Quality Assurance Agreement

Between

> Select Branch <

> Select Addendum (German Branches only) or empty row <

> Select Street <

> Select City <

> Select Country <

- hereinafter referred to as *Customer*

and

Name

Street

Zip code and city

Country

- hereinafter referred to as *Supplier*

Contents

1 Preamble

Barmag Group with their product brands Barmag and Neumag is a leading provider of filament spinning systems for the manufacture of manmade fibers, texturing machines, BCF systems, staple fiber spinning and non-woven solutions and, as engineering service provider, offers solutions across the entire textile value-added chain. As a future-oriented company, our research and development focuses on energy efficiency and sustainable technologies. Our product portfolio comprises continuous polycondensation systems, extrusion lines and their key components. We cover the entire production process - from monomer up to textured yarn.

The competitiveness and reputation of Barmag Group on the global markets is essentially shaped by the quality of their products. The workmanship, reliability and safety of the products and services purchased from our suppliers have a direct impact on the way of how our customers perceive our quality level.

As an ISO-9001 certified company, Barmag Group is obliged to control externally provided processes, products, and services. The regulations of this Quality Assurance Agreement are part of these control measures.

2 Object and purpose

The Quality Assurance Agreement is concluded with the aim of establishing a long-term oriented supply partnership of mutual benefit. This agreement shall be an essential complementary and integral part of each delivery contract between the *Customer* and the *Supplier*. The agreement determines the minimum requirements related to the management system of the *Supplier* with regard to the assured quality of the supplied products and services rendered. In line with a partner relationship, the *Supplier* in cooperation with the *Customer* shall strive for faultlessness, contractual delivery reliability and cost reduction.

3 Scope of application

This agreement shall apply to all products delivered to the *Customer* and all services rendered to the *Customer* by the *Supplier*. This shall include all present and future delivery contracts during the period of validity of this agreement. Individual clauses in this Quality Assurance Agreement shall not apply if they are in conflict with priority contracts or contract contents. The agreement shall take precedence over the purchase conditions of the *Customer* and apart from that is considered as their supplement.

4 Contract Term

The Quality Assurance Agreement shall come into effect starting from the legally binding signature by the *Customer* and the *Supplier*. It shall have an unlimited term and shall not require active extension.

5 Termination

The Quality Assurance Agreement can be terminated unilaterally both by the *Supplier* and by the *Customer*. In that case, a notice of period of 12 months shall apply. Upon receipt of the *Supplier's* notice, the *Customer* shall have the right to block the *Supplier*.

6 Management system

The *Supplier* undertakes to establish, maintain and continuously further develop a comprehensive and efficient Quality Management System the design of which shall befit the size of the company and the criticality of the products and services.

Suppliers who can provide proof of a certified quality Management System in accordance with an internationally acknowledged standard (e.g. ISO 9001, IATF 16949, EN 9100, ISO 13485 or similar) shall be preferred to non certified companies with regard to the award of contracts. Violating this standards – particularly in case of failure to consult with the *Customer* beforehand – shall have an immediate negative effect on the supplier assessment and may give rise to follow-up actions like the demand for relevant specification or verification documents by the *Customer*, the performance of ad hoc audits by the *Customer* at the *Supplier's* up to blocking the *Supplier* for future orders.

The *Supplier* undertakes to provide proof of certification to the *Customer* by providing the *Customer* with the most recent versions of the certificates. If the existing certification is updated or the scope of the certification is expanded, the latest version of the respective certificate must be provided. In the event of the loss or planned abandonment of an existing certification, the *Customer* must be informed immediately. This shall also include any further management system certifications like e.g. Environmental Management (ISO 14001, EMAS), Energy Management (ISO 50001), Occupational Health and Safety Management (ISO 45001) and Information Security (ISO 27001) as well as product or service related permits.

7 Communication

The *Supplier* shall maintain an open and goal-oriented communication with the *Customer*. The main contact for the *Supplier* at the *Customer's* is the (Strategic) Purchasing Department in principle. For the reconciliation of delivery quantities and delivery deadlines of individual items, the Scheduling Department or the Operative Purchasing Department shall be contacted. The Quality Management Department shall be in charge of technical and quality-relevant topics and issues.

8 Supplier assessment

The *Customer* reserves the right to include the *Supplier* in his supplier assessment and to evaluate him regarding his quality and delivery performance. In that case, the *Customer* shall perform an assessment of the *Supplier* every month. This evaluation processes both quantitative key figures regarding product and service quality and delivery performance as well as qualitative aspects such as certification status, feedback behavior and service readiness.

