

## **GENERAL TERMS AND CONDITIONS OF PURCHASE**

### **1. Application**

- 1.1 These Conditions of Purchase shall apply to all business transactions between Hansa Armaturen GmbH (hereinafter: **"HANSA"** and **"Buyer"**) and the supplier, even if they are not referred to in subsequent contracts. Terms and conditions of the supplier that conflict with, supplement or deviate from these Conditions of Purchase shall not become part of the contract unless their application is expressly approved by HANSA in writing. These Conditions of Purchase shall apply even if HANSA receives a delivery from the supplier without reservations while being aware of the supplier's conflicting or deviating terms and conditions.
- 1.2 Agreements which supplement or deviate from these Conditions of Purchase and which are made between HANSA and the supplier for the performance of a contract must be set out in writing in the contract. This shall also apply to the cancellation of this requirement of the written form.
- 1.3 Any rights beyond these Conditions of Purchase to which HANSA is entitled by law shall remain unaffected.

### **2. Formation of contract and amendments**

- 2.1 Unless otherwise agreed in writing, the supplier shall provide all offers and cost estimates free of charge.
- 2.2 Purchase orders, changes or additions to purchase orders and other agreements made at the time of conclusion of the contract shall not become binding until placed or made by HANSA in writing or – if purchase orders are placed orally, by telephone or using other means of telecommunication – until duly confirmed in writing. Purchase orders that are generated using automatic devices and, therefore, do not contain a name and signature shall be deemed written purchase orders. If HANSA does not respond to offers, requests or other declarations from the supplier, this shall only be deemed approval if an express written agreement to this effect has been made between HANSA and the supplier. To the extent that a purchase order contains obvious errors, misspellings or calculation mistakes, it shall not be binding upon HANSA.
- 2.3 The supplier shall, without undue delay and in any case no later than three (3) working days after the receipt of the purchase order, issue an order confirmation in which the price and the delivery date are expressly stated. Should the order confirmation deviate from the purchase order, the deviations shall not be deemed agreed unless and until they are expressly confirmed by HANSA in writing. The same shall apply to any subsequent changes to the contract. If HANSA and the supplier have entered into a framework agreement concerning future deliveries, purchase orders (requests for delivery) issued by HANSA shall be binding if not objected to by the supplier within three working days after they have been received.
- 2.4 If it turns out during the performance of a contract that deviating from the originally agreed specifications is necessary or advisable, the supplier shall so advise HANSA without undue delay. HANSA shall inform the supplier without undue delay of whether it wishes the supplier to make changes to the original purchase order and, if so, what changes. If, as a result of such changes, there is a change in the costs incurred by the supplier in performing the contract, both HANSA and the supplier shall have the right to demand an appropriate adjustment of the agreed prices.

### **3. Delivery**

- 3.1 The delivery must correspond to the purchase order in terms of execution, scope, and scheduling. The agreed delivery periods and delivery dates shall be binding. Delivery periods shall commence on the day the purchase order is issued.
- 3.2 The time of receipt of the goods by HANSA shall be decisive in determining whether the delivery date or the delivery period has been met. Unless delivery "free works" (DAP or

DDP, as defined by Incoterms® 2010) has been agreed, the supplier shall make the goods available in a timely manner, taking into account the time needed for loading and shipment, as agreed with the forwarding agent.

