

**1. Scope**

- 1.1 These Purchasing Terms and Conditions apply to all Valeo purchases, including moulds, toolings, other equipment, parts, materials used in production (raw materials, substances, parts, components) as well as works and services (hereinafter called "Supply" or "Supplies" alternatively "Delivery" or "Deliveries"). All Valeo orders are placed subject exclusively to these Purchasing Terms and Conditions, even if specific reference is no longer made to them in future because of a long-term business relationship, unless otherwise specifically agreed on a case by case basis. Such specific agreements can arise from the order itself or be recorded in separate written agreements such as the Valeo Requirements File. Changes to these Purchasing Terms and Conditions, in particular, conflicting and supplementary terms and conditions of the Supplier, are herewith excluded. Silence from Valeo regarding any reference to the supplier's or other conflicting terms and conditions while confirming an order shall not be deemed an acceptance thereof. Such terms and conditions shall not become valid for Valeo even if the order is fulfilled. As such, the Supplier acknowledges these Purchasing Terms and Conditions when fulfilling the order. Any deviation to these Purchasing Terms and Conditions included in an order confirmation shall be considered as a rejection of the Valeo order. Should Supply occur nevertheless, this shall be deemed acceptance of these Purchasing Terms and Conditions as stated above.
- 1.2 The term "order" means the purchase order issued by Valeo and incorporates by reference not only its content, but also these Purchasing Terms and Conditions, the documents that define the characteristics of the Supply (drawings, specifications, list of requirements and other details) and documents that contain other contract provisions (hereinafter together called "Contract Documents").

**2. Orders**

- 2.1 Supplies must be covered by a purchase order. This can either be a firm order (in the form of individual orders, limited or unlimited in time) or an open order (in the form of an order limited or unlimited in time). The order can be placed by mail, by fax, by email (as an attachment) or in any other 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 other electronic means agreed upon, within eight (8) business days of the order date. Should the confirmation not be received on time or contain changes, Valeo reserves the right to cancel the order with no costs, unless the conclusion of contract has failed anyway. 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.
- 2.2 Supply quantities specified in an open order are merely indicative and do not constitute a firm commitment on the part of Valeo. In this case, Supplies rather occur on the basis of call-off Supplies which state the Supply quantity and the Supply date. Call-off Supplies shall be binding on 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 the health, safety and the environmental protection laws, regulations and standards and with the labour laws in force in each of the countries involved in their production. In particular, 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 prerequisite 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).

- 3.2 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.
- 3.3 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.
- 3.4 The supplier shall promptly respond to any request for information by Vale concerning the Supplies and shall certify the origin and composition of the Supplies.
- 3.5 Valeo may at any time request that the supplier amend the Contract Documents with a view to modifying the characteristics of the Supplies, the production process, packaging or logistic 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 of the order to find a balance between the technical and business aspects of implementing the proposed changes. 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 give notice of extraordinary termination according to clause 14.2 section 1 if the order is an open order.
- 3.6 The supplier may not make any change to the Supplies without prior validation in accordance with Valeo's Quality procedures as well as the habitual rules and usages of the automotive industry. This shall apply, in particular, to changes of materials, parts, components, processes (in particular, manufacturing processes) and the production site.
- 3.7 To ensure the proper performance of an open order, the supplier shall establish and maintain a back-up plan, which shall include in particular: safety stock of Supplies as agreed with Valeo, to be determined taking into account 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, often used equipment, bottlenecks) and Valeo's average requirements over the three previous months (or Valeo's average forecast requirements for the six following months in the case where the production of a new product is in the ramp-up stage). The safety stock must be drawn on a FIFO basis so that the inventory turnover does not exceed three months.
- 3.8 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.

3.9 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 minimum expected level of annual productivity is determined by mutual agreement.

3.10 The delivery leadtime indicated either in a firm 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.

Should the supplier be prevented from delivering punctually for an extended period or should repeated Supply delays lead to an interruption of the supply chain or to third party claims or expenses, Valeo is entitled to extraordinarily terminate the order according to clause 14.2 of these Purchasing Terms and Conditions if maintaining the contract is no longer reasonable for Valeo.

