

	GENERAL PURCHASE CONDITIONS	Document ID:	FLM 226
		Date of issue:	11.10.2014
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I. TERMINOLOGY

1. **Components** - products delivered to the Buyer,
2. **Buyer** - Major Sp. z o.o. based in Tychy, KRS 0000 272 461, NIP 6462759521, REGON 240577038,
3. **The Buyer's Customer** - a natural person, legal person or an organizational unit without legal personality that purchases specific products or services from the Buyer as part of its business activity,
4. **Supplier** - any entity supplying the Buyer with Components,
5. **Party** - Buyer and Supplier,
6. **PPAP** – Production part approval process,
7. **PPAP Order** - an order issued by the Buyer for Component samples and
8. documentation compliant with PPAP (AIAG manual) or PPF (VDA 2 manual) guidelines
9. **PPM indicator** - (parts per million) number of defective parts per million of manufactured items.
10. **List of Approved Suppliers** - a document of the Buyer constituting a list of Suppliers approved by the Buyer for the delivery of serial components

II. GENERAL PURCHASE CONDITIONS

1. GENERAL PROVISIONS

- 1.1. This document defines the applied by Major Sp. z o.o. terms of purchases and their implementation by the Supplier.
- 1.2. This document applies to transactions concluded between Major Sp. z o.o. and the Supplier

2. COMMUNICATION

- 2.1 Communication is essential to the successful cooperation between the Buyer and the Supplier.
- 2.2 Communication will be in Polish or English.
- 2.3 The Supplier is obliged to designate and inform the Buyer of a contact person authorized to provide information from the areas:
 - Quality,
 - Logistics,
 - Purchasing,
 - Technology.
- 2.4 The designated person must be available on working days between 8:00 am and 4:00 pm. In the event of absence, the Buyer must inform the replacement person. Outside the indicated hours, the Supplier is obliged to appoint a contact person in emergency situations.
- 2.5 The Supplier is also obliged to notify the Buyer about changes in positions of key importance for the functioning of the organization and contact persons no later than 7 days from the introduced change.

3. SUB-SUPPLIERS

- 3.1 The Supplier may not assign its rights and obligations to a sub-supplier without the prior written consent of the Buyer.
- 3.2 The Supplier is solely responsible to the Buyer for failure to fulfill obligations by its sub-suppliers.

4. GENERAL DELIVERY REQUIREMENTS

- 4.1 The Buyer has the right at any time to request a technological change in the ordered Components and / or cancel the Order. In such a situation, the Buyer will purchase from the Supplier the components already in stock or in the course of production and the materials needed for their production in quantities not exceeding the value of the ordered orders before requesting the change.
- 4.2 Failure to ensure the quality of the material by the Supplier shall result in withholding the payment without no consequences for the Buyer in relation to defective materials being subject of the complaint. In this case, payment is not considered late and no interest will be charged.
- 4.3 The supplier will deliver the material in accordance with the order (assortment, quantity).

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4.4 Packaging must comply with the logistic requirements and with the standards contained in the PPAP documentation (Production Part Approval Process) - if applicable.

5. LEGAL REMEDIES IN THE EVENT OF A BREACH OF THE CONTRACT BY THE SUPPLIER

- 5.1 The Buyer is entitled to charge contractual penalties and / or damages due from the Supplier, in accordance with this document.
- 5.2 In all cases where the Buyer is liable under the civil law for defective, inconsistent (in particular with the requirements and standards of the Buyer's customers provided to the Supplier) or unreliable Components provided by the Supplier or in other situations where the Buyer is obliged to repair the damage resulting from defective, non-conforming or unreliable Components, the supplier is obliged to:
- 5.2.1 release the Buyer from liability for defective, non-conforming or unreliable Components, including damage caused by defective, non-conforming or unreliable Components
 - 5.2.2 to participate in pending legal proceedings as the entity responsible for the result the procedure and its financial consequences and costs.
 - 5.2.3 cover all costs incurred by the Buyer in connection with the delivery of defective, non-conforming or unreliable Components, including in particular the costs of the court proceedings referred to above.
- 5.3 The supplier is responsible for all physical defects arising in the delivered goods Components
- 5.4 After the Buyer has temporarily suspended or fully terminated the order for reasons attributable to the Supplier, the Buyer may simultaneously terminate the order in whole or in part with regard to deliveries to be made in the future.
- 5.5 If, in a country in which the Components are to be used, manufactured and delivered, there are special requirements, e.g. for safety, environmental protection and / or legal regulations, that must be met or transferred in the supply chain,
- a. At the Buyer's request, the Supplier shall submit appropriate certificates for approval of such Components for use and documentation specifying the person or entity that checked the Components compliance with the provisions of the applicable standards, together with the results of such verification..
 - b. If necessary, the Supplier will maintain appropriate permits to trade in the Components and certificates of Component compliance with the applicable standards, in particular regarding safety and environmental protection, and will maintain such documentation for 15 years so that it can be presented to the Buyer upon his request.
 - c. The Buyer has the right to check the compliance of the production process, technological documentation used for production, the acceptance method and the Components' compliance with the requirements and / or provisions of the applicable standards.
- 5.6 The Buyer has the right to issue a complaint for the delivered Components with regard to which non-compliance has been detected, and the Supplier is obliged to consider and respond in accordance with the Quality Requirements contained in point III

6. CONFIDENTIAL INFORMATION

- 6.1. By Confidential Information, the Parties mean, inter alia: drawings, specifications that directly relate to goods, assemblies and their components, technical data, technologies, specifications, software, samples and prototypes, financial or economic data, including materials and documentation, including scope, e-mails, data stored on storage media, and other information about the Website or its Customers, suppliers, goods, rules for determining prices and methods of running a business, trade secrets obtained from the Buyer.
- 6.2. The confidentiality obligation applies regardless of whether the Confidential Information was provided orally or in any recorded form and regardless of whether the Confidential Information was actually marked as "confidential", "secret" or otherwise, and regardless of the medium of its transmission.
- 6.3. The Parties recognize that the above information is a trade secret and has a high commercial value for both Parties. Due to the above, the Supplier undertakes to use any Confidential Information for the purposes of the contract as in the preamble, and not for any other purposes.
- 6.4. The Supplier has the right to disclose Confidential Information to its employees, persons cooperating on the basis of a civil law relationship, i.e. professional advisers (including legal, accounting or financial advisers), but only to those who must have access to the Confidential Information in order to properly


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perform their obligations or rights towards the Party and only to the extent necessary to perform such obligation or right, the Supplier shall oblige the above-mentioned persons to keep the Confidential Information provided secret, and the Supplier shall be responsible for disclosing Confidential Information by these persons in a manner inconsistent with the provisions of this agreement. as for one's own act or omission.

