

# GENERAL TERMS OF DELIVERY (GTD)

## 1. Basic agreement

1.1 MAHLE Letrikad.o.o. and its subsidiaries (hereinafter MAHLE Letrika) demands from its suppliers to follow all the procedures laid down in the Suppliers Manual and these General Terms of Delivery (GTD). The valid issue of GTD is the one that is attached to the Suppliers Manual of MAHLE Letrika.

1.2 By signing the Purchasing Agreement, making out a quotation on demand or confirming a price list, the supplier: **a)** confirms his agreement with all provisions and requirements of the Suppliers Manual (available at our web page: [www.mahle.com](http://www.mahle.com)) and these GTD, **b)** undertakes to organize his/her production process in compliance with all provisions and requirements referred to in the Suppliers Manual of MAHLE Letrika and to implement all the procedures laid down in it, **c)** agrees that the delivery note of delivery issued to MAHLE Letrika for an individual delivery guarantees that the supplied standard products fully comply with the provisions of the agreed national and international standards and that the supplied non-standard products and the shipment as a whole fully comply with the agreed requirements defined by the technical, control, commercial and environmental documentation of MAHLE Letrika.

## 2. General

The customers expect MAHLE Letrika to fulfil all their expectations regarding products and services quality. Therefore, MAHLE Letrika requires reliable and competent suppliers, committed to the common goals and quality. They are fully responsible for the fulfilment of all contractual obligations. Thus, MAHLE Letrika expects and demands from its suppliers:

**a)** their supplied products and services to comply with the required demands of MAHLE Letrika, **b)** 100% on-time deliveries, **c)** 0 ppm of nonconforming products, **d)** to implement modern and efficient quality management systems. In development, production and all other processes, these have to include the principle of "no nonconformities". A stress should be laid to the preventive methods and not to the methods of detecting the nonconformities.

## 3. Products and services specifications

3.1 Specifications are all data necessary for thorough description of the material, parts and services with regard to their quality characteristics, i.e., dimensions, mechanical, electrical, chemical and other features as well as the terms of installation and operation. Specifications of MAHLE Letrika are given by technical, commercial and environmental documentation. Technical documentation of MAHLE Letrika includes drawings, part list, test specifications, process and control technologies, national, international and standards of MAHLE Letrika, manufacturer final control data, PPAP documentation including PPAP samples and other documents in writing defining the features of the supplied products and services.

3.2 For parts and products that have been developed by the supplier himself, the supplier shall submit to MAHLE Letrika his technical documentation that is in line with the specifications. This documentation shall include also all the necessary tests, the installation tests, reliability tests and life tests inclusive.

3.3 Both, the supplier and MAHLE Letrika can use documents and knowledge acquired through mutual business relations only for the purpose of contractually agreed business partnership, and they are treated as confidential. This confidentiality shall be respected also after termination of the business relationship. In the same way, the suppliers are obliged to bind their employees, sub-suppliers and others business partners. The entire technical documentation and data that MAHLE Letrika gives at supplier's disposal are business secrets and property of MAHLE Letrika. Top confidentiality is required in their use and maintenance. All the documents shall be returned if MAHLE Letrika requires so. Production according to these documents is allowed exclusively for the needs of MAHLE Letrika. The same applies to the supplier's sub-supplier. Transmission of these documents to the others is allowed only by written consent of MAHLE Letrika. The supplier confirms this commitment with **Declaration on Confidentiality**.

## 4. Special tools and gauges

4.1 MAHLE Letrika is a legitimate owner of special tools and gauges ordered at the supplier by order or supply agreement. They are given to the supplier on loan and are irrevocable property of MAHLE Letrika. The supplier must under no circumstances use these tools and gauges to manufacture products for other customers, exceptionally in cases of written approval of MAHLE Letrika. Also, MAHLE Letrika can, for a shorter period of time, give the supplier on loan its special or standard production tools and gauges in order to achieve faster order fulfilment. MAHLE Letrika does not allow any additional interventions on the tools that are its property. Such interventions can be carried out only after a written consent of MAHLE Letrika. Tools and gauges can undergo only maintenance procedures that are necessary for their perfect condition and longer service life. The supplier shall keep the record of all procedures carried out on the tools. The maintenance costs are charged to the supplier.

4.2 The supplier is obliged to take a good and reasonable care of the tools and its maintenance at their own expense. The supplier has to acquire MAHLE Letrika's written approval for every planned change of tool location. The supplier is obliged to label the tools with inventory number as prescribed by MAHLE Letrika. Upon MAHLE Letrika's first call, the supplier shall carry out inventory of tools and their associated parts in compliance with the requirements. MAHLE Letrika has the right to carry out inventory of tools any time and at any location where its tools are being used. The supplier has to enable this on the first call.

