

General Conditions of Purchase for Indirect Material

1. Conditions and Acceptance

- 1.1 The General Conditions of Purchase contained herein, in addition to the specific terms contained in each order, will apply exclusively for this agreement.
- 1.2 Should these conditions of purchase contradict the specific terms in the order, the latter terms shall prevail.
- 1.3 A Purchase Order (PO) can be based on other conditions than those named herein when accepted by RAUFOSS and included in the order or agreed upon in writing.

2. Quotations and offers

- 2.1 The supplier quotes to RAUFOSS free of charge. Any deviations from the inquiry documents shall be clearly stated in the quotation.
- 2.2 RAUFOSS has the right to accept any of a number of quotations, or reject all of them.

3. Purchase Order (PO)

- 3.1 Only written Purchase Orders will be accepted and binding to RAUFOSS. Telephone orders shall be confirmed in writing in order to be valid.

4. PO Confirmation

- 4.1 If the goods are not shipped immediately, the supplier shall return the PO Confirmation to RAUFOSS no later than two weeks after receipt of the PO. Otherwise, RAUFOSS has the right to abandon the agreement.
- 4.2 RAUFOSS's PO and acceptance of the PO Confirmation are binding only if the supplier has accepted these General Conditions of Purchase and the specific terms included in the PO.
- 4.3 A PO that does not specify the price or the time of delivery shall be replied with a PO Confirmation stating the missing information. RAUFOSS reserves the right to revoke this if the price or the time of delivery is not acceptable to RAUFOSS.
- 4.4 If the supplier PO Confirmation deviate in price and/or time of delivery compared to RAUFOSS's PO, the agreement is valid when RAUFOSS accept in writing the altered conditions.

5. Price

- 5.1 The price(s) in the PO shall be firm, exclusive of VAT and/or other charges, duties or taxes.
- 5.2 The price(s) include suitable transport packaging and all-risk insurance up to the agreed point of delivery. See article 9.
- 5.3 For deliveries on account, RAUFOSS reserves the right to evaluate the invoiced price.

6. Terms of payment

- 6.1 The buyers general terms of payment is 60 days net after receipt of correct invoice, invoice date being at the earliest the date of delivery.
- 6.2 When goods are delivered prior to the time of delivery stated in the PO, the terms of payment will start to run at the stated time of delivery.
- 6.3 Advanced payment is normally not accepted. If agreed upon, the supplier must provide security to the satisfaction of RAUFOSS before any advanced payment will take place.
- 6.4 In the event of advanced payment, the goods will be the property of RAUFOSS as long as it is offset by the advanced payment amount.

7. Packing list

- 7.1 A packing list shall apply to one PO only. If one shipment consists of several orders, separate packing lists shall apply for each PO.
- 7.2 All goods shall be marked in accordance with the packing list and the specific terms in the PO. The packing list shall state RAUFOSS's PO number, name of the purchaser, transportation mode, marking of the goods, number of packages, contents, weight, date of shipment, lot-number, and RAUFOSS's article-number (if given in the PO).

8. Invoice

- 8.1 The invoice shall be issued in duplicate, and shall normally refer to one PO
- 8.2 All invoices shall be marked with the PO number, RAUFOSS's article-number (if given in the PO), the suppliers article-number, unit and price according to the PO, currency, lot-number, name of the purchaser, and whether all the certificate requirements are met.
- 8.3 Invoices without the information stated in article 8.2 are considered incomplete and will be returned to the supplier. Payment will be postponed according to article 6.1.
- 8.4 If certificate requirements and/or other required documents are specified in the PO, these shall be mailed/faxed separately to the purchaser. One copy of the documents required shall accompany the goods. These documents are

essential to the goods delivered, and the delivery will not be considered completed until the required documentation is received and approved. In case of breach of article 8.4 payment will be postponed according to article 6.1

9. Delivery

- 9.1 The goods shall be properly packed and marked, and shall be delivered at the time and place agreed upon. In case of transport damages the supplier will be held liable for any insufficient packing.
- 9.2 The place of delivery shall be according to the specific terms in each PO. If nothing else is agreed upon in writing, the latest edition of the INCOTERMS will apply.
- 9.3 If installation by the supplier is agreed upon, or functional testing is a part of the delivery, the delivery is only considered completed when RAUFOSS has accepted the delivery in writing.
- 9.4 Deliveries not according to the quantity specified in the PO shall not be made without the written approval of RAUFOSS.