- 6.5. Confidential Information is confidential and may not be shared, transferred, disclosed, published, copied etc. to third parties (third parties). Disclosure of any Confidential Information other than the natural or legal persons indicated above will require the written consent of the Management Board of Major Sp. z o.o., unless it is publicly available information and its disclosure did not take place as a result of a breach of the provisions of these terms and conditions
- 6.6. Any Confidential Information disclosed is and will remain the property of the Buyer. The provisions of these terms and conditions should not be interpreted as an explicit or implied granting of rights or entitlement to Confidential Information, as well as granting any licenses, sub-licenses, transfer of copyrights and industrial property rights or other intellectual property rights - other than in the use of Confidential Information within the scope of the described above cooperation.
- 6.7. The Supplier will protect the Confidential Information with the utmost care and will protect the Confidential Information against loss, theft, damage, deterioration and access by third parties of unauthorized maintenance of such Confidential Information. the obligations that are the subject of these terms and conditions do not apply to the information:
 - 6.7.1. for which it can be shown that they were in the possession of the Supplier who received the Confidential Information before disclosure, in accordance with the law and without breach of other contractual obligations;
 - 6.7.2. which at the time of disclosure by the Buyer are generally known or will be later made public otherwise than by violation of the law or breach of an obligation committed by the Supplier or a third party;
 - 6.7.3. which will be provided to the Supplier with an express written waiver of confidentiality or an exemption from the prohibition of open use;
 - 6.7.4. which have been disclosed in accordance with applicable law or at the request of authorized state administration bodies, courts and other state bodies, within the scope of their properties.
- 6.8. The obligation of confidentiality exists for an indefinite period.

7. CUSTOMER OWNERSHIP

- 7.1. Equipment owned by the Buyer should be maintained with due diligence and returned to the Buyer within the agreed period.
- 7.2. The use and copying of equipment that is the property of the Buyer for purposes other than the delivery to the Buyer is strictly prohibited. In particular, it is forbidden:
 - 7.2.1. copying and sharing such items with third parties without the prior written consent of the Buyer,
 - 7.2.2. manufacturing and / or selling Components made on the basis of items, drawings or other documents provided by the Buyer,
 - 7.2.3. use of the Buyer's name, trademark and / or logo.
- 7.3. Supplier will record and properly mark Buyer's property (items), unless Buyer has already done so.
- 7.4. The Supplier may not submit applications for a patent or other industrial property rights in relation to drawings, samples, dies, tools and other documentation provided to him by the Buyer, as well as Components manufactured on their basis, and in relation to the Buyer's items in the Supplier's possession..
- 7.5. Supplier:
 - 7.5.1. will insure the Buyer's items against fire, theft, intentional damage, accidental damage, forgery and other risks,
 - 7.5.2. will cover the costs of maintaining the Buyer's items entrusted to him, including all service and repair works, and will also store and use them with due diligence,

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- 7.5.3. it will store and use the above-mentioned items only in facilities where the Supplier's business is conducted. Any other place of storage and transfer of items requires the prior written consent of the Buyer,
- 7.5.4. allow authorized representatives of the Buyer to examine the manner in which its items are maintained and used,
- 7.5.5. will comply with the Buyer's guidelines regarding, for example, the return, maintenance and scrapping of the above-mentioned items,
- 7.5.6. return the Buyer's items after receiving information from him that they are no longer needed, in good condition, taking into account normal wear and tear.
- 7.6. The Supplier has no right to pledge or encumber the Buyer's items..
- 7.7. The Supplier ensures and causes independent associates to fulfill the above obligations, unless the Buyer accepts the deviation in writing
- 7.8. In the event of any breach by the Supplier of the above obligations, the Supplier shall be liable for damages incurred in connection with this by the Buyer.
- 7.9. The Supplier is obliged to keep the design documentation until the Buyer receives information about the completion of deliveries.

8. INVOICING


- 8.1. Each invoice will only concern the Components delivered to the Buyer, in accordance with the order and contractual obligations of the Parties
- 8.2. Each invoice will include: Component number, number and date of issue of the delivery note by the Supplier, delivered quantity, unit price, currency, total value, VAT rate, amount and other possible items required under applicable tax law.
- 8.3. The buyer makes the payment within the time limits agreed in the order from the date of issuing the invoice and the complete goods together with the required documents.
- 8.4. If defects or quantitative discrepancies are detected on one or more batches of delivered products, the buyer will have the right to request a correcting invoice for the batches with detected defects and potentially endangered batches and exclude them from the total amount of payments due to the SUPPLIER within a given period. If a new (replaced) material is delivered, the SUPPLIER will issue a new invoice with a new payment date.

9. PRICES

- 9.1. The prices given in the order are fixed. Price changes based on subsequent cost increases are excluded, unless otherwise agreed in writing.
- 9.2. Any price changes related to production changes should be communicated in advance by the supplier and in no case will be valid or binding on the Buyer if they are not previously agreed in writing.
- 9.3. The pricing period may not be the basis for the supplier to suspend deliveries.
- 9.4. Until the requested price is mutually agreed, the price previously agreed is valid.

