

# General Terms and Condition of Purchase

(GTCP; issue: May, 2019)

The objective of this document (thereinafter just the „Terms and Conditions“) is the definition of purchasing and qualitative relationship rules between the Buyer (thereinafter just “ZÁLESÍ”) and the Seller (thereinafter the „Supplier“).

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## 1. PURPOSE AND SCOPE

The purpose of these Terms and Conditions is the definition of rights and obligations concerning the deliveries of all raw materials, materials, components, machines and their parts, services and other ordered items (thereinafter just “the Goods”) provided by the Supplier or supplied through a transportation firm selected by the Buyer, i.e.: **ZÁLESÍ Corp., Uherskobrodská 119, 763 26 Luhačovice, Czech Republic.**

All rights and obligations resulting from all current and future Purchase Orders placed by ZÁLESÍ are governed by these Terms and Conditions. These Terms and Conditions have an exclusive scope and they are superior to any Supplier’s documents whether these are his General Business or Trading Terms and Conditions or other documents.

By accepting a Purchase Order placed by ZÁLESÍ the Supplier confirms his acceptance of these Terms and Conditions even if the Terms and Conditions were not signed by the Supplier.

If the Supplier does not accept these Terms and Conditions he is obliged to inform ZÁLESÍ of this fact in writing. In that case ZÁLESÍ has the right to cancel the Purchase Order in writing without any obligation to reimburse the Supplier for any expenses incurred in connection with the cancelation.

## 2. PURCHASE ORDER

Supplies of goods are managed by ZÁLESÍ by means of written Purchase Orders or call-offs which state the name of the Goods, ordered amount, price, delivery date. The agreed ordered amount, price and delivery dates, confirmed by the Supplier, are obligatory.

If the Supplier is unable to comply with the agreed ordered amount, price or delivery dates for a serious reason, he has to notify ZÁLESÍ in writing no later than by the 3rd working day from the date the Purchase Order was received by him. Upon expiration of this time period the issued Purchase Order is considered to be accepted by the Supplier.

The Supplier is entitled to issue a formal status for the Purchase Order called “the Purchase Order Acceptance” (in writing) if there are to be gathered some specific information regarding the ordered Goods. If the Purchase Order is not confirmed by the Supplier within 14 days from the statement issuance, ZÁLESÍ has the right to cancel the Purchase Order (in writing) without any obligation to reimburse the Supplier for any expenses incurred in connection with the cancelation.

## 3. GOODS DELIVERY

The delivery of Goods to ZÁLESÍ has to contain the Delivery Note and the Material Quality Certificate (thereinafter the „Certificate of Analysis“). The Delivery note has to state the Supplier’s name, the name ZÁLESÍ Corp., Goods name and ZÁLESÍ’s Purchase Order number, the amount ordered, Purchase Order issuance date and unloading date (or the loading date if the transportation is being provided by ZÁLESÍ). Without these appurtenances ZÁLESÍ has the right to refuse the Goods’ unloading (or loading at the Suppliers’ premises) and to refuse the acceptance of the Goods. The same applies if the packaging is obviously damaged or if the Goods themselves are damaged. The Supplier has no right to request a reimbursement for any expenses incurred in connection with the acceptance refusal by ZÁLESÍ. Unloading refusal (or loading at the Supplier’s premises) is being viewed as a breach of delivery date terms with the consequences of Supplier’s failure to meet the obligation in accordance these Terms and Conditions.

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Goods' unloading at ZÁLESÍ's address is possible only during working days from 6.00am until 2:00pm. An exception for unloading beyond this time frame can only be arranged with an agreement obtained from a ZÁLESÍ's authorized employee whose duty is to notify a warehouse employee in order for him to receive the Goods. Upon vehicle entry to the ZÁLESÍ's premises the reception desk will inform the warehouse employee who will subsequently grant the permission to enter the premises. If the unloading is not notified by Supplier beforehand (this also applies to pre-scheduled deliveries of Goods supplied before the time schedule) and confirmed by ZÁLESÍ, ZÁLESÍ's Goods receipt warehouse has the right to refuse Supplier's vehicle without the obligation to reimburse the Supplier any expenses incurred in connection with the refusal.

