

Supply agreement
Contract and outside processing



Together with the exclusively applicable Standard Terms and Conditions of the client, attached to this agreement, provided that nothing else is determined in this agreement, the following is hereby agreed

between

company

(name)

(street)

(postcode) (town or city)

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

and

company

(name)

(street)

(postcode) (town or city)

– hereinafter referred to as the **client** –

a WKW.automotive company

Preamble

In the conclusion and performance of this supply agreement the client and the supplier shall orient themselves toward the special requirements relating to the quality and reliability of their products in the international automotive industry. They hereby agree with binding effect that their competitive strength must be oriented toward these yardsticks, and therefore that their rights and obligations under this agreement are to be exercised and fulfilled in accordance with those requirements. Given the above as the basis of agreement, the following shall apply:

FB11-52 Supply Agreement Contract_Outourced Work WKW.group.	Changed:	Checked:	Cleared:
Name:	Team Zentraleinkauf	Reusch	Herr Vollmer
Datum:	March 2016	Informationsausdruck	11.10.2018



1. Subject matter

- 1.1 The subject matter of this agreement is the processing and return delivery by the supplier of goods made available in accordance with the list in Appendix 1 of this agreement.
- 1.2 The following shall apply with binding effect to the definition of the goods and their quality:
 - 1.2.1 the drawing (specification) no.
 - 1.2.2 the client's / contractor's specification sheet dated if such have been agreed
 - 1.2.3 the IMDS-compatible material data sheet
 - 1.2.4 the agreed test procedures
 - 1.2.5 the intended use of the contractually agreed products
 - 1.2.6 other documents or items (depending on the goods involved).
- 1.3 The procedural instructions VA 11-03 (QM guideline 01 for purchased parts, contract and outside processing) are an integral part of this agreement.
- 1.4 In accordance with the provisions of this agreement and all the General Purchasing Conditions, appendices etc. associated with it, the following WKW Group companies shall have the right to order parts or to have them processed and returned by the supplier:

-[...]

-[...]

-[...]

The supplier shall not have the right to offset claims to which he is entitled in respect of a Group company against claims made against him by other Group companies. Neither shall he have the right to withhold performance owed to any given Group company because of a claim or claims to which he is entitled in respect of another Group company.

2. Quantities, ordering procedure, delivery deadlines, default

- 2.1 The client shall inform the supplier of the delivery quantities prescribed by his customers and the delivery periods to which he himself is bound. Together they shall then duly determine the quantity of goods to be supplied for given periods of time (volume plan). Unless otherwise agreed in writing, the volume plan shall only serve to assist the supplier in the planning of his capacities. There shall be no binding agreements with regard to delivery date or delivery quantity until the on-call orders are issued as in § 2.2.
- 2.2 The quantities stipulated by the client in the respective on-call order shall be binding on the supplier. No deviations from the quantities stated in the on-call order shall be permitted. Part deliveries shall require the approval of the client. On-call orders shall be issued by the client's planners by e-mail, EDI or telefax. At the latest, on-call orders shall be deemed to have been accepted by the supplier if he does not object to them in writing by fax, e-mail or EDI within three working days (Monday - Friday) of receipt.



- 2.3 The client shall have the right to adjust the volume plan and on-call orders by the extent to which the corresponding volume of his own deliveries to his customers changes. The client shall inform the supplier of any such adjustments without delay.
- 2.4 Direct costs incurred by the supplier as a result of the adjustment of an on-call order shall be reimbursed by the client to the extent to which he is responsible for them and the extent to which they were not caused by changes made by the client's end customer. The supplier shall in such cases not be entitled to make any further claims.
- 2.5 The supplier shall be under obligation to adhere strictly to the binding delivery deadlines and delivery quantities in accordance with the on-call order. He shall be under obligation to inform the client immediately of any delays in delivery that appear likely or imminent. The supplier shall bear all costs caused by failure to meet the binding delivery deadlines or quantities (in particular extra freight costs, costs of retrofits and other expenditure incurred by the interruption of business operations and subsequent claims by third parties), unless it is the client who is responsible for the delay.
- 2.6 In the case of culpable default of delivery the supplier shall pay a contractual penalty of 0.3% of the value of the on-call order affected by the default for each working day of the default, subject however to a maximum of 5%. The client reserves the right to assert claims for further damage. The contractual penalty shall be offset against the costs of loss or damage caused by the default.