10. REQUIREMENTS CONCERNING REGULATION, SECURITY, ENVIRONMENT AND SOCIAL RESPONSIBILITY

- 10.1. The provisions are aimed at ensuring the protection of human health and the environment against the generated hazards through the use of certain products / processes. The regulations apply to all Suppliers whose products / goods are included in the final product of the Buyer. Suppliers are required to identify, understand and comply with all laws that apply to the goods that are delivered to the buyer. Requirements include, but are not limited to:
 - 10.1.1. **Regulation 1907/2006 (REACH), SCIP database (EU)** - introduces restrictions according to which the production, placing on the market and use of hazardous substances may be prohibited and may be subject to specific conditions, if the European Commission considers the risk unacceptable for human health and the environment.
 - 10.1.2. **Conflict Minerals reporting (regulation (EU) 2017/821, Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act).** - supporting the fight against the trafficking of four minerals, namely tin, tantalum, tungsten and gold, which are sometimes used to finance armed conflict or are mined through forced labor. Suppliers who manufacture components, spare parts or products containing zinc, tantalum, tungsten and / or gold are required to declare upon purchase that they only use materials from ecologically and socially responsible sources. Each supplier of raw

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material to the Buyer must complete the "Conflict Minerals Report Template" questionnaire. No technical documents / specifications can replace these official texts.

10.1.3. **Long-term supplier's declaration of products** - A supplier's declaration is a declaration by which the supplier of goods communicates to his customer (recipient) information regarding their origin status in the context of preferential arrangements (e.g. free trade agreements) and their rules of origin.

In the event of even temporary non-compliance with one or more regulatory requirements, the supplier must inform the Buyer's purchasing or quality manager as soon as possible.

10.2. Each Buyer Supplier undertakes to implement rules covering its relations with employees, contractors and other interested parties:

10.2.1. compliance with regulations - The supplier undertakes to comply with the regulations of each country in which it operates

10.2.2. accounting and reporting - all financial transactions must be reported in accordance with generally accepted accounting principles and the books of accounts must present the nature of all transactions in a correct and non-misleading manner,

10.2.3. precautions - the supplier supports the precautionary principle by avoiding materials and methods hazardous to the environment or health, if there are appropriate alternative solutions,,

10.2.4. human rights - in its sphere of influence, the Supplier supports and respects the protection of internationally recognized human rights and ensures that it is not complicit in violating them, the Supplier conducts business in accordance with the principles of ethics,

10.2.5. non-discrimination - Supplier employs and treats its employees without discriminating against them on the basis of sex, race, religion, age, disability, sexual orientation, nationality, political opinion or social origin,

10.2.6. work - The supplier does not tolerate any form of forced or child labor and is obliged to provide decent wages and to comply with working time limits.

10.3. All members of the management board and all employees and associates of the Supplier are obliged to comply with the above-mentioned rules.

10.4. The supplier is obliged to meet the legal health and safety requirements.

10.5. The supplier performing work in the premises of the Buyer is obliged to obtain a permit specifying the internal requirements for health and safety, environmental protection and fire protection before commencing any activities.

10.6. The Supplier is obliged to remove and transport, in accordance with legal requirements and at his own expense, all waste produced during the performance of the Supplier's obligations at the Buyer's premises, unless the Parties have agreed otherwise in writing.

11. SETTLEMENT OF DISPUTES

11.1. Any disputes arising out of or in connection with this agreement shall be settled by the common courts of law competent for the Buyer.

12. SEVERABILITY

12.1. Losing the validity or enforceability of any provision of this document does not affect the validity or enforceability of the remaining provisions. The Parties will negotiate in good faith to replace the invalid or unenforceable provision with a valid and enforceable provision in a manner that as closely as possible reflects the original intention of the Parties.

III. QUALITY REQUIREMENTS


1. SUPPLIER ELIGIBILITY CRITERIA

1.1. The quality requirements for individual Components are specified in the product specifications and other documents.

1.2. The buyer distinguishes two categories of material suppliers:

1.2.1. category 1 - raw material producers - profiles / materials with special properties

1.2.2. category 2 - raw material wholesalers and outsourced processes

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- 1.3. Detailed requirements for supplier approval for the Buyer are set out in the PJ 09 procedure "supplier selection and approval"
- 1.4. The Supplier is obliged to immediately inform the Purchasing Department of the Buyer about the expiry of any of the certificates held.

2. PRODUCTION PART APPROVAL PROCESS (PPAP)

- 2.1. The Component Approval Process for Production (PPAP) or product approval is aimed at verifying whether the Components made of target materials, using tools and processes, meet the technical requirements and whether the Supplier has the potential to produce Components that meet these requirements in a serial production process.
- 2.2. The quality or purchasing representative will determine the appropriate PPAP transfer level and additional requirements for the part or component to be sourced..
- 2.3. All PPAP samples must be produced using the target production tools and processes. The change of the technological process must be validated.
- 2.4. The supplier ensures compliance with all requirements listed in the main design record (drawings and specifications) and purchase orders
- 2.5. Suppliers may be required to submit / re-validate and submit PPAP annually as directed by Buyer.
- 2.6. The Buyer reserves the right to be present during the process and product approval of the Supplier through the "Run at Rate" process (trial production series carried out in serial conditions before the serial launch of production), as well as the process audit
- 2.7. The Supplier is required to perform Component and Process risk assessments using tools such as FMEA (Failure Mode Effects Analysis) as well as using Poka Yoke (Error Prevention) systems.
- 2.8. The supplier is obliged to meet all the requirements in accordance with the REACH directive. In order to confirm compliance with the Reach requirements, the supplier is obliged to fill in the REACH declaration (Annex 1) or, if necessary, the IMDS (references to the IMDS system at <http://www.mdssystem.com/>).
- 2.9. The Supplier is required to implement the SPC (Statistical Process Control) tool to maintain process capabilities and to control them if there are special characteristics in the Buyer's drawing. Required values - see point 6 "process control"
- 2.10. PPAP Status:
 - 2.10.1. **Approved:** Indicates that the product meets all "MAJOR" requirements and authorizes the supplier to ship production quantities of the product
 - 2.10.2. **Interim Approval:** Allows the supplier to ship a product with a limited time and / or number of pieces. Note: The duration of the provisional approval will be determined individually after agreement between the parties. Resubmitting the PPAP is required, along with corrective actions, to become "Approved". Additional guidance on limiting the product should be reviewed in the latest edition of the AIAG PPAP manual.
 - 2.10.3. **Rejection:** Indicates that the PPAP dossier and / or product does not meet the main approval requirements. The supplier must take appropriate action to remedy the deficiencies and a resubmission of the PPAP is required.
- 2.11. Note: The Supplier is not authorized to ship the product until the product has obtained at least the Buyer's provisional approval
- 2.12. Defects of the submitted "Initial Patterns" (components from Run at Rate production) may be considered as non-compliance with the above-mentioned rules and result in the launch of the complaint process against the Supplier.
- 2.13. PPAP documents may be sent by e-mail, and parts for testing must be submitted to the Buyer's quality department,
- 2.14. PPAP documentation should be provided to the Buyer in Polish, unless agreed otherwise.
- 2.15. The Buyer has the right to charge a contractual penalty in the amount of EUR 200 for each week of delay in relation to the declared date of delivery of the complete PPAP documentation and Initial Samples, in accordance with the PPAP Order.