In order to assess a compliance with the delivery term or delivery time limit the decisive moment is considered to be the time of Goods delivery to ZÁLESÍ or the handover to the first transportation firm secured by ZÁLESÍ at a loading address notified by the Supplier. If the Supplier fails to comply with the confirmed date for any serious reason, ZÁLESÍ is entitled, upon expiration of a reasonable additional time period (given to the Supplier with a warning regarding a possibility of a Purchase Order withdrawal in case of a non-compliance even with the additional time period provided) to withdraw the Purchase Order, to secure a replacement by a third party, to seek damages due to the Supplier's failure to fulfil his obligation. ZÁLESÍ has the right to recover all extra expenses incurred to ZÁLESÍ due to the Supplier's delay in fulfilling his obligation. Instead of making a claim for each individual extra expense ZÁLESÍ is entitled to claim an overall compensation for damages in the amount of 1 % from the value of the delivery for every commenced calendar day of delay, however no more than 10 % from the total Purchase Order value. The Supplier is entitled to prove that the damage incurred to ZÁLESÍ is much smaller than claimed or none at all. The acceptance of the delayed delivery does not mean that ZÁLESÍ gave up its right to claim damages or reimbursement of the contractual penalty.

If the Supplier anticipates difficulties regarding the production or the delivery of the confirmed ordered Goods or if any circumstances would probably prevent him in fulfilling his obligation to implement the Goods delivery on time and in the agreed quality, he is obliged to immediately inform ZÁLESÍ's responsible employee who issued the Purchase Order.

## 4. PRICE, PAYMENT TERMS AND CONDITIONS, INVOICING

The agreed prices are fixed throughout the whole duration of the project. Any changes to the prices can only be agreed upon by means of a written approval by ZÁLESÍ. Without the approval ZÁLESÍ is entitled to return the invoice back to the Supplier for correction.

Unless otherwise agreed in writing, the price includes all costs inclusive of packaging and Goods transportation to ZÁLESÍ. The delivery term as per INCOTERMS 2010 is „DAP Luhačovice“. The price is determined without VAT.

Even if no agreement regarding the packaging and transportation has been made, the Supplier is obliged to secure an appropriate packaging and transportation that will prevent any negative influence on the quality of the Goods or any damage to it.

The Supplier is obliged to send an invoice always to ZÁLESÍ's Headquarters address which is also stated in the Purchase Order. Invoice particulars are governed by the Czech Republic Civil Code. The Supplier is obliged to provide, above the aforementioned particulars, ZÁLESÍ's Purchase Order number on the Invoice. If the Supplier's invoice does not contain these particulars, it can be refused and returned to the Supplier for correction.

Without any special prior agreement the invoice payment will be made on the 30th day from the date the Goods were delivered with a 2% discount for an early payment being deducted from it or after 60 days without deductions, counted from the date of Goods delivery to the Buyer's warehouse whilst the decision regarding the payment option remains with ZÁLESÍ. In case of an early supply the payment terms run from the agreed delivery date.

ZÁLESÍ has the right for set-off and the right to withhold a payment within the extent stated by law. In case of fault complaints ZÁLESÍ is entitled to specifically withhold due payments within a reasonable

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extent. If the payments for defective supplies have already been made, ZÁLESÍ has the right to withhold other due payments up to the value of the delivered defective supply. The Supplier has no right, without a prior agreement given by ZÁLESÍ, to devolve his claims towards ZÁLESÍ to a third party.

## 5. FORCE MAJEURE

Force majeure, accidental service interruptions, sabotage, riots, labour conflict, official measures, and other unavoidable events entitle ZÁLESÍ to partially or fully withdraw from the Purchase Order issued to the Supplier.

## 6. QUALITY AND LIABILITY FOR DEFECTS

### 6.1 Target assessment

The highest quality and an excellent delivery service are the essential targets of ZÁLESÍ Corp. The satisfaction of our customers is the key measure of compliance with this requirement.

ZÁLESÍ Corp. expects this quality awareness and the associated determination of a zero defect quality target from all its Suppliers.

### 6.2 Management system

The Supplier implements a certified quality management system in accordance with DIN/EN/ISO 9001, issued by an accredited certification authority. The requirements stated therein are binding for the Supplier. The Supplier is required to send a copy of the certificate with the first delivery or upon the certification renewal.