The *Supplier* shall henceforth receive a monthly listing of the assessment results and undertakes to actively check said results and - in case of a poor assessment according to the enclosed scale - to proactively contact the *Customer* specifying qualified causes for the poor performance and suggesting appropriate immediate and corrective measures to remedy said causes, or at least to immediately react to his reminder. A poor assessment of the *Supplier* continuing over a long period without noticeable improvement may lead to the latter being blocked.

Suppliers with good assessment shall be preferred to those with poor assessment. In addition, rather poorly assessed Suppliers shall be subject to more frequent supplier audits (see paragraph 9).

9 Supplier Audit

The *Customer* shall be entitled to inspect the product and process quality at the *Supplier's* on site or on a remote basis in an appropriate and scheduled manner, e.g. in the form of a supplier audit (system, process and product). The *Customer* shall announce said inspection with adequate advance notice and harmonize the planned inspection contents with the *Supplier* beforehand.

If quality defects or other issues harmful to the *Customer* are found, the *Customer* shall have the right to inspect the system, process and product quality at the *Supplier's* on site or on a remote basis in the form of a supplier audit (system, process and product) on short notice. The *Supplier* undertakes to initiate this inspection as fast as possible after prior consultation with the *Customer* and to support the audit in the best possible way.

The *Supplier* shall allow unlimited accompanied access to the audit-relevant areas both in scheduled and short-term audits. In return, the *Customer* undertakes to fully comply with the local regulations, especially with those relating to the safety of persons.

Both during on-site audits and during remote audits, the *Supplier* shall grant the *Customer* insight into the relevant necessary documents. In return, the *Customer* undertakes to keep the knowledge gained in strict confidence and to maintain secrecy in respect to third parties not immediately involved as well as to respect all aspects in connection with data security and data protection.

If a supplier audit results in audit measures, the *Supplier* undertakes to deal with and process such measures with reasonable care and seriousness as well as in consideration of the specified deadlines. The *Supplier* shall autonomously report any progress and results from the implementation of the measures to the *Customer*. If the *Customer* asks for missing information in the absence of such feedback, this requirement must be fulfilled without delay.

10 Staff

The *Supplier* shall ensure that he employs and uses appropriate staff for the production of the products for the *Customer* or for rendering the services to the *Customer*. The staff shall have received appropriate education, training or have sufficient experience and therefore be capable of carrying out the related tasks in accordance with the requirements of the *Customer*. If relevant contact partners of the *Supplier* for the *Customer* are affected by staff changes (see also paragraph 7), the *Customer* shall be informed about such a change and the new contact persons.

11 Documentation

The *Supplier* shall create or maintain appropriate documentation which grants the fulfillment of the requirements made on the products and services for the *Customer*. This shall include both specification and verification documents.

The *Supplier* shall retain this documentation for the period specified by law, or at least for 10 years. The documentation shall be protected against unwanted access and unauthorized changes.

Upon reasonable request of the *Customer*, the *Supplier* shall grant the latter insight into the relevant documents.

12 Feasibility check

The *Supplier* undertakes to execute a feasibility study after having received a corresponding request or order by the *Customer*. This study shall cover technical, legal, scheduling and also capacitive aspects. In case of justified doubts regarding the feasibility, the *Customer* shall actively be informed about this circumstance by the *Supplier*. The acceptance and execution of orders that are classified as unrealizable is not permitted.

13 Development & Design

The *Supplier* shall be responsible for the faultless design of his products and services pursuant to the agreed technical and other specifications.

The technical specification comprises drawings and the parts list unless otherwise agreed. The order shall refer to other applicable documents and records if these exist.

The *Supplier* undertakes to check the specification for completeness and plausibility and to request additional information or missing documents from the *Customer* if necessary.

The *Supplier* shall perform the development and design work conscientiously so that the result fulfills all properties specified by the *Customer* taking into account the state-of-the-art and all relevant safety aspects. The *Supplier* shall check the compliance with these requirements by appropriate verification and validation activities.

After granting the first product release for the series, the *Supplier* shall assess all development changes relating to potential effects on function, fit, performance characteristics, the possibility of further processing and the durability of the product. This shall include both changes based on his own initiative and those made at the suggestion of the *Customer*. All changes shall be verified with regard to the fulfillment of customer requirements. They must first be released internally in a proper way before they may be implemented in production.

14 Qualification of new subsuppliers

The *Supplier* undertakes to carefully select new subsuppliers the actions of which may have an impact on the provision of products and services for the *Customer*, and to qualify them by appropriate actions. This shall include at least the review of technical, capacitive, commercial and legal aspects as well as the credit standing and financial situation of the subsupplier.