10. Quality Assurance – Inspection – Control – HES

- 10.1 The supplier shall have a satisfactory quality assurance system and a system for HES suitable for the PO. Supplier of products that will be a part of RAUFOSS's end products shall have ISO9000:2000 or a corresponding quality assurance system. RAUFOSS reserves the right to approve the systems based upon an audit of the supplier.
- 10.2 The supplier shall assure that all materials that are used in production or all processes fulfill the HES regulations that are in force in the countries for production and sale.
- 10.3 The supplier shall assure that all deliveries/products meet the requirements describe in EU's chemicals list.
- 10.4 RAUFOSS, or its representative(s), shall have the right at any time to make a reasonable investigation and inspection at the suppliers and/or their subcontractors facilities. This is to assure that the delivery is executed in accordance with the quality system agreed upon, and according to the specific PO. The supplier is obliged to assist in carrying out such an inspection at no additional cost. RAUFOSS may also demand test records, material certificates and calculations presented.
- 10.5 If the audit discovers that the workmanship is insufficient, or in any other way unsatisfactory, the supplier shall immediately carry out the necessary improvements or follow the directions of RAUFOSS's inspector. The supplier will cover the cost of these improvements and inspections.
- 10.6 The quality assurance inspection does not relieve the supplier from any risks and responsibilities concerning the execution of the PO.
- 10.7 RAUFOSS's incoming inspection is deciding the contractual fitness of the goods at the delivery. See article 11.
- 10.8 When incoming inspection is performed at the supplier's premises, the supplier is required to notify RAUFOSS in writing in reasonable time before the inspection takes place.

11. Acceptance, Defects and Claims

- 11.1 Transfer of the title occurs when the goods have arrived at RAUFOSS's premises, and RAUFOSS has had the opportunity to inspect that the delivery is in accordance with the PO.
- 11.2 The delivery shall meet the specifications in the PO, including the performance and consumption figures agreed upon, and shall not have defects of any kind. Furthermore, the technical performance shall conform to what modern techniques can require with reference to design and first class workmanship. Important spare parts shall be available throughout the life of the goods, limited upwards to 10 years. Use and possible resale of the goods shall not disagree with public regulation, legislation, third party patents or other immaterial privileges. If RAUFOSS has inspected the goods prior to delivery, or the supplier has sent drawings, goods or samples for inspection, this does not limit the supplier's responsibility for shipping according to his contractual obligation.
- 11.3 RAUFOSS shall inspect received goods within reasonable time after delivery. RAUFOSS is not obliged to inspect the goods before it has arrived at the place of use, and not before the instalment is completed. RAUFOSS's obligation to inspect the goods applies similarly when the supplier has completed the improvements.
- 11.4 RAUFOSS shall submit a written complaint within reasonable time after a defect is discovered. The deadline for claims is 24 months after the delivery. For replaced or repaired parts, an equivalent period runs from the day the parts were replaced or repaired. The deadline for claims will not run as long as the machine is inoperative due to necessary improvements to meet the contractual obligations.
- 11.5 If defects occur within the deadline for claims, the supplier shall immediately, or later if the supplier has a legitimate reason to demand such an extension, repair the defects. This shall be done without any costs for RAUFOSS.
- 11.6 If the supplier cannot perform what is necessary to meet the contractual obligations within reasonable time, RAUFOSS can itself or with help of others take the actions necessary at the cost and risk of the supplier. The same rule applies if it will lead to considerable inconvenience for RAUFOSS to wait for the supplier's repairment. In such cases the supplier shall be notified immediately.
- 11.7 If the delivery has defects that are not fully repaired according to the rules above, RAUFOSS shall be entitled to a deduction in price.
- 11.8 If the delivery has material defects that cannot be repaired within reasonable time, RAUFOSS has the right to terminate the contract and demand to be reimbursed for its direct costs. The same rule applies if the delivery has material defects that are not repaired within reasonable time.
- 11.9 Any direct losses RAUFOSS incur due to defects shall be compensated. If RAUFOSS incur any indirect losses as a result of defects, RAUFOSS shall be entitled to indemnification if the supplier or someone he is responsible for has been negligent.

12. Late deliveries / Penalties

- 12.1 The supplier is required to notify RAUFOSS in writing immediately if there is any reason to believe that the time of delivery agreed upon can not be met. Such notification shall state the reason as well as the probable length of the delay. The supplier is responsible for direct and indirect losses that RAUFOSS suffers and that could have been avoided if the supplier had informed RAUFOSS in due time.
- 12.2 If the delivery has not taken place at the time agreed upon, RAUFOSS has the right to cancel or uphold the PO. Contracts customized for RAUFOSS based on RAUFOSS's specifications, which the supplier cannot use in other ways without substantial losses can only be terminated by RAUFOSS if the delay constitutes a material breach of contract. When the maximum fine is reached after 5 weeks, the buyer may terminate notwithstanding the type of contract. If the goods have defects that make the goods not fit for the intended purpose, the rules for late deliveries apply.
- 12.3 When goods are delivered late, a fine equal to 0,2% of the total amount of the PO per calendar day will be deducted until the delivery has taken place or RAUFOSS terminates the contract. The fine shall nevertheless not exceed 5% of the total PO amount. The total PO amount is the amount in the main PO including all possible additional PO's marked with the same order Number. The fine will not apply if the supplier can prove that the late delivery is caused by force majeure. In case of a force majeure plead, a certified declaration must be presented. If the supplier disregards this, he cannot use the plead as a reason for late deliveries in the future, and the fine applies even when force majeure reasons are factual.
- 12.4 If partial delivery is agreed upon, RAUFOSS can deduct 1% per day of the value of the late delivery, limited upwards to 5% of the total amount of the PO.
- 12.5 Certificates and/or other documents specified in the PO are a part of the delivery. When late deliveries occur, article 12.3 applies.
- 12.6 Any direct losses RAUFOSS incur due to delay can in lieu of the fine be demanded compensated. The same applies to indirect losses if the supplier or someone he is responsible for has been negligent.

