



## COMMERCIAL

SUBJECT:

**GENERAL PURCHASING CONDITIONS SEP**

Page 1 to 12

**SEP d.o.o.**

Proizvodnja in storitve  
Stari trg 2a  
SI-8230 MOKRONOG  
Slovenija

conditions of the Buyer and excludes any other instructions or agreements, which are not approved in writing by the Buyer.

### **1 GENERAL PROVISIONS**

- 1.1 These General Conditions of Purchase constitute a legal basis for making legal transactions between the Supplier and the Buyer, SEP D.O.O. (hereinafter: Buyer), for purchasing goods, materials and services for conducting its regular activities.
- 1.2 The General Conditions of Purchase refer to all kinds of orders. They become effective on the day of receiving the order.
- 1.3 The Buyer reserves a right to define special conditions for a single order that in case of such order supersede to the General Conditions.
- 1.4 The Buyer programs the supply and executes invoice payment for open orders.
- 1.5 Relations between the Buyer and the Supplier are determined by a special annex. Provisions from a valid annex exclude the provisions of this General Conditions of Purchase (hereinafter: GCP).
- 1.6 An appropriately signed certificate on receiving the order is to be returned to the Buyer by mail. Accepting the order means accepting the purchasing



## COMMERCIAL

SUBJECT:

**GENERAL PURCHASING CONDITIONS SEP**

Page 2 to 12

### 2 OPEN ORDERS – DELIVERY RECALLS

- 2.1 Certain Goods that are regularly consumed can be subject to an open order (Technical Acceptance Conditions) indicating the address of the Supplier, the address of the Buyer, the Buyer's product code, the Supplier's product code price, product's name and price, logistics conditions (packaging, transport, etc) and estimated total quantities for a certain period. The dates of specific deliveries and quantities are afterwards defined in delivery requests (Delivery Plan for 1+12 weeks), which contain the following information: the address of the Supplier, the address of the Buyer, the Buyer's product code, the Supplier's product code, product's name, place of delivery, conditions of payment, number and quantity of the last received delivery.
- 2.2 Orders and delivery recalls, including any modifications and supplements, must be made in writing.
- 2.3 The Buyer can in the framework of circumstances, as far as this is admissible (in proportion to possibilities), require from the Supplier to change the construction and execution of the object of supply. In such a case, the parties agree in a contract upon any consequences (impacts), especially regarding additional or decreased costs, as well as delivery periods.

### 3 DELIVERY DATES AND QUANTITIES

- 3.1 The Supplier undertakes to supply the products to the Buyer to the pre-agreed place and to perform services in accordance with the order (or recall) stated in the GCP and the Technical Acceptance Conditions.
- 3.2 Delivery dates, determined in quantity orders or recalls, are the dates of the products' arrival to the pre-agreed place or the dates, on which the service was completed (reception date), and not the date of shipping.

These dates can be modified by the Buyer according to any requirements on the basis of additionally presented recalls or delivery plans.

- 3.3 In instances, when the transport of goods is organized by the Buyer, it is considered that the Supplier has performed his obligations, when the goods are delivered to the proposed address of the Buyer.
- 3.4 The Supplier undertakes to perform the supply or service in accordance with the delivery date, determined in an individual recall. In case of any delay in performing the obligations, the Buyer holds the right to issue a delay fee to the Supplier without prior notification, in the amount of 0.5% per day or no more than 5% of total value.
- 3.5 The Supplier undertakes to inform the Buyer without delay about any hindrance that may cause a delay or that may influence the necessary quantity of requested deliveries.
- 3.6 The Supplier is committed to reimburse the damage due to delays to the Buyer. In case of an obvious incapability of delivery, an obvious delay or any other infringement of purchase conditions, the Buyer holds the right to waive the entire order or a part of the order and to assign the manufacture on the Supplier's expenses to some other Supplier. When claiming compensation, the Buyer will appropriately and in good faith consider the economic situation of the Supplier, the type, scale and duration of the business connection as well as the value of delivered goods.



