**Quality assurance agreement**

between

**Möhlenhoff GmbH**

Museumstraße 54a, 38229 Salzgitter

also on behalf of the subsidiaries in which Möhlenhoff has a direct or indirect majority stake

**- hereinafter also referred to as „CLIENT“**

and

**> Supplier <**

[Address]

also on behalf of the subsidiaries in which supplier has a direct or indirect majority stake

**>List (as an attachment) or company address <**

**hereinafter reffered to as „SUPPLIER“**

the following contract is concluded.

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# Preamble

MÖHLENHOFF counts among the most innovative manufacturers of products and systems for heating, ventilation and air conditioning technology in the world. Together with her suppliers, MÖHLENHOFF strives to align her products, production processes and services to the most stringent valid quality standards.

The basis for a continuous business relationship, aspired to by MÖHLENHOFF and by the SUPPLIER, is a trustful co-operation, the target of which is - among other things - the early recognition of systematic defects in production processes, the minimisation of the product liability risk for both contract partners, the optimisation of the communication between the contract partners including the production and sales planning, the avoidance of duplicated quality controls, as well as the minimisation of costs and the ensuring of a high quality of products, supplies and time schedules.

A non-recognition of this agreement by the SUPPLIER will lead to a re-verification of the purchasing decision.

Object of the contract are all products, raw materials and services delivered by the SUPPLIER. It applies to all orders (individual orders, call orders, master agreements) and thus for all supplies and services from the SUPPLIER to MÖHLENHOFF as well as to companies acting on behalf of MÖHLENHOFF. Further determinations may be necessary additionally and require additional agreements.

This agreement describes the minimum requirements to the quality management of the SUPPLIER.

# 1 Management systems of the supplier

SUPPLIER agrees to obtain a certified management system meeting at least the standards of ISO 9001 or a comparable standard and to maintain it. All our processes are aimed at "Continuous Improvement" and the goals of "zero defects" as well as 100% on-time delivery. Compliance with branch or material-field-specific requirements has to be proved.

If the SUPPLIER is also manufacturer, he is committed to the introduction and further development of an environmental management system according to ISO 14001 or another equivalent environmental management system.

If the SUPPLIER does not have any of these management systems implemented, he is obliged to demonstrate within a year, that he has met all requirements of ISO 9001 and ISO 14001. In coordination with CLIENT a time frame can be set, if none of those management systems exist.

SUPPLIER will submit promptly copies of valid available certificates to CLIENT as evidence of adequate management systems. If there is a delay in respect to the issuance of an ongoing certificate, SUPPLIER will inform CLIENT prior to the expiration of the valid certificate stating the date of the re-certification. SUPPLIER informs CLIENT immediately about any revocation of his certificates.

# 2 Management system of the sub-contractor

SUPPLIER ensures that its subcontractors comply with the obligations arising from this Agreement. He also assures to carry out a qualified supplier evaluation and selection of suppliers.

CLIENT may request from SUPPLIER to prove that he has convinced himself of the effectiveness of the management systems of its subcontractors. SUPPLIER is liable for any fault of his subcontractors to the same extent as for their own.

# 3 Audit

CLIENT understands that if SUPPLIER provides Management Systems in accordance with the state of the art, and thus is able to analyse problems, carry out necessary quality assurance measures and independent audits. Apart from this, CLIENT reserves the right to carry out audits at the SUPPLIER and subcontractor.

Audits are always carried out after a previous announcement and arrangement. If necessary SUPPLIER allows short-term time requests for an audit. SUPPLIER grants CLIENT and, if necessary, its customers access to all production facilities, testing, storage and adjacent areas, as well as access to quality-related documents. For this purpose, all necessary and reasonable restrictions made by the SUPPLIER to secure its trade secrets are accepted.

CLIENT informs SUPPLIER about the results of this audit. If CLIENT comes to the conclusion that certain measures need to be taken, SUPPLIER untertakes to immediately set up a plan including all measures, implement those measures on his own costs and within due time and to inform CLIENT about this.

# 4 Documentation and information

If it becomes apparent that agreements such as quality characteristics, schedules, delivery quantities, packaging requirements cannot be met, CLIENT will be immediately informed thereof by the SUPPLIER. SUPPLIER informs CLIENT also immediately about all discovered deviations after delivery. To find a quick solution, SUPPLIER shall disclose all necessary data and facts.

SUPPLIER is obliged to inform CLIENT in writing prior to

* any changes to the product or the packaging
* any changes of the manufacturing process, equipment, processes and materials,
* changes of the subcontractor
* changes of control processes/ - equipment
* allocation or establishment of production places,
* allocation or establishment of production facilities at the site

In case of deviations from technical basics, the prior written approval of CLIENT is required. SUPPLIER has to submit the agreed quality certification in this regard.