13. Insurance Documentation

- 13.1 Upon RAUFOSS's request, the supplier will hand over original insurance certificates including the conditions of the requested insurance according to the agreement.

14. Warranties

- 14.1 The supplier warrants against defects and deficiencies for a period of 24 months after the transfer of title (according to article 11), unless the warranty is extended according to article 14.4 below, or in accordance with other legislation.
- 14.2 Should defects or deficiencies occur or be proven within the warranty period, the supplier shall upon notice by the buyer correct these as soon as possible without any cost to RAUFOSS by:
- Repairment on site if possible, or
 - Repairment on an assigned place, or
 - Replacement of the delivery
- This shall be at the suppliers cost and risk.
- 14.3 If the supplier does not repair or replace the goods within reasonable time, RAUFOSS can correct or replace at the cost and risk of the supplier. The same rule applies if RAUFOSS due to its time of delivery or other reasons cannot wait for the fulfilment of the contract by the supplier. Repair or purchase from another company does not relieve the supplier, and articles 14.1 and 14.2 apply in full.
- 14.4 When RAUFOSS has a claim according to article 11, the warranty will be extended to 24 months after RAUFOSS has accepted the repair or replacement or a purchase from another vendor has occurred according to article 11.
- 14.5 This warranty does not in any way limit RAUFOSS's right to enforce breach of contract based on other legislation.

15. Property of the buyer

- 15.1 All documentation with reference to certificates, drawings, instructions, e.g. specified in the PO are a part of the delivery, and the property of RAUFOSS.
- 15.2 Drawings, product descriptions and other information that RAUFOSS has supplied to the supplier are the property of RAUFOSS, and shall not be given to a third party or used for other purposes than fulfilling the contract between the supplier and RAUFOSS.
- 15.3 For PO's where RAUFOSS pays the cost of tooling, the tooling will be the property of RAUFOSS. The supplier shall make a directory of the specific tooling included in the PO, and mark the tooling properly. The supplier shall not use these tools in production for a third party without the written consent of RAUFOSS.

16. Changes

- 16.1 Based on what the parties could reasonably expect at the time of the contract, RAUFOSS reserves the right to require quantitative and/or qualitative changes, or change the time of delivery.
- 16.2 The supplier shall be compensated for the additional work resulting from such changes, and for other direct costs incurred in accordance with the original profit and cost levels, which the price is based on. If such changes result in savings for the supplier, these shall be deducted from the price likewise, or the price shall be adjusted.

16.3 Should the parties not agree on the amount that shall be added or deducted from the purchasing price due to these changes, the supplier should notwithstanding implement the changes without waiting for the final outcome of the dispute.

17. Confidentiality

17.1 Sensitive information in descriptions, patterns, models and alike that the supplier has received from RAUFOSS in connection with the execution of the delivery shall remain confidential and not be copied or used for any other purposes than the execution of the contract. The supplier is responsible for any loss that RAUFOSS may suffer as a result of breach of these obligations. If required, the supplier shall without delay return all documentation to RAUFOSS.

17.2 The supplier shall not take pictures or make copies on or of RAUFOSS's property without the written consent of RAUFOSS.

17.3 Without RAUFOSS's written consent, the supplier shall not issue any press release, publish, announce or in any way advertise in connection to the PO received.

18. Indemnification – Immaterial rights

18.1 The supplier warrants that RAUFOSS can own, use and sell the goods delivered, and that patents or any other immaterial rights do not prevent this.

18.2 RAUFOSS shall inform the supplier if other parties demand the goods, or states that the buyer cannot own, use or sell these goods.

18.3 The supplier will keep RAUFOSS indemnified for all claims from a third party, including public charges and patents.

19. Applicable law and legal venue

19.1 This agreement and any dispute arising out of the agreement shall be resolved according to the national law of RAUFOSS. By national law is meant the law of the country in which RAUFOSS is registered. Legal venue shall be the domicile of RAUFOSS. Seller in any case accepts Vestre Toten District court as legal venue.

20. Investment purchases

20.1 When buying machines and equipment, the "Additions to general conditions of purchase" will apply in additions to these conditions

21. Definitions

RAUFOSS = Raufoss Development AS and its affiliated companies Raufoss Technology AS ("Norway"), Raufoss Automotive Components (Suzhou) Co., Ltd ("China") and Raufoss Automotive Components Canada Inc. ("Canada"), Raufoss Automotive Components Mexico S.A de C.V. ("Mexico"), and Vtzi SAS ("France"), collectively Raufoss Group ("RAUFOSS")

PO = Purchase order

HES = Health Environment Safety

SUPPLIER = means the company supplying goods or service to RAUFOSS