

Quality Assurance Agreement

between

KOCH Pac-Systeme GmbH

Dieselstraße 13
72285 Pfalzgrafenweiler, Germany
- hereinafter referred to as “**KOCH**” -

and

Company name,

road

place

- hereinafter referred to as “**Contractor**” -

- hereinafter jointly referred to as “**Parties**” -

Preamble

This Quality Assurance Agreement (hereinafter referred to as “QAA”) is the contractual definition of the technical and organisational conditions and processes between KOCH and the Contractor.

This QAA governs the measures to ensure the quality of on-time delivery and minimal cost for the benefit of both Parties.

1. Quality and Environmental Management

1.1 Quality Management

The Contractor undertakes to maintain a certified Quality Management System in accordance with DIN ISO 9001 to ensure the quality of its products, or to use a comparable quality assurance system. The corresponding quality management system-proof must be provided by a certificate from an accredited certification company.

Any additional customer-specific requirements shall be communicated to the Contractor by KOCH and must be adhered to by the Contractor.

1.2 Environmental Management

In order to take into account the special environmental responsibility, KOCH expects the Contractor to apply and maintain an environmental management system in accordance with the international environmental standard DIN EN ISO 14001 or EMAS. In the case of the certification, the system should be certified by an accredited certification company.

The Contractor undertakes that in addition to the compliance with the environmental legislation of the agreement entered into, in particular in the specifications or requirements, to comply with applicable legal regulations concerning the products and their manufacture. These are particular regulations for chemicals/substances or other environmental regulations in Germany, the EU and other relevant countries.

The Contractor guarantees the environmental friendliness of products and packaging materials supplied by him, as well as compliance with its statutory disposal obligations. He shall pro-actively promote the use of environmentally sound practices.

1.3 Energy Management System

The introduction of an energy management system is generally voluntary, in order to improve the energy efficiency, the Contractor should endeavour to attain certification according to DIN EN ISO 50001.

1.4 Occupational Safety

The Contractor shall comply with the legal regulations concerning occupational safety and accident prevention.

2. Auditing

The basic requirements for the existence of management systems are set out in paragraph 1 of this QAA. Compliance with these requirements shall be demonstrated through certificates from accredited certification companies. For comparable quality assurance systems, proof is provided by an audit by KOCH.

Changes in the certification status (for example, temporal exposure, disqualifications or striving for another certification) shall be communicated in advance in writing to KOCH, or at the latest immediately after the presentation of the circumstances. In any case, all previous agreements to ensure product and process quality shall be maintained or guaranteed by suitable additional measures.

2.1 General Auditing Rules

KOCH and its client shall be allowed by the Contractor and, in some cases, even with the Sub-contractors to perform their own audits or have same performed – also by third parties. The subject of these audits may be the overall management systems as well as individual primary processes in the areas of product development, logistics and the environment. The Contractor agrees to participate in such audits and bears the resulting costs for this. The Contractor shall also oblige his Sub-contractors to this.

2.2 Auditing Rights in case of Shortcomings

Should there be significant shortcomings, arising from the KOCH vendor assessment, in particular in the areas of logistics or quality, the Contractor is obliged to participate in remedial action and the conduct of audits by KOCH or third parties. In these cases, the Contractor shall bear the costs incurred for the remedial actions as well as the audit costs incurred by KOCH and/or third parties.

3. Information and Documentation

If it becomes evident that agreements reached, such as quality characteristics, schedules or delivery quantities, cannot be met, the Contractor shall inform KOCH of this immediately. The Contractor shall also inform KOCH of deviations detected after delivery, without delay. The Contractor shall disclose all necessary data and facts necessary for a rapid solution.

3.1 Changes

The Contractor agrees to obtain the consent of KOCH and to render the quality certificates agreed in this regard for

- changes in manufacturing processes and materials,
- relocation of products to other production sites,
- delivery of products after a design change.

All changes to the product and in the process chain shall be documented by the Contractor in a product history and KOCH shall be given access to it on request.

