



Quality Assurance Agreement

between

Herbert Waldmann GmbH & Co. KG,
Peter-Henlein-Straße 5, 78056 Villingen-Schwenningen,
- hereinafter referred to as "**WALDMANN**" -

and

[company name],
[address]
- hereinafter referred to as "**Supplier**" -

- hereinafter jointly referred to as "**Parties**" and individually as "**Party**" -

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Preamble

WALDMANN's objective is to offer their customers faultless products with maximum possible reliability. Comprehensive and flawless cooperation between the parties is in mutual interest.

In order to ensure continuous product quality, the parties intend to establish and maintain a quality assurance system which includes all the relevant technical issues of quality assurance and quality control referring to development, production and delivery of the products agreed between the parties (hereinafter referred to as "**contractual products**"). Furthermore, establishing the quality assurance system is supposed to reduce costs and avoid claims based on defects or product faults as well as to enhance the efficiency of the cooperation. In order to ensure the high and reliable technical quality of any contractual products delivered by the supplier to WALDMANN, the parties conclude the following quality assurance agreement:

§ 1

Management systems

(1) Quality

Supplier undertakes to maintain an adequate, efficient and reliable quality management system (hereinafter also referred to as "**QM system**") according to the current state of the art (e.g. DIN EN ISO 9001) and to manufacture and inspect the contractual products pursuant to the specifications of this QM system. Furthermore, supplier undertakes to comply with any legal regulations and technical standards applicable to the respective contractual products.

Supplier will immediately inform WALDMANN about the QM system established by them and report to WALDMANN separately for each contractual product which specific inspections are carried out by them or by third parties on supplier's behalf before delivering a contractual product. Supplier will continuously and immediately communicate the results of the respective inspections to WALDMANN.

If it is evident that the quality assurance system does not fulfil the above-mentioned requirements, so that the quality and competitiveness of the contractual products are affected, the supplier undertakes to improve the QM system accordingly. This improvement of the QM system must be proven to WALDMANN without delay. Any further rights of WALDMANN under this agreement, particularly arising from the stipulations in sec. 6 par. 2 and par. 3, shall remain unaffected.

**(2) Environment**

WALDMANN maintains an environmental management pursuant to DIN EN ISO 14001 and also expects responsible and sustainable dealing with the environment from their suppliers. This binds the supplier particularly to compliance with any laws and directives relevant for the production and worldwide distribution of the contractual products. Supplier shall especially comply with the environmental standards applicable in the member states of the European Union and the U.S.A. to the manufacture and distribution of the contractual products. Supplier must ensure that these requirements will also be observed by their upstream suppliers.

**§ 2
Quality assurance**

- (1) In the development and process introduction stage of a contractual product, supplier will make use of suitable preventive methods of quality planning (e.g. producibility analysis, reliability studies, FMEA). Experiences from similar projects shall be considered in this respect (e.g. process operations, capability studies). The required elements of quality planning can jointly be stipulated in an individual written agreement of the parties.
- (2) Supplier undertakes to plan, organise and realise production process and quality assurance on their own responsibility in such a way that comprehensive control and monitoring are ensured and that the quality and safety requirements put to contractual products are fulfilled by 100% in any case. Provided that the technical properties of a contractual product specified by WALDMANN contain function-critical or process-critical features or special test specifications, supplier shall incorporate them in the planning of production process and quality assurance. Supplier must substantiate the incorporation of function-critical or process-critical features as well as special test specifications including ongoing tests towards WALDMANN. Supplier shall make sure that the inspection requirements imposed by WALDMANN will completely be implemented and complied with.

When determining the process capability, requirements for the measuring equipment accuracy and the principles of statistics shall be considered. As long as the required process reliability is not reached, supplier shall safeguard, document and prove the production process to WALDMANN by inspecting 100% of the contractual products.

The inspection results must be documented in suitable protocols and enclosed with the delivery of contractual products.

In order to maintain the quality standard, WALDMANN is always entitled to request supplier to increase the respective quality requirements, particularly by raising the number of inspections to be carried out or by changing the test methods.

