

Quality Assurance Agreement for Suppliers

of the

himolla Group

- hereinafter: "himolla" -

(Status 01.05.2018)

Preamble

himolla is an internationally leading manufacturer of high-quality, durable, functional and reliable upholstery furniture and dining rooms. The high quality of its products lays the basis for its successful business activities and is largely influenced by the quality of its suppliers' products. As himolla undertakes to comply with strict regulations like the RAL-GZ 430 when manufacturing its products, the quality and testing provisions of the DGM (German Quality Community Furniture, registered association) as well as the stipulations of RAL-UZ 117 (low-emission upholstery furniture), quality assurance and constant improvement is the responsibility of all himolla's employees and suppliers.

This Quality Assurance Agreement (hereinafter referred to as the "QAA") shall name and regulate all quality-assuring measures envisaged between himolla and the Supplier with deliveries to himolla, in order to ensure the quality of the products. This QAA should help prevent quality problems and ensure smooth flows between the Supplier and himolla to minimise quality-related costs.

1. Scope

- 1.1 This QAA forms an essential part of the business relationship between the Supplier and himolla. All companies in the himolla Group named in Annex 1 shall be entitled to order from the Supplier based on this Agreement.
- 1.2 This QAA shall apply to all products and services delivered by the Supplier. It shall also apply to all products delivered by the Supplier to third parties, based on himolla's orders or specifications. Insofar as the Supplier carries out product developments for himolla or is involved in such, this Agreement shall also apply to all activities and results from such activities.

1.3 In addition to this Agreement – and unless agreed otherwise by the Parties – the current version of the himolla's General Terms and Conditions of Purchase shall apply exclusively to all contracts between the Supplier and himolla concerning the delivery of products and the provision of services. If himolla's General Terms and Conditions of Purchase are amended, the Supplier shall be immediately informed about the new version. All business terms and conditions that contradict himolla's General Terms and Conditions of Purchase as of January 2018 are excluded. This shall particularly apply to the Supplier's General Business Terms and General Terms and Conditions of Sale.

2. Quality management of the Supplier

2.1 The Supplier hereby undertakes to maintain a quality management system according to the respective valid version of the DIN EN ISO 9001 with the obligation to the zero-error target and the continuous improvement of its services. If a corresponding certification is not or no longer available, the Supplier shall undertake to maintain a quality management system with equivalent contents to guarantee a consistently high proven quality of the products to be delivered to himolla. The Supplier further undertakes to constantly improve and supplement this system in line with the status of technology or owing to agreements with himolla.

2.2 If the Supplier procures production or test means, software, services, material or other preliminary products from sub-contractors for the production or quality assurance of the products, it shall integrate these into its quality management system as per contract or use suitable measures to secure the quality of the preliminary deliveries itself. himolla may request proof from the Supplier that the Supplier has convinced itself of the permanent efficacy of the quality management systems of its sub-contractors.

2.3 If the Supplier is intending to have contractually agreed work carried out by third parties in full or in part, this shall require the prior written consent of himolla. If the Supplier employs sub-contractors, it shall be solely responsible for the fulfilment of all contractual obligations in its relationship with himolla. The Supplier must assume the same amount of responsibility for the faults of its sub-contractors as its own faults.

2.4 The contracting parties shall each name a Quality Assurance Officer in writing. This Quality Assurance Officer must coordinate the execution of this agreement and make or obtain any associated decisions. In addition, the contracting parties shall name other quality assurance contacts to handle critical quality processes and guarantee

that the responsible members of staff can be contacted for a prompt solution of a problem. Any changes to the contacts must be immediately reported in writing.

3. Information and documentation

3.1 If it becomes apparent that agreements, such as those regarding quality features, dates and delivered quantities cannot be adhered to, the Supplier shall immediately inform himolla in writing. The Supplier shall also inform himolla about all deviations recognised after delivery without delay. In the interest of the joint avoidance/limitation of damages, the Supplier shall disclose all required data and facts to himolla.

3.2 The Supplier hereby undertakes to submit a written change application to himolla in good time before

- changes in production processes, flows and materials (also from sub-contractors);
- changes in sub-contractors;
- change in test processes/equipment;
- relocation of product locations;
- relocation of production equipment at the location; and
- outsourcing of operations.

This way, himolla can examine whether the planned changes may have detrimental implications. Only after approval of the application by himolla will the Supplier carry out the requested change.

