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Quality Assurance Agreement

for the supply of quality-relevant primary products and services.

BETWEEN

sonnen GmbH
Am Riedbach 1
87499 Wildpoldsried
Germany

– hereinafter „sonnen“ –

AND

– hereinafter „the Supplier“ –

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1. Preamble

This Quality Assurance Agreement is the contractual determination of the technical and organisational framework conditions and processes between sonnen and the Supplier, which are necessary for the achievement of the desired quality objectives. It describes the minimum requirements of the contractual partner‘s management system with regard to quality assurance.

Quality and reliability are the two essential criteria for the position held by sonnen in the national and international market. Since the majority of sonnen‘s products are manufactured from bought-in parts, it is necessary to develop or procure the products and services in cooperation with expert, reliable and quality-focused partners.

The contractual partners agree that high quality and reliability of technical products, without any reduction in competitiveness, can only be achieved if the quality assurance system and the testing procedure are known, stipulated and if lead times are shortened.

2. General agreements

2.1. Scope, object of the contract

2.1.1. This agreement governs the quality requirements for all development services and/or products that are provided or supplied during the term of the agreement for the contractual partner.

2.1.2. Individual clauses of this agreement are not valid insofar as they contradict contracts that take precedence, e.g. development or purchasing contracts.

2.2. Supplier‘s quality management system

2.2.1. The Supplier is obliged to take responsibility for planning, organising and implementing the product process and quality assurance in such a way that comprehensive quality monitoring is ensured, and all the quality and safety requirements set for the product are complied with. This relates to all products, regardless of whether the Supplier produces them itself or processes them.

2.2.2. In order to ensure the quality of its products, the Supplier undertakes to have an effective quality assurance system in place or immediately to introduce, apply and maintain one that fulfils at least all substantive requirements of the ISO 9001 standard. Any withdrawal or updating of a certificate must be sent to sonnen on the Supplier‘s own initiative immediately after expiry.

For generally applicable standards, the currently valid and up-to-date version applies.

2.2.3. The Supplier is subject to a zero-fault target and must therefore continuously optimise its services. The zero-fault target must be implemented throughout the supply chain.

2.2.4. sonnen expects the Supplier to ensure 100% of deliveries meet the supply deadlines that are stated in the orders and recorded in sonnen‘s ERP system.

2.3. Subsuppliers‘ quality management system

2.3.1. The Supplier is obliged to take responsibility, including for products sourced from or processed by third parties, for planning, organising and implementing the product process and quality assurance in such a way that comprehensive quality monitoring is ensured, and all the quality and safety requirements set for the product are complied with.

2.4. Audit (of Supplier)

2.4.1. sonnen is entitled to carry out an audit to establish whether the Supplier‘s quality assurance measures guarantee customer requirements. The audit can be carried out as a system, process or product audit, and must be agreed in good time before the planned implementation.

The Supplier shall grant sonnen access to all production and testing sites and to all quality-relevant documents during standard operating and office hours.

2.4.2. Should quality problems caused by services and/or deliveries from subsuppliers occur, the Supplier shall clarify with the subsupplier, at sonnen‘s request, the option of a shared audit. The Supplier‘s obligations to solve problems independently with subsuppliers and to comply with delivery fulfilment targets, if necessary with special measures, remain unaffected by this.

2.5. Documentation

2.5.1. The obligation to retain the specification and evidence documents remains in place for ten years after the end of a series production. This term applies insofar as there are no longer-lasting retention periods according to the current state of legislation or provisions other than this QAA. The end of a series production is in all cases the start of the retention period.

The Supplier shall grant sonnen access to these documents on request.

2.5.2. If it becomes apparent that relevant agreements (e.g. concerning quality features, deadlines, supply quantities) cannot be fulfilled, the Supplier is obliged to inform sonnen of this and of relevant circumstances without delay.

2.5.3. If the Supplier detects an increase in deviations in the actual quality level from the target quality level of the products (quality losses), it shall inform sonnen of this and of its planned remedial actions without delay.

2.5.4. Before changing

- production processes,
- materials or bought-in parts for the products,
- outsourcing of production sites,
- procedures or installations for testing the products, the Supplier shall inform sonnen in good time, so that sonnen can check whether the change could have negative results.