## COMMERCIAL

SUBJECT:

**GENERAL PURCHASING CONDITIONS SEP**

Page 3 to 12

3.7 For each delivery performed before the delivery dates determined in the order, the Buyer holds the right to:

- decline the goods at Supplier's expense,
- accept the goods, but pay the invoice according to dates planned in the order and to invoice the costs of storage for each packaging unit to the Supplier.

3.8 Once a year the Buyer will determine the amount of storage compensation in accordance with the scale and quantity of goods delivered ahead of schedule.

3.9 Force majeure, riots, with the exception of strikes running directly at the Supplier's, governmental measures and other unforeseeable, unstoppable and fatal events relieve the contracting party of contractual consequences and responsibilities for the duration of such circumstances. The contracting parties shall notify the other party as they best can and without delay and adapt its obligations to the changed circumstances in good faith.

#### 4 SAFETY STOCK

4.1 In case of open orders of products, needed in the Buyer's production process, the Supplier must establish, maintain and constantly renew an emergency stock at its own costs. If not determined otherwise, the stock must correspond to the quantity delivered in ten workdays (based on average of last 3 months consumption).

4.2 The Buyer holds the right to occasional inspections of emergency stocks.

#### 5 DELIVERY

5.1 If not stated otherwise, ordered goods are delivered to the address of the Supplier's storage site. All costs are covered to the place of delivery, stated in the order. Upon reception, shipment risks are assumed by the Buyer.

5.2 The Supplier undertakes to send a shipment notification (e-mail delivery note) for each delivery, performed by him or by a carrier on his behalf. Each delivery must be accompanied by a delivery note and a receipt for goods outside Slovenia in three copies-if not agreed in different way-, which contain the following data:

- name and complete address of the Supplier
- order number
- name and quantity of materials
- product's catalogue numbers (SEP codification)
- Stamp, signature and name
- shipment date
- declaration of origin for receipts under 6000 EUR (in accordance with EU legislation)
- EUR 1 for receipts above 6000 EUR.

5.3 The shipment must be accompanied by an original receipt, indicating the country of origin, or the receipt must enclose an appropriate supporting document on the goods' origin and other documents, on the basis of EN 10204:2004, point 3.1.

5.4 The origin of newly accepted goods or changes of the origin must be immediately reported to the Buyer, without him requesting it. The Supplier shall be liable for the damage the Buyer might suffer due to



## COMMERCIAL

SUBJECT:

**GENERAL PURCHASING CONDITIONS SEP**

Page 4 to 12

incorrect or delayed submission of the Declaration of Origin. If necessary, the Supplier must prove its data on the origin of the goods with an informative list, which is to be approved by its customs post.

5.5 We hold the right to charge the Supplier for all fees and fines due to irregularities associated with the origin of goods.

5.6 The Supplier is obliged to ensure the traceability of delivered products and to deliver the product in accordance with packaging methods and transport conditions, which are determined in the order and in its Technical Acceptance Conditions. The Supplier shall be liable for any damage caused by deficient or wrong packaging. In relation to this, the application of the ODETTE label standard is recommended, while the application of the bar code, for marking codes and quantity, is mandatory.

5.7 Each package or crate (shipment) must include the following clearly stated information:

- name and complete address of the Supplier
- specification of products in accordance with rates for quantity orders/recalls
- product's catalogue numbers (SEP codification with a bar code)
- quantity of goods per package or crate (shipment)
- place of delivery
- date of manufacture
- batch

5.8 The Supplier specifies the supply of services on an appropriate accounting list (delivery note, work order, accounting list, technical inspection record, etc.).

5.9 The Buyer holds the right to decline accepting the goods at his factory. In this case, all products, which were not ordered, were shipped without an order or were delivered ahead of schedule, shall be returned to the Supplier as well as those, which are upon reception revealed not to meet the specifications of goods ordered.

5.10 Wrapping and packaging is determined in the Technical delivery Conditions, which are a constituent part of these conditions.

### 6 RECEPTION OF GOODS

6.1 Examination and reception of goods is conducted at the storage site of the Buyer in accordance with the agreement on reception of goods. The signature and release stamp are not considered to be a final reception.