3.3 The Supplier shall suitably label its products and packaging or, if this is impossible or not useful, employ other suitable measures to ensure that affected products and batches can be identified in the event of a fault. The Supplier must use its labelling system to keep himolla regularly informed, so that a determination is possible for himolla at all times.

3.4 The Supplier shall create full and clear documentation to record the progress of each product batch and all other facts that are important to monitor the quality of the products (batch documentation). The comprehensibility of changes to the products and their manufacturing processes shall be of special importance. In addition, the documentation should make it possible to trace products up to the primary materials/raw materials used. This data must be stored for at least 10 years from the creation date. Longer periods of time can be agreed in writing according to the product.

3.5 The Supplier shall support himolla in the event that a claim is asserted by third parties with the defence of such claims. For this purpose, it shall grant himolla the right to inspect the relevant quality documentation and temporarily make these available, insofar as necessary for the provision of proof for discharge.

4. Audit

4.1 The Supplier shall allow himolla to carry out regular audits to make sure the agreements established in this QAA are being implemented. Such audits may be conducted as a system audit, a customer-specific assessment audit, or a process or product audit. himolla shall announce an audit to the Supplier in time or with an advance period of at least 3 working days. In the event of escalation, the Supplier will also allow requested dates at short notice.

4.2 The Supplier shall grant himolla and/or parties obligated to confidentiality – and authorised agents or customers of himolla that do not compete with the Supplier – access to all permanent establishments, testing centres, warehouses and adjoining areas, as well as the right to inspect documents pertaining to quality. The Supplier may introduce necessary and appropriate restrictions to secure its business secrets. The Supplier shall make a specialist qualified employee available for support during audits. If required, the Supplier shall also conduct joint audits of its sub-contractors.

4.3 himolla shall inform the Supplier of the results of such audits. If himolla believes measures are necessary, the Supplier shall undertake to immediately create a plan of measures, to implement this within the deadline and to inform himolla thereof.

5. Quality tests

5.1 Products must always comply with the agreed or assured condition (e.g. specifications, data sheets, drawings, samples). The Supplier shall immediately check whether a description submitted by himolla (e.g. specifications, requirement specifications, data sheets, drawings) is inaccurate, unclear, incomplete or different from possible samples. If the Supplier recognises that this is the case, it shall inform himolla in line with Subclause 3.1 of this Agreement.

5.2 Within the scope of the incoming goods inspection obligation, for which it is responsible, the Supplier shall examine the used primary materials batch by batch for quality-determining properties, in order to guarantee the correct identity of the raw

materials. These examinations may be replaced by tests carried out by the manufacturer/sub-contractor for this purpose, but their results must be proven with a corresponding certificate.

- 5.3 The Supplier hereby undertakes to send the relevant products as initial samples to himolla and submit a full initial sample test report before the delivery of new products or after changes pursuant to Subclause 3.2 of this Agreement. The quantity of the initial samples, the initial sample procedure and the scope of the initial sample shall be coordinated between the Supplier and himolla in writing. The products, which are used for the initial sampling, must have been produced under serial conditions in full. With the testing of the initial samples by himolla and the transmission of a positive release decision, the relevant products shall be deemed as approved by himolla.
- 5.4 In order to guarantee the standard quality of the products, production must be monitored by controls of process parameters and essential quality features. A test plan is to be created for each product or each product family in this respect, containing stipulations for the test criteria, tolerances, test means, test methods, test frequency and release criteria. Upon request, the Supplier shall grant himolla the right to inspect these test plans. Insofar as agreed separately in writing, the test plans must be submitted within the scope of the initial sample testing and be approved by himolla in writing. The test results must be documented and evaluated in a suitable form (CAQ system, fault collection card, process control card).
- 5.5 Before delivering the products, the Supplier must ensure that they comply with the agreed requirements and specifications. The records of the tests according to Subclause 5.3 of this Agreement can be used for this assessment. Further specific final tests will, if applicable, be agreed by the contracting parties in writing for each product. If agreed between the Parties in writing, an acceptance test certificate according to DIN EN 10204/3.1 for the production batches contained in the respective delivery shall be enclosed with each delivery, from which it can be seen that the quality of the delivered products complies with the agreed specifications. The details on the certificate must feature a clear reference to the delivery and the underlying production batches.
- 5.6 Once himolla has received the products, it shall immediately examine whether they correspond to the ordered quantity and type, whether there is externally visible transport damage or externally recognisable defects. If himolla discovers damage or defects during the aforementioned tests, it shall immediately report this to the Supplier. If himolla discovers damage or defects at a later date, it shall also immediately report this. In all cases, the complaint (report of defects) shall be

deemed immediate and punctual if it is received by the Supplier within 7 working days. himolla shall not be responsible for any further tests and reports towards the Supplier than those mentioned above.