2.5.5. All changes to the product and to the production process must be documented

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3. Agreements on the product lifecycle

3.1. Series preparation of the product

3.1.1. General information

- The Supplier shall undertake, no later than the planning phase for products, processes and other cross-departmental tasks, to apply a project-management approach and to grant sonnen, on request, access to the project schedule.
- sonnen shall ensure that it provides the Supplier with the product requirements document along with all relevant documentation, e.g. drawing/s, parts list/s and CAD data, in good time and in full.
- The Supplier shall inform sonnen without delay of any scheduling delays.

3.1.2. Manufacturability test

- The Supplier shall check the product requirements document, including all technical documents, for completeness and feasibility. Any faults thus identified must be reported without delay to sonnen. Such faults shall be remedied by mutual agreement.
- sonnen shall inform the Supplier of any changes to the product requirements immediately and in writing. The Supplier shall check the changes for feasibility.

3.1.3. FMEA

- In order to prevent quality losses during series production, and to keep the required testing workload to a minimum, it is necessary to carry out an analysis of potential errors and their consequences.
- The risks detected during the implementation of the FMEAs must be eliminated through suitable measures before the start of series production.
- FMEAS must be maintained during the entire production time and updated when products or processes are changed.

3.1.4. Process capability

- The machine and process capability must be implemented, evaluated, documented and monitored using suitable methods, at least for the critical and significant features.
- The machine capability test (MCT) and process capability test (PCT) must be carried out using a suitable procedure.

  The following minimum requirements apply to the capability values:
  - » machine capability/short-term capability: cmk ≥ 2.0
  - » long-term process capability: cmk ≥ 1.67

  These minimum requirements apply provided the Supplier has not agreed other values with sonnen.

3.1.5. Testing planning

- The Supplier shall produce testing plans/instructions from which all features to be tested, along with the relevant testing equipment for each operational step, are derived.
- In addition to the workload for the implementation, the training of staff must also be considered during planning.

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3.1.6. Testing/measuring equipment

- The Supplier must ensure the quality of its testing/measuring equipment by regularly monitoring and calibrating the testing equipment and documenting the results.
- If sonnen provides the Supplier with testing equipment, the Supplier must include this in its monitoring system.
- The testing/measuring equipment must be planned, procured or manufactured in good time and adequately, such that series production can start.
- The capability of the testing/measuring equipment must be evidenced as per the MSA (measuring system analysis), which is described in DIN EN 9001, DIN EN ISO 10012, QS 9000 and VDA Vol. 5. The following minimum requirements apply:

  » MSA procedure 1 (type 1 study): Cg/ Cgk ≥ 1.
  » MSA procedure 2 (type 2 study): %R&R ≤ 20%.
  » MSA procedure 3 (type 3 study): %R&R ≤ 20%.

  The results must be verifiably archived and may be accessed by sonnen.

3.1.7. Manufacturing equipment

- The manufacturing equipment must be planned, procured or manufactured in good time and adequately, such that series production can start.

3.1.8. Logistics

- The Supplier must comply 100 % with its obligations with regard to the delivery deadline and the delivery quantity in accordance with the planning information provided by sonnen. In the event of deviations, notification must be provided immediately. Deviations will have a negative impact on the supplier evaluation. Irrespective of this, the Supplier is responsible for preventing any delays in delivery by means of special measures at its own expense (if necessary extra shifts, separate journeys etc.).

  The following minimum requirements apply with regard to the deliveries and packagings:

  » Packaging
  The Supplier is responsible for the packaging of its products. Packaging must be constituted in such a way that external factors cannot damage or soil the product while in transit.

  » Preservation
  All products that could be damaged by interactions with their environment (e.g. corrosion), must be appropriately protected. The planned preservation method (if necessary) must be agreed with sonnen on the Supplier‘s initiative in good time, before the start of series delivery.

  » Batch purity
  To avoid mixing of batches and to ensure traceability, bought-in parts and parts manufactured in-house must be processed and delivered according to the FIFO (first in, first out) principle.

  » Cleanliness
  The Supplier is responsible for the cleanliness of its parts and packaging.