The supplier is committed to a continual further development of a quality management system in accordance with IATF 16949 or with a comparable system, with the aim of achieving a certification issued by an authority accredited by IATF.

The Supplier is obliged to observe the zero-defects target and to continuously optimize his performance in this matter. The Supplier will allow ZÁLESÍ and ZÁLESÍ's customers to carry out an audit of the QM-system (VDA 6.3 methodology) which regards the quality management and the use of processes for the production of parts and products manufactured by the Supplier and his Subcontractors.

### 6.3 Documentation / Amendments

Any legislation referred to in ZÁLESÍ Corp's documentation – Customer's, OEM, Standards for technical drawings, etc. – will be obtained by the Supplier at his own responsibility.

All amendments will be agreed upon between ZÁLESÍ Corp. and the Supplier in a timely manner to enable both parties to examine them and their impacts so that the amendments can be agreed upon in writing before they'll get implemented. Namely:

- The Supplier has to have at his disposal an internal system which guarantees the use of all current legislation;
- Every first delivery which follows after an amendment has to be marked as per the agreement with the quality management department;
- All documents such as Delivery Notes have to contain the ref. number of the amended technical drawing as well as the design status / technical drawing amendment status;
- After the first delivery with the new design / new technical drawing no other delivery of parts with the former design / former technical drawing can take place.

All necessary processes and materials used for the parts production have to correspond with the state of the technologies, valid legal requirements and related regulations, respectively the relevant approval processes and health and safety regulations, environmental protection regulations and hazardous substances legislative. The Supplier is furthermore obliged, if the production is taking place abroad, to stay informed of the national and sector-specific laws and to observe them.

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The Supplier shall have documented processes for the management of product-safety related products and manufacturing processes and is obliged to appoint a product-safety representative.

The obligation to keep documentation lasts for 10 years and for the documentation with special archiving requirements (in accordance with VDA volume 1) it is 15 years from their creation.

## 6.4 Project management

The Supplier uses an interdepartmentally set project management and he informs the competent employees of ZÁLESÍ Corp. of his contact partners - at least of the Project Manager's name. Project management takes into account the requirements of APQP, PPAP as well as VDA 2, VDA 4, T. 3. and it uses standards generally used within the automotive industry. It is necessary to agree upon all details within the relevant project case.

Prototypes and pre-serial production parts should be, if at all possible, produced under a serial production conditions. Exact production and testing conditions and the documentation of results (e. g. measurement protocols) have to be agreed upon between ZÁLESÍ and the Supplier.

The project is concluded by a release (of a serial production) by ZÁLESÍ. The prerequisite for this is an evidence that the required amount was produced in a controlled process within a given time period and in a specified quality. All details such as the used process (PPAP or PPF in accordance with VDA 2), the degree of accuracy and the accompanying documents are approved within the relevant project. The Supplier will furthermore use the IMDS procedure to assess the samples.

Once ZÁLESÍ approves the documentation (PPAP or PPF in accordance with VDA 2) a Quality Department employee will release the new Product. The Supplier shall not, without a written approval issued by ZÁLESÍ, change its appearance, features, materials or manufacturing methods.

The Product's release by ZÁLESÍ Corp. does not relieve the Supplier of his responsibility to carry out a correct production of parts.

## 6.5 Process quality

All characteristics created by the Supplier on all parts must always correspond with the specification.

In order to respect the special significance of the KC/SC/CC testing characteristics (or as specified by the customer, OEM), it is necessary to use for these characteristics the relevant testing/control process. That is, for example, a proof of eligibility by measuring according to PPAP, PPF at the defect control characters which are exclusive for each individual product, 100% inspection or another procedure agreed upon with ZÁLESÍ for the respective individual case.

## 6.6 Tests / Audits

The Supplier, using systematic measures, will ensure that all products will conform to the technical drawings and specifications.

Such measures may include, apart from others:

- inspection of incoming goods;
- process parameters control;
- statistical process control (SPC);
- 100% control of the non-capable processes and product characteristics;
- inspection of material / durability;
- system audits / process audits / product audits;
- long – term testing;
- repeat testing of the first samples.

The selection of the relevant necessary processes is guided by the product requirements.

The Supplier will carry out at least once a year a requalification test on all parts.