If SUPPLIER introduces the above changes without the consent of CLIENT, CLIENT is entitled to terminate existing supply contracts without notice to immediate effect. CLIENT has the right to assert any possible recourse claims arising from this against the SUPPLIER. In the case of such termination, SUPPLIER has no compensation rights against CLIENT.

The first deliveries after the beginning of the series and after the modification measures listed above have to be marked correspondingly on the shipping documents / transport labels.

All inspection measures, in particular the inspection results for the inspection characteristics listed in the CLIENT Inspection Regulations, must be documented in written form and stored for a minimum of 10 years.

The documentation must at least include the attributive concordance of the determined inspection characteristics. It informs about the quality situation of the supplied batch.

All documents and records in respect to this contract and the products have to be archived for at least 10 years, beginning with the last delivery from the production in series. The documents and records have to be stored and destroyed in such a way that third parties have no access.

# Agreements in respect to the product life

## 5.1 Development, planning, release

In the scope of a preventive quality planning, the SUPPLIER must take and document the following measures in order to obtain an early ensuring of a faultless production of the products to be delivered.

* Determination of function-relevant quality characteristics in co-operation with CLIENT as well as the preparation of quality control charts for these characteristics
* Realisation of a FMEA for the product (only for development responsibility)
* Realisation of a FMEA for the process
* Development of a process description including the necessary procedure and work instructions, as well as a QM plan and the corresponding inspection instructions for the entire production process
* Realisation of machine and process capability investigations

In the course of the contract review, upon receipt SUPPLIER reviews all technical documents such as specifications, drawings, parts lists, CAD data, packaging specifications and standards for feasibility. SUPPLIER informs CLIENT immediately about found defects and risks as well as improvement possibilities.

First sampling only needs to be performed with products produced under series production conditions. It must be performed for new products, technically changed products, as well as for products from changed production (production site, procedure, means of production etc.). The first sample inspection report prepared by the SUPPLIER is the basis for the re-examination at CLIENT the result of which is communicated to the SUPPLIER.

For the first sampling, an inspection certification must be sent along with the EMPB. For serial delivery, inspection certifications from the SUPPLIER must be stored and attached to each delivery.

## Production, identification of products, traceability

In case process disturbances and quality deviations SUPPLIER analyses the causes, initiates corrective actions, checks their effectiveness and documents this procedure. If SUPPLIER cannot supply products according to the agreed specifications, he must obtain a written approval from CLIENT for these deviations before delivery.

SUPPLIER agrees to attach identification labels on products, parts and packaging as agreed with CLIENT. He must ensure that the labelling of the packaged products is also readable during transportation and storage.

SUPPLIER agrees to ensure the FIFO principle and the traceability of the products supplied by him. If a defect is detected, the limitation of the defective parts, products, batches and production data must be guaranteed.

Manufacturing and inspection equipment made available by CLIENT shall be marked as property of CLIENT. SUPPLIER is responsible for integrity and proper function and arranges maintenance and repair as well as the documentation thereof.

## Delivery, incoming material control

The SUPPLIER ensures that the goods are supplied in appropriate transport containers approved by CLIENT in order to avoid damage and quality reductions (contamination, damage, etc.). He is responsible for maintaining the specialist handling of the goods, the identification as well as the storage conditions (temperatures etc.), also during the transport.

The inspection at CLIENT for incoming goods is restricted to visible transport damage and to control if the quantity and identity of the ordered products correspond at least with the specifications stated in the shipping documents.

CLIENT will immediately communicate quality defects to the SUPPLIER, as soon as these are determined according to the conditions of an orderly course of business. Insofar the SUPPLIER waives the objection of the omitted incoming goods inspection and the delayed notice of defects.

## Complaints

IF CLIENT notifies SUPPLIER about any defects, SUPPLIER shall immediately carry out an error analysis. Usually the complaint processing has to be carried out in accordance with the 8D method. Here the 1-2-14-60 rule for the processing time has to be kept.

The SUPPLIER will be granted the opportunity for sorting out and to remedy or re-deliver, as far as acceptable to CLIENT with respect to time schedules. In cases of emergency (e. g. back orders, impending production interruption, consequential damage) CLIENT is entitled to perform the sorting-out or the remedy by herself, or have it performed by a third party, after previous communication. Any costs arising by this will be carried by the SUPPLIER. The SUPPLIER must clarify whether there are more suspiciously nonconforming goods in the premises of or on the way to the ordering party, and must inform the ordering party about this.

The SUPPLIER must investigate her own stocks for nonconformities and, if necessary, sort out, rework or scrap these. It must be ensured that no nonconforming products are supplied to the ordering party. If the SUPPLIER is unable to eliminate the nonconformities until the next supply, he must immediately inform the issuer of the inspection report about this.

Furthermore, processing cost to the amount of up to 250 Euro can be charged to the SUPPLIER for each written complaint.