3.1.9. Preventative maintenance, emergency plans and strategies

- To ensure deliverability, a system of preventative maintenance of manufacturing equipment and tools must be developed and introduced.
- The implementation of a systematically planned preventative maintenance system must be evidenced if necessary.
- On the basis of a risk assessment, emergency plans or strategies must be recorded in writing for bottleneck machines, systems and facilities.

3.1.10. Prototypes

- For prototypes and pre-production parts, the manufacturing and testing conditions must be agreed between sonnen and the Supplier and documented. The aim is to produce the parts under conditions close to those in serial production.

3.2. Approval of the product for series production (production process and product approval)

3.2.1. General information

- sonnen reserves the right to carry out a comprehensive on-site process acceptance test (e.g. two days of production under series conditions).
- A production process and product approval procedure is necessary in the following cases:
  - First order of the part (new part)
  - The Supplier changes to a new subcontractor or subsupplier
  - Use of alternative materials or designs
  - Changes to the product, e.g. to the design, specification, materials
  - Outsourcing of product
  - Changes to the production process, insofar as product features are affected
  - After an interruption of production lasting more than 12 months
  - Use of new or modified forming tools
  - Use of replacement tools

3.2.2. Initial sampling

- The scope of the initial sampling is specified in the „Guidelines on Initial Sampling“.
  The „Guidelines on Initial Sampling“ are a component of this contract.

3.3. Series production of the product

3.3.1. Incoming goods

- The Supplier is responsible for the output inspection and thus for trouble-free delivery. On this basis, sonnen only carries out the following incoming goods inspections:

  Goods identification inspection – delivery note
  - Delivery note identification inspection – order

- » Inspection for externally recognisable transport damage
- » Spot tests of product features
- » Inspection for presence of agreed test certificates

- sonnen shall point out the damages or faults to the Supplier immediately. Damages or faults not discovered in the incoming goods inspection shall be pointed out to the Supplier as soon as they are identified.

3.3.2. Labelling

- The Supplier must label each delivery unit to sonnen. The minimum details for labelling are as follows:
  - » Manufacturer
  - » Article designation and number from sonnen
  - » Revision status
  - » Order no. from sonnen
  - » Quantity
  - » Batch number

3.3.3. Traceability

- The Supplier must ensure traceability for all manufacturing batches such that in the event of quality defects all process data and test results associated with manufacturing batches can be identified.
- The traceability system must be transferred to subsuppliers so that batches delivered by pre-suppliers and/or contract suppliers can also be identified.
- The Supplier must be able to trace and establish with absolute certainty when it delivered which products to sonnen.
- The traceability system must enable other products that have the same quality defects and are still in circulation to be located.

3.3.4. Special approval and reworking

- It is only permissible to deliver products with deviations from the specifications following prior, written authorisation from the sonnen quality assurance department. Oral agreements, or agreements with other departments or persons at sonnen outside of the quality department, are not permitted.
- The deliveries may only be made for a pre-defined quantity or a pre-determined period.
- Each delivery must display a separately agreed label.
- Insofar as products need to be reworked to meet the specifications, the above provisions apply equally to the special approval.

3.3.5. Complaints processing

- sonnen shall point out quality defects to the Supplier, providing details of the affected delivery unit with a „test report“.
- The Supplier must carry out any immediate remedial measures as a matter of priority, in accordance with legislation, for any quality defects that are its own responsibility.
- sonnen shall carry out a sorting and/or troubleshooting action in coordination with the Supplier. This procedure is also permissible without coordination in the following special situations:
  - » The Supplier does not meet an appropriate coordination deadline set for this purpose.

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- » sonnen has had to carry out immediate measures in connection with a customer complaint and only subsequently identifies the Supplier as the cause. In this event, sonnen must immediately provide the Supplier with appropriate evidence (e.g. NOK parts, images etc.).
- » Sorting of sonnen's stocks due to impending production downtime.
- » In case of imminent danger

Rights from guarantee agreements remain unaffected.

- The product and process FMEA must be updated by the Supplier in the event of a complaint.
- The Supplier shall produce a complete „8D report".