6.2 The Buyer shall return any inadequate or defective deliveries to the Supplier and charge costs stated in the Technical delivery terms. The Buyer holds the right to seek compensation for these defective deliveries, which shall be invoiced under the same conditions.

6.3 The Buyer undertakes to conduct an administrative reception on the date of delivery (or on the date of performed service), under the condition that he has received the arranged documentation (shipment notification, delivery notification of equipment, delivery note or an appropriate accounting list) in accordance with the provisions of the General Conditions of Purchase; that product identification meets the provisions of the General Conditions of Purchase; and that the products are delivered one hour before the closing time of the Buyer's storage site. In case of incomplete documentation, administrative reception is postponed to the day, when the Supplier adequately supplements it. The Supplier undertakes to replace or repair products (or supplement a service), for



## COMMERCIAL

SUBJECT:

**GENERAL PURCHASING CONDITIONS SEP**

Page 5 to 12

which it was upon reception or during usage revealed that they are not impeccable or are inappropriate.

6.4 The Buyer and the Supplier shall agree separately about one of the following forms of reception: classical reception, reception according to the »Certificate« (according to standard EN 10204, point 2.2) or reception according to the Supplier's quality assurance system (AQP). Goods classify for AQP if:

- If the Supplier delivers a certain material for a period of six months with no

s due to the product's quality (and supplier has at least ISO 9001).

- If there are no complaints due to the product's quality for 10 consecutive deliveries (and supplier has at least ISO 9001)..

6.5 In case of scrapping during processing, repairing or the need for sorting a certain percentage of goods according to the type of the item, the Buyer holds the right to charge the Supplier for the costs of processing, repairing or sorting, according to prices determined in the Technical Acceptance Conditions, and to request a price reduction or that the Supplier corrects the errors himself.

6.6 The Supplier shall assume total responsibility for expenses incurred as a consequence of quality deviation arisen from the Supplier's liability, and that for expenses incurred by the Buyer, by the Buyer's customer or by the end user. Costs due to quality problems are: flat-rate upon issuing complaint and actual costs related to quality problems (delay, sorting, repairing,...) and both are included in the price list in the Technical Delivery Terms, which are a constituent part of this conditions.

6.7 In case of quality discrepancies in the material or the supply, the Buyer is obliged to inform the Supplier. In 24 hours after receiving the complaint report (an open 8D report), the Supplier is obliged to commence mending the problem in question and to finish this immediately or in the shortest possible time, as stated in the order or in the complaint. Complaints shall be treated pursuant to the 8D procedure, which is to be fulfilled consistently by the Supplier and followed by appropriate actions:

- the 8D report is binding
- Observance of 3D 24 hours (plan of immediate damage control measures).
- Observance of 6D 10 days days (corrective actions along with root cause analyse made by the Ishikawa method and 5x Why method. In terms of analyzing root causes, supplier must provide following analysis:
  1. 5 reasons why (WHY NOK part was produced).
  2. 5 reasons why (WHY NOK part was delivered).



## COMMERCIAL

SUBJECT:

**GENERAL PURCHASING CONDITIONS SEP**

Page 6 to 12

- Observance of 8D 30 days (complete report on the efficiency of the implemented measures on the 8D Report form).
- In the framework of problem solving, PFMEA (risk analysis) is obligated to submit, Supplier must also verify and revise other documentation related to the issue (Flow chart, control plan, work instructions, Adjusting sheet, drawing, maintenance plan, training plan, change of system documentation, working/control means, etc.).
- If it is necessary to apply for an extension to the timing, please submit a detailed timing plan to SEP SQE for approval.
- The completed 8D report and confirmation by SEP are a condition for the completion of the complaint.
- Packaging of the material must be marked as 100% inspected for at least 3 consequent deliveries. In case of complaints concerning a material, for which the Supplier claims to be 100% inspected for the subject of the complaint, the Supplier assumes complete responsibility and is obliged to cover all costs concerning the second complaint.
- The Supplier is obliged to convey the error to all his suppliers, who influence the error in question.
- Repair and sorting costs for unsuitable material, which is needed by the Buyer for undisturbed production, are covered by the Supplier. In this instance, the Buyer is not obliged to wait for the Supplier's approval of repairs or sorting.
- In case of a complaint, the material loses its AQP status
- All costs due to unsuitable material are charged according to the Complaint Costs Sum, which the Buyer sends to inform the Supplier, before invoicing these costs.

