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## **GENERAL PURCHASING CONDITIONS**

### **1. THE SUBJECT**

The subject of these conditions is the agreement about the measures to be taken to assure the quality of products supplied to Domel, considering the warranty of supplied products.

### **2. VALIDITY OF CONDITIONS**

The conditions are included in all the agreements and contracts for production and delivery of products which have been signed between Domel and the supplier as well as in all annexes to these agreements and contracts. The supplier accepts these conditions to be a part all the signed agreements and contracts with Domel, therefore, its own general conditions are expressly rejected.

"Quality contract" with precise descriptions and explanations is available to clarify some of the used expressions and procedures.

### **3. GENERAL TECHICAL REQUIREMENTS**

"Zero faults" is the final goal which can only be met by mutual efforts. Preventive actions (instead of fault inspection) and continuous improvement in the whole process chain (customer inquiry, offer, order, product development, production launch, mass production and market use) are essential requirements which are to be and are satisfied in cooperation with suppliers' active support.

The supplier assures its products to be in accordance with the certified technical documents, such as drawings, quality standards, delivery specifications, testing instructions, and with other requirements agreed and confirmed between the supplier and Domel. It is further assured that supplier's products shall be continuously adapted to the latest level of technology. Constructional and technological changes, changes of location and any other changes concerning the products for Domel are to be communicated in time. All the changes are to be confirmed appropriately by Domel in writing.

### **4. SUPPLIER'S MANAGEMENT SYSTEM ORGANIZATION**

In order to assure supplier's product quality to Domel, the supplier is obliged to introduce its own effective management system in accordance with the following standards: ISO 9001:2015, IATF 16949:2016, ISO 14001:2015, or in accordance with Domel's requirements, and to use and maintain it consistently.

Supplier is obliged to introduce the same quality management system to its sub-suppliers whose deliveries and services may affect the product supplied to Domel.

Domel requires its suppliers to carry out complete quality management of their products and services. Supplier Quality Assurance (SQA) in Domel carries out PPAP/EMPB

procedure (Production launch approval, first samples), takes part during the quality inspection of supplied products and materials as well as carries out the process audit at the supplier. Specific requirements shall be defined during the early stages of the sourcing process.

## **5. SUPPLIER'S PRODUCTION PROCESS AUDIT**

The supplier allows authorized personnel and/or Domel's representatives to review the production process of the products for Domel in supplier's production plants during the working time in reasonable period after the given notice.

For this purpose, Domel's authorized personnel are allowed to enter all those supplier's production plants where the products for Domel are produced. All the needed documentation and information in connection with the needed product quality assurance, reliability of agreed deliveries and fulfillment of all other agreements shall be made available to them. The audit results and suggested improvement measures are written into an appropriate report, the supplier is obliged to introduce them into its quality assurance system within agreed time limit.

## **6. SUPPLIER'S QUALITY ASSURANCE MEASURES**

### **6.1. OFFER PHASE**

On the basis of specification feasibility analysis, anticipated time limit and costs, an offer is made by the supplier. On handing in the offer, the supplier shall verify the feasibility of a project according to the specifications and other requirements defined by Domel's demand. "Zero faults" goal is obligatory and is considered as the basic content of every agreement. On the basis of documentation sent to all potential suppliers, Domel chooses the most appropriate supplier to which an order for samples is sent.

### **6.2. DEVELOPMENT PHASE**

Planning (APQP)

In order to take part in the development of demanding products, the supplier shall fulfill Domel's requirement to make a development project plan including quality planning (APQP): time plan, activity plan, monitoring plan, milestones, time limits and people responsible for realization. The supplier shall take part in Domel's final product project team. The expected project plan activities shall include: research and assessment of development concepts, monitoring plan, a process flowchart, product FMEA and testing plan. The purpose of the plan is to ensure the fulfillment of the product quality requirements and its timely realization.

To ensure the final product quality, the appropriate quality needs to be ensured for all those products Domel's supplier buys from other qualified suppliers and are used in the products for Domel. Therefore, the supplier is responsible for buying adequate quality.

### **6.3. PERFORMANCE**

The supplier is obliged to plan the production process appropriately and to assure continuous monitoring and maintenance of process parameters. The process flowchart is the basis for process FMEA and the potential risk findings are the basis for carrying out the optimization of production processes and production means, test-launching, testing and eventually other steps or procedures needed. The requirements of monitoring the reliability of the manufacturing process and the achieved product quality level are to be carried out consistently and in accordance with the agreements. All the needed verification documentation is to be submitted. The supplier is obliged to consistently carry out all the agreed product certification activities before the first production and at its every significant change.