3.11 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. Defect of title (Intellectual Property Rights claim)**

4.1 Should third parties assert a claim or lay a charge against Valeo due to the validity of a title/an intellectual property right in the Supply, the supplier will hold Valeo harmless and indemnify Valeo from such third party claims to the same degree that it would have to compensate Valeo. Valeo will inform the supplier immediately of such claims.

4.2 In the event of defect of title of Supplies, the supplier undertakes, at Valeo's own discretion, either to invoke the right for Valeo and Valeo's customer to freely use the Supplies despite the defect of title, or to remedy the defect. In case of remedy, the new Supplies (irrespective of whether the defect has been removed or a defect-free Supply is delivered) must also comply with the contractual documents and must be made available to Valeo before start of production for release and approval.

4.3 The statute of limitation for defect claims is at least 36 months, unless longer periods are provided for by law or in other agreements.

#### **5. Prices, invoicing, terms of payment**

5.1 Prices are those given in the order. They are fixed prices and are to be understood, unless otherwise agreed, to be Delivery Duty Paid (DDP), in accordance with the ICC Incoterms 2000, 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 related to the Order, in particular, also their profit

as well as the amortisation of costs for equipment, development costs, etc., unless these are reimbursed separately.

- 5.2 Valeo can request a reduction in the agreed prices at any time, if and when the production costs of the Supplies, in particular the material costs, have decreased, or the agreed prices are not significantly below those of comparable competitor suppliers. In this case, the Parties undertake to renegotiate a new reduced price. If no agreement is reached in this regard within 30 days from the date of Valeo's change request, Valeo can determine a new appropriate price at its own discretion. If this new price is not accepted by the supplier within eight days, Valeo is entitled, according to clause 14.1 of these Terms and Conditions of Purchase, to send a notice of termination within a reasonable time without the supplier being entitled to claim compensation. If Valeo does not terminate the order, then the new price shall apply from the time it was determined by Valeo.
- 5.3 All details shown in the order including identifications of quantities which allow the Supplies to be identified and checked must appear on the invoice. The invoice must be sent to the billing address stated on the front of the order form.
- 5.4 Payment must be made by bank transfer and, unless otherwise agreed, be paid for within 60 days net. The term of payment begins with the receipt of invoice, at the earliest, however, on acceptance of the Supply or the approval of services and not before receipt of the agreed upon security. Payment has been effected when the transfer order is received by Valeo's bank.

## **6. Packaging and shipping documents**

- 6.1 The supplier must pack the Supplies for transport and storage in such a way that supply in proper condition is ensured.
- 6.2 Each packaging unit must be labelled on the outside in a legible way with the (especially transport) notices required in accordance with relevant provisions as well as special instructions with regard to handling, transport and storage. In addition, the order number, batch number, a description of the Delivery, name and address of sender and recipient, number of items and finally the gross and net weights of the packing unit must be stated there. A Supply note in duplicate as well as - if applicable - a safety data sheet must be included in the Supply. The Supply note must contain all the details of the order including identifications of quantities that enable the Supplies to be identified and examined. The specifications on the order or Supply schedule must be taken into consideration.

## **7. Delivery**

- 7.1 Supplies are delivered to the place indicated on the order, DDP (Incoterms), unless otherwise agreed.
- 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 The period allowed for examination and sending notification of defect shall be at least 14 days

from Supply, for hidden defects not discovered during examination at least 14 days after the discovery of the defect. Should a longer period be appropriate in individual cases, such period shall apply. In the case of a defect in a production run, the notice of defect for the entire batch is considered to be properly delivered when such notice of defect is sent after an accumulation of customer complaints. Valeo is entitled to limit the examination of the goods received to their identity and quantity as well as easily identifiable defects.

