1. Scope
These terms and conditions of sale of the supplier (the “Supplier”) shall be negotiated taking into account these Purchasing Terms and Conditions. These Purchasing Terms and Conditions apply to all Valeo purchases, including tooling, equipment, parts, components, assemblies and sub-assemblies, raw materials, and services (the “Supplies”). Special terms may appear on the purchase order itself or in a separate written agreement, such as the Valeo Requirements File. The term Order (the “Order”) means the purchase order issued by Valeo and expressly incorporated by reference: these Purchasing Terms and Conditions, the documents that define the characteristics of the Supply (drawings, specifications, lists of requirements, etc.) and documents specifying other contractual terms (the “Documents”).

2. Order
Supplies must be covered by a purchase order, which may have an unlimited term (“Open Order”) or a fixed term (“Closed Order”). The Order may be sent by mail, fax or any electronic means agreed upon. The Supplier accepts the Order by sending the acknowledgement of receipt appended to the purchase order, by mail, fax or any electronic means agreed upon, within eight (8) business days of the Order date. Any Order the receipt of which is not acknowledged but which is performed by the Supplier, in full or in part, will be considered to be accepted.

Any quantities specified in an Open Order are merely indicative and do not constitute a firm commitment on the part of Valeo. Periodic delivery requests that stipulate the quantities of Supplies to be delivered as well as delivery dates will be issued in relation to a given Open Order.

By accepting the Order, the Supplier undertakes to provide and/or produce Supplies according to the Valeo Production System and Valeo Quality System procedures and any
other existing Valeo Quality procedures in place at the time of the Order and during performance of the Order which have been communicated to the Supplier.

3. **Specific Obligations of the Supplier**

3.1 The Supplier shall ensure that the Supplies to be delivered are produced in accordance with health, safety and environmental protection laws, regulations and standards and with the labor laws in force in each of the countries involved in their production. In particular, in France, the Supplier undertakes to comply with the regulations governing the prohibition of illegal employment and to provide, at Valeo’s first request, the documents required under legal and regulatory provisions which certify that the Supplier’s employees are legally employed. In addition, the Supplier will adopt in its business dealings the ethical rules set out in the United Nations Global Compact on human rights, labor standards, the environment and anti-corruption as well as the rules of Valeo’s Code of Ethics. The commitment of the Supplier to be familiar with and satisfy the requirements of Valeo’s Code of Ethics, and to comply with the rules and procedures established to implement the Code by Valeo’s business partners, is a pre-requisite to continued business dealings between Valeo and the Supplier. The Code of Ethics and its implementing rules are available at [www.valeo.com](http://www.valeo.com).

As a professional in its field, the Supplier shall provide Valeo with such recommendations and warnings as are necessary or relevant to the quality and security of Supplies, to make recommendations in view of the use for which the Supplies are intended, and to make proposals likely to improve the quality or the cost of the Supplies.

As a professional aware of the constraints of the automotive industry, particularly in terms of quality, cost and leadtimes, the Supplier shall, in general, comply with the standards and practices of that industry, as practiced by the carmakers who are Valeo’s customers.

3.2 The Supplier shall promptly respond to any request for information by Valeo concerning the Supplies and shall certify the origin and composition of the Supplies.
3.3 Valeo may at any time request that the Supplier amend the Documents with a view to modifying the characteristics of the Supplies, the production process, or packaging or logistics specifications. The Supplier shall promptly provide Valeo with a feasibility proposal which includes a schedule, together with an analysis of the potential consequences for the quality/reliability of the Supplies and the impact on the production cost. The Parties shall discuss these elements, within a timeframe that, to the extent possible, accommodates the scheduled implementation date in order to find a balance between the technical and business aspects of implementing the proposed change. If, following such discussions, it is impossible to find a balance that accommodates the interests and restrictions of the two parties, Valeo may either refrain from making the change or cancel the Open Order in accordance with Article 14.1.1.

3.4 The Supplier may not make any change to the Supplies, and notably may not change a component, materials, processes or the manufacturing site, without prior validation in accordance with Valeo’s Quality procedures and the habitual rules of the automotive industry.

3.5 To ensure the proper performance of an Open Order, the Supplier shall establish and maintain a back-up plan including, in particular, back-up inventory the conditions of which shall be negotiated in good faith by the Parties, taking into account inter alia the procurement lead times for materials and/or components and/or sub-assemblies, the Supplier’s process-related restrictions (e.g. use of shared resources, bottlenecks) and Valeo’s average requirements over the three previous months or the average forecast requirements for the six following months in the case where the production of a new product is in the ramp up stage. Unless otherwise agreed by the Parties, this inventory will be drawn on a FIFO basis so that inventory turnover does not exceed three months.