- (3) If supplier obtains production or measuring equipment, software, services, materials or any other pre-deliveries from other suppliers for the manufacture or quality assurance of the contractual products, supplier must include them in their quality assurance system by contract or must assure the quality of pre-deliveries themselves.
- (4) Modifications to contractual products shall only be permitted upon prior written consent by WALDMANN. Provided that WALDMANN has agreed the modification of a contractual product, the supplier must adapt all process and test sequences of the QM system accordingly and ensure that work is only carried out in accordance with these modified or new process or test sequences. WALDMANN must be informed immediately in writing of any change in the process and test sequences as well as any change in the production site.

§ 3



Initial samples

- (1) Initial sampling is particularly required if:
- a new contractual product is ordered,
 - a contractual product should be modified,
 - a new tool is used to produce a contractual product or if a tool used in the production process for a contractual product should be exchanged or modified,
 - a new machine or facility is incorporated in the production process or if an existing machine or facility used to produce a contractual product is modified beyond pure maintenance,
 - a new upstream supplier should be incorporated in the production process of a contractual product or if the upstream product of an upstream supplier used for a contractual product should be modified,
 - the manufacturing plant of a contractual product or upstream product should be modified,
 - there has been no delivery of a contractual product to WALDMANN within the last 2 years.
- (2) WALDMANN will stipulate the features of contractual products to be inspected by supplier in the context of initial sampling in the respective initial sample inspection reports (hereinafter: **ISIR**).

Supplier shall present initial samples to WALDMANN with a fully completed ISIR which must particularly contain the following documents or information:

- ISIR cover
- Functional report
- Measurement report
- Drawing, technical data sheet
- External test certificates
- CE conformity declaration (where prescribed by law).

The documentation of the initial sample inspection must be made on a generally accepted form of an initial sample inspection report.

- (3) If there are additional specification requirements by WALDMANN for the contractual products, e.g. regarding service life, temperature resistance, corrosion protection, they must be substantiated by the supplier towards WALDMANN in the context of initial sampling by means of suitable inspections. The results of the inspections to be carried out by supplier pursuant to clause 1 shall be communicated to WALDMANN with the respective ISIR.
- (4) Any initial samples must completely be manufactured by supplier under series conditions.
- (5) Unless otherwise agreed by the parties, supplier shall manufacture three initial samples per contractual product. They must be labelled in such a way that WALDMANN can clearly match measured values and ISIRs with the respective initial sample.
- (6) After Supplier's presentation of initial samples and ISIRs, WALDMANN will carry out counter-checks at their own discretion. Based on these counter-checks and the measurement results presented by supplier, WALDMANN will decide on the release of the corresponding initial sample for series production.
- (7) Any modifications to the production process of a contractual product after WALDMANN's release for series production require prior written approval by WALDMANN.



- (8) If supplier cannot comply with specification requirements put to contractual products by WALDMANN, they shall immediately inform WALDMANN in writing.
- (9) WALDMANN's release of an initial sample does not relieve supplier of responsibility for the quality of contractual products. The release is of purely technical nature and does not constitute a delivery order. Before commencing or resuming series delivery of a contractual product to WALDMANN, WALDMANN must issue a written series delivery release for the respective contractual product.
- (10) Provided that supplier must carry out renewed initial sampling due to modifications to a contractual product and/or the production process of a contractual product, the parties may agree on limited initial sampling on the basis of the nature and extent of the respective modification. If the parties cannot come to an agreement, the supplier must carry out complete initial sampling.