3.2 Documents

The storage of documents and evidence of the development, production and delivery stages (for example, order specifications from KOCH, specifications, drawings, CAD data, risk analysis (FMEA), experiments and testing results, initial sample release documents, tool documentation) must be ensured for a period of 10 years from the last delivery of the respective product to KOCH.

The recording of incoming goods inspection (concerning purchased parts and other intermediate products of Sub-contractors), the reliability and service life tests, the initial tests, and possible error analyses shall be kept by the Contractor for at least 24 months. In justified individual cases KOCH may require a longer retention period. The Contractor shall enable KOCH to inspect the records, upon request.

Legal regulations shall remain unaffected by these requirements.

4. Agreements on Product History

4.1 Development, Planning and Release

If the Contractor's order includes development tasks, the requirements shall be specified in writing by the Parties, for example, in the form of specifications.

The Contractor undertakes to perform project management during the planning phase of products, processes and other cross functional tasks in the form of quality management plans and to grant KOCH inspection upon request.

During the specifications tests and quotations, the Contractor shall examine all technical documentation, such as specifications, drawings, parts lists and CAD data for feasibility upon receipt; any recognised shortcomings and risks and opportunities for improvement shall be communicated by the Contractor to KOCH immediately.

During the development phase, the Contractor shall apply suitable preventive methods of quality planning, such as feasibility analysis, reliability studies and FMEA. Experiences (process flows, process data, capability studies, etc.) from similar projects should be taken into account by him.

For prototypes, the Contractor shall coordinate the production and test with KOCH and document these. The aim is to produce the prototypes under realistic conditions. The Contractor's products are generally intended for global distribution.

Should the products to be delivered be inappropriate for certain countries (for example because of prohibited substances or labelling requirements), the Contractor shall indicate the quality assurance to KOCH prior to commencement of supply.

If the Contractor manufactures products under a framework agreement for KOCH, the Contractor shall perform process planning (work plans, test plans, equipment, tools, machinery, etc.) for all characteristics. For function- and process-critical characteristics, the Contractor shall check the suitability of the manufacturing facilities according to statistical criteria and shall document the results.

The product quality shall be monitored through periodic audits.

4.2 Labelling of Products, Traceability

In the case of process disruptions and quality deviations, the Contractor shall analyse the causes, initiate improvement measures and review their effectiveness. If the Contractor, in exceptional cases, cannot supply products in accordance with specifications, he shall obtain a special release from KOCH before delivery (usually from quality assurance).

Basically, for all deliveries, the shipping documents and products must be labelled with the KOCH article number, the order number and the order position on the outer packaging. The labelling of parts in accordance with the production guideline remains unaffected by this. In addition to the agreed labelling of products, parts and packaging products differing from the agreed delivery state shall be additionally clearly marked.

The Contractor undertakes to ensure the traceability of the products supplied by him. If an error is detected, the traceability and the isolation of the defective parts/products/batches, etc. must be guaranteed.

Unless KOCH provides the Contractor production and test equipment, especially equipment and facilities under the cover of supplies available, these shall be marked as owned by KOCH and involve the Contractor as own production and testing in its quality management system. Access to KOCH-owned and associated documentation shall be provided to KOCH by the Contractor at any time. The Contractor is responsible for the integrity and proper functioning; he shall ensure their maintenance and repair. A scrapping of KOCH's belongings may only be done with written approval by KOCH.

4.3 Delivery, Incoming Goods Inspection

Upon receipt of the goods, the Contractor shall be limited to the KOCH's duty to examine the quantity and identity of the delivered item and a check for visible damage. Deficiencies identified by such an inspection shall be communicated by KOCH to the Contractor. The notification shall be considered timely if it reaches the Contractor within a period of two weeks from the date of delivery.

The Parties have agreed that a further incoming inspection shall not take place. The Contractor agrees that he has waived his rights in accordance with § 377 of German Commercial Code (HGB). The Contractor further agrees that the outgoing inspection of goods to be performed by him serves the same purpose as the incoming goods inspection, required by KOCH, in accordance with § 377 of German Commercial Code (HGB). The Contractor must therefore align its quality management system and his quality assurance activities to this limited incoming inspection.

