



between

Supplier: _____

Street: _____

Postal Code - City _____

(acting in his own name and in the name and on behalf of all his associated legal entities,

hereinafter jointly referred to as "Supplier")

and

VAT Manufacturing Malaysia

720. Persiaran Cassia

Selatan 1.

Kawasan Perindustrian Batu

Kawan

MY – 14100 Simpang Ampat

(hereinafter referred to as "VAT")

Supplier and VAT individually or together referred to as "Party" or "Parties"

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Preamble

VAT designs and produces valves and components for vacuum valve technology.

Supplier offers supplies (hereinafter referred to as "Contractual Goods") and services that VAT requires for its vacuum technology.

The objective of this Quality Assurance Agreement ("QAA") is to ensure that the high quality and reliability requirements of VAT are met.

For this purpose, the Parties agree as follows:

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1 Scope of applicability

- 1.1 Supplier shall be responsible for the quality of the Contractual Goods and for the services rendered for VAT. Supplier shall, in particular, ensure that all his Contractual Goods and services for VAT are free of any defects / non-conformities, and that they are produced in line with the provisions laid out in this QAA. The subject matter governed by this QAA are the materials, products, services, production processes, tests, inspections, controls as well as handling, transport measures, plus the management processes required by Supplier to furnish VAT with Contractual Goods and services that fulfil VAT specifications and requirements.
- 1.2 Supplier shall be obliged to conclude corresponding quality assurance agreements with his subsuppliers.
- 1.3 Having concluded this QAA with Supplier does not establish any obligation on part of VAT to award Supplier any contracts or projects, nor to buy the Contractual Goods or services from Supplier. Should VAT decide to collaborate with Supplier, this collaboration shall be formalized between the Parties in separate contracts on the basis of and governed by this QAA.

2 Maintenance of a certified Quality Management System

- 2.1 Supplier undertakes to maintain a quality management (QM) system in line with ISO 9001 requirements, and to have his QM system certified by an accredited certification body.
- 2.2 Should Supplier not be able to present a ISO 9001 certification, Supplier must be able to present documentation that his production processes and testing/inspection procedures are clearly defined and permanently applied.

3 Auditing

- 3.1 Having given suitable notice time and observing regular business hours, VAT shall be entitled to conduct audits at Supplier's site(s) and at the sites of subsuppliers of Supplier; such audits may be conducted by VAT employees alone, or together with VAT customer representatives, or by third parties contracted by VAT provided that they are not competitors to Supplier. A special focus of such audits shall be on verifying that the provisions of this QAA are observed and that quality assurance measures are being implemented. As a matter of principle, however, Supplier shall be solely responsible for qualifying his subsuppliers.
- 3.2 An audit may be a system audit, process audit, process approval audit or product audit. Supplier shall be obliged to promptly remove any identified weaknesses and to confirm complete removal to VAT in writing.
- 3.3 Supplier shall regularly conduct internal audits. Should such internal audits lead to the identification of weaknesses, Supplier shall define the required measures in an action plan, ensure implementation, verify the sustainability of the measures and advise VAT accordingly.
- 3.4 VAT explicitly reserves the right to have all required audits conducted by VAT employees, or by third parties,
- 3.5 The following provisions apply for any production processes defined by VAT as critical:

If Supplier performs critical production processes or has critical processes performed by third parties (subsuppliers), Supplier undertakes to strictly observe the requirements agreed upon with

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VAT per process type, to conduct appropriate process audits, and to advise VAT about the outcome by submitting comprehensive written documentation.

Critical production processes may only be performed by companies approved by VAT. A list of such critical production processes and approved suppliers per process is available from the VAT Supplier Portal.

4 Technical specifications, documents and critical characteristics

4.1 Supplier shall execute all his supplies and services for VAT in accordance with the agreed, or yet to be agreed, technical specifications.

4.2 Applying the due diligence and care as customary in his industry, Supplier shall check all technical documents provided by VAT for completeness, technical accuracy and consistency with regard to the relevant VAT purchase order. Supplier shall advise VAT promptly in writing of any identified inconsistencies, gaps, or mistakes, and shall request missing information without delay.

Should Supplier be unable to meet VAT specifications or other contractual obligations, Supplier shall advise VAT immediately. Supplier shall disclose all relevant data for the purpose of finding a suitable solutions as swiftly as possible.

Supplier shall be responsible for ensuring that all product characteristics and specifications are met, and that the production process and testing/inspection procedures, including the relevant documentation, are optimized in line with VAT requirements. Supplier may not change any production processes or testing/inspection procedures approved by VAT without having received the VAT approval of the change request.