## Continuous improvement process

SUPPLIER agrees to maintain a continuous improvement process, involving the entire relevant staff. Quality relevant information has to be visualized and short ways for respective regulation measures have to be chosen.

## Re-qualification, process skills

Unless otherwise specified, the products supplied to CLIENT must be controlled annually by the supplier for re-qualification purposes, checking all dimensions, features and the material in respect to their quality demands. Relevant documentation concerning the product life cycle must be recorded and archived by the SUPPLIER.

Within the scope of his manufacturing processes, SUPPLIER is obliged to ensure continuing process capability via application of statistical process control. Upon request the results must be made available for inspection to CLIENT.

# Quality targets

In the same way as CLIENT is obliged towards its customers, SUPPLIER is committed to the zero error target in respect to CLIENT and shall communicate it within its company and to his subcontractors.

If an error-free delivery is not guaranteed, SUPPLIER agrees with CLIENT on the achievement of intermediate targets (timely limited maximum values for error rates). SUPPLIER introduces measures for the continuous improvement and achievement of the zero-error target. Intermediate targets which are defined as maximum values for error rates can be agreed via a ppm. Falling below the maximum values, does not exempt SUPPLIER from its obligation to process all complaints or from his liability for any and all defective deliveries.

Exceeding the agreed maximum values, SUPPLIER will within a short period of time and at his own cost take all necessary improvement measures and keep CLIENT continuously informed about the progress. The liability of the SUPPLIER in respect of all and any defective deliveries remains unaffected by the agreed maximum values. Upon request of a contractual party, discussions about the quality will take place.

# Environment, occupational safety and social responsibility

SUPPLIER agrees to comply with the laws of the applicable legal system (s ). In particular, he will not get involved neither actively nor passively, directly or indirectly in any form of bribery, violation the basic rights of employees or of child labour. Additionally he will take over the responsibility for the health and safety of its employees at the workplace, observe environmental laws and promote to and demand from its suppliers the best possible compliance with this Code of Conduct.

In the event that SUPPLIER repeatedly and/or illegally demonstrates unlawful behaviour in spite of a respective information and does not prove that the violation of the law was as far as possible remedied and adequate precautions were taken to prevent a violation of the law in the future, CLIENT reserves the right to withdraw from existing contracts or terminate them without notice.

All materials used in the production of parts and applied manufacturing processes must comply with the laws and safety requirements for restricted, toxic and hazardous substances. The supplier shall ensure this during the manufacturing of components.

The supplier fulfils its obligations to comply with the European Directives 2011/65/EU (RoHS) and 1907/2006/EC (REACH). The supplier independently obliges himself to obtain the respective status of the guidelines and lists of substances and fulfils his duty to keep CLIENT informed.

# Secrecy

The contract partners are mutually obligated to keep secrecy of facts which they receive knowledge of in the scope of the business relation and which relate to the business of the other contract partner, as far as the partner designates the respective fact as to be kept secret or has obvious interest in keeping it secret.

Both the SUPPLIER and CLIENT are obliged to comply with the applicable data protection regulations and to adapt their data processing to the statutory provisions (in particular according to DSGVO).

# Guarantee / Liability

The SUPPLIER guarantees the quality and the absence of defects of her products as well as the existence of warranted characteristics for the duration of 60 months from the moment of supply. If a defect is found at the products during the guarantee period, the SUPPLIER takes over all costs arising in the scope of her obligation for replacement supply or rework. These include installation costs, dismantling costs and transport cost. The agreement of quality targets and measures does not affect the supplier's liability for guarantee and indemnification claims of the customer arising due to defects of the supply.

# Legal obligation to insure

The SUPPLIER is obligated to close a product liability insurance and product recall insurance and to prove this to CLIENT on request. The insurance sum must be adequate to the capability of the supplier and have an appropriate relation to the extent and the duration of the order. In case of the occurrence of event insured, CLIENT and the SUPPLIER have to obligation to mutual information about all circumstances in conjunction with the occurrence of event insured.

# Validity period

This agreement applies from the day of signing for an unlimited period. It can be terminated by each of the contract partners with a notice of three months before the end of a calendar year. The termination of this agreement does not affect the effectiveness of current individual supply orders up to their complete execution.

If SUPPLIER breaches material provisions of this Agreement, CLIENT is entitled to terminate existing supply contract without notice after a prior failed reminder. CLIENT can claim possible compensation arising herefrom against SUPPLIER. In case of a termination without notice, SUPPLIER may not claim for compensation of damages.

# Severability Clause

If one or several stipulations of this agreement should become invalid, the agreement as a whole remains unaffected by this. The respective stipulation shall be construed is a way that the initially intended purposes can be fulfilled as far as possible.

# Reference documents

* >text <
* >text <

Salzgitter, (date) ……………………. …………………., (date)…..……….

………………………………………. ……………………………………….

Möhlenhoff GmbH Supplier

Company stamp Company stamp