

Freudenberg & Vilene Filter China General Conditions of Purchase

1. Scope

- 1.1 These General Conditions of Purchase exclusively apply to all orders placed and contracts concluded by Freudenberg Filter China (including Suzhou, Changchun and Chengdu sites) (the **Company** or **we**) governing the purchase of goods, services and work performance. Any conditions set by our suppliers that are deviating from, or conflicting with or are contrary or supplementary to these Conditions of Purchase will not be accepted by and shall not be binding upon 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 its 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 These Conditions of Purchase shall be incorporated into each Contract and shall govern each Contract to the exclusion of any other terms and conditions subject to which any written quotation of the supplier is accepted or purported to be accepted, or any written order is made or purported to be made, by the Company. For the purposes of these Conditions of Purchase, **Contract** means any contract for the sale and purchase of the goods (including any instalment thereof or any parts for such goods) made between the supplier and the Company.
- 1.4 In instances where the supplier has provided goods/services in response to an order placed by us, then the supplier is deemed to have accepted these Conditions of Purchase.
- 1.5 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.
- 1.6 Any reference in these Conditions of Purchase to any provision of a statute shall be construed as a reference to that provision as amended, re-enacted or extended at the relevant time.

2. Completion of contract

- 2.1 Any agreement with the supplier and all orders, which have been accepted by us, shall be considered binding upon 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 three (3) working days of receipt in writing, we shall be entitled to revoke the order, unless otherwise stipulated therein. 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 in writing.

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 while 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. Invoices must include the order number specified in our order, order date and our item number, all highlighted for easy readability. We reserve the right not to pay invoices that cannot be matched against our purchase order.
- 3.4 Except for cross border transactions, invoices must be made out in RMB and payments will be made in RMB only.
- 3.5 Subject to any special terms agreed in writing between the supplier and us, the supplier shall be entitled to invoice the Company for the price of the goods on or at any time after delivery of the goods. 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. All discounts shall exclude any charge for transport, packaging or insurance.
- 3.6 The supplier shall not be entitled to assign, subcontract or otherwise dispose of his rights and/or obligations hereunder wholly or partly without our prior written consent.
- 3.7 We may set off any amount that is payable by us to the supplier against any amount that is payable by the supplier to us whether or not arising from the same supply transaction. We shall clearly identify any set off which is made.

4. Delivery and delivery time

- 4.1 Time is of the essence and goods/services shall be delivered or performed on the date and at the place specified in the order and in accordance with any additional instructions specified by us. 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 Except in the case of goods which must be specifically manufactured to meet our requirements, we may vary or cancel any of its requirements for any good or service prior to completion of delivery. The supplier will accommodate variations by us. Fair adjustments will be made to prices and delivery requirements due to variations by us, except if the supplier does not give us a written request for an adjustment within 5 working days after notice of each variation, no increase adjustment will be made.
- 4.3 The goods and/or services must conform in all respects with the specifications and any other requirements or descriptions stated by the Company. All goods must be of sound materials, workmanship and design and shall be equal in all respects to relevant samples or patterns provided by or accepted by us. All services/goods shall be free from defects.
- 4.4 Deliveries by instalments and premature deliveries shall be allowed only with our express consent in writing. Payment claims, however, shall be due no earlier than on the delivery date originally agreed upon.
- 4.5 Unless otherwise agreed upon, deliveries must be accompanied by a delivery note and a works test certificate or any other equivalent internationally recognized test certificate generally recognized in the industry specifying the details as mutually agreed upon with the supplier. An initial sample test report must be furnished with first-time deliveries.
- 4.6 On-site deliveries are only possible at previously arranged times.
- 4.7 In case of delivery delays, we shall be entitled to impose a contractual penalty of 0.05% for each day 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.
- 4.8 We reserve the right to cancel the whole or any part of an order or any consignment if the order is not completed in any material respects in accordance with the provisions contained in the underlying Contract.

