foregoing, Contractor, every year during the term of this Agreement, will conduct a supplier evaluation. The aim is to obtain an evaluation of Contractor as a so-called A-supplier ("A-Lieferant"), which will provide a priority cooperation.

Client shall inform Contractor of the result of the relevant audit / supplier evaluation in text form. If Client deems that corrective measures are required, Contractor is obliged to establish a corresponding plan of action without delay, to implement it within a reasonable time and to inform the Client accordingly. This occurs, for example, if Contractor does not achieve a minimum evaluation of "AB supplier" level.

6. First-sample approval

6.1 Definition of First sample

First sample is any product manufactured solely with series production equipment under series production conditions and tested including all required properties. First sample serves as a basis for the release of series production. It shall be produced according to valid drawings, specifications, CAD data sets, test specifications and with the agreed materials. Individual parts of a product assembly shall be sampled separately.

If samples are produced prior to the actual first sampling, the equipment and the process conditions shall be approximated to the later series conditions, unless unreasonable from an economic or process-related point of view. Any deviations from the specification shall be corrected by individual reworking.

6.2 First sample inspection by Contractor

Contractor shall carry out a first sample inspection in case of:

- A new product;
- Changes to the product;
- Material changes;

- Changes in the production process or
- Change of the manufacturing facility.

The provision in clause 9.1 shall remain unaffected.

All dimensions and specifications from the respective drawing shall be checked and documented in the measurement report. Any additional specification requirements shall be confirmed by suitable tests and shall be enclosed with the first sample documentation. These can be specification requirements such as durability, temperature resistance, corrosion protection, resistance to liquids, etc. Any unavoidable deviations from the aforementioned requirements shall be notified to Client in advance in text form. Client will give his approval within a reasonable period of time, unless Client can prove substantial reasons to the contrary.

The documentation of the first samples shall be carried out according to VDA Volume 2 or PPAP (the respective presentation stage will be determined by mutual consent).

Any first sample shall be submitted with the following documents / proofs:

- EMPB Cover sheet
- Measurement report incl. 5 sample parts / molding post, to be assigned on the measurement report (any deviating number of pieces is subject to mutual consent);
- Proofs of process capability (cmk) shall be prepared subject to mutual consent. If a capability value $cmk > 1.67$ is not achieved, Contractor shall prove either a suitable optimization of his facilities / test equipment or suitable tests of the manufactured products, excluding any defective delivery;
- Manufacturer test certificates;
- Technical data sheets and
- Declarations of conformity, if applicable.

Any first sample shall be clearly marked as such and delivered separately from other series products to the Client's quality management department.

6.3 Inspection of the first sample by Client

The contractually defined specifications shall be the basis for the inspection of any first sample. These include the drawings, the design data and the documents submitted by Contractor within the scope of the Contractor's first sample inspection in accordance with the foregoing clause 6.2.

Client may also choose to carry out the first sample approval at Contractor's premises, subject to arrangement between Partners.

In case Client rejects a first sample, Contractor shall be obliged to immediately take appropriate remedial action and to present a new first sample in accordance with the specifications.

The production of boundary samples is subject to a separate agreement.

7. Test plans and test instructions

Contractor shall prepare test plans and test instructions for all necessary tests, in particular for incoming, intermediate, final and special tests.

If necessary, Client will assist in this. However, Partners agree that this does not release Contractor from his sole responsibility for the completeness of the testing process.

The test plans shall be designed in such a way allowing finding all functionally relevant deviations that may occur in the respective delivery item. In case of a claim, the inspection plans shall be supplemented accordingly.

Contractor shall ensure to apply only the latest test plans and test instructions based on the latest specifications of Client.

8. Test equipment

Contractor warrants all necessary test equipment for testing the products to be delivered to

Client is available at all times.

Contractor shall continuously monitor, calibrate and maintain all test equipment in accordance with the general requirements of DAkkS (Deutsche Akkreditierungsstelle – German Accreditation Body).

Contractor and Client undertake to ensure equality of test equipment.

9. Changes

9.1 Changes to the production process

Prior to making any changes to the production process for the product (e.g. raw materials or execution of the production) which affect or may affect the quality or reliability of the product, Contractor shall obtain the express consent of Client in text form. Client shall give his approval within a reasonable time period, unless there are significant reasons to the contrary. Significant reasons to the contrary are, for example, any mandatory specification by the customer of Client or if the change would cause a deviation from a released first sample.

9.2 Change of sub-suppliers

Prior to any change of sub-supplier relevant for the product, Contractor shall obtain Client's approval in text form. Client shall give his approval within a reasonable time period, unless there are significant reasons to the contrary.

10. Information requirements

If Contractor detects quality defects in his company, which could also affect products already delivered, Contractor shall immediately notify the Client's quality management accordingly, in particular regarding

- the scope and extent of the products affected by the relevant defect;
- the cause for the relevant defect;
- the initiated or planned measures to remedy the defect and
- the date for replacement delivery.

As soon as Contractor is aware or should be aware of any changes in the procurement market or product changes, Contractor shall inform Client accordingly in text form.

Upon Contractor's request, Client shall provide Contractor with any Client-specific standards referenced in specifications, drawings or other product-describing documents.

11. Labelling and traceability

Contractor acknowledges that, by virtue of the German Product Safety Act (Produktsicherheitsgesetz), he has to establish, maintain and further develop an identification and traceability system.

All deliveries (packaging units) have to be traceable via the part / article number, change index, manufacturing date, batch number, order number, etc.

In case of a defect, Client requires to be able to determine which and how many products are affected by the relevant defect. Where it is technically impossible to label the products accordingly, the packaging / containers shall be labelled accordingly.