§ 4 Incoming inspection

- (1) It is WALDMANN's objective to reduce in the incoming inspection at WALDMANN by establishing the agreed QM system at supplier and evidence of supplier's inspection of the delivered contractual products.
- (2) Supplier shall deliver the contractual products in suitable means of transport in order to ensure the intactness of the contractual products during transport (e.g. no damage, contamination, corrosion, etc.).
- (3) The parties agree that WALDMANN's incoming inspection of contractual products delivered by supplier is limited to externally discernible transport damages and deviations in quantity or identity. Besides WALDMANN will inspect the delivered contractual products in the course of ordinary business during manufacture and report any occurring defects immediately, at the latest, however, within two weeks of their discovery to supplier in writing. WALDMANN does not have any obligations of disclosure and inspection towards supplier beyond the ones mentioned above. Insofar supplier herewith waives the objection of delayed complaints according to sec. 377 par. 1 and 2 of the German Commercial Code. Supplier's above waiver of the objection of delayed complaints according to sec. 377 par. 1 and 2 of the German Commercial Code particularly applies to those properties of the contractual products, the inspection of which supplier has taken over under this agreement and/or in accordance with the QM system established by them. WALDMANN herewith accepts this waiver.
- (4) If WALDMANN must ban contractual products due to quality defects, supplier shall - on WALDMANN's corresponding request - deliver defect-free contractual products free of charge as replacement required to maintain the production at WALDMANN. Clause 1 applies correspondingly if WALDMANN have reasonable suspicion of a quality defect of delivered contractual products.
- (5) Supplier undertakes to analyse every deviation in the event of objection to contractual products by WALDMANN and to inform WALDMANN of the result of this analysis immediately in 8-D format. WALDMANN reserves the right to request supplier to improve the corrective action suggested by them if WALDMANN regards it as un auspicious. Assertion of further claims by WALDMANN towards supplier explicitly remains reserved, particularly
 - extended inspections of contractual products at WALDMANN,
 - realisation of an audit of production process and/or quality assurance at supplier by WALDMANN or by a third party commissioned by WALDMANN.

Any costs incurred in the context of a contractual product objected to by WALDMANN, particularly costs for analysis and corrective action, shall be borne by the supplier unless they are not responsible for the cause of the objection to a contractual product.



- (6) Supplier shall reimburse any expenses and damage incurred by WALDMANN due to a defective contractual product, e.g. for factory down times, scrapping, rework and/or logistics expenditure, to WALDMANN unless supplier is not responsible for the defect of the contractual product.
- (7) Claims based on defects, which WALDMANN determines only after the incoming inspection of contractual products, explicitly remain reserved.
- (8) Supplier's further liability remains unaffected, particularly if supplier is stringently liable pursuant to the Product Liability Act or from assuming a warranty or if they have culpably caused a damage.

§ 5 **Quality audit**

- (1) Supplier is obliged to keep records of details of the quality assurance system and the realisation of quality assurance measures, particularly the inspections, and to hold these records as well as any possible samples of contractual products in clearly organised custody. The documents and samples must be stored for ten years. Type and scope of records and samples are detailed in **Annex 1**.
- (2) Supplier agrees that WALDMANN may inspect these records at any time. Supplier will explain the records to WALDMANN and submit copies of the records as well as samples, if applicable.

The supplier shall allow WALDMANN or a third party commissioned by WALDMANN (e.g. testing and certification bodies) to carry out audits at appropriate intervals by prior arrangement during normal business hours and without interfering with the supplier's operations to determine whether the supplier has set up the agreed QM system and will meet WALDMANN's quality assurance requirements.

WALDMANN shall inform the supplier in writing of the result of the respective audit. Are changes to the QM system necessary from WALDMANN's point of view, the supplier undertakes to draw up an action plan for these changes without delay. This action plan will be implemented immediately after approval by WALDMANN. The implementation of the respective change to the QM system is confirmed to WALDMANN in writing.

§ 6 **Information**

- (1) Supplier shall immediately inform WALDMANN in writing and submit proposals for modification if supplier determined drops in quality, i.e. the increase of quality defects. WALDMANN will inform supplier whether and which modifications supplier must implement compared to the originally agreed quality assurance system. Pending modification of the system, supplier must ensure the quality and ability to supply at their own expense through immediate special measures, particularly through an elevated test frequency.
- (2) In addition, supplier shall inform WALDMANN immediately in writing and submit proposals for modification if it becomes apparent during implementation of this agreement that deviations from the originally agreed quality assurance system are required or useful, particularly regarding inspection and production methods, bought-in parts, inspection plans, data sheets and other documents as well as use of materials. WALDMANN will inform supplier whether and which modifications supplier must implement compared to the originally agreed quality assurance system.
- (3) WALDMANN will inform supplier in writing if one of the delivered contractual products does not meet the quality requirements. If possible, WALDMANN will suggest modifications regarding design and manufacture of the contractual products or the respective test methods.