It is essential that the following time limits are met, unless other deadlines have been agreed:

- » **Immediate measures** must be reported to sonnen within **one working day**.
- » A preliminary „8D report" must be submitted to sonnen within five working days.
- » A final „8D report" with evidence of the efficacy of the measures must be submitted to sonnen within 15 working days.
- » It is only possible to set time limits that differ from the above in coordination with sonnen's quality assurance department. Any delay must be reported immediately to sonnen.

3.3.6. Duty of disclosure in the event of changes to products and processes

- If sonnen plans to change the further processing procedure and/or the function of the bought-in part and cannot evaluate whether the part specification needs to be adjusted, it must inform the Supplier of this in writing before the change is made.
- If the Supplier plans to change the materials, bought-in parts, production processes, production sites, process and testing conditions etc. compared with the process conditions according to the PPF procedure, it must inform sonnen of this in writing.
- The written information on the above changes must be provided on time and in full, such that sonnen or the Supplier may assess its consequences and object to it before the change in question is applied to the contractual objects.

3.3.7. Ensuring and promoting performance

- As part of a sustainable supplier-development strategy, sonnen regularly assesses the performance of suppliers. The essential basis for this are performance criteria such as adherence to delivery deadlines and product quantity and quality specifications.
  The Supplier shall usually receive a report on the result of the supplier assessment.
  sonnen reserves the right to carry out an earlier supplier assessment and to require the Supplier to make plans with remedial actions in the event of errors or faults that lead to problems for sonnen or its customers.
  The result of the supplier assessment is the basis for further cooperation and may lead to corrective measures.

- Information requirements
  This section relates to information to be mutually communicated that has not already been covered in other sections of this QAA.
  The Supplier shall provide sonnen with written information in the following situations in particular:
  - » Foreseeable failure to comply with delivery criteria such as deadline, quantity and quality, including expected special approvals.

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» Product requirements or testing procedures that are specified by sonnen and are incomplete, erroneous or that could be implemented more economically if changed by the Supplier.

4. Quality costs

- For all justified complaints for which the Supplier is responsible, sonnen shall charge a processing fee of € (EUR) 130.00 per event.
- Failure costs (incl. complaints processing, point 3.3.5) shall be passed on to the Suppler.

5. Liability

- The agreement of quality targets and measures does not affect the Supplier‘s liability for guarantee and compensation claims from sonnen based on faults in deliveries.
- The Supplier is liable for all faults in the products it supplies in accordance with the relevant contractual agreements or statutory provisions.
- Any breaches of the Supplier‘s obligations from this Quality Assurance Agreement are the basis of separate violations of duty. The Supplier is liable to sonnen for compensation for any damages that can be attributed to such violations of duty. This does not apply if the Supplier is not responsible for this violation of duty.
- Any rights and obligations from overriding contracts (e.g. supply agreement, strategic supply agreement), remain unaffected.

6. Insurance obligation

- The Supplier undertakes to take out a product liability and recall insurance policy and to show evidence of this to sonnen on request. The coverage amount must be of an appropriate level for the size and duration of the contract/s. If an insured event should occur, the Supplier and sonnen are obliged to provide each other with information on any circumstances and incidents in relation to the event.

7. Miscellaneous

7.1. Other applicable standards and guidelines

The following standards and guidelines, in their currently valid versions, are a contractual component of this QAA:

» DIN EN ISO 9001 „Quality Management Systems – Requirements“

» „Guidelines on Initial Sampling“ (to be provided by sonnen)

7.2. Applicable law, jurisdiction, written form clause

» In the event of any disputes between the parties, German law shall apply exclusively.

» In the event of any disputes resulting from this contract, both contractual parties agree that the place of

jurisdiction is Ulm, Germany.

» Any side agreements, amendments or additions must be in writing.

7.3. Severability clause

» If any individual provisions of this contract should be or become ineffective, or should this contract contain omissions, this shall not affect the effectiveness of the other provisions.

» In the place of the ineffective provisions, such effective provisions as most closely reflect the financial and legal meaning and purpose of the ineffective provision are considered as having been agreed.

In the event of omissions, such provisions as correspond to that which would have been agreed, pursuant to the financial and legal meaning and purpose of this contract, had the issue in question been taken into account in the first place, are considered as having been agreed.