3. SUPPLIER EVALUATION

- 3.1. The Buyer conducts an assessment of the Supplier every six months, which is based on the following three indicators: Quality, Purchasing and Logistics.
- 3.2. Depending on the results of the assessment, the Supplier is qualified into one of three classes:

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- 3.2.1. result (81% – 100%) – Grade A - Preferred supplier,
- 3.2.2. result (61% - 80%) - Grade B - Standard Supplier,
- 3.2.3. result (0% - 60%) - Grade C – Custom vendor.
- 3.3. The evaluation is performed on the basis of the "Supplier evaluation" form.
- 3.4. The guidelines for supplier evaluation are presented in the quality manual "IJ-06 Supplier assessment" (Annex 2)
- 3.5. Custom Suppliers will be required to provide a corrective action report (improvement plan) enabling the Supplier to leave this class. In turn, at the discretion of the Quality Department, the Standard Supplier may be required to provide a corrective action report (if the result of one of the indicators is less than 60%).
- 3.6. The supplier should aim for 0 PPM and 0 complaints.
- 3.7. Additionally, when the PPM index for the supplier in the six-month period exceeds 50 PPM and/or the number of complaints is equal to or higher than 5, the supplier is obliged to prepare and submit an improvement plan to the Buyer's Quality Department.
- 3.8. Only suppliers who have been classified as category B or C receive information with the assessment result. Thus, it is assumed that suppliers who have not received the assessment result for a given half-year from the Buyer have been classified as A class suppliers.

4. SUPPLIER PROCESS AUDITS

- 4.1. The Buyer's Quality Department determines the Annual Supplier Audit Plan for a given year. Audits are carried out at the Buyer's expense
- 4.2. Audits are carried out on the basis of the Process Audit in accordance with the VDA 6.3 standard.
- 4.3. The Annual Supplier Audit Plan is based on a risk analysis, including the number of complaints caused by the Supplier
- 4.4. In the event of a complaint, the Supplier's process may be subject to additional audits, carried out at the Supplier's expense, aimed at risk assessment, Supplier monitoring and the development of its Quality Management System.
- 4.5. In special cases, the Supplier may be asked to conduct an audit on its own (so-called self-assessment) and at its own expense.
- 4.6. The Supplier agrees that the personnel of the Buyer's Quality Department and the Buyer's customers will have free access to the audited areas.

5. ANNUAL PRODUCT AUDIT / REQUALIFICATION



- 5.1. Once every three years, the Supplier is required to submit to the Buyer's Quality Department a "Product Audit Plan".
- 5.2. After the audit carried out at his own expense, the Supplier is obliged to send the following documents to the Quality Department:
 - PSW,
 - full measurement report,
 - material certificate,
 - statistical process control - SPC
 - Control Plan
- 5.3. Accordingly, at the request of the Buyer, the frequency of re-qualification may be increased.

6. PROCESS CONTROL

- 6.1. Production must take place under controlled conditions. For processes containing special characteristics, implement Statistical Process Control (SPC). Process Capability Levels Required:

6.1.1. Special characteristics

In the Buyer's drawings, special characteristics are marked as follows:

	charakterystyka ważna dla klienta Major
	charakterystyka ważna dla Major

6.1.2. Safety and critical characteristics:

- Cpk > 1,67

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- Ppk > 1,67

6.1.3 Important characteristics:

- Cpk > 1,33
- Ppk > 1,33

- 6.2. If these capabilities cannot be achieved, corrective actions should be planned and implemented. Until their effectiveness is confirmed, the Control Plan must be updated with 100% checks.
- 6.3. The Buyer specifies special characteristics based on the limitations identified in his own process, as well as by introducing process and / or product limits of the Buyer's customers
- 6.4. The Supplier is responsible for defining its own special characteristics to supplement the characteristics specified by the Buyer. The special characteristics should be identified by the Supplier during the FMEA (Failure Effect and Effect Analysis) analysis and transferred to the Control Plans and Operational Manuals. At the request of the Buyer or his Customer, the Supplier must be able to demonstrate that the special characteristics indicated in the control plan are controlled and recorded.
- 6.5. Control and measurement instruments used by the Supplier to control the characteristics must have a valid calibration date and an acceptable result of the Measurement System Analysis (according to the latest version of the AIAG MSA - Measurement System Analysis manual).