If a non-disclosure agreement (NDA) was concluded between the *Customer* and the *Supplier*, the *Supplier* shall check whether the specifications therein are of relevance for the subsupplier. If this is the case, the *Supplier* shall also make agreements with the subsupplier ensuring the non-disclosure of the agreed contents.

15 Subsuppliers specified by the customer

If the *Customer* explicitly dictates specific subsuppliers to the *Supplier* the use of the specified subsuppliers is binding for the *Supplier*. If these subsuppliers are replaced with or supplemented by alternative subsuppliers without the prior approval of the *Customer*, the *Customer* shall have the right to demand from the Supplier to change back to the subsuppliers prescribed by the *Customer* without prejudice to further claims. Any damage incurred by the *Customer* due to the use of unauthorized subsuppliers shall be compensated by the *Supplier*. This shall not exclude any further legal claims. The use of other subsuppliers in such cases shall only be permissible with the prior written *approval* of the Customer. The *Customer* shall actively be involved in the qualification of these new subsuppliers. The use of new subsuppliers shall require a new initial sample (see paragraph 23).

16 Assessment of subsuppliers

The *Supplier* undertakes to assess and supervise his subsuppliers whose actions may have an impact on the provision of products and services for the *Customer* by means of appropriate criteria. These criteria shall include both the quality and the delivery performance. In case of poor performance of these subsuppliers, the *Supplier* undertakes to react with appropriate measures, to strive for improving the situation and to document such processes properly. If these subsuppliers are subsuppliers dictated by the *Customer*, the *Customer* shall be informed about their poor performance so that he may also actively exert his influence on them.

17 Quality assurance within the supply chain

The *Supplier* shall ensure appropriate quality measures regarding products and services from his supply chain if these products and services may have an impact on the quality of the products and services delivered to the *Customer*.

The *Supplier* shall specify appropriate acceptance criteria for the products and services purchased from the subsupplier and shall monitor whether said criteria are met. In case of discrepancies, the *Supplier* shall initiate appropriate measures to prevent damage from being incurred by the *Customer* due to noncompliant intermediate products and services.

18 Incoming goods inspection at the supplier's

The *Supplier* undertakes to consistently execute a qualified incoming goods inspection for products and services purchased from his subsuppliers provided said products and services may have an impact on the products and services to be delivered to the *Customer*. This inspection shall include at least the identity, the quantity and any apparent outwardly visible defects. If the subsuppliers render any preliminary services including certain features directly related to the requirements of the *Customer*, these features shall also be inspected using appropriate procedures. The results of these specific inspections shall be documented.

19 Testing and measuring equipment management

The *Supplier* shall provide, use and maintain qualified testing and measuring equipment for the inspection of the contractually guaranteed quality characteristics in appropriate numbers. The traceability to adequate reference standards shall be ensured by the *Supplier* at any time. The functionality of the testing equipment shall be ensured using scheduled testing and measuring equipment monitoring. The testing and measuring equipment shall be listed in an appropriate inventory, be clearly identified by an individual inventory number and provided with a clear and readable label. External calibrating processes shall be made by accredited institution. Calibration certificates shall be kept.

The *Customer* and the *Supplier* shall reconcile the measuring procedures used. The organization of the reconciliation shall be made upon the initiative of the *Customer*.

20 Production process

The production of the products and services for the *Customer* shall be made under controlled conditions. To this end, the *Supplier* shall plan, implement and inspect the relevant processes. If required for the maintenance of a process-stable manufacturing environment, the *Supplier* shall create and keep appropriate specification and verification documents.

The fulfillment of the *customer*-specific requirements as well as the realization of special features and features subject to the provision of proof in accordance with the specification shall be documented separately.

The *Supplier* shall notify the *Customer* of relevant changes in the production process. Relevant changes are changes which have an impact on the further processing or use of the product and may affect the function, assembly, storage, etc. Relevant changes can be a change of location of the manufacturing plant, materials that deviate from the specification, different manufacturing processes, etc.. The *Customer* reserves the right to repeat initial sampling (see paragraph 23) as a result of these changes. The delivery capability of the *Supplier* and thus the supply of the *Customer* must not be jeopardized by changes in the production process.

The *Supplier* shall inspect his means of production with which he manufactures the products and renders the services for the *Customer* in scheduled intervals regarding their operational capability and shall also execute repair and maintenance work if necessary in order to avoid any production downtime as far as possible.

21 Test planning

The *Supplier* shall plan appropriate measures for assuring the quality during the production process and monitor the compliance with the specifications and requirements.

If a technical directive for acquisition (TBR - Technische Beschaffungsrichtlinie) exists for a product or a service of the *Supplier*, the requirements for the test planning specified therein shall be applied compulsorily and the required documentation shall be created.