- (4) During the term of the agreement and on WALDMANN's request, the parties will cooperate, particularly if the supplier rating is downgraded, if there are continued quality problems or a degradation of the delivery quality compared to released initial samples, in order to improve the quality assurance system, particularly to reduce costs, to avoid claims for defects and claims resulting from product liability as well as to enhance the efficiency of the cooperation.
- (5) When WALDMANN requests meetings on quality assurance, supplier will participate with suitably qualified employees.
- (6) Supplier shall inform WALDMANN in the event of component discontinuation or other reasons which could result in supplier being unable to deliver the ordered contractual products. This information must be provided by supplier in good time so that WALDMANN is able to take the required measures to ensure production at WALDMANN and/or distribution of the contractual products by WALDMANN.

§ 7

Product liability claims

- (1) Supplier herewith acknowledge their unlimited and sole responsibility for any claims for defects as well as for any possible claims from product liability, provided there is sufficient proof that the cause of such claims originates from products delivered by supplier.
- (2) Supplier shall be liable for any claims asserted by third parties for personal, material or pecuniary damage attributable to a defective product delivered by them.
- (3) Provided that WALDMANN must realise a recall or issue a warning towards third parties due to a contractual product delivered by supplier, supplier shall support WALDMANN to the best of their ability, shall accept every liability in this respect and shall reimburse WALDMANN for any costs and any other damage incurred.
- (4) Supplier is obliged to keep WALDMANN indemnified against any third-party claims resulting from product liability, provided supplier is responsible for the product fault and the damage incurred under the principles of product liability law. WALDMANN's further claims shall remain unaffected.
- (5) The supplier is obliged to take out and maintain an extended business and product liability insurance as well as a recall insurance with worldwide coverage and a sum insured adequate for the contractual products of at least EUR 3 million per personal damage for each individual person and at least EUR 5 million per material damage and at least EUR 5 million per pecuniary damage. Already now supplier assigns any claims arising from these insurances with all ancillary rights to WALDMANN. WALDMANN already accepts this assignment. Provided the insurance contract does not permit an assignment, supplier herewith irrevocably instructs the insurance company to make any possible payments only to WALDMANN. WALDMANN's further statutory claims shall remain unaffected. On request, supplier shall substantiate the conclusion of these insurance contracts to WALDMANN. If supplier does not properly fulfil this duty, WALDMANN shall be entitled, but not obliged, to take out these insurances at supplier's expense. Supplier shall omit any action and any omission which could put the insurance coverage at risk.
- (6) Supplier will procure that their product liability insurance acknowledges the above modification of the statutory liability provision, without the existing coverage of their product liability insurance being impaired.



§ 8 Nondisclosure

- (1) The parties are obliged to keep secret any information made accessible to them which is identified as confidential or discernible as business/company secrets for any other reason for five years after termination of the agreement and not to record, disclose or exploit it, unless required for the business relation.
- (2) The secrecy obligation does not apply if the information has evidently already been known by the receiving party before establishing the contractual relationship or has been commonly known or generally accessible before establishing the contractual relationship or if it becomes commonly known or generally accessible through no fault of the receiving party. The onus lies with the receiving party.
- (3) By suitable agreements with their employees and agents working for them, the parties shall ensure that these will also refrain from their own exploitation, disclosure or unauthorised recording of such business/company secrets without limit of time.
- (4) For any case of culpable violation of the secrecy obligation supplier shall pay a reasonable sum to be fixed by WALDMANN using equitable discretion as contractual penalty to WALDMANN, the amount of which can be verified by the Regional Court of Constance in the event of dispute. Sec. 348 German Commercial Code is explicitly waived. The assertion of WALDMANN's further claims for compensation remains unaffected. The contractual penalty shall be offset against the damage incurred by WALDMANN.
- (5) Any documents ceded to supplier remain WALDMANN's property and shall be labelled as such. On request, supplier shall surrender any information and documents immediately to WALDMANN and destroy any reproductions. Supplier does not have a right of retention regarding any documents.