The supplier is obliged to have records for the following:

- tool record,
- list of reaches into the tools,
- number of parts made records and use of spare parts

The supplier is obliged to:

- provide MAHLE Letrika with a record on situation and location of its tools and the associated parts "once a year", i.e. by 30 June of the current year.
- inform MAHLE Letrika about the need for replacement or renovation of tools at least 6 months before the foreseen expiry of tool life, while taking into consideration regular deliveries or determined requirement for renovation or replacement of tools.

Costs of extraordinary tool maintenance, which result from reaches into the deteriorated tools, due to the bridging causes, are dealt with and calculated separately, in compliance with the mutual agreement and written approval, if MAHLE Letrika has been informed about this in time.

**4.3** The supplier has to appropriately protect from all kinds of damage or loss tools and devices that are the property of MAHLE Letrika. The supplier shall regularly, at his own expense, carry out metrological inspections of gauges that are the property of MAHLE Letrika. The same specifications apply for tools and gauges. At the latest within 14 days after the conclusion of contractual arrangements, the supplier is obliged to return all the borrowed tools and gauges to MAHLE Letrika. They shall be returned in the same state as when accepted, except for the normal wear. The supplier shall inform MAHLE Letrika about tools that are not in use any more and ask for further instructions. The supplier can write off tools and gauges only after having received a written consent of MAHLE Letrika.

**4.4** The supplier has to guarantee the minimal tool life by the agreement and/or offer.

**4.5** The supplier is obliged to use the tools in accordance with the applicable safety laws.

## **5. Quality assurance**

**5.1** Before the beginning of regular supplies every product has to undergo the PPAP procedure (Production Part Approval Process) and initial samples must be approved. The supplier has to manufacture the initial samples that are, as a rule, free of charge, under the conditions and by means of series production. Besides the initial samples, the supplier shall deliver MAHLE Letrika the entire required documentation that belongs to the samples. The above mentioned procedure is necessary **a)** in case of a new supplier, **b)** when there are changes of construction, technology, material or location of production, **c)** after changing the sub-supplier or source of material supply, **d)** after longer interruptions of production. After inspection of samples and documentation, MAHLE Letrika decides about: **a)** approval, **b)** temporary approval or **c)** rejection. It shall inform the supplier about its decision in writing. By approval of the initial samples and documentation, MAHLE Letrika approves the start of the supplier's regular production of the sampled products. Consequently, regular deliveries can start. However, the supplier's liability and warranty for the quality of regular deliveries is still of the same importance. Quality of these products and services shall be the same or even better than the one of the approved samples. MAHLE Letrika and supplier have to keep PPAP documentation and PPAP samples using them for Inspection before shipment (supplier) and Incoming inspection (MAHLE Letrika).

**5.2** The supplier undertakes to assure the quality of products and services in line with the requirements. MAHLE Letrika shall accept the supplied products based on the trustworthy relationship with the supplier. To this end, the supplier shall inspect the products before the consignment. Supplier's authorized person has to give a written approval for each delivery and he shall deliver MAHLE Letrika the **Manufacturer Final Control data**. This has to include measurement results of all quality characteristics agreed already in the PPAP procedure; in case of claims also all those features that are nonconforming.

**5.3.** MAHLE Letrika shall reject every nonconforming product. Consequently, all direct and indirect costs (of transport and handling, selecting, extra work, stoppage of production, loss of sales, etc.) shall be charged to the supplier. In case of nonconformities on the supplied products and services, MAHLE Letrika shall hold back the payment. In case of hidden nonconformities on the supplied products that are found out, not sooner than by the customer of MAHLE Letrika, MAHLE Letrika shall just as well charge the supplier for all direct and indirect costs (repair, exchange of products at home and at the customer's, call-off...). **All costs are settled by the valid Price List of Claim Costs** (published on our web page and based on the submitted documents).

**5.4.** MAHLE Letrika shall in case of any nonconformities (of the accompanying documentation, packing, labelling, quantity or quality of a product) file a claim. The supplier has to respond to any kind of a claim (telephone, fax, e-mail, Claims minutes) **not later than in 24 hours** and during this time he has to: **a)** select or replace the nonconforming products,

**b)** inform the sender in writing about all possible actions for assuring undisturbed production in MAHLE Letrika, **c)** inform the sender about the cause for nonconformities and actions that have been carried out to prevent recurrence of nonconformities. All further activities shall be carried out through the purchaser of goods in MAHLE Letrika. In case of requirements for corrective measures, the supplier of MAHLE Letrika has to send a written plan of permanent elimination of nonconformities (**8D report**) **not later than in a month**.