6.8 The claim is being considered as recurrence when determined by the 8D team based on the following specifics:

- Has the claim repeated on the same product
- In the same size range

- At the same location
- With the same function of inadequacy.

In the event that the 8D Team decides the claim is recurrence; the additional necessary measures for the recurrence analysis shall be followed where the development team and the supplier team are involved. Depending on the nature of the claim, additional laboratory analyzes (tests, validations, ...) can also be required.

6.9 In case the Supplier does not mend the error in the set deadline and does not reimburse inflicted damages, the Buyer holds the right to delay invoicing for performed services or to settle liabilities with the Supplier.

## 7 PRICES



## COMMERCIAL

SUBJECT:

**GENERAL PURCHASING CONDITIONS SEP**

Page 7 to 12

- 7.1 Unless the order determines otherwise, all prices are fixed and can not be modified one-sidedly.
- 7.2 The price includes all elements, all circumstances and all special features related to development, production and certain technical and functional specifications determined in the Technical Acceptance Conditions, which are a constituent part of these conditions.
- 7.3 Prices include packaging costs.
- 7.4 If the place of delivery is not stated in the order, it is considered that the place of delivery is the Buyer's storage site according to parity DDP (Delivered, Duty Paid) Mokronog in accordance with the provisions of Incoterms 2000 (since 1 January 2011 Incoterms 2010).
- 7.5 The Supplier undertakes to invest the best efforts into improving his and his sub-Supplier's products and processes; and to direct his efforts for reducing costs as well as to, regarding the latter, disclose his annual productivity to the Purchase, concerning continuous purchases.

### **8 ISSUING INVOICES AND PAYMENT**

- 8.1 Each invoice must match each individual order. An invoice must include the number of the order, the product and the state of the change, the product's name or service specification, the Buyer's code, the amount, price, date and number of the delivery note, the manner of delivery, the delivery point, and bank information (bank's title and account No.). It must be issued in accordance to the Law on Value Added Tax.
- 8.2 The Supplier is obliged to issue the invoice in two copies to the address of the company with an enclosed copy of the agreed-upon documentation.

The Buyer must receive the invoices within no later than 5 days from the day of delivery or of the performed service. If this is not the case, the date of commencing liabilities shifts and with it the charge rate for the appropriate number of days of delay. The Supplier has no right to claim delay interests for this time.

- 8.3 Payment is executed after the contractually agreed-upon arrival of goods and the arrival of an accurate and inspected receipt.
- 8.4 Unless stated otherwise by the Buyer, all payments are to be executed within 90 days from the end of the month of invoicing.
- 8.5 In case of delivery with errors, the Buyer is entitled delaying the payment or a part of the payment, in balance with the value of the portion of bad products, up until accurate fulfillment.
- 8.6 The due date of payment and the method of payment are determined in each individual order. Payment does not imply the Buyer's final recognition of the quality of goods.
- 8.7 If payment is due on a Saturday or a work-free day, it is executed on the first work day. The Supplier has no right to claim delay interests for this time.
- 8.8 The Supplier is not entitled to assign his receivables towards the Buyer or to waive them for claim to a third person without a previous written consent of the Buyer.



## COMMERCIAL

SUBJECT:

**GENERAL PURCHASING CONDITIONS SEP**

Page 8 to 12

### 9 QUALITY AND COMPLIANCE

9.1 The Supplier is responsible for the quality of delivered material or products and establishes a system for quality control and management. The Supplier proves the effectiveness of the system for quality management and compliance with:

- a certificate of quality in compliance with the ISO 9001 standard series
- an ISO TS/IATF 16949 certificate of quality.