3. Delivery, return delivery, onward delivery

- 3.1 The client, who delivers goods to the supplier, and the supplier, who then processes them, shall come to an agreement on the size and rhythm of said deliveries.
- 3.2 The type of packaging and the transport racks shall be determined by the client. Transport racks are the property of the client. They are to be treated with due care by the supplier. Any damage is to be reported to the client without delay. The supplier shall be liable for damage occasioned in his sphere of responsibility. When storing the transport racks the supplier shall label them clearly indicating the client's right of ownership. The transport racks may not be used for any purpose other than the delivery of goods to the client.
- 3.3 The client shall deliver DDP. Return delivery to the client shall be FCA (both Incoterms 2010), or in individual cases by means of onward delivery to the customer.

4. Description of performance

- 4.1 The goods shall be processed and pretreated by the supplier in accordance with the client's specifications.
- 4.2 The standard quality features of the goods shall be laid down by the client in accordance with § 1.2 and shall be binding on the supplier. The reference samples deposited with the client and the supplier respectively shall be authoritative in respect of compliance with these standards. These shall be subject to the criteria of Publication no. 16 by the German Automobile Industry Association (VDA). Any deviation therefrom shall require the prior approval of the client. The same shall apply to method and process changes such as could have an influence on the



fulfilment of the quality standards. Any relocation of the supplier's production facilities or engagement of subcontractors on the part of the supplier shall require written approval from the client.

- 4.3 The supplier is aware of the fact that the client must meet the increasing quality demands of the automotive industry. The client shall therefore have the right to pass on these demands to the supplier as they change, and they shall, having been passed on, become part of the supplier's obligation to perform. Any adjustments of costs or altered production processes shall require to be agreed between the parties. If necessary the client shall, after prior agreement with the supplier, be authorised to carry out a time-and-motion study in respect of the contractually agreed products. The processing stages to be carried out by the supplier are defined in Appendix 1.
- 4.4 Differences between the quantity delivered by the client and the quantity returned by the supplier shall be permissible up to a maximum of%. If there is any difference in these quantities, the supplier must state a reason for it and provide evidence quantifying it. The supplier shall be under obligation to make compensation for the deficit unless the client is responsible for it. The client shall have the right to offset such payments against outstanding claims of the supplier.

5. Prices

Processing: €/unit in accordance with quotation of ...

Overall set-up costs:

Savings: xx % per year of collaboration.

6. Price corrections

- 6.1 Any cost or price adjustments determined jointly in the course of value analysis, occasioned by design changes or pushed through by the customers of the client shall lead to price negotiations.
- 6.2 The supplier's prices must remain competitive. The client shall inform the supplier of any more favourable competitors' prices for performance which is the same as that rendered by the supplier. The client and the supplier shall negotiate as partners to determine the extent to which the latter is prepared to adapt to such competitors' prices by lowering his own. If agreement is not reached within a period of time such would be considered reasonable under market conditions, the client shall have the right to terminate the supply agreement giving three months' notice.
- 6.3 It is hereby expressly agreed that for each new project the supplier shall submit a complete cost breakdown at the same time as the quotation itself, using the quotation analysis form FB 11-28 made available by the client together with the enquiry.



7. Payment

Unless otherwise agreed, payment is to be made within 30 days less 3% prompt-payment discount or 60 days net. The payment period shall be deemed to have begun on receipt of a correct and proper invoice and defect-free goods by the orderer (whichever is the later).

8. Supplier's assurances

8.1 The supplier shall ensure the capacities for the agreed deliveries plus a reserve of up to 20% for additional orders, with the proviso that the ability of the client to keep his customers supplied continues to be assured.

8.2 The supplier shall maintain a certified quality management system such as complies with the standards of the automotive industry (e.g. ISO TS 16949). Without being requested to do so, he shall be under obligation to provide evidence of ongoing and current certification by submitting the appropriate documents. The client shall at any time have the right to carry out an audit during normal operating hours. The supplier shall furthermore allow audits to be carried out by the customers of the client.

Further requirements relating to the QM system are laid down in the client's quality assurance agreement / QMR 01, which also applies.

8.3 The supplier warrants and represents that the agreed quality features are complied with and that the goods supplied by him are free of material defects such as would be adverse to their use for the purpose intended. In any case of deviation the client shall inform the supplier without delay and request him to remedy the situation at the client's discretion. If the supplier fails to comply with this request without delay, or if significant disadvantages (e.g. delivery stoppages) are impending, the client shall have the right to implement the measures requested himself or have them implemented by a third party or third parties at the expense of the supplier. The supplier shall reimburse the client for all expenses, other costs and loss or damage associated with the defects.

8.4 The warranty period shall as a matter of basic principle be 60 months as from the delivery of the goods to the client.

8.5 In any case of material defects the supplier shall, if so requested by the client, ascertain the causes and furnish the client with evidence thereof. The supplier shall inform the client of the measures he is intending to take to rectify the cause of said defects.