**5.5** After the product approval, MAHLE Letrika requires that the supplier does not make any changes. This refers to the technical requirements, documentation, supplier's own supply sources, technology, process, and location of production. The foregoing can only be changed after prior written consent of MAHLE Letrika.

**5.6** MAHLE Letrika performs audits and delivery evaluation system to evaluate the efficiency of the supplier's quality management system. In case of detected nonconformities, the supplier has to prepare, present and carry out the corrective actions. MAHLE Letrika evaluates the suppliers and their supplies once a year. Good evaluation gives priority to suppliers regarding the new requirements of Mahle Letrika.

**5.7** Assuring quality of the final product demands also quality of all those products that are bought at the supplier's sub-supplier and built in the products for MAHLE Letrika. Therefore, MAHLE Letrika requires from the supplier to set the same requirements to his sub-suppliers as MAHLE Letrika does to him.

**5.8** The Supplier guarantees the quality and functionality of the contractual products in the same range and time as the MAHLE Letrika customer guarantees for his products.

**5.9** For the purpose of preferential trade, the supplier is obliged to issue a certificate about the origin of goods that is in line with the applicable Decree on the qualification criteria for identifying and proving the origin of goods.

## **6. Logistics**

**6.1** The supplier shall provide for the packaging material, packaging and identification as well as a suitable transport method to prevent from the damaging of parts. In this, he shall take into consideration MAHLE Letrika's requirements given in the Supplier Quality Manual. All packaging units shall comply with the requirements, retain their shape all to the place of use, allow machine handling, include the goods of the same supplier, products with the same part number, same date of production, same lot, and shall not endanger the workers' safety. Each packaging unit shall carry a label. Its contents have to comply with the MAHLE Letrika requirements and have to meet the requirements regarding traceability. The following information shall be stated there: name of the manufacturer, name of a product, number of order, product number, amount in the unit, lot marking, date of production, outgoing inspection stamp, bar code. Unless otherwise agreed, the transport labels are in compliance with the ODETTE or VDA standard. The supplier is liable for the additional costs or loss of material as a consequence of deficiencies in identification, packaging or transport.

**6.2** If not otherwise agreed, the basis for the creation of call-offs and trends of needs is a weekly calculation of material needs at MAHLE Letrika. By call-offs, the goods are forecast for a longer period of time. The actual flow of goods is regulated by weekly call-

offs for X weeks. The call-offs apply to weekly quantity. If not otherwise agreed, the delivery of the ordered quantities fco delivered to the warehouse/ production line of MAHLE Letrika, considering the transport risk from the supplier to the MAHLE Letrika, is carried out. Within the method of call-offs and the agreed schedules of orders placing, the delivery times and methods are binding and allow neither delays nor too early deliveries. MAHLE Letrika has the right to reject at the supplier's expense the deliveries before the scheduled time or charge the supplier for the costs of storage.

**6.3** In case of delays in supply (Force Majeure excluded), MAHLE Letrika has the right to **a)** require from the supplier the complete supply or the supply in part and of not otherwise agreed charge for the incurred costs by the **applicable price-list** published on our web page., **b)** assure supply from another manufacturer at the supplier's expense.

**6.4** The supplier shall assure **security stock** in his storehouse following the agreement or at least 30% of the monthly needs (the average of the last three months). If this is not the case, MAHLE Letrika has the right to charge to the supplier the costs of the missing stocks.

In case of Force Majeure, new terms of delivery shall be specifically agreed upon. The basis for such an agreement is the supplier's notice in writing to MAHLE Letrika about the impossibility of deliveries within the agreed time. MAHLE Letrika shall not accept these terms after the expiration of the first delivery time. Also, the delay in the supplies of the sub-suppliers is not accepted as Force Majeure.

## **7. Acceptance of goods**

**7.1** Reception of the supplied material and its payment do not indicate that the delivery has actually been accepted. The acceptance is carried out in accordance with the decision of the competent service and according to the specially specified methods. The supplier is fully responsible for a quantitatively conforming delivery, complying with the agreement and delivery documents. In case of nonconforming quantity of the delivery at the acceptance of goods, MAHLE Letrika has the right to: **a)** accept the delivery and change the quantities of further orders – the difference accordingly, **b)** reject the excessive delivery at the supplier's expense or charge the supplier for the expense of storage if quantitative deviation has not been specifically agreed, **c)** require from the supplier immediate delivery of the deficient goods with all additional costs to be at the supplier's expense, **d)** charge the supplier, if not otherwise agreed, for 10% of the value of the missing goods. MAHLE Letrika shall notify the supplier about the claim referring to the nonconforming quantity within 30 days after the delivery date, by sending him the claims record.