- 5.7 In case of deviations from the agreed product or performance specification (drawing, technical delivery conditions, specifications, material, material properties, etc.) or from released processes, the Supplier may ask himolla for a written special release to minimise damages before delivery of the products. In the interest of finding a fast solution, the Supplier shall be obligated to disclose all relevant data and facts.
- 5.8 The Supplier will only continue the production and deliver the relevant products to himolla after the latter has granted such a special release in writing. If a special release is available for a product, it must be labelled separately. A one-off special release shall only apply to the defined scope and shall have no effect on future deliveries not covered by the same. However, this shall not release the Supplier from its responsibility for the quality of the products it produces. All rights of himolla owing to the delivery of faulty goods shall continue to exist.
- 5.9 Insofar as faulty products or products that are suspected of having faults have already been delivered, himolla must be informed in line with Subclause 3.1 of this Agreement. himolla shall assess this deviation and inform the Supplier of the further procedure in writing. If the Supplier or himolla come to the conclusion that an event or circumstance has made it necessary to initiate a recall action or warehouse clearance or to remove the end product from the market with regard to the production, safety and quality of the products, the Supplier and himolla shall immediately contact each another to jointly establish corrective measures. himolla shall make the final decision regarding the measures to be taken. When making this decision, himolla shall show reasonable consideration for the interests of the Supplier, and the Supplier shall support himolla with this initiated measure within the scope of its possibilities.

6. Packaging and transport

The products shall be delivered in packaging suitable for transportation and storage, guaranteeing sufficient protection against quality reduction and contamination. Insofar as agreed with himolla in writing, specific packaging, labelling and transport regulations must be complied with.

7. Product complaints / reports of complaints

- 7.1 himolla reserves the right to reject entire or partial deliveries and request faultless substitute deliveries immediately, if in particular,
- An acceptance criterion is not satisfied during the incoming goods test; or
 - Evidence is presented to prove that provisions contained in this agreement and additional product-related specifications are not complied with.
- 7.2 If himolla accepts a delivery, this shall not mean that it waives its right to receive substitute delivery from the Supplier for subsequently discovered faulty products within the scope of the statutory regulations.
- 7.3 Complaints must be processed by the Supplier in the form of an 8D-report and submitted to himolla as a written statement within 10 working days. The immediate measures must be communicated by fax or e-mail within one working day, and they must be coordinated with himolla. If the final statement cannot be created within 10 working days, an immediate report must be written regarding the status of the complaints processing and sent to himolla.
- 7.4 himolla shall inform the Supplier whether the faulty goods can be processed, sorted out, reworked or scrapped. If the Supplier has work carried out by third parties, it shall not be released from the task of issuing initial instructions, carrying out material planning or providing necessary substitutes.

8. Test certificates and evidence

- 8.1 The certificates, test certificates and evidence required by himolla for the following product groups must always be delivered by the Supplier without a separate request free of charge in a written form.

8.2 Electrical goods / Electronics

For all products in the **product group - electrical goods / electronics**, the following evidence must be provided by the Supplier:

- **LVD test – electrical safety test evidence**
- **EMC test – test certificate; if applicable, RED Directive evidence**
- **Declaration of conformity and marking according to the ProdSG [Product Safety Act] (CE-mark)**
- **Certificates for existing non-European market authorisations (e.g. UL; PSE; CCC)**

8.3 Fittings

For all products in the **product group – fittings**, the following evidence must be provided by the Supplier:

- **Material specifications; designation of the various materials used**
- **With supporting parts, if applicable static calculations**
- **Construction drawings, definition of the fields of application as well as the associated function descriptions**
- **Endurance test according to RAL-GZ 430/4 in line with DIN EN 13759 (10,000 cycles with dummy 130 kg)**

8.4 Cover material leather / fabrics

For all products in the **product group - cover material**, the following evidence must be provided by the Supplier:

- **Emission test according to RAL-UZ 117 / RAL-GZ 430**
- **Chrome VI provision (leather) / Oekotex 100 alternatively evidence of pesticides / biocides**
- **Goods test form of the DGM (RAL-GZ 430)**

8.5 Foamed material

For all products in the **product group - foamed materials**, the following evidence must be provided by the Supplier:

