

General Conditions of Purchase

1. Scope

- 1.1 These Conditions of Purchase exclusively apply to all orders placed and contracts concluded by us - hereinafter "order" -, governing the purchase of goods, services and work performance - hereinafter "delivery" -. Any conditions set by our suppliers that are deviating from or are supplementary to these Conditions of Purchase will not be accepted and shall not be binding for us. These Conditions of Purchase shall also be exclusively valid if we do not object to the incorporation of our supplier's conditions in a particular case or if, in recognition of contrary or supplementary terms and conditions by the supplier, we accept his delivery without reservation.
- 1.2 These Conditions of Purchase also apply to all future business relations with the supplier, even if not explicitly and separately stipulated.
- 1.3 If any one clause of these Conditions of Purchase is or becomes invalid or unenforceable the validity of the remaining stipulations shall not be affected. In such case the invalid or unenforceable provisions shall be replaced by lawful provisions coming as close as possible to the purpose pursued by the invalid or unenforceable provisions.

2. Completion of contract

- 2.1 Any agreement with the supplier and all orders shall be considered binding for us only if they are set down in writing. Any modification, addition or subsidiary agreement before, at or after contract formation also requires our written consent. The writing requirement may only be waived in written form. Fax, email or remote data transmissions shall be tantamount to written form.
- 2.2 If the supplier does not accept our order within two weeks of receipt in writing we shall be entitled to revoke the order. Delivery calls shall be binding unless the supplier objects within three (3) working days of receipt. Any deviation, from modification of or supplement to our orders shall only be effective if explicitly and separately indicated as deviation, modification or supplement and expressly approved by us.

3. Prices and payment

- 3.1 Prices specified in the order are fixed prices. Prices include "free delivery" as well as any packaging, transport, insurance and other costs of delivery, unless stipulated otherwise in writing. VAT must be separately identified, otherwise it will be considered included in the price.
- 3.2 In cases where the supplier is responsible for erection or assembly and/or commissioning no other provisions have been agreed upon in writing, the supplier shall bear all incidental costs, such as travel expenses and provision of tools.
- 3.3 Invoices will be processed only if we receive them by separate mail. Each order must be invoiced separately. Invoices must include the order number specified in our order, order date, supplier number and our item number, all highlighted for easy readability.
- 3.4 Invoices must be made out in EURO, payments will be made in EURO only.
- 3.5 Payments will be made, by our choice, by bank transfer or cheque and/or bill of exchange after taking delivery and receipt of invoice as well as after receipt of all documents pertaining to the delivery. Unless otherwise agreed upon, we shall pay either within 14 days with a 3% discount, within 30 days with a 2% discount, or within 90 days without discount.
- 3.6 The supplier shall not be entitled to assign or otherwise dispose of his claims wholly or partly against us without our prior written consent.
- 3.7 We shall be entitled to claim statutory setoff and retention rights.

4. Delivery and delivery time

- 4.1 Delivery dates specified in the order or otherwise agreed upon are binding and must be strictly met. The supplier shall promptly notify us in writing if there will be likely delays in meeting delivery dates and deadlines, explaining the reasons for the delay and specifying how long they are expected to prevail.