7.4 Supplies with reported defects are made available to the supplier to allow the supplier to check the nature of the complaint. Unless otherwise agreed by the Parties, this shall occur in the Valeo plant where the Supply was assembled or processed. If, within five working days, the supplier does not object to the complaint or does not check the Supply or accepts the claim, the supplier shall collect the Supply within eight additional working days at its own cost and risk. Upon expiration of such time frame, Valeo is entitled to send the Supply back at the supplier's expense and risk.

## **8. Material defects ( Warranties)**

8.1 As an expert in its field, the supplier is responsible for the development, design and characteristics (if not specified by Valeo) of the Supply, the production process and its respective technical choices. It guarantees, in particular, that at transfer of risk the Supplies:

- have the agreed characteristics and quality;
- are otherwise suitable for the contractually intended purpose;
- are otherwise suitable for general use and show a condition that is common to Supplies of the same kind and that Valeo can expect due to the type of Supply.

8.2 The supplier undertakes to provide the Supplies in compliance with the Valeo production safety system (Valeo Production System) and with the Valeo quality assurance system (Valeo Quality System) in their versions valid at the time of the order. Changes to these provisions during the execution of the order shall be taken into consideration by the supplier as soon as Valeo has informed the supplier of these changes. The same shall apply to other general quality specifications of Valeo in their version valid at the time of the order or during the execution of the order as soon as the supplier has been informed of these by Valeo.

8.3 The supplier must examine drawings, specifications, requirements and other data from Valeo for the execution of the order with regard to completeness, accuracy and suitability for the intended purpose. Should there be any concerns in this regard, the supplier must inform Valeo of these in writing immediately. Should it omit this, Valeo is also entitled to assert damage claims in this respect; compensation claims for other reasons remain unaffected.

8.4 Valeo is entitled to inspect the supplier's premises and those of its subcontractors at any time during normal business hours, before and in the course of execution of the order, to examine the production process and the Supplies or services. The supplier undertakes to ensure its subcontractors agreement to such inspection.

8.5 Should Valeo examine and approve the supplier's drawings, specifications, the production process or first samples as well as the Supplies or services before or in the course of executing the order, such an examination shall only occur in Valeo's own interest and does not release the supplier from its duty to provide Supplies and services free from defect.

8.6 Should Valeo requests remedy, Valeo is entitled to choose the remedy even in the case of service contracts. The expenses necessary for remedy purposes, which are borne by the supplier, shall also include examination and sorting costs, assembly and disassembly costs of the Supplies as well as the costs of incoming examination. Shall also be included the costs related to recall actions due to safety and environmental defects or any other customer service

measure conducted by Valeo or its customer at its own discretion. This shall also apply if the recall action or the customer service measure does not only cover defective Supplies, but also other Supplies from the defective supply period, and separating the defective Deliveries and non-defective Deliveries for the purpose of conducting the recall action or the customer service measure is not possible. All aforementioned expenses must be borne by the supplier even if they are incurred by Valeo's customer. In all cases of defective Supply of production material, Art. 439 (3) BGB [*German Civil Code*] does not apply.

- 8.7 Valeo also has the right to self-performance in the case of purchase contracts. Valeo need not set a deadline before executing the self-performance if certain conditions which justify immediate self-performance prevail when weighing up the interests of both Parties.
- 8.8 Claims are statute barred within at least 36 months unless longer periods are provided for by law or in other agreements. Should Valeo use the Supply in products (original parts or spare parts) intended for motor vehicles, then the following longer warranty periods shall apply: 36 months from first registration of the vehicle or from incorporating the spare part, no longer than 42 months from the date of delivery, unless Valeo agreed on a shorter or longer warranty period with the customer, which then applies. The minimum warranty period stated in sentence 1 remains unaffected in all events. If Valeo makes notice of a defect, the limitation shall be suspended until one or the other Party refuses negotiations or their continuation. Should there be a batch defect the first notice of defect shall be sufficient to suspend the statute of limitation on all notifications of the batch defect.
- 8.9 If action is taken against Valeo under product liability based on domestic or foreign law, the supplier shall indemnify Valeo from all third party damage claims as far as it is responsible for the error that triggered the liability. In this context, the supplier is also obligated to reimburse those expenses incurred from or in connection with a recall action conducted by Valeo or its customer or other defect-removing or preventative measures taken at its discretion. In this respect, the supplier shall waive any defence of the statute of limitation towards Valeo, unless Valeo on its side can invoke such statute of limitations.