### **6.4. DOCUMENTATION**

The documentation in connection with the carried out tests is to be stored according to the agreements between Domel and the supplier. The storage time is at least the sum of the time needed for manufacturing a product and the warranty time prolonged for a year. In case the documentation is stored at the supplier's, it is the supplier which is responsible for its destruction or loss as well as for any damage due to destruction or loss of documentation.

Starting the supply of new material, the supplier is at its own initiative obliged to submit Domel eventually needed safety data sheets for the supplied material/product/substance along with an appropriate declaration about non-containing dangerous substances in the supplied material/product/substance in accordance with the European Commission directives 2002/95 (RoHS), 2002/96 (WEEE) and 1907/2006 (REACH).

In case that the supplier has submitted the declaration about non-containing dangerous substances which confirms the appropriateness of its material according to RoHS, WEEE and REACH directives, but Domel, Domel's customer or a third party independent institution finds out deviation from the directives, the supplier shall bear costs of the procedure, product substitution and possible product destruction/elimination.

In case the supplier supplies the product to be built into an automotive programme product, Domel is to be submitted the evidence of built-in components structure and individual materials including environmental data. All these materials are to be proved to be registered in IMDS (International Material Data System).

### **6.5. TEST CERTIFICATION**

Domel specifies the types and the scope of tests, test certificates and protocols which the supplier is to add to the shipments. If it is not agreed differently, they are carried out according to the PPAP recommendations (Part Production Approval Process – ISO/TS 16949 reference manual).

### **6.6. A SPECIAL APPROVAL OF NON-CONFORMING PRODUCTS**

The supplier shall request permission for delivery under special conditions for those products which do not meet all the agreed requirements.

The products issued with a special approval shall be specially marked.

A special approval means permission for a particular delivery which has been specially approved.

## **6.7. SUB-SUPPLIERS**

Domel's requirements to its suppliers are to be forwarded to their sub-suppliers. All the producers included in the production-purchase chain shall use appropriate quality management systems, which assure final product quality.

Domel claims its right to audit the process at a sub-supplier's. In this case, the sub-supplier is obliged to organize an audit and take an active part in it.

## **7. DOMEL'S QUALITY TESTS**

### **7.1. THE FIRST SAMPLES**

Before the first delivery of new or modified products, the first delivery with new or modified tools, the first delivery of products manufactured by new or modified production process or in accordance with other PPAP requirements, Domel is submitted the first samples along with an appropriate report about the first samples test. The samples shall be manufactured under the regular production conditions. They shall be delivered in the agreed amount and specially marked.

Domel is submitted the results of the first sample tests in the agreed way.

### **7.2. ACCEPTANCE TESTS**

Domel claims the right to carry out individual tests at the supplier's. The details are defined in the quality standard.

### **7.3. TESTS OF PRODUCTS DURING INCOMING QUALITY INSPECTION**

According to Domel's own quality monitoring system and according to results of supplier's products quality audits, incoming tests are carried out regularly or periodically. For this purpose, the typical incoming test procedures which Domel uses for testing typical products manufactured by external suppliers are used.

### **7.4. NON-ACCEPTANCE AND RETURNING OF THE PRODUCTS**

In case that inappropriate quality of delivered products is found out, Domel immediately informs the supplier and they mutually agree to appropriate solution. If an agreement could not be achieved, Domel may reject the entire shipment or has it 100% tested on the supplier's costs. If the questionable condition of shipped products is found out during their use in production, Domel may file a complaint after the bad condition has been discovered. Products which are due to inappropriate quality sorted and/or reworked at supplier's site and returned to Domel, shall be specially marked.

## **8. PACKAGING AND PACKING**

Before contract signing, Domel and a supplier agree about the type of packaging, style of packing and package units marking, this agreement is a part of quality standard for supplied material. There are general rules and obligations to be followed:

- the packaging is to comply with Domel's requirements,
- the packaging is to protect products in the conditions of storage and transport,
- each packaging is to be marked with transport labels,
- all transport units are to allow machine handling,
- each packaging is to be filled up as it is defined by "The quality standard" or "The packaging specifications", provided by Domel,
- the packaging original form is to be kept till the usage location,
- the unit dimensions are to be adjusted with the type of storage.

Each packaging unit is to be marked according to the Domel's requirements. A supplier is materially liable in case of material loss and extra costs which result from inadequate marking, packing and transport.

The packaging label is to contain the following data:

- the name of the manufacturer,
- the name of the goods,
- the order number (if possible),
- Domel's code and ID,
- quantity per packaging unit,
- serial code,
- production date,
- a supplier's out-going inspection stamp (if possible).