3.6 The Supplier shall deliver the Supplies to meet the needs of the spare parts market for ten years following the sale of the last vehicle of the model or models of the range incorporating the said Supplies or for 15 years if the Supplies are intended for the heavy
duty vehicle market or if such spare parts are intended for at least one market the regulations of which stipulate a guaranteed supply of spare parts for 15 years.

To that end, and during these periods, the Supplier shall maintain the production tooling and equipment needed for the Supplies in good working order and keep the technical documentation and manufacturing instructions.

During the transition from mass production to spare parts production and in the two (2) years following the start up of spare parts production, the prices applied to spare parts will be the prices applicable at the end of the mass production period, plus specific packaging and transportation costs as agreed upon with Valeo. To ensure price stability during these two years, different batch sizes may be agreed at the Supplier’s request.

3.7 To continually enhance the competitiveness of the Supplies and of Valeo products incorporating said Supplies, the Supplier shall implement productivity measures on an ongoing basis. The expected level of annual productivity is determined by mutual agreement.

3.8 The delivery leadtime indicated either in a Closed Order or in a delivery request under an Open Order is an essential component of the Order and must be strictly respected by the Supplier once it has accepted the Order.

The early delivery of Supplies will not be accepted without Valeo’s prior written agreement.

The Supplier will be liable for any damages incurred by Valeo which result from late delivery, including operating losses from the stoppage of its production line, all costs charged to Valeo by its customers, and the differential cost of placing a Supply order with a third party if the Supplier is unable to deliver the Supplies for a prolonged period.
In addition, Valeo may exercise its right to cancel the Order in accordance with Article 14.2 in the event that circumstances cause a prolonged inability on the part of the Supplier to deliver on schedule or if repeated delays disrupt the logistics chain and/or lead to charges or expenditure that make maintaining the contract no longer commercially acceptable.

3.9 If the Supplier must carry out works at a Valeo facility, the Supplier shall comply with the internal regulations in force at the facility as well as with applicable legal and regulatory provisions, notably those pertaining to health and safety, and labor and employment legislation governing work done in an establishment by an outside company. It is understood that the same obligations apply to any sub-contractors of the Supplier. The Supplier shall be solely liable for any personnel who carry out work at a Valeo facility and will take charge of the remuneration, guidance and management of such staff.

4. Intellectual Property Rights

The Supplier will be personally responsible for the validity of its intellectual property rights to the Supplies and the free use of Supplies in relation to the intellectual property rights of third parties. The Supplier will hold Valeo harmless against any claim and/or complaint from a third party on the grounds of counterfeiting, unfair competition or any similar or related action which is intended to prevent, limit or modify the marketing, sale or use of the Supplies by Valeo or its customers. Valeo will promptly inform the Supplier of such actions.

In the event of any claim raised against Valeo in relation to third party intellectual property rights, the Supplier shall, at its own expense and at the choice of Valeo:
- either obtain for Valeo and its customers the right to freely use the Supplies,
- or replace the Supplies or modify them such that their use will no longer be disputed. Substituted or modified Supplies must in any case comply with the Documents and be submitted for the acceptance of Valeo and its customers before production being launched. The Supplier shall also, at its own expense, take back any inventory of the disputed Supplies held by Valeo and/or its customers. The Supplier shall compensate
Valeo for any damage suffered by Valeo resulting from such a complaint and for losses suffered as a result of the disruption to its and/or its customers’ production and the total or partial non-performance of contracts signed between Valeo and its customers.

5. Prices, Invoicing and Payment Terms

5.1 Prices
The applicable prices are those given in the Order. They are firm and are understood, unless otherwise agreed, to be Delivered Duty Paid (DDP), in accordance with the ICC Incoterms 2010, at the place of delivery of the Supplies as indicated in the Order. Prices are all inclusive and remunerate the Supplier for all costs, risks, charges and obligations of any sort in relation thereto and take account of all the elements that make up the Order.

Prices may be modified following a good faith negotiation between the parties in case of a significant change in economic conditions (inter alia in relation to raw material prices). No changes may be made to prices without the express agreement of the parties following such negotiation.