## **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 of receivables, subcontractors, liability for suppliers, legal succession**

- 10.1 The supplier's receivables from Valeo may only be assigned to third parties with Valeo's consent.
- 10.2 The supplier must, in principle, fulfil its duties towards Valeo via its own company and with its own employees. The involvement of subcontractors is only permitted with Valeo's consent. Should the supplier be permitted to use a subcontractor, it shall remain solely responsible to Valeo for the execution of the order and the compliance with all specifications in the Contract Documents.
- 10.3 The supplier is responsible for its suppliers' (sub-suppliers) faults to the same extent as its own fault, and this also if and when the sub-supplier does not fulfil any of the supplier's obligations owed to Valeo.
- 10.4 Valeo is entitled to assign or transfer, in full or in part, its own rights from the order to an

affiliated company or to a company that takes over some or all of its activities.

## **11. Confidentiality**

- 11.1 All information made accessible to the supplier by Valeo, by its affiliates or representatives, in particular, of a technical, industrial, production-related, business and financial nature, is confidential. This shall apply regardless of how this information was made accessible, either verbally, in writing or in other manner, including among others constructions, drawings, descriptions, specifications, electronic media, software and corresponding documentation, samples and prototypes. Included is also the information which the supplier's representatives, its own suppliers, its subcontractors, its authorised persons or its permanent or part-time employees obtained with regard to the order.
- 11.2 Confidential information in terms of Clause 11.1 may only be used and exploited by the supplier in connection with the order. The supplier undertakes to take measures necessary to ensure that confidential information is not made accessible to third parties, also not to a subcontractor without Valeo's consent. Every violation of this confidentiality obligation affords Valeo the right to termination for cause according to Clause 14.2 of these Terms and Conditions.
- 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 of risk**

- 12.1 Any retention of title on behalf of the supplier is excluded.
- 12.2 If Valeo has made an advance payment for the Supply, the title to the Supply or to the material used for it and to the semi-finished products is transferred to Valeo before Supply at the time the advance payment is made; if the advance payment is a part payment, then Valeo acquires pro-rated joint title. In this case, the supplier stores the Supply or materials and semi-finished products at no cost for Valeo and properly. The supplier undertakes to store the items that are partially or totally owned by Valeo separately from other items and to clearly mark them as Valeo's (joint) property and allow Valeo to inspect these at any time during normal business hours.
- 12.3 The transfer of risk depends on the Incoterms stated on the order. If nothing has been agreed upon in this regard, the risk, for purchase contracts, is transferred upon delivery to Valeo, for service contracts upon approval.

## **13. Moulds, tools and other equipment**

- 13.1 Moulds, tools and other equipment (hereinafter called "Equipment") made available to the supplier by Valeo remain the property of Valeo. Ownership of Equipment that the supplier produces or has produced upon instructions and at the cost of Valeo, is transferred to Valeo. If Valeo only bears part of the costs, Valeo shall acquire corresponding joint ownership. Ownership is transferred to Valeo in accordance with the course of completion, so that Valeo already acquires (joint) ownership of the materials and the semi-finished products. It is agreed that the Equipment is stored for Valeo at no cost and properly. If Equipment is produced by third parties on the supplier's instructions, the supplier undertakes to conclude corresponding agreements with the third parties which ensure the transfer of title to Valeo. The supplier shall

present corresponding agreements with third parties to Valeo at its request.