- 4.2 Deliveries by instalments and premature deliveries shall be allowed only with our express consent. Payment claims, however, shall be due no earlier than on the delivery date originally agreed upon.
 - 4.3 Unless otherwise agreed upon, deliveries must be accompanied by a delivery note and a works test certificate according to EN 10204 or any other equivalent internationally recognized test certificate specifying the details as mutually agreed upon with the supplier. An initial sample test report must be furnished with first-time deliveries.
 - 4.4 On-site deliveries are only possible at previously arranged times.
 - 4.5 In case of delivery delays we shall be entitled to impose a contractual penalty of 1% for each commenced week of delay, but no more than a total of 10% of the order value, while the supplier shall have the right to furnish evidence that no or only slight damage was caused. The right to assert additional damages shall be reserved. We shall be obligated to declare a reservation of contractual penalty no later than upon payment of the invoice following the delayed delivery.
 - 4.6 Acts of God that render a delivery by our supplier or the acceptance or use of delivery in our business or at our supplier's impossible or substantially more difficult shall postpone our acceptance duty, as is appropriate with respect to our actual demand. In cases of Acts of God concerning us or our supplier we shall also have the choice to wholly or partly cancel the contract.
5. Place of performance, passage of risk, acquisition of ownership
- 5.1 The place to which, according to the order, the goods have to be delivered or where the service is to be performed shall be the place of performance. Place of performance for our payments is our registered office.
 - 5.2 On supplier's account and at supplier's risk the delivery shall be properly packed and made, free "place of delivery", to the address named by us and/or performed there. The risk of accidental perishing or deterioration of delivery will pass on to us only with receipt of delivery by us or by a forwarding agent appointed by us at the place of performance or after final acceptance of the delivery, whichever comes later, even if we have agreed to pay the freight charges.
 - 5.3 With the passage of risk at the place of performance or with delivery to a forwarding agent appointed by us we shall acquire ownership of the goods without reservation of any rights for the supplier.
6. Liability for defects and other liability
- 6.1 We will inspect the delivered goods on the basis of accompanying documents only for identity and quantity as well as for visible transport damage. We will notify the supplier about defects of the delivery, once discovered in the ordinary course of our business within an appropriate time of at least 5 working days after the defect has been detected. If we comply with the aforesaid, the supplier hereby waives his right to object to the notification of defects on grounds of delay pursuant to Sec. 377 German Commercial Code (HGB).
 - 6.2 Unless stipulated otherwise in this paragraph, the supplier shall be liable according to the applicable legal provisions, in particular for defects of the delivery, whereas this liability is in no way limited or disclaimed with respect to cause or amount, and insofar shall indemnify and hold us harmless from and against any third party's claims.
 - 6.3 We shall in principle be entitled to choose the type of subsequent performance. Under the conditions of Sec. 439, Par. 3 German Civil Code (BGB) the supplier may refuse the type of subsequent performance chosen by us.
 - 6.4 If the supplier fails to remedy the defect promptly upon our request we shall - in urgent cases, in particular to avert danger or major damage - have the right to rectify the defects ourselves at supplier's cost or have this done by a third party without having to grant a period of grace before.
 - 6.5 Claims for defects shall lapse 24 months after selling the final product to the consumer, but no later than 30 months after the delivery was received by us, or in case of work performance 30 months after the written final acceptance, unless otherwise agreed upon or governed by legal provisions that call for extended periods. This shall not apply to deliveries that consistent with their common application are used in buildings and have caused the latter's defectiveness; in that case claims will lapse after 5 years. Our rights from Sec. 478, 479 German Civil Code (BGB) shall remain unaffected by this provision.
 - 6.6 In addition, the supplier shall exempt us from any third-party claims related to deficiencies in title. For deficiencies in title a limitation period of 10 years shall apply.

6.7 If a defective delivery necessitates extra work in the incoming inspection process, the supplier shall bear the costs of such additional inspection.

7. Product liability

7.1 Supplier assumes full responsibility for, indemnifies and holds us harmless from and against any liabilities and third party claims arising out of the death of or injury to any person or damage to property, if and to the extent the causes for this lie in the supplier's domain. Within the scope of this provision the supplier is also obligated to reimburse to us all expenses according to Sec. 683, 670 German Civil Code (BGB) that are incurred by or in connection with a recall action or any other measure initiated by us.^

7.2 The supplier shall undertake to carry extended product liability and recall cost insurance, each with a blanket coverage of at least EUR 2,500,000.00 (two million five hundred thousand Euros) per personal/property damage claim; however, our claims shall not be limited to the amount insured.

8. Industrial property rights and regulations

8.1 The supplier guarantees that neither his delivery nor its use infringe upon industrial property rights or other rights of third parties nor violate legal or official regulations of whatever kind. The supplier also guarantees that the goods delivered by him do not contain CFC, PCB or asbestos. The supplier shall undertake to provide, at our request, all relevant IMD system data at no charge.

8.2 The supplier shall indemnify us from all and any claims lodged against us by third parties for reasons of or in connection with the delivery or its use.

8.3 The supplier's obligation of indemnification shall also cover all expenses arising from or in connection with claims by a third party.