If, following good faith negotiations, one party makes a price-change request that is rejected by the other party then the first party must inform the other party within eight (8) days of that request of its intention to either continue with the Open Order, terminate the Order in accordance with Article 14.1.1, or refer the matter to the competent court to settle the price dispute between the parties.

During negotiations and/or until the end of the notice period for termination and/or until the court has made a final and binding decision, the Open Order must continue to be performed in accordance with the contractual terms in force, notably the price terms.

5.2 Invoicing and payment terms
All details shown in the Order which allow the Supplies to be identified and checked must appear on the invoice. The invoice must be sent to the billing address on the front of the Order form.
Unless otherwise agreed and/or unless other mandatory legal provisions apply, Supplies (excluding tooling) are payable by bank transfer 90 days from the end of the month of the invoice on the 10th of the following month. In France, Supplies (excluding tooling) must be paid for within 60 days of the date on which the invoice was issued. Payment terms of the tooling are as indicated in the Documents.

In the event of late payment, the late payment penalties included in the terms of sale of the Supplier can be negotiated. Failing such negotiation, late payment penalties shall not be less than three times the legal interest rate in France.

Valeo shall be entitled to offset amounts owed to it by the Supplier, for any reason, but only after informing the Supplier of this, to allow the Supplier to verify the basis of the complaint and confirm Valeo’s debt.

6. Packaging and shipping documents
The Supplier will deliver the Supplies in packaging that is appropriate for the Supplies in question, and the kind of transportation and storage used, so as to ensure that they are delivered in perfect condition. The Supplier will be liable for damage (breakage, missing items, partial damage, etc.) due to inappropriate or unfit packaging.

Every packaging unit must display on the outside in legible form the notices required under applicable regulations, notably those pertaining to transportation, as well as any special handling or storage instructions. Notices will also specify the Order number, the batch number, a description of the Supplies, the names and addresses of the shipper and receiver, the quantity of units contained, and the gross and net weight of the package. The delivery will be accompanied by a delivery slip as well as any safety data information sheets, where applicable.
7. Delivery

7.1 Supplies are delivered to the place indicated in the Order. They are accompanied by a delivery slip in duplicate giving identification details for the Supplies as well as the quantity, as stipulated in the Closed Order or delivery requests in the case of an Open Order.

7.2 Valeo reserves the right to refuse some or all of the delivery of Supplies, by means of an ordinary letter, fax or other electronic means, in the event of late delivery, in the event that the delivery is incomplete or contains more Supplies than were ordered, or in the event of non-compliance with the Order.

Failure to issue any reservation or complaint upon acceptance of the delivery will constitute neither final acceptance of the Supplies delivered nor a waiver by Valeo of its right to seek subsequent redress owing to non-compliance with the Order or apparent or hidden defects of the Supplies.

7.3 After delivery, Valeo will make its best efforts to promptly notify the Supplier of any non-compliance with the Order or visible defects of the Supplies that would preclude the final acceptance of Supplies, as soon as they are detected during the normal sequence of operations (and in any event within eight (8) days).

7.4 Supplies that are not definitively accepted as per a notification by Valeo as provided for in Article 7.3 will be made available to the Supplier at the place indicated in the notification, to allow the Supplier to check the nature of Valeo’s complaints. If no challenge is made and/or the Supplies are not reviewed promptly (within eight (8) days) of Valeo's notification, the Supplier must take back the Supplies at its own cost and risk within eight (8) days, failing which any unrecovered Supplies will be returned to the Supplier or destroyed, at the Supplier's own risk and cost.

7.5 The Supplier will be liable for all damages caused to Valeo or third parties (notably Valeo's customers) which result from the failure by the Supplier to perform its obligation
to deliver Supplies, and in particular any damages suffered by Valeo to replace non-compliant Supplies, to resolve any disruption in its production and to reimburse the costs billed to Valeo by its customers.

8. **Warranties**

8.1 The Supplier, which is an expert in its field, shall have an obligation of results and strict liability for its design (if this has been entrusted to the Supplier), its manufacturing process and its technical choices in the production and the fitness of the Supplies for the purpose for which they are intended. Valeo’s acceptance or validation of drawings, processes, specifications or initial samples will in no way reduce the warranty liability of the Supplier.

The Supplier shall warrant in particular that the Supplies are:

- compliant with the Order, the Documents, the initial samples as accepted by Valeo and the applicable professional practices, standards, laws and regulations;
- fit to fulfill the functions and the use for which they are intended (within the limits that may be specified by the Supplier) and offer the level of security that may be reasonably expected;
- free of any visible or latent defects or operating defects;
- free of any intellectual property rights held by third parties.

