

Quality Assurance Agreement (QAA)

between

**GEKA GmbH
Waizendorf 3
91572 Bechhofen
Deutschland**

- hereinafter referred to as "**GEKA**" –

and

**Name 1
Name 2
Street
ZIP-code City
Country**

hereinafter referred to as the "**supplier**" –

regarding the performance of cooperative quality management with the aim of ensuring the quality of co-produced products – hereinafter referred to as "**QM**".

Change status 2, 24.04.2014

Preamble

This quality assurance agreement (hereinafter referred to as "QAA") contains the contractual specification of the basic technical and organizational parameters and processes between customer and supplier.

It specifies the minimum requirements that will apply to the contractual partner's management system and defines rights and obligations with respect to the quality assurance of any products to be supplied.

1. Aim of the Quality Assurance Agreement

This quality assurance agreement specifies and defines any quality assurance measures foreseen between the parties to this contract. Additionally, the supplier promises to undertake any and all appropriate quality assurance measures to achieve the quality standards agreed upon or specified by delivery contract.

2. Pre-Requisites / QM System

The deployment of a QM system in compliance with DIN EN ISO 9001:2008 or an equivalent QM system covering the same requirements as DIN EN ISO 9001:2008 is a pre-requisite to any contract.

The following constitute proof of a functional QM system:

- Valid ISO 9001:2008 certificate, issued by an accredited institution.
- QM system audit by GEKA
- Positive audit to DIN EN ISO 9001:2008 (or an equivalent QM system) – provided no less than 2 years have passed since completion of audit – by other well-known customers of supplier (assumes approval by GEKA, subject to inspection).

GEKA's purchase order documentation and specifications designate products that are within the purview of the above-described parameters.

Pursuant to article 8 of "Regulation (EC) No 1223/2009 of the European Parliament and of the Council of 30 November 2009 on cosmetic products", the manufacturer of cosmetic products shall comply with good manufacturing practice. Such good manufacturing practice is defined in DIN EN ISO 22716 (cosmetics GMP).

Supplier should verify compliance with such good manufacturing practice (GMP) standards by:

- Providing a valid certificate pursuant to DIN EN ISO 22716, issued by an accredited institution; or
- allowing GEKA to perform a GMP audit.

3. Scope

This QAA applies to any and all parts ordered by GEKA (samples and any parts manufactured and supplied as part of serial production after completion of initial sample approval process).

This agreement is valid for supplier relationships between suppliers and associated companies, of which GEKA directly or indirectly holds the majority and which is located in the Federal Republic of Germany.

The supplier guarantees to obligate his sub-suppliers to comply with suppliers contractual obligations arising from this Agreement. GEKA reserves the right to require written proof that the supplier has verified the effectiveness of sub-suppliers quality management systems.

4. Zero Defect Strategy

The supplier undertakes to comply with the Zero Defect target. The supplier shall ensure that all his products comply fully with the specified requirements. The supplier shall notify GEKA immediately as soon as deviations from the agreed targets become foreseeable and he shall provide GEKA with a description of appropriate measures to remedy the non-conformities.

Agreement on a defined target shall not affect the supplier's liability for warranty claims and claims for damages by GEKA incurred as the result of defects in the supplied goods. The specifications of the product shall be complied with at all times. The supplier shall also be held liable for defects even in the event that the defect frequency remains within the range of the agreed target.

5. Quality Standards

Specific quality standards are determined in the individual supply contracts; in particular by technical specifications, technical documentation, drawings, part lists, testing documents, etc. The supplier agrees to implement the quality standards submitted to the supplier. The products of the supplier have to be contemplated common for the intended use.

The supplier shall comply with all applicable laws as well as to quality standards provided by GEKA, including but not limited to:

- Requirements for first sampling inspection and acceptance / Product- / Process Release
- Quality documentations (statements / certificates of compliance)
- Test scheduling, test documentation
- Labeling / traceability

GEKA's purchase department reserves the right to schedule a kick-off meeting with the supplier (if necessary).

6. Test Schedule and Test Guidelines/ Preventive Quality Control

The supplier agrees to draw up test schedules and test guidelines for any inspections to be performed, specifically any and all receiving, intermediate, and final tests. The test schedules and guidelines must contain the following:

Test features, test frequency, documentation type, test methods, where appropriate, and equipment required to perform tests.

Test schedules must be drawn up so as to prevent any potential errors that may occur within the manufacturing process of the supplied product.

The supplier agrees to implement a change management system to ensure that only current, valid test schedules and guidelines are implemented.

7. Testing Equipment

The supplier guarantees the availability of test equipment required to perform testing of products manufactured for GEKA at all times.