- 13.2 Equipment solely owned by Valeo may only be used by the supplier for purposes of the order and may neither be made accessible to third parties nor pledged or used as security nor copied. This shall also apply to Equipment that was manufactured by the supplier upon instructions from Valeo or by using Valeo's specifications, in particular, Contract Documents, or of which Valeo only has joint ownership.
- 13.3 Valeo's (jointly) owned Equipment must be labelled with a clearly visible, firmly attached sign marked "Property of Valeo" or "Joint property of Valeo" at the supplier's expense. All the Equipment mentioned in Clause 13.2 may not be changed without Valeo's consent. The supplier shall prepare a list of the (jointly) owned Equipment according to Valeo's specifications and to keep it up-to-date, and allow Valeo to view this at any time during normal working hours.
- 13.4 The supplier undertakes to insure the Equipment wholly or jointly owned by Valeo against damage, loss etc. with adequate cover at replacement value. The supplier shall prove the existence of insurance cover to Valeo upon request at any time. The supplier assigns all compensation claims from this insurance to Valeo; Valeo herewith accepts this assignment. The supplier undertakes to maintain and repair the Equipment wholly or jointly owned by Valeo at its own expenses in the event of material damage, loss, etc., as well as premature wear. The supplier is further obligated to inform Valeo punctually about the need to replace wholly or jointly owned Equipment as a result of normal wear.
- 13.5 If the order is terminated for any legal reason whatsoever, or if the supplier presumably will not be able to deliver for a not inconsiderable period of time, it shall return the wholly or jointly owned Equipment to Valeo upon first demand. Should the supplier have a payment claim against Valeo concerning the equipment, Valeo's claim for surrender against payment exists also by way of offsetting by Valeo. The supplier's right of retention is otherwise excluded.
- 13.6 Clauses 13.1 to 13.5 shall apply accordingly to all Equipment that is wholly or jointly owned by Valeo's customer. Valeo shall inform the supplier of this.

## **14. Termination**

### **14.1 Contractual termination for convenience**

Valeo can terminate an open order (in the form of a limited or unlimited order) or a firm order (in the form of a limited or unlimited order) at any time with six months notice as long as the remaining term of the order is not less than the notice period. During the notice period, the order must be fulfilled and executed by both Parties in accordance with agreements valid at the time of notice.

Should the supplier suffer a financial loss due to early termination of the order (e.g. in the form of non amortised costs or unavoidable costs from supply contracts), such loss will be compensated based on specific agreements concluded by the Parties in the course of the respective order. Should no specific agreements exist, the Parties shall negotiate an appropriate compensation. Should the Parties fail to reach an agreement, an appropriate compensation shall be determined by Valeo at its own discretion. When determining the appropriate compensation some aspects should be taken into consideration, namely that these Terms and Conditions provide for contractual termination as of right with a notice period of six months which is deemed sufficient, that the supplier shall be responsible for implementing such equivalent termination rights in its own supply contracts and shall be able to use its stock, resources, etc., for other purposes. The compensation for lost profits is excluded. The

compensation can only be asserted within 30 days after receipt of notice of termination (cut-off period).

A firm order in the form of an individual one time order cannot be terminated as of right; Valeo's right to contractually terminate a service contract as of right remains unaffected.

#### 14.2 Termination for cause

Both Parties are entitled to terminate a contract for the performance of a continuing obligation for cause, without notice. If the cause is a breach of a contractual duty, termination is generally only permitted after an adequate period granted to remedy the situation remains unremedied or after unsuccessful warning.

#### 14.3 Consequences of termination

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

- 15.1 Further or additional legal claims and rights of Valeo shall remain unaffected. This shall apply, in particular, to Valeo's legal compensation claims arising from default or defect.
- 15.2 Should Valeo not exercise contractual rights even over a longer period of time, this shall not constitute a waiver of such rights or a change to the Contract Documents.
- 15.3 The supplier may not refer to its commercial dealings with Valeo without Valeo's prior written authorization.
- 15.4 The contractual relationship is subject to the law of the Federal Republic of Germany. The application of the UN Convention of Contracts for the International Sale of Goods is excluded.
- 15.5 Should Valeo's suppliers be merchants or not have a general legal venue in the Federal Republic of Germany, the courts located at Valeo registered office shall have exclusive jurisdiction. However, Valeo is also entitled to assert claims at any other legal venue.