If test and measurement regulations (PMV - Prüf- und Messvorschrift) exists for a product or a service of the *Supplier*, the requirements for the test and measurement procedures specified therein shall be applied compulsorily and the required documentation shall be created.

The tests shall be carried out by adequately qualified or trained staff and be properly documented. The corresponding test certificates including the results of this monitoring process shall be submitted to the *Customer* upon request.

22 Handling noncompliant results at the supplier's

The *Supplier* must ensure that non-conforming products and services are identified before they are handed over to the *Customer*. If defective results are found during the manufacturing process, these must be identified as such and separated from the non-defective results. Mixing good and bad stocks must be avoided at all costs. There must be suitable mechanisms for evaluating the non-conforming results, including a determination of how to proceed with them and who is allowed to make this decision.

If, despite all security measures, defective products or services are handed over to the *Customer*, which only became apparent after the handover, the *Supplier* must inform the *Customer* of the nature and extent of the defect without culpable delay.

23 Initial sample

An initial sample is material which is manufactured under series conditions for the first time and is subjected to a complete testing of all relevant characteristics so that it can be released for series delivery.

For initial sampling, the *Supplier* shall be instructed not only to produce the material but also to prepare an initial sampling test report. This initial sampling test report shall cover the inspection of all specified features and characteristics. The report shall be either dispatched in advance to the appropriate contact addresses or sent in an appropriately secured manner together with the material.

For special packaging and labeling requirements for initial samples, see paragraph 27.

In case of a positive usage decision, the initial samples may be used for series production. The *Customer* shall provide the *Supplier* with a written confirmation of the approval of the initial sample. If the usage decision is negative, the procedure is analogous to the complaints procedure for series parts. In the case of a release with conditions, the *Supplier* receives a complaint about the deviations found. The *Supplier* must check these deviations and correct them for future deliveries.

24 Incoming goods inspection at the customer's

The *Customer* shall inspect the delivered goods of the *Supplier* for their identity, quantity, and for apparent outwardly visible defects immediately after their receipt. Quality characteristics shall incidentally be checked in the course of proper business during the subsequent manufacturing process. In this respect, the *Supplier* shall waive the objection of a delayed notice of defects. Any defects found shall be reported in writing by means of a complaint.

The *Customer* reserves the right to refuse the acceptance of deliveries in case these deliveries are obviously damaged or are packaged in inappropriate transport containers and packagings that impede correct unloading of the delivered goods or even bear a safety risk for people. In such cases, the *Customer* shall prepare an appropriate documentation and complain about the delivery to the *Supplier*.

25 Special releases

In the event of deviations from the specification found at the supplier, the *Supplier* can request a special release from the *Customer* before the delivery of the products or the provision of a service. The *Customer* must approve this requested special release in writing after the facts have been clarified within a reasonable time window before it becomes effective. Deliveries declared as special releases are not permitted without the written consent of the *Customer*.

For special packaging and labeling requirements for special releases, see paragraph 27.

26 Rework

If products or services delivered by the *Supplier* to the *Customer* deviate from the specification and if these cannot be used by issuing a special release, but only by carrying out rework, this rework must be arranged as soon as possible. Since the *Customer* maintains very tightly scheduled manufacturing processes, maintaining the *Customer*'s material supply is the top priority for both parties. In such a case, the *Customer* coordinates the further procedure with the *Supplier*.

If the *Supplier* is able to carry out the rework within a reasonable period of time so that the *Customer*'s further processing is not impeded, the *Supplier* undertakes to initiate this without culpable delay. Depending on the time and space, the rework must ideally be carried out directly on site at the *Customer*'s or the *Supplier*'s premises. In the second case, the *Supplier* is responsible for collecting the products as quickly as possible.

If the rework is time-critical and cannot be carried out by the *Supplier* within a reasonable period of time, after consultation with the *Supplier*, the rework will either be carried out by the *Customer* himself or subcontracted to another third party. In both cases, the *Customer* reserves the right to pass on all direct and indirect expenses incurred in connection with this to the *Supplier* in the form of a claim.

27 Packaging and labeling

The *Supplier* is responsible for the appropriate packaging of its products. The packaging must prevent transport and weather damage to the products. If special packaging specifications are defined by the *Customer* (e.g. in additional documents), these must be complied with.

Damaged packaging or packaging parts must not be used - especially if this could result in danger to people or if further transport could be made more difficult or impeded. The *Customer* reserves the right to refuse deliveries with unsuitable packaging. A complaint is made to the *Supplier* about packaging that impedes or even prevents proper or safe unloading or loading. This puts the *Supplier* in delay in delivery.