Such testing equipment is subject to ongoing monitoring, calibration and servicing as stipulated by the QM system implemented by the supplier.

8. Initial Sample Testing and Approval / Product and Process Release

In the case of new components, technical modifications, and any changes in the manufacturing process or location, initial samples are to be placed at the disposal of GEKA. These must be tested for compliance with technical drawings and specifications and labeled as initial samples tested to above mentioned standard, accompanied by complete initial sample test documentation, to be signed by the responsible party for testing.

GEKA shall have the right to define all requirements for a valid initial sampling. In the event that the supplier purchases components of such initial samples from subcontractors, supplier shall execute the initial sampling process in compliance with the quality standards of this QAA, and the supplier shall be responsible for assuring that all subcontractors comply with this QAA. Supplier shall keep any initial sample inspection reports and any ancillary documentation regarding such inspections on file.

The initial sample inspection shall comply either with VDA 2 or with GEKA's form and it shall be included in the shipping documents. Item numbers of the initial sample inspection report shall correspond to the item numbers of the included drawing to enable an easy allocation of drawing features to the initial sample inspection.

Initial sample approval does not relieve the supplier of his responsibility and obligation to supply zero-defect products.

9. Quality Assurance Documents / Quality Certification / Acceptance Code ("AK")

The supplier agrees to document any inspection according to GEKA's inspection criteria.

The supplier and any sub-suppliers must retain quality assurance documents for a period of no less than 20 years. Legal requirements are to be observed for any other quality assurance documentation, whose retention period is determined by the supplier. GEKA reserves the right to inspect quality assurance documents at any time, or to assign this right to a proxy.

Supplier shall provide inspection certificates / test certificates (in particular but not limited to EN 10204) upon GEKA's request. Such inspection certificates / test certificates shall be enclosed with the shipping documents. The testing certificate shall be a Certificate of Analysis (CoA), and it shall comply to EN 10204:2004 or an equivalent standard.

Required certificates for parts / semi-finished goods procured by the supplier are specified in the parts list. All certificates must be available at the supplier's locations for any parts / semi-finished goods procured by the supplier.

In case of products with quality assurance statements / certificates of compliance, which are delivered directly to GEKA customers by the supplier (that is where delivery is not routed via GEKA), a certificate of compliance is to be issued by GEKA Quality Assurance.

The following procedure applies:

- Manufacturing of product incl. all tests performed by supplier
- Supplier test documentation to be sent to GEKA (incl. all Q-documents). Test documentation for parts / semi-finished products to be retained by supplier (see above)
- GEKA to inspect Q-documents incl. test documentation provided by supplier
- GEKA to issue GEKA certificate of compliance and forward certificate to supplier (incl. shipping documents)
- Supplier shall ship the products (incl. GEKA shipping documentation and GEKA-certificates)

10. Provision of Material

In case of provision of materials to the supplier by GEKA, the supplier is required to perform incoming inspection of such materials with respect to completion, appearance, and damage. Should supplier determine any discrepancies / damage, supplier commences to document said discrepancies / damage and inform GEKA Quality Assurance (in form of a quality assurance test, for example).

In case of provision of materials to supplier by GEKA, any test certification accompanying materials is not provided by GEKA.

11. Labeling / Transport / Consignments

The products shall be labeled by the supplier in accordance with the GEKA requirements.

As a general rule, all deliveries shall be labeled in such a manner that all products can be identified clearly at all times (clear traceability via bill of sale number, order number, date of manufacture, batch number, etc.).

All parts which are subjected to an external initial sample inspection may only be shipped after approval by the GEKA Quality department has been obtained. This applies to all series deliveries. The supplier shall make all inquiries relating to acceptance and approval in a timely manner prior to delivery (all deadlines shall be agreed at least 5 working days in advance of the date of delivery).

The supplier shall ensure within the scope of his QM system that the quality of the deliveries is not impaired by the transport to the receiving plant or by introduction into ongoing production. The supplier will therefore make his deliveries only by using means of transport and packaging materials that comply with these requirements. GEKA reserves the right to coordinate the means of transport and the packaging with the supplier.

GEKA is entitled to refuse acceptance of deliveries made in defective packaging, damaged containers or containers with unclear identification marking and/or to invoice the additional expenses incurred by GEKA.

It is the supplier's obligation to comply accurately with the agreed delivery deadlines and delivery quantities and he shall ensure compliance with these requirements by implementing suitable processes and controls.