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5 Zero Defect strategy

- 5.1 Supplier shall be committed to a zero defect strategy, and shall work on continuous improvements to achieve zero defects targets for all his supplies and services. Upon request of VAT, Supplier shall provide written proof of the corresponding necessary and planned measures and of the progress made in his continuous improvement efforts.
- 5.2 The Supplier's achievement of quality targets shall be an integral part of the VAT supplier evaluation, however, this shall in no way limit any contractual or statutory warranty or liability claims (for interpretation of "warranty and liability claims" see Swiss Civil Code "Gewährleistungs- oder Schadenersatzansprüche") that VAT may be entitled to against Supplier.

6 Process documentation, first article and requalification

- 6.1 Supplier is obliged to define in writing and in appropriate detail the entire production process for the Contractual Goods, including pre-materials used. VAT shall approve the first articles in line with the requirements of the first article inspection. After initial sample approval has been granted, the production process must be maintained as is, without technical adaptations.
- 6.2 Supplier shall advise VAT without delay should he anticipate any necessary change in pre-materials, specifications and/or production types, equipment, or processes. Supplier and VAT shall together assess change objectives, risks and opportunities. Any proposed changes must be submitted in writing to VAT via a "Change Request" form sheet. Changes in production processes, materials, products and/or within the supply chain may only be implemented after successful initial sample procedure according to VAT standards and after receipt of the written approval of VAT.

7 Process and product monitoring and documentation

- 7.1 Supplier shall check and evaluate machine and process capabilities on the basis of latest general national and international quality assurance standards.
- 7.2 For all product characteristics, Supplier shall perform and document detailed analyses of the suitability of utilized production equipment; moreover, Supplier shall take measures to ensure technical standards and to optimize processes. As a matter of principle, Supplier shall be required to check and monitor all product characteristics, using suitable test and inspection equipment in accordance with VAT requirements.
- 7.3 Supplier shall apply own testing and monitoring concepts as well as production methods to warrant that VAT specifications and QAA obligations are duly fulfilled, and to prevent delivery of non-conform or faulty parts to VAT.
- 7.4 Supplier shall be obliged to apply suitable methods to monitor and document his production process in such a way that the process capability for marked characteristics can be evidenced at any time throughout the production process. Should this not be possible, Supplier shall be obliged to perform 100% inspection and testing of all Contractual Goods.
- 7.5 All required evidentiary documents (e.g., material test certificates) must be submitted to VAT upon request.

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7.6 Quality relevant data must be archived for a period of 10 years from the time of production of the individual Contractual Goods in such a way that such data can, at any time, be made available at short notice.

8 Transport, packing and packaging

8.1 Supplier shall be obliged to take suitable measures and ensure via his quality management system that the quality of the delivered Contractual Goods is not negatively impacted by the transport to the consignee, nor by being processed in the production.

8.2 VAT shall be entitled to specify the means of transport (boxes) and packaging for the Contractual Goods in accordance with the VAT Supply Chain Manual. In the event that VAT has provided such specifications, Supplier shall only be permitted to use the specified transport boxes and packaging. Should Supplier wish to use any substitute or alternative packaging, the prior written approval must be obtained from VAT.

9 Risk potential, product monitoring

9.1 Supplier shall be obliged to apply appropriate measures (e.g. a P-FMEA) to identify any risks that may be inherently caused by the Contractual Goods, and to take all appropriate action to prevent such risk.

9.2 Supplier shall be obliged to continuously monitor the quality capability of produced Contractual Goods and of all relevant processes and procedures, to identify inherent risk potential, and to take all appropriate action to prevent such risks. Supplier undertakes to advise VAT promptly of any newly identified risk potential.

10 Scientific and technical state-of-the-art

Supplier undertakes to ensure that all Contractual Goods produced and delivered by Supplier to VAT, including the applied process technology, as well as all services rendered by Supplier for VAT, are up to scientific and technical state-of-the-art.

11 Quality Assurance Representatives

11.1 Each Party shall appoint a QA Representative for monitoring the execution of this QAA and for mutual consultations. The contact details of the QA Representative need to be submitted to the other Party in writing

11.2 The Parties undertake to advise each other promptly in writing should there be any personnel changes in the position of the QA Representatives.

12 Confidentiality

The Parties undertake to keep strictly confidential any and all findings that may arise from mutual collaboration under this QAA and, without having obtained the prior written approval of the other Party, to not use them for any other purpose than the joint business operations, and to not convey such findings to any third parties; this shall in particular apply to any technical or economic findings. The Parties shall ensure that their employees and representatives are duly bound by the same confidentiality requirement. This confidentiality obligations shall remain effective beyond the expiry or termination of this QAA.