9. Reservation of ownership, tools

9.1 We shall reserve the ownership of goods provided by us (e.g. parts, components, semi-finished products).

9.2 Reservation of ownership shall also apply to products resulting from the processing, mixing or combining of our goods in their full amount, whereas these processes are performed on our part so that we are considered as manufacturer. If third-party ownership rights extinguish after processing, mixing or combining with goods from those parties, we shall acquire joint ownership at a ratio of the objective value of those goods.

9.3 Tools made available to the supplier as well as tools manufactured by the supplier himself or ordered at a third party on our behalf, to the costs of which we have contributed, shall remain our property or shall pass into our ownership upon manufacturing and/or acquisition by the supplier and must be clearly indicated as our property.

9.4 The supplier shall hold our tools in custody on our behalf at no charge, insure them adequately and furnish evidence of insurance cover at our request. The supplier shall use the tools exclusively for the purpose of manufacturing parts for us, unless otherwise agreed upon. We hereby grant our prior approval to manufacture parts based on orders placed by other companies of the Freudenberg Group.

9.5 The supplier shall ensure proper maintenance and repair of the tools provided at his own cost. At the end of contract the supplier shall surrender the tools without delay at our request while no right of retention may be derived by him. Upon surrender the tools must be in apparent good order and condition corresponding to their earlier use. Costs of repair shall be borne by the supplier. In no case must the supplier scrap the tools without our prior written approval.

10. Quality assurance

10.1 The supplier shall during the entire business relation maintain a quality management system according to DIN EN ISO 9000 ff. that ensures the proper quality of deliveries, monitor the system by internal audits in regular intervals and promptly take action if any deviation has been detected. We shall have the right to inspect the supplier's quality assurance system with prior notice. At our request the supplier shall permit us to examine certification and audit reports as well as inspection procedures including all test records and documents relevant to the delivery.

10.2 Part of any order placed by us or agreement between us and the supplier are our "Quality Standards" in their current version which shall be sent to our suppliers on request.

11. Confidentiality, documents

- 11.1 Any information, formulations, drawings, models, tools, technical records, procedural methods, software as well other technical and commercial know-how, made available by us or acquired by the supplier through us, and also any work results thus obtained (hereinafter "confidential information") shall be maintained in secrecy by the supplier towards third parties, may be used in the supplier's business exclusively for deliveries to us and be made available only to such persons as need to have access to confidential information in connection with the business relation and have therefore been obligated to maintain secrecy. This provision also extends beyond the duration of contractual relations so long as the supplier fails to prove that the confidential information was known to him already or was in the public domain at the time it was acquired or was made public later without his fault.
- 11.2 Any documents (e.g. drawings, figures, test specifications), samples, models etc. made available by us to the supplier during the business relationship will remain in our ownership and must be surrendered to us on our request at any time, no later than at the end of the business relationship (including any copies, extracts and replicas), or by our choice must be destroyed at supplier's cost. The supplier thus has no right of retention thereto.
- 11.3 The disclosure of confidential information and any possible communication of documents, samples or models shall establish no right for the supplier to industrial property rights, know-how or copyrights and constitutes no prior publication and no right of prior use according to the Patent and Utility Model Law.

12. Applicable law, place of jurisdiction

- 12.1 The business relations with our suppliers shall be exclusively governed by the laws of the Federal Republic of Germany to the exclusion of its private international law as far as it refers to the applicability of another legal system. The UN Convention on the International Sale of Goods (C.I.S.G.) and other international conventions on uniform law on the sale of goods shall not be applicable.
- 12.2 For all claims from business relations with our suppliers, in particular the delivery, the contract or its validity, the place of jurisdiction shall be, by our choice, the place of performance (Point 5.1) or Weinheim/Bergstrasse. We shall, however, by our choice, be entitled to proceed against the supplier in any other general or special legal venue.
- 12.3 If a supplier's place of business is located out of Germany, we shall be entitled to have all disputes, claims or differences arising out of, or in connection with business relations finally settled under the rules of arbitration of the Zurich Chamber of Commerce by one or more arbitrators appointed in accordance with said rules. The place of arbitration shall be Zurich, Switzerland. The arbitration proceedings shall be conducted in the English language. The award rendered by the arbitrators shall be final and binding upon the parties concerned.

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