7. THE REQUIREMENT OF MONITORING SERIAL DELIVERY

- 7.1. The Supplier is required, as a minimum, to monitor the following Indicators:
 - 7.1.1. PPM,
 - 7.1.2. number of complaints (production, 0km, warranty, returns from the market),
 - 7.1.3. special statuses,
 - 7.1.4. on time delivery,
 - 7.1.5. number of special transports.

8. IDENTIFICATION

- 8.1. The supplier is obliged to implement a material traceability system that can trace back each Component, down to the batch of material used.

9. REQUESTS FOR WAIVER

- 9.1. The supplier may apply to the Buyer's Quality Department for a temporary derogation for the delivery of Components not in accordance with the drawing and / or specification. For that, it must Submit the completed Derogation Request at least 10 business days prior to the scheduled shipment of the material. A document templates of the application is attached to this document (Annex 3).
- 9.2. If the application is positively verified and corrective actions are defined by the Supplier, the Supplier will receive a signed document enabling the shipment of the non-conforming material (in a specified number or time).
- 9.3. Any such deviation may result in a price reduction (at the Buyer's decision), and the Components concerned must be properly labeled (on each pallet and packaging) in a manner agreed with the Quality Department.

10. ENGINEERING CHANGES

- 10.1. Supplier may apply to Buyer's Quality Department for an engineering change (e.g., dimensional, process, raw material and sub-supplier change) on a Component previously approved through PPAP. For this purpose, he must send the completed "Supplier Application for Change Approval (SRCA)" form to the Quality Department. The form is attached to this document - Annex 4.
- 10.2. In the event of positive verification of the request and completion by the Supplier of all actions defined therein, as well as approval by the Buyer's Quality Department of the documentation and parts of PPAP, he will receive a signed document enabling the Component to be shipped.
- 10.3. Changes to the Component not authorized by the Quality Department will have the following consequences:
 - 10.3.1. charging the Supplier with the costs of selection and scrapping of unauthorized material,
 - 10.3.2. imposing a Shipment Level 1 or 2 Control on the Supplier (CSL1 or CSL2 in accordance with clause 13)
 - 10.3.3. imposing the Suspension of New Projects (NBOH) status on the Supplier.

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11. HANDLING OF COMPLAINTS

- 11.1. In the event of any quality problems in the Buyer's production process, as well as in the production process of the Buyer's customers, which may potentially be related to the purchased materials, the Supplier will receive a notification in the form of a Quality Alert. The Supplier is obliged to respond to the Alert immediately, no later than within 24 hours.
- 11.2. If the Buyer receives a non-quality delivery, the Supplier will be informed of such fact using the 8D Report form. If, on the date indicated by the Buyer in the 8D Report, the Supplier does not declare that it will perform the selection and other activities necessary to determine the quantity of defective goods, the selection and other activities necessary to determine the quantity of defective goods will be made or ordered by the Buyer at the Supplier's expense. Notwithstanding the above, no later than 10 business days from the date of receipt of the non-compliance report, the Supplier is obliged to provide the Buyer with an explanation of the root cause, a proposal for corrective actions, and a list of updated documents (eg FMEA, Control Plan).
- 11.3. The Supplier will be charged with all costs related to the non-conforming material and its handling incurred by the Buyer. The amount of costs is specified in the price list currently applicable to the Buyer.
- 11.4. Regardless of the costs related to the detection of defective materials provided by the Supplier, referred to above, the Supplier is obliged to compensate the damage suffered by the Buyer as a result of the processing of defective materials. The damage includes, in particular, the costs of processing defective materials, as well as costs resulting from non-performance or improper performance of contracts concluded by the Buyer in connection with the delivery of defective materials by the Supplier. The amount of the damage will be determined based on the data provided by the Buyer

12. PROCESS OF FURTHER SUPERVISION OF THE SUPPLIER AND ESCALATION

- 12.1. Low quality level (e.g. numerous complaints, poor PPM results, etc.) authorizes the Buyer to implement an escalation process towards the Supplier. In relation to Suppliers covered by such a process, intensified monitoring (e.g. improvement plans) may be applied, aimed at a quick improvement of the Supplier's results.
- 12.2. In the event of a drastic reduction in quality, the Buyer reserves the right to audit the Supplier in order to verify the risk of the delivered Components and the implemented process. During such an audit, the presence of the Buyer's Customer Representative may be necessary. If such procedure is followed, Supplier agrees to provide free access to its resources for Buyer personnel and Buyer Customer Representative. Except in emergency situations (complaint of the Buyer's Customer, lack of a Component, etc.), the Buyer shall inform the Supplier of such a visit 48 hours in advance. Audits at the initiative of the Buyer or the Buyer's Customer may be carried out by the Buyer (or a third party indicated by the Buyer) on the premises of each Supplier, the quality level of which is inconsistent with the goals set by the Buyer or shows a negative trend within three months. Audits can also be carried out for preventive purposes. Such audits may be carried out by the Buyer (or a third organization indicated by the Buyer) on the premises of each of the Supplier's subcontractors.

13. CONTROL OF SHIPPING LEVEL - LEVEL 1 and 2 (CSL1 and CSL2)

- 13.1. In the event of repeated non-compliance, complaints from the Buyer or the Buyer's Customer, as well as when the Supplier does not control its production process, the Controlled Shipping Level - CSL procedure will be applied.
- 13.2. The Supplier will be required to implement CSL1 or CSL2 to ensure delivery certification while waiting for parts from the manufacturing process to be brought back into conformity.
- 13.3. **CSL1** – The Supplier shall implement a Component sorting system in accordance with the criteria specified by the Buyer's Supply Quality Department. Sorting activities will take place off the production line in a designated area on the premises of the Supplier's Plant, in accordance with the detailed inspection instructions approved by the Buyer's Quality Department. CSL1 control may be performed by the Supplier's employees. The quality of the sorting activities will be tracked and reported by the Supplier on a daily basis or with the possible approval of the Buyer's Quality Department on a weekly basis. The

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Supplier formally guarantees the compliance of the Components delivered as part of all deliveries made during the CSL1 process. The Supplier will be charged for the sorting costs. If Supplier fails to meet its obligations during the CSL1 period, then the use of CSL2 will be required.