In addition, we would like to point out that you should check your liability insurance so that no misunderstandings arise with regard to the above-mentioned change in the legal regulations.

4.4 Complaints

If deviations from the agreed product quality are found as a result of tests, assembly problems, customer complaints or other examinations, the Contractor will be informed by KOCH. Immediately after the first information, he shall initiate measures for rapid analysis and correction. The vendor shall keep records of all activities and arrange for suitable remedial measures.

KOCH reserves the right to claim the costs arising from complaints that are caused by quality defects in the products delivered by the Contractor.

Statutory or contractually agreed rights of KOCH arising from warranties for defects and/or liability are not affected by the provision of this paragraph 4.4.

5. Quality Target

The Contractor is committed to the zero defect target. The Contractor shall ensure that all its products meet the specified requirements fully. The Contractor shall inform KOCH immediately if deviations from agreed targets are foreseeable and shall propose appropriate measures to eliminate the discrepancies to KOCH.

The specifications for the product must be observed in each case.

Even if the agreed upper limits are not reached, the Contractor is not relieved of his obligation to process all rejects and to proceed with continuous improvement.

If the Contractor is not able to comply the quality targets, KOCH reserves the right to carry out audits at the expense of the Contractor to arrive at action plans to achieve the quality targets. Implementation of these measures has a significant influence on future requests from the Contractor.

6. Vendor Assessment

Based on the quality of the services provided by the vendor, KOCH carries out vendor assessments which are also taken into account in the selection of vendors and in further cooperation with the vendor. Furthermore, the vendor assessment is the basis for the joint definition of quality targets with the vendor in order to achieve continuous improvement. If these targets are not achieved, vendor development can be agreed between the contractual partners on a case-by-case basis to ensure that the vendor's planned delivery performance is achieved or to reduce the scope of delivery up to blocking the vendor for new orders. Compliance with the regulations agreed in this QAA is also included in the vendor assessment.

7. Duration of the Contract and Termination

7.1 Inception

This QAA takes effect upon signing by both parties.

7.2 Duration

This QAA is concluded for an indefinite period and may be terminated by either Party upon 9 (nine) months' notice.

7.3 Extraordinary Termination

The right to terminate for good cause remains unaffected.

7.4 Written Form

Any termination of this QAA requires the written form for its legal validity.

7.5 Continued Application of Provisions

Should the regulatory content of individual provisions of this QAA extend beyond the contractual term, these regulations remain effective after the end of the contractual term.

8. General Provisions

8.1 Transfer

A transfer of rights and obligations under this QAA is allowed only with the written consent of KOCH.

8.2 Written Form

Additional agreements, collateral agreements and changes or additions to this QAA shall be in writing. This written requirement may only be repealed or amended in writing. The written form within the meaning of this agreement shall only be considered complied with, provided that the declaration is signed by hand by each of the Parties. The written form described in the preceding sentence cannot be replaced by an electronic form.

8.3 Severability Clause

Should individual parts of this QAA be legally invalid, the validity of the remaining provisions shall not be affected. The same applies if the QAA includes a loophole. In order to fill a legal loophole, such valid provisions that the Parties would have agreed on for the purpose of the QAA had they recognised the loophole shall be deemed agreed.

8.4 Applicable Law

This QAA is governed exclusively by the substantive law of the Federal Republic of Germany under exclusion of international private/conflict of laws and the UN Sales Convention.

8.5 Jurisdiction

In disputes arising from this QAA, the parties will make a serious effort to find an amicable solution. An amicable solution is deemed not reached, as soon as one party notifies the other of this in writing.

In this case, the place of business of KOCH is the jurisdiction, unless another jurisdiction is mandatory by law. KOCH is also entitled to sue the supplier at any other permissible place.

Pfalzgrafenweiler, dated _____
 KOCH Pac-Systeme GmbH

_____, dated _____

 i.V. Hartmut Kalmbach
 Department Manager Purchasing

 Name, please complete using block capitals

 i.A. Purchaser (please complete)
 Purchasing

 Name, please complete using block capitals