If delivery deadlines are not complied with or if deviations from delivery quantities occur, any resulting increased expenditure, especially increased shipping costs shall be recorded and communicated to GEKA. The cause of such noncompliance shall be traced and appropriate corrective action shall be taken immediately.

12. Incoming Inspection

Since Supplier shall be exclusively responsible to conduct all necessary inspections according to this QAA, GEKA will inspect any deliveries with regards to quantity, type, visible transport damages or defects. Furthermore, GEKA will randomly inspect the enclosed quality documentation / certificates.

Additional inspections will be performed by GEKA in justified cases.

In case of goods ordered by GEKA for delivery by the supplier to a third party, GEKA reserves the right to assign authority for incoming inspection to a third party. Supplier agrees to submit to inspection by such third party, and to accept any complaints by said third party, as if they originated with GEKA as a complaint in compliance with §§ 377 HGB.

Inasmuch as this is useful to normal business conduct, GEKA, or a third party authorized by GEKA, will perform tests on assemblies manufactured using goods delivered by supplier, or finished products manufactured using such assemblies, before commencing on the following manufacturing cycle. Supplier thus waives the right to insist on timely notice of defects.

GEKA is not obligated to perform any other inspections in compliance with §§ 377 HGB.

GEKA reserves the right to monitor any tests or adjudications by supplier and sub-suppliers, to authorize a proxy to monitor such, or following prior arrangement with supplier to perform tests at supplier's premises.

Discrepancies / defects of supplier's products are covered in the section "Error Management".

13. Series Process

During series deliveries the products shall be delivered in a timely and fault-free manner as agreed in the contract and as approved within the scope of initial sample inspection.

14. Error Management

If deviations are detected, the supplier will be notified at once by forwarding a test report that includes information on the type of defect and the inspection results. An agreement on returning the products and/or sorting or rework action shall be reached with the supplier at once (Periods of reply of the supplier over such measures within 24 hours after receipt of the test report). GEKA requires any defects to be remedied immediately as well as the submission of an 8D report on corrective action (after 5 working days at the latest).

Deliveries where the initial sample inspection report or the inspection certificates are missing will also be considered incomplete. In the event that the missing quality documents are

not forwarded to the issuer of the inspection report within two working days after the complaint has been issued on the basis of an inspection report, the goods will be returned at the expense of the supplier.

In exceptional cases – taking costs, deadlines and capacities into account – approval of the nonconforming products can be granted by issuing a design divergency note. Design divergencies must be applied for at GEKA' design department by the supplier and have to be approved by GEKA before the products are delivered. The design divergency note signed and approved by GEKA shall then be included with the supplied batch (as an attachment to the bill of sale) by the Supplier.

15. Outgoing Goods Inspection

In case the delivery quality of the product doesn't meet t with GEKA agreed quality requirements (violation of agreed ppm-target, boundary samples, drawing specification, etc.) and occurrence of repetitive errors (same failure on component or on similar components which use the same production process), GEKA is entitled to hire a third party to do a 100% outgoing goods inspection onsite at supplier location (e.g. performed by VDE TÜV, Bureau Veritas).

The termination of the 100% outgoing goods inspection performed by a Third Party hired by GEKA depends on the verification of the suppliers defined remedial actions to meet the agreed delivery quality by the GEKA quality department. Supplier is responsible to get a signed approval regarding the termination by GEKA quality department.

The supplier bears the full cost for the third party inspection.

16. Supplier Assessments

Based on the quality of the products supplied, GEKA performs regularly assessments of suppliers. The assessment will be based on test reports submitted to supplier following complaints concerning faulty purchased parts received by incoming goods, manufacturing or customers.

If required, special action will be defined for suppliers with weak quality ratings. Quality target agreements will be concluded with these suppliers at the beginning of each year.

In addition to product quality, faithfulness to deadlines will also be evaluated. If required, suppliers will be given information on the current status of their faithfulness to deadlines.

The suppliers generating the highest turnover will be subject to a comprehensive evaluation on the basis of predefined criteria (quality, logistics, purchasing and development). This will form the basis for target agreements with the suppliers.

GEKA Purchasing will monitor the development of the suppliers with regard to product quality and faithfulness to deadlines. The aim is to provide targeted support, in particular in respect of implementing corrective/preventive action at the supplier, in order to achieve sustained improvements of problematic suppliers. In the event that no improvements can be achieved, further action will be agreed by our Purchasing department, e.g. reduction of the scope of delivery or stoppage of new orders. The high quality standards required by our customers can only be achieved by ongoing, thorough improvements of our product and

delivery quality which in turn is dependent to a high degree on the quality of the products supplied by our suppliers.