- 4.9 In the event we cancel the order due to the supplier not meeting the requirements of the order, in whole or part, we will be entitled to purchase from a third party a like quantity of goods of similar description and quality and in that event the supplier shall reimburse us upon demand for all expenditure incurred by us in connection with the said cancellation including any increase in price over that agreed in the original order.
- 4.10 If either party is prevented from performing its obligations hereunder solely by circumstances beyond the reasonable control and without the fault or negligence of the party obligated to perform (including, without limitation, strikes, war, or acts of God), upon the prompt giving of notice to the other party detailing such force majeure event, the obligations of the party so prevented shall be excused during such period of delay, and such party shall take whatever reasonable steps are necessary to relieve the effect of such cause as rapidly as possible. During the period that the performance by either party has been suspended by reason of a force majeure event, the other party may likewise suspend the performance of all or part of its obligations to the extent that such suspension is commercially reasonable.
- 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, unless otherwise agreed upon.
- 5.2 On supplier's account and at supplier's risk, the goods and services shall be properly packed and made to the address designated by us. The risk in respect of the goods and services 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 goods or services, 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.
- 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 goods or services, 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 be entitled to request for the supplier's specific performance.
- 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 no earlier than 30 months after the goods and/or services 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.
- 6.6 In addition, the supplier shall indemnify and hold us harmless from any third-party claims related to deficiencies in title.
- 6.7 If defective goods and services necessitate extra work in the incoming inspection process, the supplier shall bear the costs of such additional inspection.
- 7. Product liability**
- 7.1 The 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 foregoing is attributable to the supplier. Within the scope of this provision the supplier is also obligated to reimburse to us all expenses that are incurred by or in connection with a recall action or any other measure initiated by us.
- 7.2 The supplier will have in force and maintain at its own cost such policy or policies of product liability insurance with a reputable insurer which provides adequate insurance cover in respect of the provision of goods/services to us and will upon request satisfy us that such insurance is in place.
- 8. Industrial property rights and regulations**
- 8.1 If any intellectual property is developed/designed during, or as the purpose of, any delivery of a good/service to us, it will belong to us only.
- 8.2 The supplier guarantees that neither his delivery nor its use infringes upon industrial property rights or other rights of third parties, nor violates 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, unless otherwise agreed upon.
- 8.3 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.
- 8.4 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, including but not limited to moulds and fixtures, 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 the tools and the goods provided by us 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 and goods exclusively for the purpose of manufacturing parts for us, unless otherwise agreed upon.
- 9.5 The supplier shall ensure proper maintenance and repair of the tools and goods provided at his own cost. Upon termination of any 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 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 reasonable 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.
- 10.3 The supplier will ensure that we have access to the prompt supply of appropriate support (e.g. spares, maintenance service) on a reasonable basis throughout the expected life of each good/service.

11. Insurance

The supplier shall, within the lasting period of the business between the supplier and the Company, at its own expenses and costs, purchase and keep sufficient insurance on the relevant respects of the business between the supplier and the Company to ensure that the rights of the Company may be adequately protected, including but not limited to property insurance (against any force majeure and accident), business suspension insurance, third party liability insurance, any insurance required in these Conditions of Purchase and any other insurance relating to the business between the supplier and the company compulsorily required by laws or explicitly required by the Company.

12. General Warranties

- 12.1 By accepting an order the supplier warrants:
- (a) where applicable, each good will be properly installed and integrated into, will be compatible with and will not damage, our relevant systems and other property;
 - (b) each good/service supplied by the supplier will for the specified warranty periods, or if there is no specified period, then for 24 months from the later of the date of delivery and the date of first use by us;
 - (c) be fit for the expected use and purpose; and
 - (d) be free from any defect in design, materials, workmanship and title.
- 12.2 Ownership, possession, modification, use or resale of any good/service supplied by the supplier will not infringe any third party rights and the supplier will protect us from any infringement claim or proceeding.
- 12.3 No form of inducement or reward has been or will be directly or indirectly provided to any of our employees or representatives.
- 12.4 The warranties set out in this clause are additional to any other assurances given by the supplier or implied by law.
- 12.5 The supplier will, to the extent possible, pass on to us the benefit of any warranty or other assurance from any other person/entity in respect of each good/service supplied to the intent that we may have recourse against those persons/entities through the supplier.
- 12.6 The supplier will ensure that the supplier, and each good/service supplied, complies with all applicable laws and regulations.

13. Warranty claims

The supplier will promptly remedy each warranty claim to our satisfaction. We may require repair or replacement solutions and a temporary solution while the claim is being remedied. Components replaced or upgraded within a warranty claim will not be charged to us. Warranty periods are suspended while each claim is being remedied, and then start again for the remaining warranty period of completion of remedying each defect.

14. Confidentiality, documents

- 14.1 Any information, formulations, drawings, models, tools, technical records, procedural methods, software as well as 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.
- 14.2 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.
- 14.3 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 PRC Patent Law.

15. Applicable law, place of jurisdiction

- 15.1 The business relations with our suppliers shall be exclusively governed by the laws of the People's Republic of China, which for the purpose hereof shall exclude Hong Kong Administrative Region, Macau Administrative Region and Taiwan. 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.
- 15.2 Any dispute arising out of or in connection with the transaction contemplated by the parties hereunder shall be submitted to and resolved by China International Economic and Trade Arbitration Committee ("CIETAC") for arbitration in Shanghai in accordance with the arbitration rules of CIETAC then in force. The arbitral award shall be final and binding upon both parties.

16. Interpretation

Unless the context otherwise requires or it is specifically otherwise stated:

- (a) References to "we", "us", and "our" refer to 2 plants of Freudenberg Filter China (Chengdu and Suzhou);
- (b) References to "supplier" refer to any person or entity that provides goods or services to us, who is bound by these Conditions of Purchase;
- (c) "party(ies)" means we and the supplier;
- (d) "good" and "service" include any form of deliverable;
- (e) "order" means the purchase order placed by us to the supplier for the purpose of procurement of goods and/or services;
- (f) if the supplier comprises more than one person, each of those person's liability to us is joint and several; and
- (g) "agreement" or "contract" is a written contract between a supplier and us that describes in detail the scope of goods/services to be provided and each parties rights and obligations with regard to this supply.