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13 Incoming goods inspection, special approvals, non-conformity notification, information obligation, analysis

- 13.1 VAT shall not be obliged to inspect the Contractual Goods upon delivery. In view of the inspections and testing to be performed by Supplier in accordance with this QAA, VAT shall limit the incoming goods inspection to checking the delivery note data, verifying the number of packing units, and checking for visible transport damages to outside packaging. VAT shall be obliged to notify the Supplier of any defects/non-conformities detected by VAT in the course of ordinary business within sixty (60) working days after detection.
- 13.2 Should Supplier deem it necessary, for prudent and reasonable causes, to deliver to VAT Contractual Goods that deviate from agreed requirements and, in particular, from agreed specifications, Supplier shall be required to submit to VAT a timely supplier notification to obtain the appropriate prior special approval from VAT.
- 13.3 Should Supplier recognize that he has delivered non-conform Contractual Goods to VAT, Supplier undertakes to promptly advise VAT in writing and take all action to prevent or minimize any damage that may arise.
- 13.4 To the extent reasonably possible, VAT shall make available to Supplier for analysis any failed or non-conform Contractual Goods, or parts thereof. Supplier shall analyze the defects/non-conformities and advise VAT promptly of initiated corrective and preventative measures and of their effectiveness; for this purpose, Supplier shall submit a completed Non-Conformity Report (NCR) in the format requested by VAT. Any cost and expense that may arise in such a situation, including transport costs (outward and return) shall be fully borne by Supplier.

14 Integral part of contracts between VAT and Supplier

- 14.1 All relevant quality documents in that are required for deliveries of Supplier to VAT, and for the rendering of services by Supplier for VAT, are available, in their latest version, for download from the VAT Supplier Portal. VAT shall also provide hardcopies of these documents to Supplier upon request.
- 14.2 As a matter of principle, all documents shall be deemed to be agreed between the Parties upon confirmation of Supplier. Supplier's confirmation shall be deemed to have been effected unless Supplier presents a written objection notice within 30 calendar days from notification, publication of the QA document on the VAT Supplier Portal, and/or receipt of the document hardcopy.

15 Termination

- 15.1 This QAA shall be effective for the duration of the business relationship between the Parties. A termination of the QAA shall only be permitted after any other contracts effective between the Parties have been duly terminated, having observed the appropriate notice times.
- 15.2 A termination of this QAA shall, at the earliest, be permitted at the end of the longest notice time of any contract for supplies and/or services effective between VAT and Supplier. Notwithstanding the termination of this QAA, any quality issues identified prior to termination shall continue to be governed by the provisions of this QAA. The same shall be effective for any Contractual Goods delivered after termination.

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16 Severability clause

Should any of the provisions of the present QAA turn out to be, or become, ineffective, illegal or otherwise invalid under applicable law, all other provisions of the present QAA shall remain unaffected and the QAA shall remain in full force and effect. In such a case, both Parties undertake to agree on replacing the old provision with a new, legally effective provision which reflects as closely as possible the original business intent and economic effect of the fully or partially ineffective provision to be replaced.

17 Written form

17.1 Any changes, additions, or amendments with regard to this QAA shall have to be effected in writing and duly signed by both Parties to become effective.

17.2 Where this QAA requires written notifications, any type of transmission that allows textual proof, including, e.g., letters, facsimiles, emails etc., shall qualify as being in writing.

18 Applicable law, place of jurisdiction

18.1 This QAA shall be subject to and governed by the material laws of Malaysia, excluding the UN Law of Sales (CISG).

18.2 The exclusive place of jurisdiction for any conflicts or disputes arising from or in connection with this QAA shall be Simpang Ampat, Malaysia. VAT reserves the right to also hold Supplier liable in any other relevant court of law.

19 Other applicable documents

Supply Chain Manual

Place, date: _____

Place, date: _____

In the name and on behalf of Supplier

In the name and on behalf of VAT

N: _____

N: _____

S: _____

S: _____

N: _____

N: _____

S: _____

S: _____

(N - Name, S - Signature)

- 1. PLEASE SIGN TWO (2) ORIGINAL COPIES OF THE PRESENT QUALITY ASSURANCE AGREEMENT
- 2. PLEASE NOTE THAT ONLY DULY AUTHORIZED PERSONNEL OF YOUR COMPANY MAY SIGN THIS NDA
- 3. PLEASE RETURN BOTH (2) ORIGINAL COPIES, DULY SIGNED, TO:

VAT Manufacturing Malaysia Sdn. Bhd, 720 Persiaran Cassia Selatan 1, Kawasan Perindustrian Batu Kawan, MY – 14100 Simpang Ampat Malaysia.

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