8.2 In case the Supplies are within the above warranty, and in proportion to its liability, the Supplier will compensate Valeo for all physical, direct and consequential damage of a material or immaterial nature suffered as a result by Valeo, including, but not limited to, the cost of actions linked to the replacement of defective Supplies and compensation paid by Valeo to its customers (field service actions or recall campaigns included).

9. **Insurance**

The Supplier will take out an insurance policy with a company that is known to be solvent, in accordance with terms set by Valeo (taking into account the amount of turnover made by the Supplier with Valeo) and will provide evidence of this at first
request. Coverage by this insurance policy will in no case limit the liability of the Supplier in relation to the Supplies.

10. **Assignment (intuitu personae) – Sub-contracting**

10.1 The Supplier shall not assign and/or transfer the Order, even free of charge, either in full or in part, without Valeo's express prior written agreement.

10.2 In the event of change of direct or indirect control of the Supplier, or if the Supplier’s business is sold, Valeo shall have the option of terminating the Order, in accordance with Article 14.2.2.

10.3 The Order may not be sub-contracted, in full or in part, directly or indirectly, by the Supplier, without Valeo's express prior agreement.

Should the Supplier be authorized to sub-contract a part or all of the Order to one or more third parties, the Supplier shall remain solely and fully liable to Valeo for the performance of the Order and the compliance with the Purchasing Terms and Conditions. The Supplier will hold Valeo harmless against any complaint from its sub-contractors and defend and compensate Valeo for any consequences arising from such complaints.

10.4 Valeo may assign or transfer, in full or in part, the Order to an Affiliate company or to a company that takes over some or all of its activities.

11. **Confidentiality**

11.1 All information provided to the Supplier by Valeo, by its affiliates or representatives, including, but not limited to, technical, industrial, commercial or financial information, regardless of how it was communicated (in verbal, written, other form) including, in particular, designs, drawings, descriptions, specifications, reports, microfilms, electronic media, software and related documentation, samples and prototypes, is confidential (the “Information”).
The Information shall also include information that representatives of the Supplier, its suppliers, sub-contractors, agents, permanent or temporary personnel may obtain in relation to the Order.

11.2 The Information may not be used except in relation to the Order. The Supplier will take measures to ensure that none of the Information is shared with or divulged to a third party, even a sub-contractor, without Valeo's express agreement. Any breach of this obligation may lead to the application of Article 14.2.

11.3 This obligation of confidentiality will remain in effect for five (5) years after the Order is terminated or expires, irrespective of the reason for termination.

Once the Order is finished, the Supplier will return to Valeo, upon its first request, all documents, confidential or otherwise, relating to the Order and will not keep copies on any medium whatsoever without Valeo’s express prior agreement.

12. **Transfer of Ownership and Risks**

12.1 Once the Order is accepted, ownership of the Supplies will be transferred to Valeo as the Supplies and any sub-components thereof are produced. As a consequence, the Supplier undertakes to implement measures to individualize the Supplies as they are produced to ensure that they are not confused with the Supplier’s inventory or with goods (merchandise, tooling or equipment) intended for other customers.

12.2 Valeo reserves the right, during the Order and before delivery, to check the manufacturing processes used to produce the Supplies and the Supplies themselves, on the premises of the Supplier and of any sub-contractors. The Supplier shall give Valeo free access to its premises at any time and ensure that Valeo has free access to its sub-contractors. Supplier shall also allow for Valeo to test the Supplies. Such access or testing shall not in any way reduce the warranties provided by the Supplier.
12.3 The transfer of risks relating to the Supplies will occur according to the Incoterm stipulated in the Order and, in the absence of an Incoterm, at the point of delivery of the Supplies.

13. Molds, Tooling, and Other Specific Equipment

13.1 All molds, tooling, and other specific equipment (the “Equipment”) provided to the Supplier by Valeo or produced at Valeo’s request, will remain the property of Valeo or of its customer, or will become the property of Valeo or of its customer as it is produced, according to agreements entered into directly between Valeo and its customer.

Valeo provides the Equipment to be used for the manufacturing needs in relation to the Supplies under the terms of a loan for use agreement or a loan for use sub-agreement, depending on whether the Equipment belongs to Valeo or its customer. This will be agreed upon before the Equipment is delivered to or used at the Supplier’s premises.