In case there are smaller packaging units within a bigger one, the smaller ones are to be labeled with the same data each.

## **9. ORDERS AND CALL-OFFS**

As a rule, the planned annual extent of cooperation between Domel and its suppliers is agreed about within the negotiations about the conditions of cooperation for the following period. Supplies are then carried out only on the basis of a purchase order issued in advance. The above agreed conditions are to be followed (delivery time, price, date of payment ...) when Domel issues a purchasing order. In case of extra orders each one is discussed individually. CPT Železniki (Incoterms 2010) defines delivery conditions if not agreed differently. Within agreed order dates, delivery time and ways are binding for a supplier and no delays or early deliveries are allowed. Each purchase order requires a supplier's written receipt of an order. In case of inability to realize the order, the supplier is obliged to send a written notice to Domel within the period of one (1) working day.

## **10. TRANSPORT**

Domel and a supplier agree on means and ways of transport separately. This agreement is a part of the contract.

## **11. WARRANTY**

In the period when this agreement is in force, the supplier is liable for any damage which has been caused by the defect products supplied to Domel as well as for any damage which occurred at the Domel's customers and final users due to the poor quality of supplier's products.

The warranty of the products supplied to Domel expires 24 months after their delivery or when Domel's warranty to the final buyer expires. The costs, which would arise due to the poor quality of the supplier's products, when the final products are still under Domel's warranty, shall be entirely covered by the supplier. Replacing a supplier's defective product prolongs warranty period for the same period of time as the interruption of use took place, the replaced product gets the entire warranty period.

In case of a complaint, the supplier is obliged to start eliminating a defect within 24 hours after receiving the complaint notice from Domel and to eliminate it immediately or as soon as possible, free of charge.

Domel claims its right to, in case the supplier does not mend and pay for the damage having been caused, stop invoice payment to the supplier or liabilities arising from the damage pays out of Domel's liabilities to the supplier.

## **12. CONFIDENTIALITY AND NON-DISCLOSURE TO THIRD PARTIES**

Documents and know-how acquired in mutual business contacts between a supplier and Domel are allowed to be used only for the purpose of this business relation and are regarded as confidential. The confidentiality is maintained also after the end of a business contract. The same way the suppliers are obliged to communicate confidentiality to their employees, their suppliers and sub-suppliers and other relevant parties. All technical documentation and data made available to its supplier by Domel are regarded as confidential and the property of Domel. Domel requires high confidentiality in using and storing them, and suppliers are required to return the documentation to Domel upon request.

Both parties are mutually bound not to communicate expert, technical and business information connected with this agreement to third parties without the prior written consent of the other party, and these data are not to be used without authorization for one party's own business purposes. All the before mentioned data shall be dealt with as business secret. The supplier is obliged to respect confidentiality for at least 10 years after the termination of delivery.

"The Non-disclosure Agreement" is signed by a supplier in order to confirm its liability of confidentiality.

## **13. THE USE OF DISCLOSED PRODUCTION MEANS, MATERIALS AND DOCUMENTATION**

Domel's designs/models, samples, production devices, tools, measurement and testing devices, materials, standards, drawings, printed material, delivery specifications and other intellectual property which is disclosed to the supplier may solely be used to carry out supply of products and services to Domel. It is not to be disclosed to any third party or used by the supplier itself without Domel's written consent.

The supplier is forbidden to register acquisition of industrial and intellectual property of prototypes or prototypes' elements or any other elements or information gained from Domel.

## **14. LEGAL AND OTHER REQUIREMENTS**

Domel will inform the suppliers about special legal requirements of the target markets. Suppliers are responsible that all the supplied products and services are in compliance with these, or to inform Domel about possible deviations in order to seek for a different solution.

Supplier will acknowledge and follow Domel Code of Conduct (available on web side).

## **15. NON-CONFORMANCE CONSEQUENCES**

Supplier is responsible for eventual damages caused to Domel for deliveries of ascertained faulty Products. Domel has the right to ask for refund of Costs due to:

- production stop,
- sale stoppage,
- administrative costs.

Any request of cost refund must be demonstrated, quantified and agreed with supplier. Supplier is also responsible for eventual hidden defects found out by a Domel's customer provided that Supplier faults are ascertained. In said case too Supplier will be charged of eventual claimed costs which must be previously demonstrated, quantified and agreed with the supplier.

## **16. PAYMENTS**

Payments are made by bank orders within the agreed time limit which is stated on the order, to the account determined by the supplier.

## **17. AMENDMENTS AND ADDITIONS**

Amendments and additions of the above stated conditions shall be made in writing.