- 13.4. **CSL2** – meets all the above conditions, in addition, 100% inspection of the Components must be performed by an external company, approved by the Buyer, which will implement sorting using the criteria specified during CSL1 at the Plant (inspection manual). The Supplier will be charged for the sorting costs. The Quality Department will be informed directly by an external company about the results of the sorting.
- 13.5. **Criteria for exiting CSL1 and CSL2:** the special status may be lifted only with the written approval of the Buyer's Quality Department after the fulfillment of the conditions specified in the letter notifying about granting the Supplier CSL1 or CSL2 status. If the Supplier leaves the CSL2 status, it returns to the CSL1 status for a period agreed with the Quality Department.
- 13.6. The Supplier is granted the special status of NBOH (New Business on Hold) by the Quality Department (New Business on Hold - Suspension of New Projects) when the level of rejects of non-compliant parts within 3 months after the implementation of CSL2 does not improve or in cases of a critical situation related to the quality of the Components. When the Supplier achieves the goal set by the Quality Department to exit the NBOH status, it returns to the CSL1 status for a period of 3 months to confirm the results

14. WITHDRAWAL FROM COOPERATION

- 14.1. If the quality of the Supplier's performance does not improve after the implementation of the above-mentioned activities (improvement plans, CSL1, CSL2, NBOH), then the Buyer will decide to gradually withdraw from cooperation with the Supplier within a clearly set time and with the determination of resources to manage the transfer. The supplier will be automatically removed from list of Approved Suppliers

15. RECOVERY FROM WARRANTY RETURNS

- 15.1. All warranty costs charged to the Buyer by his Customers and resulting from non-compliance of the material supplied by the Supplier will be transferred to him. The Quality Department will inform the Supplier about issuing a Field Return complaint. In such a situation, the Buyer will send the Supplier a cost settlement

16. PRODUCT SAFETY AND CONFORMITY - FORMEL Q REQUIREMENTS

- 16.1. Suppliers who deliver their Components through the Buyer to the Buyer's customers from the VW Group are obliged to establish the position of Safety and Safety Representative in their organization Product Safety & Conformity Representative (PSCR). In order to inform the buyer about performing the PSCR function, it is recommended to use the template of the Buyer's declaration (Annex 11) The employee's competences in this position must be confirmed by presenting a training certificate.
- 16.2. In addition, it is necessary to establish a person in the Supplier's organization responsible for the analysis, implementation and maintenance of the requirements contained in the manuals: Formel Q Capability, Formel Q Konkret and Formel Q New Parts (according to the latest available versions).


IV. LOGISTIC REQUIREMENTS

1. SUBJECT

- 1.1. Logistics requirements constitute a mandatory set of guidelines for all Suppliers delivering to the Buyer. This document describes the entire delivery process and the division of responsibilities between the Supplier and the Buyer, including: deadlines, documentation, key terms of delivery and others.

2. THE COMPONENTS ORDERING PROCESS


- 2.1. The Purchasing Department of the Buyer informs the qualified (previously approved) Supplier of the needs, systematically sending orders for the next weeks. The order takes into account: delivery date, product description, quantity of ordered materials, price, additional documents: 3.1 material certificate, designated place of delivery.

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- 2.2. in the event that the qualified suppliers of the Buyer are unable to deliver the expected goods to the Buyer, the Buyer's Purchasing Department is looking for a new supplier for the specified goods. In this case, the new supplier must undergo an approval process. The detailed approval procedure is described in the quality procedure "supplier selection and approval" - Annex 9.
- 2.3. The potential supplier must be verified. The purpose of the verification is to keep undesirable situations to a minimum. For verification, the supplier must provide evidence that the requirements specified in the PJ 09 quality procedure are met, supplier selection and approval "- Annex 9
- 2.4. After verification of the submitted evidence of compliance with the requirements (see point 2.3), the buyer decides whether the supplier can be approved.
- 2.5. The condition for receiving an order for the delivery of new goods (not previously ordered) from a qualified (approved) supplier is filling in the "inquiry / offer" form by the supplier within the agreed deadline (Annex 7). The document is the basis of requirements for subsequent orders for the goods specified in the inquiry / offer. Requirement for 1 category suppliers only.
- 2.6. The supplier receives an order for goods in the form of an attachment sent by e-mail. Accepting the order for execution is tantamount to agreeing to the terms of cooperation between the buyer and the supplier.
The order takes into account
 - 2.6.1. delivery date,
 - 2.6.2. product description
 - 2.6.3. the amount ordered,,
 - 2.6.4. the price,
 - 2.6.5. additional documents: material certificate 3.1,
 - 2.6.6. designated place of delivery - if delivery is on the supplier's side
- 2.7. If the order is accepted for execution, the Seller is obliged to confirm its acceptance in writing within 24 hours of its receipt. In the event of ineffective expiry of this period, the order ceases to be binding on the Buyer. The acceptance of the order on the terms specified in the order and these GTCP is also considered to be the delivery by the Seller of all or part of the ordered Goods by the date specified in the order or another date agreed with the Buyer.
- 2.8. The seller is obliged to:
 - 2.8.1. execute the order by delivering the Goods to the Buyer in the quantity and time specified in the Buyer's order, with the proviso that the detailed terms of delivery divided into batches (tranches) may be determined by the Buyer by electronic communication;
 - 2.8.2. guarantee the quality and labeling of the delivered Goods in accordance with the requirements of applicable legal regulations, Polish standards and with the detailed requirements specified in the Buyer's order;
 - 2.8.3. ensure that the Goods on the day of delivery have a minimum of 75% of their use-by-date (shelf life) period; in the event of failure to meet the above condition, the Buyer will be entitled to exercise the rights specified in section 4.2, chapter 2;
 - 2.8.4. provide the Buyer, no later than on the date of delivery of the Goods, with all the required quality documents (certificates, approvals, permits, declarations and other necessary documents); in the event of failure to meet the above condition, the Buyer will be entitled to exercise the rights set out in point 4.2 Chapter 2, which does not release the Seller from liability to the Buyer for the lack of the above-mentioned documents, in particular the Seller is obliged to indemnify the Buyer from liability or repair the damage suffered by the Buyer on account of lack of the above-mentioned documents