In order to ensure traceability, Contractor further shall establish and maintain a "First in - First out" system (FiFo).

12. Documentation retention requirements

Contractor shall retain inspection documentation for at least 15 years after delivery of the relevant goods.

13. Incoming goods inspection / notification of defects

The Client's obligation to carry out an incoming goods inspection shall be limited to externally

apparent damage and any other externally apparent deviations in quantity and identity of the goods based on the delivery documents.

Beyond the foregoing, Client shall give notice of any defect as soon as he discovers such defect in the ordinary course of business.

14. Defective delivery

The target quality corresponds to the agreed specifications and / or the approved first sample. If and in so far as any specifications are incomplete or missing, the target quality shall be the characteristics of those goods which were delivered as the last goods not rejected.

In the event of a notice of defect, Client shall prepare and submit to Contractor a corresponding report including a sample of the defective item, unless submission of such sample is not feasible.

Contractor shall take immediate action to remedy the situation and inform the Client's quality management department accordingly in text form within 24 hours. If and in so far as Client indicates that the issue is particularly urgent, Contractor shall answer preliminary inquiries, e.g. concerning the sorting of the products, in text form within 6 hours, taking into account normal business hours.

Contractor shall process the notice of defect in the form of a 4-D or 8-D report. Contractor shall submit such report to Client in text form within 5 working days after receipt of the notice of defect.

If Contractor fails to meet one or more of the aforementioned deadlines, Client shall be entitled to take any necessary measure at the Contractor's expense, unless Contractor is not at fault.

Any products assessed as defective by Contractor shall be marked accordingly and stored separately.

Without prejudice to any further claims for damages or any other claims for compensation, Client is entitled to charge Contractor an administration fee of 200.00 EUR plus VAT, if applicable.

In the event of repeated notices of defect, in particular in case of identical defect patterns, Client is entitled to require from Contractor to undergo requalification via product or process audit, and the submission of a process capability study (Cpk7 values).

15. Packaging

The products shall be packed according to the Client's general packaging instructions "FB 840.9". Unless further product-specific packaging requirements agreed, packaging shall ensure protection of the products from damage during transport.

The packaging materials used shall be neutral. Any specified packaging units shall be observed, if applicable.

Each independent packaging unit shall be labelled clearly and visibly according to VDA requirements (barcode-compatible). The labelling shall be in accordance with the stipulations under section 11 above.

Contractor shall avoid unnecessary packaging waste and further ensure the recyclability / reuse of packaging.

Adhesive tapes and packing tapes as well as labels and goods tags must not reduce the recyclability of the carrier material.

16. Environment

Contractor shall maintain an environmental management system ("UM system") ensuring compliance with the statutory provisions applicable at Client's registered office. Contractor is obliged to reduce environmental pollution from the production process as far as possible within the framework of a continuous improvement process. Client reserves the right to audit the Contractor's environmental management system.

Contractor shall ensure compliance with the statutory provisions on occupational safety and accident prevention.

Contractor shall observe all applicable regulations regarding declarable substances (e.g.: REACH, Regulation EC No. 1907/2006, EU Directive 2011/65/EU RoHS and GADSL including all amendments and supplements).

Should a substance / material used become declarable or prohibited in the course of series production, Contractor shall immediately inform Client accordingly.

To the extent compatible with the specified or assumed requirements, the products must not contain any components that are hazardous to health, nuisance and/or the environment. Where this is unavoidable, Contractor shall submit to the Client's purchasing department a fully completed EC safety data sheet in accordance with Regulation EC 1907/2006. Contractor shall further submit a copy of such sheet to the Client's quality management department. The release takes place in the course of the sampling. The same applies in case of changes to the products.

Upon Client's request, any material data shall be entered into IMDS (International Material Data System; www.mdssystem.de) and made available to Client. The sudhoff technik article number shall be entered consecutively without separators or spaces (e.g. 123456). The data sheet shall be sent via IMDS - customer identification number of the Client: 8080.

17. Insurance

Contractor is obliged to prove product and liability insurance with a minimum coverage of EUR 5 million per claim. The aforementioned insurance policies shall be maintained until the respective supply contract has been completely fulfilled.

Upon Client's request, Contractor shall ensure the relevant insurer submits confirmations of the existence of the aforementioned insurance cover. Contractor shall be obliged to inform Client without delay of any change of the insurance conditions that affect the contractually agreed coverage.

18. Term, validity

This Agreement shall become effective upon signature and shall be valid for an indefinite period. Either Partner may terminate this Agreement via registered letter with 3 months' notice to the end of a calendar year.

The provisions of this Agreement shall continue to apply to any supply contract already concluded at the time of termination.

The termination of this Agreement does not imply the automatic termination of any existing supply contract. The termination of any existing supply contract does not automatically terminate this Agreement.

The right to terminate this Agreement and the respective supply contracts without notice for good cause (e.g. in the event of a breach of duties of care and notification or failure to comply with the Contractor's duties of cooperation under this Agreement) remains unaffected.

19. Written form

Any amendment to this Agreement is subject to written form.

20. Partial invalidity

In case individual provisions of this Agreement are void, the validity of the remaining provisions remains unaffected. Instead of the invalid provision, the relevant statutory provisions shall apply.

21. Place of jurisdiction

The place of jurisdiction is Ulm.

22. Applicable law, contract language

Unless otherwise agreed, all legal relations between the Partners are subject to German law.

The contract language is English.

In case of doubt, the German version of this Agreement shall prevail.

Ulm, as of _____

.....
sudhoff technik GmbH

.....
sudhoff technik GmbH

_____, as of _____
(Place) (Date)

.....
Contractor

.....
Contractor