## **8. Prices**

The prices to the agreed price lists and other terms of delivery defined in this GTD are fixed and therefore any unilateral change is excluded. For each change in price resulting from price reduction and introduction of improvements, the supplier has to deliver to MAHLE Letrika an offer in writing. The change is accepted and in force only after the written approval of MAHLE Letrika.

## **9. Invoices, delivery notes and payments**

**9.1** If not otherwise agreed, the invoices are issued for each individual order/call-off. The invoices shall include: the number of order, the number of delivery note, MAHLE Letrika's identification number for each delivered article, the quantity and the unit of measure. The unit of measure has to be the same on the invoice and the delivery note as well as on the order. In cases when this is not possible, the ratio of units shall be indicated (e.g., x meters = y kg).

**9.2** The supplied material shall always be accompanied by delivery note. The following indications shall be given on the delivery note: the name and number of the supplier, the number and the date of order and call-off, MAHLE Letrika part name and number, the delivered quantity and lot number, the number of packaging units (colli). Each delivery note is referred to one order only.

**9.3** MAHLE Letrika is obliged to settle the obligations to the supplier within the agreed time and in the agreed way, in sequence for each individual invoice separately. The supplier is obliged, unless otherwise agreed, to issue invoices for supplies or services carried out together with the supply of goods or after the service has been carried out. Time of payment is, unless otherwise agreed, counted from the date of delivery of goods/services. If the delivery does not comply with the agreed requirements, MAHLE Letrika has the right to stop payments in total or diminish the payments to the supplier for the delivery or part of it.

## **10. Agreement or order rescission**

**10.1** When the supplier does not meet the contractual obligations: does not supply the goods or carry out services within the required time of delivery, does not eliminate nonconformities or does not deliver a plan of corrective actions that are acceptable to MAHLE Letrika and are within the required period of time, MAHLE Letrika has the right to resign from the agreement/order or only part of it without prior period of notice and further obligations to the supplier. MAHLE Letrika informs the supplier about this decision in writing. Costs resulting from this (Force Majeure excluded) shall be charged to the supplier.

**10.2.** MAHLE Letrika has the right to resign from the agreement/order without special explanation and without period of notice. It shall inform the supplier about this in writing. In such case, MAHLE Letrika undertakes to accept the already manufactured goods/services (charged at the applicable price) in accordance with the ordered quantity.

**10.3** Without further obligations to the supplier MAHLE Letrika can resign from the agreement also when it is obvious that the supplier will not be able to fulfil the order within the agreed period of time (declaring bankruptcy of the supplier, illiquidity, disposal of operational resources...).

## **11. Environmental requirements**

To meet the requirements regarding the environment, MAHLE Letrika recommends to the suppliers certificate to ISO 14001. Not certificated supplier is in charge to make environmental activities for ambient saving based on his own program. MAHLE Letrika requires that every three years sends fulfilled Environmental Questionnaire. Products that are produced by the supplier and sold to MAHLE Letrika have to be manufactured in line with the European Directive 2000/53/EC and its latest valid version of the related Annex II to the European Commission Decision. The packaging has to comply with Packaging Instructions of MAHLE Letrika (available at our web page: [www.mahle.com](http://www.mahle.com)) given to supplier.

## **12. Transitory and final provisions**

**12.1** If the conditions regarding the legal specifications, agreements with customers and banks, change, MAHLE Letrika has the right to change the contractual terms and conditions and has to notify its contractual party about it in writing.

**12.2** By signing an agreement, the supplier confirms that he knows and agrees with the obligations that are defined in the General Terms of Delivery. For those mutual relationships that are not included in the General Terms of Delivery or other written agreements, provisions of Obligations Act, Trade Act and other provisions in effect including Incoterms 2000 apply. If MAHLE Letrika and the supplier define in the agreement otherwise than it is specified in these GTD, the provisions of the agreement apply.

**12.3** The Supplier and MAHLE Letrika's shall strive to settle all disputes arising out of these General Terms of Delivery in an amicable way. If this proves impossible, the disputes shall be submitted to the jurisdiction of the court of the MAHLE Letrika's domicile.

**12.4** General Terms of Delivery are made in two equal copies of which each party receives one.

**Revision date: May 2017**