Any testing which cannot be carried out using suitable testing equipment at the Supplier's premises the Supplier will order and secure at his expense at an appropriate accredited institution.

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## 6.7 Identification and traceability

The Supplier is responsible for running a system which will ensure unambiguous assignment of parts to their relevant technical drawings and processes. In this system it is possible to assign, if needed, the used materials, machines, applied parameters and to identify the test results of the relevant production batch so that the traceability is secured.

## 6.8 Testing devices, testing equipment

All testing devices and testing equipment are to be subjected to systematic controls and regular calibration. Throughout usage will be ensured by means of a professional use and storage during periods of non-use.

## 6.9 Customer satisfaction

All deliveries get evaluated by Zálesí's unified internal Supplier evaluation system. Suppliers will regularly receive from Zálesí the results of their performance evaluation. Depending on the results the individual Suppliers are then required to take corrective actions.

## 6.10 Delivery certification

The Supplier will provide the Inspection Certificate EN 10204 3.1 with all deliveries of raw materials (inserts, plastic granules, steel, aluminium etc.) as well as for all parts. The inspection certificate or clearly attached Consignment Note containing the Delivery Note number, item number and serial production number, must show that the delivered goods were produced from the material stated in the Certificate.

EU Safety Data Sheet has to be attached to all materials, auxiliary and operational substances with the first supply and during any changes.

## 6.11 Defective products management / Complaints / 8-D-Reports

In addition to the DIN/EN/ISO 9001 requirements the following applies: Supplier's unlabelled products or those suspected to be defective will be treated as defective products.

If any defective purchased parts are to be discovered at ZÁLESÍ Corp., Claims Report will be sent to the Supplier. The decision on the disposition of these parts will be agreed upon with the Supplier. Following are the options:

- immediate despatch of the entire delivery back to the Supplier;
- sorting and completing by the Supplier at ZÁLESÍ;
- sorting and completing at ZÁLESÍ by ZÁLESÍ's relevant employees or perhaps even sorting by an external company.

The Supplier shall be responsible for the necessary remedial, corrective, reconstructive and sorting work and bears all the costs. The Supplier is obliged to respond within a reasonable time period (D1-D3/24 hours, D4-D8/14 days) to the complaint report and to give his statement in the 8-D-report form. If during the stated time period there's no reaction from the Supplier, the goods will be sent back to the Supplier at his own expense. If the goods are returned back to the Supplier, the Supplier is obliged, after an agreement with the Sales referents, to provide a flawless replacement supply. All expenses incurred in connection with the claim (e.g. extra transport etc.) bears the Supplier if he's responsible for the faults.

## 6.12 Delivery service / Liability for defects

The Supplier will properly examine the requirements stated in the Purchase Orders obtained from ZÁLESÍ's Purchase Department (even their accuracy) regarding the ordered amounts and the delivery dates. If any difficulties in deliveries or any other unforeseen circumstances were to arise, the Supplier is obliged to immediately inform ZÁLESÍ.

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Capacity planning will be agreed upon together with the Supplier and the demand fluctuation tolerance will be defined. Within the demand fluctuation tolerance the Supplier is obliged to secure 100% deliveries.

If a delivery of defective goods is threatening to stop the production at ZÁLESÍ or at its customer's plants, the Supplier, using appropriate measures reimbursed by himself, has to immediately take steps leading to an amendment of the situation by means of a replacement delivery, sorting, repair, extra shifts, fast deliveries etc.

If the Supplier fails to fulfil his obligation for a supplementary performance in order to replace the defective Goods within a reasonable additional time period given by ZÁLESÍ, the Goods will be regarded as undelivered and the proceedings as specified in Article 3 of these Terms and Conditions (Deliveries) will follow.

The Supplier will be informed of any defects on the delivered Goods which ZÁLESÍ is able to remove by itself and upon a mutual agreement the defects will be eliminated at the Supplier's expense. The calculation of expenses is the subject of the official ZÁLESÍ's list of fees (thereinafter just „ZÁLESÍ's Fees and rates“).

If ZÁLESÍ is forced to carry out 100% sorting of a delivery or a final production due to a discovery of defective Goods, the Supplier will bear the cost of such work process unless he is able to prove that the defect was not caused by him.