- **Goods test form of the DGM (RAL-GZ 430)**

8.6 Wood, plastics

For all products in the **product group - wood, plastics**, the following evidence must be provided by the Supplier:

- **FSC / PEFC documentation (declaration of the supplier)**
- **Formaldehyde requirement according to RAL-GZ 430 / RAL-UZ 117**

8.7 Tables

For all products in the **product group – tables**, the following evidence must be provided by the Supplier:

- **Product description**
- **Assembly instructions**
- **Quality and test provisions of the DGM, RAL-GZ 430/3**

8.8 Raw materials for moulded foam products

For all products in the **product group - raw materials**, the following evidence must be provided by the Supplier:

- **Technical data sheet**
- **Safety data sheet**
- **Batch test certificate with each delivery**

8.9 **Polystyrene**

For all products in the **product group – polystyrene**, the following evidence must be provided by the Supplier:

- **Technical data sheet**
- **Batch test certificate with each delivery**

9. **Safety and environmental regulations**

9.1 The Supplier hereby undertakes to comply with all statutory regulations relating to environmental protection and to minimise effects on people and the environment by implementing an appropriate environmental protection plan. The introduction and further development of an environmental management system (UMS) according to DIN EN ISO 14001 is expected for this purpose.

9.2 The products and services of the Supplier must also comply with the statutory provisions applicable within the Federal Republic of Germany and the EU, in particular RAL 430, safety provisions, current industrial safety regulations, the regulation governing hazardous substances (REACH) and the safety recommendations of the responsible German specialist bodies and/or trade associations, such as EN, VDE, VDI, DIN, the regulations of the ElektroG [Sound Disposal of Electrical and Electronic Equipment Act], and the Directive 2002/95/EC (RoHS). Insofar as the materials stipulated or requested by himolla do not comply with the aforementioned conditions, the Supplier shall immediately inform himolla.

10. **Product liability**

10.1 Insofar as damage occurs owing to a product delivered by the Supplier, it shall be liable within the scope of the statutory provisions to the extent to which the product delivered was the cause for this damage. The Supplier shall explicitly indemnify himolla from the liability for the products it delivers.

10.2 The Supplier hereby undertakes to hold product liability insurance with a sum insured of EUR 10.0 million as a lump sum per physical injury/property damage, which does

not only include the extended product risk, but also the risk arising from the waiver of the objection of the late report of defects.

- 10.3 Conclusion and existence of the insurance policy must be proved to himolla by the Supplier upon request. The Supplier must immediately report any changes to or revocation of the insurance cover to himolla.

11. Confidentiality

11.1 Neither contracting party may use or disclose to third parties any business or trade secrets of the respective other partner, of which they have become aware during their business relationship, without the consent of the party concerned, unless the business or trade secrets are generally accessible. This shall continue to apply after the termination of this contract, but for no longer than for a period of 5 years after the termination of the contract.

11.2 Business or trade secrets shall particularly include the contents of negotiations conducted between the contracting parties and information about production methods, procedures, processes, inventions, knowledge, technical and commercial data protected under patent law or by other industrial property rights, contracts, drawings, working methods, technical expertise and any such data of the contracting parties that has been marked as confidential or described as confidential when the data is handed over.

12. Final provisions

12.1 The Supplier confirms the knowledge, establishment and compliance with the processes and requirements described in this QAA by legally binding signature on the contracts referred to in Section 1 of this agreement. However, approval by the supplier shall be deemed to have been granted at the latest upon the commencement of a delivery relationship with himolla. The QSV is closed indefinitely and remains valid for the duration of the existence of a business relationship between the supplier and himolla. The termination of this Agreement does not release the Supplier from its obligation to comply with the QAA with respect to existing supply contracts until their full settlement.

12.2 All amendments and additions to this Agreement must be made in writing and signed by both contracting parties. This shall also apply to this clause.

- 12.3 This Agreement – and the entire contractual relationship between himolla and the Supplier – shall be governed exclusively by the laws of the Federal Republic of Germany, under the exclusion of international uniform law, in particular the UN Convention on Contracts for the International Sale of Goods.
- 12.4 The place of jurisdiction for any disputes arising from or in connection with this agreement is hereby agreed as Taufkirchen/Vils.
- 12.5 If a provision in this QAA is or becomes invalid, contestable or unworkable in part or in whole, this shall have no effect on the validity of the other provisions of this Agreement. The contracting parties shall replace the provision that is fully or partly invalid with a provision whose commercial objective corresponds as much as possible to that of the invalid provision.