9.2 In instances, when the Supplier does not possess an evaluation of the quality management system, SEP D.O.O. can execute an audit of the process and evaluate the Supplier's capabilities. In case of a positive evaluation, the Supplier is instructed to prepare a process, on the condition that all requirements for ensuring the quality of the process are fulfilled.

9.3 After the Supplier's measures have been implemented, the process documentation is validated by a representative of SEP D.O.O, who also performs a second evaluation of the process.

9.4 Delivered products must be in accordance with specifications, drawings and all other documents, which define the product, were available to the Supplier and are agreed-upon in the Technical Acceptance Conditions. Undistinguishable characteristics must comply with possible type parts or prototypes.

9.5 The Supplier proves concordance of contractual products with currently valid documentation:

- With signed off PSW,
- by delivering contractual products according to tolerance levels,
- by recording the quality of delivered material or products (e.g. material certificate, measurements report, etc.).

9.6 In the event of any change related to the product, tool, process or production location, the supplier must first receive buyer's approval of change. To do so, supplier must submit introduction of the subject of the change, the feasibility statement and the cost impact. Supplier must also present dimensional report and capabilities for special characteristic before and after the required change. After the written approval of the buyer (approved PSW, signed purchase contract or other material quality documentation), the supplier can start with deliveries.

9.7 No technical modifications are to be made without the Buyer's consent. The Supplier is obliged to issue prior notification to the Buyer, when using a new tool or procedure. Each stated modification facilitates a repeat of the Approval of Initial Samples procedure. For each new product and in other instances, when this is agreed-upon, the Supplier has to present a sample product to the Buyer, which completely matches the planned production. A control report and if needed, all other test results, as required by regulations, must be enclosed. Parts must be in accordance with their definition, suit the intended function and meet the requirements of valid regulations. The order shall become fixed only after the Buyer's approval of the suitability of type parts (samples).

9.8 The required documentation shall be under the Supplier's safeguard and the latter shall also keep (file) the "Quality Records". The Supplier shall keep the records for the lifetime of the product, at least 15 years after End of serial production.

9.9 In the event of insignificant deficiencies of the Goods, generally arising from single or short-lasting effects at the Supplier, the latter can request (in writing) Conditional Reception from the Buyer. The delivery of such goods shall be possible only upon the Buyer's prior written consent. Goods must be appropriately marked.



## COMMERCIAL

SUBJECT:

**GENERAL PURCHASING CONDITIONS SEP**

Page 9 to 12

9.10 The Buyer has a right to check the compliance with requirements in these purchase conditions by means of performing audits at the Supplier's.

### **10 CANCELLATION OF THE ORDER**

10.1 For every failure to fulfill the present conditions, especially for repeated delays in deliveries and repeated quality defects of the products, the Buyer can with one single written notice cancel the order (withdraw from the order).

10.2 The written order cancellation notice also includes the Buyer's right to reimbursement and can also include a specific request for cost reimbursement.

### **11 TOOLS AND DRAWING**

11.1 Tools, samples, models and other objects ordered at the Supplier's or at third persons for the purpose of the Buyer or made by the Buyer in order to make them available to the Supplier, are in the whole Buyer's property. The care of maintenance and overhaul is taken by the Supplier who is also responsible for carrying out the Goods orders. The Supplier shall keep up-to-date records on maintenance and repair of the tools.

11.2 The Supplier shall not on the account of any third person make any part on the basis of the Buyer's drawings, tools or models without a previous written consent given by the Buyer. If such is not the case, the Buyer shall consider this as an act of unfair competition and he reserves the right to claim the compensation from the Supplier. Change of tools, their transmission to a third person or their destruction shall not be allowed without a previous written consent given by the Buyer.

11.3 The Supplier shall assume the responsibility and the expenses incurred in case of damage, destruction or theft of the objects under article 11.1.

### **12 WARRANTY**



## COMMERCIAL

SUBJECT:

**GENERAL PURCHASING CONDITIONS SEP**

Page 10 to 12

12.1 The Supplier shall be held responsible for apparent and hidden defects of all his deliveries including those the manufacture of which might have been partially or in a whole entrusted to a third person. The Supplier shall also be charged for the compensation in case this compensation has been enforced from the Buyer by a third person as a result of the Supplier's defects. The Buyer reserves the right to waive the order and/or to cancel it and to claim the reimbursement for damage according to provisions regulating the contractual obligations and according to general rules on damage liability.