Products that are delivered as initial samples must be packaged and labeled separately. Mixing with series parts that have already been released is not permitted.

Products that are delivered as a special release must be clearly and visibly marked as such for the *Customer*'s goods receipt. The approved concession must be included with the delivery documentation. A note is to be made on the delivery note that makes the delivery recognizable as a special release.

28 Handling customer complaints

If the *Customer* submits a complaint referring to delivered products or services to the *Supplier*, the latter shall be obliged to deal with this complaint with due diligence. The *Supplier* shall inspect the deficiencies described in the complaint and immediately contact the *Customer* should questions arise or for queries.

The *Supplier* shall take immediate measures in order to prevent the delivery of deficient products or services to the *Customer* on the one hand and to ensure that the *Customer* is supplied or provided with flawless products and services in a timely manner on the other hand. The *Supplier* shall provide active feedback relating to the actual status of the immediate measures to the *Customer* within two business days after the receipt of the complaint. Records about such activities shall be kept.

The *Supplier* undertakes to carry out an adequate analysis of the potential causes of the deficiency. This analysis shall cover both the emergence of the deficiency and the reason why this deficiency had not been detected before the products or services were delivered to the *Customer*. The *Supplier* shall actively inform the *Customer* about the results of this analysis. Records about such activities shall be kept.

The *Supplier* shall take suitable corrective measures to remove the analyzed causes for the deficiency and for the non-detection of the deficiency on a permanent basis.

The *Supplier* shall actively inform the *Customer* about the results of these measures. Records about such activities shall be kept.

The *Supplier* undertakes to validate the corrective measures taken with regard to their effectiveness. The *Supplier* shall actively inform the *Customer* about the results of this validation. Records about such activities shall be kept.

If the *Customer* requests the documentation to be created in connection with the non-conformity from the *Supplier*, the latter must provide it. In principle, the *Customer* accepts all forms of reports, provided that the processes formulated in this section are visibly included (e.g. a 5D report or an 8D report).

29 Internal audits

The *Supplier* shall ensure that the internal processes and the effectiveness of the quality management system are reviewed at regular intervals by means of audits. Such audits may be carried out by members of their own staff who are not involved in the process or by qualified external service providers. These audits shall be systematically scheduled. Audit results shall be documented appropriately.

If process deviations are detected in the course of the internal audits – in particular, deviations that have a negative impact on the provision of products and services to the *Customer* –, they shall be removed by taking appropriate measures.

30 Continuous improvement

The *Supplier* shall strive for the continuous improvement of his operational processes, which specifically applies if such an improvement has a positive impact on the quality, delivery period, available capacity or cost structure of the products delivered to the *Customer* or of the services rendered to the *Customer*.

If the *Supplier* recognizes potential for improvement relating to the products delivered to the *Customer* or to the services rendered to the *Customer* or with regard to the collaboration with the *Customer*, the *Customer* shall be informed about this potential via the appropriate communication channels (see paragraph 7).

If the *Customer* informs the *Supplier* about recognized potential for improvement, the latter shall deal constructively with it and provide the *Customer* with a qualified feedback via the appropriate communication channels (see paragraph 7).

31 Confidentiality

Both the *Customer* and the *Supplier* undertake to keep the information mutually obtained and related to this agreement in confidence and not to disclose it in any way to unauthorized third parties. The obligation to keep confidentiality, however, does not apply if the information in question is common knowledge or was verifiable knowledge of the other party beforehand. If a separate non-disclosure agreement has been concluded between *Customer* and *Supplier*, this agreement shall have priority.

32 Violation of the provisions of this agreement

In the event that the *Supplier* verifiably does not meet or violates the requirements or obligations to cooperate specified in this quality assurance agreement, the *Customer* reserves the right to react as follows, without prejudice to legal claims:

- The refusal to accept affected products and services until the *Supplier* fulfills its obligations to cooperate or can demonstrate that it meets the requirements specified in this quality assurance agreement;
- The assertion of additional expenses incurred in the form of a claim to the *Supplier*.

The reactions mentioned above are not applicable if the *Supplier* is not responsible for the reasons for the non-compliance with the requirements.

33 Severability clause

If individual provisions stipulated in this Quality Assurance Agreement are legally invalid, this does not affect the validity of the remaining provisions.

34 Signatures

On behalf of the *Customer*

_____	_____	_____	_____
Date	Name	Function	Signature
_____	_____	_____	_____
Date	Name	Function	Signature

On behalf of the *Supplier*

_____	_____	_____	_____
Date	Name	Function	Signature
_____	_____	_____	_____
Date	Name	Function	Signature