3. DOCUMENTATION

- 3.1. The supplier is obliged to provide the relevant documents with the delivery or by electronic means on the day of delivery at the latest.
- 3.2. All documentation should be sent to the buyer's purchasing department by e-mail:
 - 3.2.1. **Delivery note**
 - 3.2.2. **Material certificate**
 - 3.2.3. **Delivery invoice** - to the finance department and the purchasing department
- 3.3. The list of required documents must include::
 - 3.3.1. **delivery note:** sender's address, unloading point address, delivery document number, delivery document issue date, order number, buyer part number in accordance with the order, drawing

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number with the status of the last change (revision), Supplier part number, unit of measure, material description, total amount of material in the delivery

3.3.2. **transport documents:** CMR or other required document, depending on the form of transport,

3.3.3. **customs documents:** invoice - in accordance with applicable regulations, bill of lading - in accordance with applicable regulations.

3.4. The supplier is obliged to ensure that the information in all documents is the same.

3.5. The supplier is obliged to send the completed "Long-term origin declaration" document valid for 2 years to the Buyer's purchasing department by the end of December. The next declaration must be delivered cyclically before the expiry of the previous one. A specimen of the form is attached to this document - Annex 5, Annex 6

4. PACKAGING AND LABELS


- 4.1. Stocks of compliant Components should be issued according to the principle of "FIFO - first in, first out", placing them in a way that ensures easy identification and inspection by the Buyer's representatives
- 4.2. The packaging proposed by the Supplier must meet the requirements regarding weight, load capacity and other requirements ensuring safe delivery, as well as protect the materials against the effects of external factors during transport and storage.
- 4.3. Each package with Components and each pallet should be marked with an appropriate label that meets the agreed requirements. The packages with the material should be packed in batches covering one type of item. Do not combine different materials in one package

5. TRANSPORT

- 5.1. Suppliers carrying out deliveries in accordance with the EXW principle (Ex Works / from the Supplier's Plant): The supplier is obliged to send the logistic data (number of pallets or boxes, weight, dimensions) necessary for the organization of transport. The date of providing information is agreed individually with each Supplier, after loading the materials, the Supplier is obliged to immediately send by e-mail a scanned copy of the delivery document, a shipping list to the Buyer's Purchasing Department.
- 5.2. Suppliers carrying out deliveries in accordance with the rules of FCA (Free Carrier / delivered to the transport company chosen by the Buyer), CIF (Cost, Insurance and Freight / freight insurance cost), FOB (Free on Board / delivered to ship): The supplier is obliged to send the data logistic (number of pallets or boxes, weight, dimensions) necessary for the organization of transport. The date of providing information is agreed individually with each Supplier. Before collection by the Buyer, customs clearance for export should be ensured, after loading the material, the Supplier is obliged to immediately send an e-mail scanned copy of the delivery document, invoices to the Buyer's Purchasing Department.
- 5.3. Suppliers carrying out deliveries in accordance with the DAP (Delivered at Place / delivered to the place indicated by the Buyer) principle: The Supplier is obliged to send a scan of the delivery document to the Buyer's Purchasing Department by e-mail immediately before the car leaves the Supplier's plant and indicate the date and time of arrival to Major Sp. z o.o. The supplier is responsible for the material until unloading begins. The Supplier is obliged to track the Components during the entire transport process.
- 5.4. Any delay in delivery causes the supplier to arrange transport at his own expense.

6. ERRORS - DELAYS, FAILURES, EXCESSIVE DELIVERY

- 6.1. The supplier is responsible for all costs related to the failure to meet the delivery requirements.
- 6.2. The Purchasing Department of the Buyer should be informed about any problems related to keeping the delivery date, no later than 5 working days before collecting the shipment at the Supplier's plant or at another agreed place.
- 6.3. Delays caused by sub-suppliers and other entities cooperating with the Supplier will not be treated as a force majeure event and in no case justify a delay in delivery.
- 6.4. Components delivered before the agreed date (early delivery), if not expressly ordered by the Buyer, may be rejected and returned to the Supplier at his expense and risk or until the Supplier's account is charged with storage costs.
- 6.5. The buyer may accept unsolicited early delivery at his own discretion, but in this case the payment date will be calculated as in the originally planned delivery in accordance with the order.
- 6.6. In the event that the production line is stopped at the Buyer's or the Buyer's customer due to late delivery or incorrect quantity on any shipment, the Supplier is obliged to cover all costs incurred by the Buyer in

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connection with the delay or wrong delivery. In the event that the delivery of larger quantities than ordered generates additional storage costs, the Supplier is obliged to collect the excess Components or to compensate for storage costs.

- 6.7. In the event of a delivery error, the Supplier is obliged to ensure sufficient delivery to avoid production downtime.
- 6.8. The Supplier should deliver the Components in the quantity and range specified in the order. The Supplier will be informed of any discrepancies between the quantity declared by him and the quantity verified by the Buyer. After receiving the Discrepancy Report, the Supplier is obliged to provide the missing materials or issue a correcting invoice based on the information received from the Buyer's purchasing department.
- 6.9. In the event of additional deliveries, more frequent than agreed and caused by the Supplier's arrears, the Supplier will be charged for the logistics services. The supplier will keep stocks in stock in quantities that will ensure the continuity of deliveries required in accordance with the orders.
- 6.10. In the event of damage to the packaging, further actions are agreed by the Supplier and the Buyer.
Possible actions include:
 - 6.10.1. Component selection,
 - 6.10.2. Component return,
 - 6.10.3. scrapping of Components.
- 6.11. The supplier assumes responsibility for all costs related to late or incorrect delivery. The Supplier must make a decision on further actions within the time limit indicated by the Buyer. In the event of refusal to take action or failure to submit a decision within the prescribed period, the required actions will be taken by the Buyer at the expense of the Supplier.
- 6.12. W przypadku nie dostarczenia wymaganej dokumentacji (atest, certyfikat) określonej w zamówieniu Kupujący ma prawo nie przyjąć dostawy.
- 6.13. The supplier should have a contingency plan in place to ensure continuity of supply
- 6.14. The Buyer has the right to charge a contractual penalty of 5% of the net value of the undelivered Components for each week of delay in relation to the order.
- 6.15. The payment of contractual penalties does not exclude the Buyer's right to claim damages in excess of the value of such penalties.