8.5 The supplier shall for the duration of this agreement maintain product liability insurance, including insurance against costs incurred in recall campaigns, with an insured sum of at least €5m (five million euros) per claim. Extended liability of at least three years as from delivery to the client is to be agreed in the policy. The supplier shall provide evidence of the existence of the insurance cover and any changes in its scope without being requested to do so.



8.6 In the work he carries out, the supplier shall be under obligation to use only defect-free material and to ensure that the work is carried out by trained, reliable, properly qualified personnel. The supplier undertakes to comply with all the applicable statutory regulations. These include minimum wage regulations and regulations governing minimum requirements for conditions at the workplace. Having been requested to do so by the client, the supplier shall be under obligation to furnish evidence of his compliance with these obligations by means of appropriate documentation, such as confirmations issued by auditors. The supplier furthermore undertakes to indemnify the client at the first request against all and any claims asserted against the latter by his employees for non-compliance with the above-mentioned regulations.

9. Term, replacement parts

9.1 This agreement shall be concluded for an indefinite period of time. Notice of its termination may be issued for any given year if this is done at least six months before December 31. Notice of termination is to be given in writing.

9.2 The right of the parties to terminate the agreement summarily for a substantial reason shall remain unaffected by this. A substantial reason for summary termination on the part of the client would, in particular, be the failure of the supplier to adhere to the agreed delivery deadlines or repeated failure to meet the agreed quality standards.

9.3 The client shall also be entitled to terminate the agreement summarily if the client's customer ceases to purchase the goods from the client or instructs him to purchase the goods from a supplier other than the supplier who is the subject of this agreement. § 2.4 shall apply entsprechend to the reimbursement of material costs.

9.4 In all cases of termination of the agreement, and provided that no other agreement has been made between the parties on the subject at the time of termination, the supplier shall guarantee continuation of the supply to the client for a period of 15 years after the end of series production of the vehicle for which the goods are intended.

10. Industrial property rights

Industrial property rights, whatever their nature, in particular patents, expertise, copyrights, design rights etc. of the client shall remain the exclusive property of the client. No rights relating to or arising from said property shall be conferred to the supplier with this agreement or as a result of any other circumstances of the business relationship.

Industrial property rights of the client may only be used by the supplier for the performance of this agreement. The supplier shall not have the right to make or take any direct or indirect use or advantage of industrial property rights of the client, whatever their nature, for his own purposes or those of third parties.



11. Confidentiality

The client and the supplier shall safeguard all business, economic and technical information disclosed to them by the other party in the business relationship, whether the latter has merely been initiated or is already established, in whatever form, including methods and processes in the respective production area as trade and business secrets and shall maintain secrecy thereon ('confidential information'). This is in particular to be regarded as an obligation of the supplier in any case of incipient business relationships with competitors of the client. In the case of visits to his premises or audits by third parties the supplier shall ensure that this confidentiality is assured in favour of the client. The parties shall in their respective spheres ensure that their internal or external agents, whatever their legal relationships to them, are also placed under obligation to maintain secrecy in the same degree. Any breach of this obligation to maintain secrecy on the part of an employee shall be deemed to be a breach on the part of the party itself. This obligation to maintain secrecy shall continue as a legal obligation in its own right however this agreement is terminated.

The obligation to maintain secrecy shall not apply in cases where confidential information is generally known, becomes known without there having been any breach of the obligations under this agreement, or has to be disclosed on the basis of mandatory statutory provisions.

12. Miscellaneous

- 12.1 German law shall apply, there being no recourse to the UN Convention on Contracts for the International Sale of Goods (CISG). Exclusive legal domicile shall be Wuppertal. The client shall however also be allowed to take legal action against the supplier at the latter's registered office.
- 12.2 To the extent that written form has been agreed upon in this agreement, it can only be waived in writing. The same shall apply to this formal requirement itself. In any case of contradiction or deviation between the provisions of a) this agreement, b) the General Purchasing Conditions of the client, and c) other documents and items which also apply, they shall take priority over one another – with regard to the contradictory elements – in the order in which they are listed here. Conditions negotiated between the parties individually and in writing always take priority over general provisions.
- 12.3 If any individual provision or provisions of this agreement should be or become invalid or void, this shall not affect the validity of the remaining provisions. The parties undertake to replace invalid or void provisions with new provisions which cater to the economic regulatory content of the invalid or void provisions in a way that is legally permissible. The same shall apply if the agreement is found to contain an omission.



(place), (date)

Client Supplier

Appendices: ..(such as overview of processing stages, Supply Agreement for Purchased Parts, QMR-01 etc.)