ZÁLESÍ can take any so-called necessary measures leading to an elimination of defects where safety is at risk or an unusually high expenses caused by the defect can be foreseen even without a prior consent by the Supplier.

ZÁLESÍ has the right to claim from the Supplier a flat-rate expense reimbursement for an administrative processing of the claim, separately for each individual case. Even these expenses are listed in the ZÁLESÍ's Fee Rates.

If ZÁLESÍ's customer or any other third party should hold ZÁLESÍ responsible for any damage, the Supplier shall bear the responsibility for these claims if the damage was caused by any defective Goods supplied by the Supplier. In cases of a liability depending on a degree of culpability this only applies if the fault can be related to the Supplier. Providing that the cause of the damage is the Supplier's responsibility then he shall bear the burden of evidence. In such cases the Supplier assumes all costs and expenses including the cost of eventual legal prosecution or appeal. In all other cases statutory provisions apply.

## 7. INFORMATION CONFIDENTIALITY

The Supplier is obliged to treat as confidential all business or technical documents, information or data made available to him in the framework of cooperation and he is in particular forbidden to pass them onto third parties, he is allowed only to use them for the purpose of commission fulfilment for ZÁLESÍ and he can only make them available to those people and co-workers who have to learn about them in order to fulfil the commission. This does not apply if the aforementioned are provably generally known facts.

Subcontractors have to be bound in an according manner.

All other conditions are the subject of ZÁLESÍ's contractual document – Confidentiality Agreement (according to the last edition).

## 8. LITIGATION

All disputes related to these Terms and Conditions will be resolved chiefly by agreement between ZÁLESÍ and the Supplier. If not, the disputes will be judged by the relevant court to which ZÁLESÍ is territorially appurtenant. The legislation of the Czech Republic applies.

In case of a dispute the Czech wording of the Terms and Conditions applies for the Czech Suppliers.

## 9. OTHER ARRANGEMENTS

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The Supplier hereby declares that he has properly acquainted himself with the content of this Document and he will comply with the provisions therein stated. He is furthermore obliged to keep track of all updates of these Terms and Conditions published at ZÁLESÍ's website: [www.plasty.zalesi.cz](http://www.plasty.zalesi.cz); [www.kovo.zalesi.cz](http://www.kovo.zalesi.cz) on the following link: *Documents for download*.

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## ZÁLESÍ's FEES AND RATES:

DESCRIPTION	FEE
Discrepancies during Goods delivery from the Supplier (missing Attest, Purchase Order number on the Delivery Note etc.)	100 € / one-off payment
Preparation of defective Goods to be returned to the Supplier	100 € / one-off payment
Disposal of defective Goods at ZÁLESÍ	20 € / pallet
Repair of defective Goods by ourselves	According to the repair extent
Sorting (external company)	Based on the selected external company
Sorting (ZÁLESÍ's employee)	20 € / hour / 1 employee
The cost of a pallet space blocked for the defective Goods	20 € / day / pallet
Administrative complaint settlement*	200 € / one-off payment
Administrative settlement of a recurring complaint	500 € / one-off payment
A penalty for a failure to submit a response to an issued complaint protocol within a specified time	50 € / each day of the delay
The hourly rate for measuring	30 € / hour
The hourly rate for measuring using 3D, 3D Scan	50 € / hour
The cost of a technical change required by the Supplier whereas this change does not improve a process at ZÁLESÍ and it does not have an impact on reducing the cost of the supplied Goods	150 € / one-off payment
Time lost at ZÁLESÍ's own production plant caused by the Supplier	100 € / machine or production line / every commenced hour or as per individual agreement according to the actual extent of the production shutdown
Time lost at ZÁLESÍ's customer's plant caused by the Supplier	According to customer's expenses
The cost of special extra transportation of Goods to the customer caused by the Supplier due to the necessity to resolve defective Goods or delayed delivery of Goods to ZÁLESÍ	According to the carrier's cost (or customer's)

\*Administrative settlement of a complaint includes:

Issuance of a Complaint Protocol to the Supplier, 8D analysis report, issuance of internal documents, complaint closure	100 €
Fee for a Quality Engineer	70 €
Fee for a preliminary quality control employee and warehouse employee	30 €
Total	200 €