In all cases, and even absent a formal loan agreement or sub-agreement, the Equipment provided or made available to the Supplier is deemed to be in the possession of the Supplier on an ancillary basis for the purpose of the Order. The Equipment may be used only to perform the Order and may not be loaned, made available to a third party, reproduced, copied, pledged or granted as security.

At the Supplier's expense, the Equipment must be fitted with a plate positioned in a visible place which indicates the identification number, the name of the owner of the Equipment, in accordance with details provided by Valeo, and the words “propriété incessible et insaisissable de Valeo” (“Property of Valeo which may not be sold, transferred, or pledged”).

No changes may be made to the Equipment without Valeo’s express agreement.
Upon the termination of the Order, irrespective of the reason for termination, the Equipment must be returned to Valeo or to the customer named by Valeo, upon its first request.

13.2 As the guardian of the Equipment, the Supplier will warrant the Equipment against the risks of loss, theft, damage or destruction and will take out insurance to cover the replacement value of the Equipment. As a prudent and careful user, the Supplier will keep the Equipment in perfect working order and will be responsible for any premature wear and tear or deviations in the manufacturing process. The Supplier will inform Valeo, within a timeframe compatible with the launch of new Equipment, about normal wear and tear that might necessitate the overhaul of said Equipment. The Supplier will take out all necessary liability insurance policies against damage that the Equipment may cause to third parties and will provide proof of insurance at least once a year during the term of the Order.

14. Termination

14.1 Termination for Convenience

14.1.1 An Open Order is placed for an unlimited term. The quantities to which Valeo commits itself will be those shown on the delivery requests.

Each party may terminate an Open Order at any time subject to sufficient prior notice, (sent by registered letter with acknowledgement of receipt). This notice period may be specifically agreed between the parties taking into account, inter alia, the specificities of the automotive industry, the duration of past commercial relations and uses, in accordance with Article L. 442-6 1 5° of the Commercial code.

If, the notice period given by the Supplier does not allow Valeo to ensure the continued performance of its obligations to its own customers, the parties shall negotiate in good faith the conditions for its extension extended until the production of the Supplies resumes at an alternate Supplier.
During the notice period, irrespective of which party initiated it, the Open Order must continue to be performed under the contractual terms in force at the time of termination, and especially the price terms.

14.1.2 A Closed Order is placed for a limited term and may not be renewed.

14.2 Termination for cause
14.2.1 If the a party fails to meet one of its key contractual obligations (for example but not limited to timely delivery of Supplies complying with the expected quality standards and the stipulated terms and payment of the Supplies by Valeo), each party may terminate the Order automatically and without the necessity for recourse to any court or jurisdiction, one (1) month after sending a notice by registered letter with acknowledgement of receipt where such notice remains, entirely or partly, unremedied during this period. Each party reserves its rights, in such cases, to claim for the damages resulting from the breach.

14.2.2 In the event of a change in the situation of the Supplier as mentioned in Article 10.2, Valeo may terminate the Order automatically and without formalities, subject to giving a notice period of eight (8) days.

14.3 Effects of expiry or termination of the Order
Prior to the expiry of the Order and in the event that an Open Order is terminated, irrespective of the reason for termination, the Supplier shall take measures and cooperate extensively and fairly to allow Valeo to ensure the continued performance of its obligations towards Valeo’s customers until production of the Supplies covered by the expired or terminated Order resumes at an alternative Supplier. In particular, the Supplier shall, if Valeo so requests, transfer to Valeo any inventory of parts, components, assemblies and sub-assemblies, raw materials, semi-finished or finished products that it holds at the date of the request. The Supplier similarly undertakes to return at Valeo’s first request any Equipment, whether in the process of being produced or in service, and all documentation (drawings, technical notices, maintenance handbook, etc.).
15. **Miscellaneous provisions**

15.1 If any provision in these Purchasing Terms and Conditions becomes null and void or unenforceable, only that specific provision shall have no force, and the parties will work in good faith to establish a new provision that is as close as possible to the original provision.

15.2 No waiver by Valeo to apply its rights, even over a prolonged period, shall constitute novation of the Purchasing Terms and Conditions, the Order and/or the Documents.

15.3 The Supplier may not refer to its commercial dealings with Valeo without Valeo’s prior written authorization.

15.4 The Order is governed by French law. The 1980 Vienna Convention on the International Sale of Goods is expressly excluded.

15.5 The Commercial Court of Paris will have sole jurisdiction over any disputes, even in the event of third-party proceedings or where there are multiple defendants.