12.2 The Supplier shall take all necessary measures to notify the Buyer without delay about any actual or supposed deficiency of his products or about any factual deficiency he is acquainted with in order to restrict any later potential harmful consequences.

### **13 INDUSTRIAL PROPERTY**

13.1 The Supplier shall protect the Buyer against any claim that third persons might institute anywhere in connection with the Goods delivered by reason of patents, licenses, trademarks and models. In case of proceedings on the basis of such claims the Supplier undertakes to begin to represent the Buyer without delay and to assure for him the defense on his own expenses in all legal proceedings that might be initiated. The Supplier shall repay in whole all the amounts of expenses, fees and indemnifications that the Buyer would have to pay pursuant to the judgment.

### **14 PROFESSIONAL SECRECY**

14.1 The Supplier undertakes to keep the transmitted information confidential. He shall set forth all the necessary measures to prevent the circulation of the information received for the purpose of performing the order. The drawings, documentation, designs, models and samples the Supplier has obtained and were partially or completely designed by the Buyer or his partners are and shall remain the Buyer's property.

14.2 Supplier and the Buyer undertake to handle and keep all commercial and technical details they have got acquainted with in the course of their business relation as.

14.3 Drawings, documentation, models, templates, samples and other similar objects shall not be waived to any unauthorized third person or otherwise made accessible. Multiplication of these objects shall only be allowed in the framework of business requirements and provisions of regulations regulating the copyright and other industrial property rights.

### **15 ENVIRONMENTAL POLICY**

15.1 The Supplier shall ensure that the goods delivered meet all environmental requirements in force laid by the law or otherwise agreed.

15.2 The Supplier is requested to manage his environmental management system in accordance with requirements of ISO 14001 standards.

15.3 The Buyer undertakes to separately collect packaging of hazardous materials and hazardous waste in equipment intended for this function.

15.4 The hazardous material Supplier undertakes to arrange, upon written request, the removal of hazardous material packaging and all collected hazardous waste. Removal is to be executed at his own costs. This is to be



## COMMERCIAL

SUBJECT:

**GENERAL PURCHASING CONDITIONS SEP**

Page 11 to 12

done in accordance with legal and other obligations, which derive from the environmental aspect.

### **16 GENERAL CLAUSES**

- 16.1 The Supplier is obliged to respect the generally applied regulations on safety at work as well as internal regulations of the Buyer.
- 16.2 The Supplier is selected on the basis of personal skills of a manager or a group of managers on the day of signing the order, on the basis of their equity participation as well as on the basis of financial, human and material resources, with which the company operates internally.
- 16.3 The Supplier undertakes to report any changes in the company to the Buyer, who shall have the right to cancel the order.
- 16.4 The Supplier is obliged to provide spare parts to the Buyer for a minimum of 15 years after terminating the Supplier – buyer business relationship, if not agreed different.

### **17 LEGAL JURISDICTION – APPLICABLE LAW**

- 17.1 The Buyer and the Supplier shall endeavor to solve all eventual disputes in an amicable way and by common agreement.
- 17.2 Should the agreement fail to be reached, the parties hereof agree that the Court of Novo mesto shall have jurisdiction in disputes, irrespective of specific provisions of these purchase conditions.
- 17.3 For the conclusion of legal transactions the law of the Republic of Slovenia shall be applicable if not otherwise agreed.

### **18 SOCIAL RESPONSIBILLITY AND SUSTAINIBILLITY**

- 18.1 In addition to all applicable laws and regulation to be observed by the supplier, it is also Suplier’s obligation to respect social responsibility duties: Compliance with Laws, Business Ethics and Standards, Human Rights, Working Conditions and Labor Standards, Environment, Community Involvement, Promotion of Standards in the Supply Chain.



## COMMERCIAL

SUBJECT:

**GENERAL PURCHASING CONDITIONS SEP**

Page 12 to 12