7. SUPPLIER EVALUATION

- 7.1. The Supplier Assessment is one of the elements of the semi-annual Supplier Assessment. Details on Supplier Assessment are included in the quality manual IJ 06 "supplier assessment"
- 7.2. Ultimately, the supplier should try to achieve 100% on-time delivery and a minimum number of special shipments resulting from delays and mistakes in the supply chain.

V. TECHNICAL REQUIREMENTS

1. TECHNICAL DOCUMENTATION

- 1.1. Technical drawing - Technical drawing is a graphic representation of the Component's structure, providing full information about the dimensions, tolerances and material from which the Component should be made.
- 1.2. Technical Specification - A Technical Specification is a document setting out the technical requirements that a Component should meet.

2. SAFETY


2.1 User safety. Adequate steps must be taken to ensure that the Components do not pose a direct or indirect threat to the life or health of the user.

2.2 Safety

The component must not have a negative impact on overall security. All significant safety aspects and those resulting from legal regulations that may be affected by the Component must be taken into account in the risk analysis.

2.3 Safety of the operator of machines and devices at the Buyer's production plant

Adequate steps must be taken to ensure that the Components will not cause a direct or indirect hazard to safety, and will not endanger the life or health of the operator of machines and devices performing the processing and assembly of the Components.

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3. TOLERANCES AND SPECIFICATIONS

3.1. Technical drawing and tolerances:

The Buyer's drawings contain the dimensions of the material with the given tolerance and those for which the tolerance is not provided. This means that in this case, the tolerance indicated in the Buyer's specification DIN ISO 2768 mK should be used.

3.2. Material specification

At the bidding stage, the Supplier may propose changes to the drawing, subject to the Buyer's consent.

3.3. FMEA

The supplier must analyze the defects and their effects and make them available to the Buyer for verification. The supplier must identify and assess risks and implement corrective actions before sending the PPAP templates for approval. The supplier must take steps to prevent or minimize the risks identified and document them.

3.4. FMEA update

There is a need to update the FMEA with an appropriate group of interdisciplinary specialists

3.4.1. at least once a year (once every 12 months) in the case of an already existing FMEA,

3.4.2. after each claim

3.4.3. at the time of process improvement

3.4.4. when implementing a new process in the plant.

3.5. When reviewing production process FMEAs, they should be considered and discussed as a minimum:

3.5.1. possibility of using other solutions (benchmark),

3.5.2. solutions from Lesson Learned cards and innovation,

3.5.3. the possibility of implementing error prevention systems (poka yoke and error proofing)

3.6. Annotations from the analysis should be added in the comments viewed FMEA..

VI. ATTACHMENTS

Annex 1 Reach declaration

Annex 2 IJ 06 "Supplier Assessment"

Annex 3 Request for a derogation

Annex 4 Supplier Request for Change Approval (SRCA)

Annex 5 Declaration of non-preferential origin

Annex 6 Declaration having preferential origin status

Annex 7 Inquiry-offer

Annex 8 Self-assessment of the potential supplier

Annex 9 PJ 09 - Supplier selection and approval

Annex 10 Conflict Minerals reporting template


Annex 11 PSCR declaration

VII. RELATED DOCUMENTS

- 1 Production Part Approval Process published by AIAG
- 2 Failure Modes and Effects Analysis published by AIAG.
- 3 Measurement System Analysis published by AIAG.
- 4 Statistical Process Control published by AIAG

VIII. FINAL PROVISIONS

1. The supplier is obliged to comply with each current version of these General terms of purchase of components ", available on the Buyer's website <http://major.pl>
2. These "General Conditions for Purchase of Components" issued by the Buyer shall be governed by the law applicable to its registered office.
3. The acceptance of the order for execution is tantamount to the acceptance of the general terms and conditions of purchase

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EDIT HISTORY

REV. NO	DATE	EDIT DESCRIPTION	WRITTEN BY	APPROVED
01	11.10.2014	First edition	Demel A.	Major R.
02	26.08.2021	complete reconstruction	Górska M. / Świerczyński M.	Major R.
03	10.05.2022	Adding point 16 in the chapter "quality requirements" - "PRODUCT SAFETY AND CONFORMITY - FORMEL Q REQUIREMENTS" and adding Annex No. 11 - PSCR declaration	Górska M.	Świerczyński M.
04	29.06.2022	Adding the provision to point 4.6, which says about the possibility of auditing the Buyer's suppliers by its customers	Górska M.	Świerczyński M.
05	05.12.2022	Change in point 8.4, adding information about issuing a corrective invoice in the event of non-compliance in the delivery. Addition of point 3.7 which defines the acceptable level of PPM and the number of complaints above which an improvement plan is required	Świerczyński M. / Kunert M.	Major R.
06	17.01.2023	Addition of point 3.8, which defines the situations in which we inform the supplier about the result of the semi-annual assessment. Transfer of outsourced process providers to category 2	Górska M.	Major R.
07	10.03.2023	Removal of the requirement to submit an MSA for requalification from point 5	Świerczyński M.	Major R.
08	02.01.2024	Adding information regarding confirmation of competence to perform the PSCR function with a training certificate	Świerczyński M.	Major R.