§ 9 Term of contract and termination

- (1) This agreement shall expire upon termination of the supply relationship between WALDMANN and supplier.
- (2) Notwithstanding the above, WALDMANN may terminate the agreement at a term of 3 months to the end of a calendar year.
- (3) The parties' right of termination for cause shall remain unaffected.
- (4) The notice must be given in writing.

§ 10 Closing provisions

- (1) Only upon prior written approval by WALDMANN supplier is entitled to assign rights and obligations to third parties or have the quality assurance or essential parts thereof carried out by third parties.
- (2) Supplier's counterclaims only entitle to offsetting if they have been determined without further legal recourse or are undisputed. Supplier can only assert a right of retention if the counterclaim is based on the same contractual relationship.



- (3) This agreement contains all the arrangements concluded. There are not written or verbal side agreements. Modifications or supplements to this agreement must be in written form. This also applies to the waiver of the requirement of written form.
- (4) The contract language shall be German.
- (5) The law of the Federal Republic of Germany applies to the legal relationship between WALDMANN and supplier under exclusion of the UN Convention on Contracts for the International Sale of Goods (CISG).
- (6) Exclusive place of jurisdiction for any disputes arising from the business relationship between WALDMANN and supplier shall be WALDMANN's headquarters. WALDMANN is also entitled to institute legal proceedings at the supplier's headquarters or any other admissible competent court. Arbitration clauses are rejected.
- (7) The place of fulfilment for all supplier's deliverables and for WALDMANN shall be WALDMANN's headquarters.
- (8) If one of the stipulations of this agreement is or becomes void or impracticable in whole or in part or if there is a gap in this agreement, the validity of the remaining stipulations shall remain unaffected. Instead of the void or impracticable stipulation, an appropriate stipulation shall be regarded as agreed upon which is the closest to the purpose of the void or impracticable stipulation. In case of a gap, an appropriate stipulation shall be regarded as agreed upon which in the spirit of this agreement corresponds to what the parties would have agreed if they had considered the matter at the outset.
- (9) The following annex is enclosed with this agreement as integral part:
 - Annex 1: Type and scope of records and samples

WALDMANN

SUPPLIER

Place, date, signature:

Place, date, signature:

Name in block letters and position:

Name in block letters and position:

ANNEX 1

TYPE AND SCOPE OF RECORDS AND SAMPLES



Quality records serve to prove that the quality requirements are complied with and a functioning quality management is applied.

1.1 **Quality records:**

Supplier must have and keep detailed written records of all measures associated with the product.

Quality records are, for instance - with no claims of being complete - all documents on design, development, composition, procurement, manufacture, testing, quality, validation, traceability, reprocessing, packaging, labelling, inspection, delivery of the product.

Quality records also comprise all documents required under this quality assurance agreement, the delivery agreement and applicable quality assurance instructions.

1.2 **Document updating:**

Supplier shall introduce and maintain a system to update documents in order to ensure that the quality records are created according to the requirements of this quality assurance agreement, the delivery agreement and applicable legal provisions.

1.3 **Maintenance and security of quality records:**

Supplier shall store the quality records pursuant to this quality assurance agreement. They must be stored in such a way that aging and loss are prevented and electronic data is backed up.

1.4 **Electronic quality records:**

In addition to the other stipulations of this section, supplier must protect any quality records created, maintained and archived in electronic manner in such a way that they can be read exactly and quickly during the entire archiving period. System access must be limited to authorised individuals.

1.5 **Retention of quality records:**

Supplier must store all quality records for at least 15 years after the date of delivery to Waldmann. Any further legal provisions must be complied with.

1.6 **Handling of samples:**

Samples comprise initial samples, release samples, limiting samples and any other samples agreed between Waldmann and supplier. Supplier must label and store them in such a way that identification is possible at any time and that damage, alteration and loss are reliably prevented.

These samples must be stored for at least 15 years after release by Waldmann and must be made available to Waldmann on request.

1.7 **Access to quality records:**

On request, the records must be made available to Waldmann as soon as Waldmann requests them in writing.