17. Product Specification Changes / Processes

GEKA will inform suppliers in writing and in good time, in case of changes in contractual specifications or subjects. The supplier agrees to inform GEKA of any changes in materials, manufacturing or test methods, purchased parts, re-location of processes or workshops, and changes in quality assurance methods. This is as well related to the switch of a sub-supplier of the supplier.

Supplier agrees to inform GEKA of such changes in good time and in full detail, to allow GEKA to investigate the planned change. Should GEKA suspect a negative impact and thus refuse a planned change, the supplier agrees not to undertake such change. Changes of the type specified are subject to first sampling approval (see above).

Acquiescence to or approval of a change by GEKA does not disburden supplier of supplier's sole responsibility for the characteristics and reliability of the goods subject to contract.

18. Quality Audits

The supplier grants GEKA the right to perform audits insofar as the audits affect the QM system and the manufacturing processes of the components to be supplied.

GEKA or a third party named by GEKA or a customer of GEKA is at any time justified after vote with the supplier shall be entitled at all times to audit the supplier with regard to systems, processes and products.

Inasmuch as they affect deliveries by the supplier, supplier agrees to make auditing of sub-suppliers, by GEKA, or a third party authorized by GEKA, or GEKA customers, possible.

Quality audits of the supplier shall be conducted according ISO 9001 and ISO 22716 and the appropriate standards and regulations.

Auditing of processes, technologies and the manufacturing processes will be performed on the basis of a specific catalog of questions drawn up by GEKA for process auditing.

19. Training

Supplier is responsible for ascertaining training requirements within the framework of supplier's QM process guidelines, and will train all staff members, whose tasks may influence quality.

Staff with special assignments must be qualified for that assignment and possess appropriate qualifications, training, and / or experience, as appropriate to the demands of the assignment.

Records of training measures must be retained.

20. Non-Disclosure

Both parties to this contract agree to handle any non-public commercial or technical details that become known to them through their business relationship as company secrets. Sub-suppliers must also be bound to this condition.

21. Ineffectiveness of Individual Provisions

If individual provisions of the contractual agreements – including the conditions of business should prove to be ineffective, this does not affect the effectiveness of the remaining provisions. The parties shall without delay replace the ineffective provisions by others which as closely as possible approximate to the intentions of the ineffective provisions

22. Period of Validity

This Quality Assurance Agreement is to be valid for an unlimited period and can be terminated by written notice 6 months before the end of each calendar year, by registered mail with return receipt, but at the earliest two years after signing this Agreement. This Quality Assurance Agreement applies to any consignments resulting from delivery agreements entered into before terminating the QAA.

In the event that GEKA suggest changes to this QAA, GEKA will additionally notify supplier per e-mail about such anticipated contract modifications, and GEKA will request a confirmation from supplier regarding such suggested changes.

23. Targets and Penalties

Response times in case of quality defects:

- Immediate action: < 24 hours (business days)
- Corrective action: < 5 days (business days)
(preliminary/final 8D)

Quality costs:

- Inspection report costs *: from €96 – approx. €240
- Repacking/sorting: €48/hr. (by arrangement)
- Rework: €48/hr. (by arrangement)
€67/hr. when using of machines
- Special journey: based on documented evidence
- Production standstill: €1000/day

*Costs depend on the location of the error discovery (goods receiving: 96 EUR, production: 144 EUR, customer: 240 EUR). Includes, e.g. preparation of test reports, blocking inventories, initiation and monitoring of corrective measures.

24. Written Form

This is a written agreement. This also applies to waiving the exigency of written form. Supplementary agreements, changes, and additions to this Agreement must also be in writing.

25. Amendments of this QAA

After implementation of the supplier portal it is mandatory for the supplier to check min. once per month the internet (Supplier Portal at www.geka-world.com), if there are new versions of QAA and related Process and Operation Instructions. New versions have to be appropriate clearly identified.

If there are no exceptions in written form from the supplier within a period of 8 weeks after the implementation of changes in the Internet supplier portal, the changes are accepted by the supplier without further confirmation/ signature to our purchasing.

26. Applicable Law / Place of Jurisdiction

This QAA and the entire legal relationship between GEKA and the supplier shall be governed exclusively by the law of the Federal Republic of Germany and both the international private law and the UN purchasing law, CISG, shall be excluded expressly.

The sole place of jurisdiction for any and all matters arising from this legal relationship shall be Ansbach and also, at the discretion of GEKA, the supplier's place of jurisdiction.

Bechhofen,
(City), (Date)

GEKA GmbH

(Signature GEKA)

(Signature GEKA)

Cit), Date (Supplier)

(Signature Supplier)