- 3.3 If it becomes clear to the supplier that the delivery period cannot be met, the supplier shall so advise HANSA without undue delay in writing, stating the reasons for and the expected duration of the delay. In the event of a delay in delivery, HANSA shall have the right to rescind the contract, regardless of whether or not there was any negligence or wilful misconduct on the part of the supplier. In the event of default of the supplier, HANSA may demand liquidated damages in an amount equal to 0.5% of the net order value for each commenced week of delay, but not more than 5% of the net order value in total. This shall not affect any further claims of HANSA. The loss caused by default that has to be compensated by the supplier shall be reduced by the liquidated damages paid. HANSA's claim for delivery shall not cease to exist until the supplier has paid damages in lieu of the delivery at the request of HANSA. HANSA's acceptance of the late delivery shall not constitute a waiver of claims for damages.
- 3.4 Making a delivery before the agreed delivery date shall only be permitted with the prior written consent of HANSA. HANSA may return any goods that are delivered early at the supplier's expense or store them at the supplier's expense until the agreed delivery date.
- 3.5 Unless otherwise agreed, partial deliveries and deliveries of larger or smaller quantities shall not be permitted. HANSA reserves the right to recognize such deliveries in individual cases and charge a handling fee of EUR 40.00 flat to the supplier's account for the additional expenses which are incurred as a result of the partial deliveries. The supplier may prove that HANSA did not suffer any loss or that the loss actually suffered remains significantly below this amount.

### **4. Transfer of risk and shipment**

- 4.1 The supplier shall bear the risk of accidental loss or destruction of, or of an accidental deterioration in, the goods until HANSA takes delivery of the goods ("free works" or DAP, as defined by Incoterms® 2010). If the supplier is obliged to carry out the set-up or assembly of the goods in HANSA's business premises, the risk shall not pass to HANSA until after the goods have been put into operation.
- 4.2 Each delivery must be accompanied by a delivery note which contains the order and materials number, a list of the lots supplied, the designation of the goods, the quantities supplied and the weight. Any failure to comply with these documentation requirements shall constitute a material breach of contract by the supplier. The supplier must compensate HANSA for any damage or loss that is suffered by HANSA as a result of such failure.
- 4.3 The supplier must observe the rules stipulated by HANSA for the shipment of goods. In particular, the smallest packaging unit (cardboard box) must not exceed a total weight of 15kg per cardboard box. In addition, the goods must be packed in such a manner as to prevent damage in transit. Packaging materials may only be used to the extent required for this purpose. Only environmentally friendly, recyclable packaging materials may be used.

### **5. Prices and payment**

- 5.1 The price stated in the purchase order shall be binding. Unless otherwise agreed in writing, all prices shall be "free works", duty paid (DDP, as defined by Incoterms® 2010), including packaging. All prices stated are net prices; statutory value-added tax shall be stated separately in the invoice, at the rate applicable at the time the invoice is issued.
- 5.2 The supplier's invoices must state the purchase order references (number and date of the purchase order, quantity and price), the number of each single item (lot), and the number of the delivery note. Otherwise, the invoices cannot

be processed and, therefore, will be deemed not received. Copies of invoices shall be marked as duplicates.

- 5.3 Payment shall be made upon HANSA taking delivery of the goods and receipt of the invoice within sixty (60) days with a 2% discount or within ninety (90) days net. Payment will be made subject to review of the invoice. If a shipment is defective, HANSA may withhold payment until the supplier has properly performed its obligations, without HANSA forfeiting its right to rebates, discounts or similar price reductions. To the extent that the supplier is obliged to provide materials tests, inspection reports, quality documents or other documents, the receipt of these documents shall be a further prerequisite for the acceptance of the goods. The time allowed for payment shall not commence until all defects have been fully remedied. If goods are delivered early, the time allowed for payment shall not commence until the agreed delivery date.
- 5.4 Ownership of the goods shall be transferred to HANSA free of any encumbrances when the goods are paid for, at the latest. All payments shall be made to the supplier only. Extended or prolonged retention-of-title clauses shall not be permitted. The supplier shall have no right to set its own claims off against claims of HANSA unless the supplier's claims have been established in a judgment that cannot be appealed against or are undisputed. The supplier may only assert a right to retain if its own claims and the claims of HANSA are based on the same contract.

#### **6. Warranty and claims for defects**

- 6.1 Unless otherwise agreed, the statutory warranty rights shall apply.
- 6.2 The supplier warrants that the goods supplied are state of the art and that they correspond to the agreed specifications, the applicable legal provisions and the regulations and guidelines issued by public authorities, employers' liability insurance associations and professional associations. The supplier must particularly comply with the EU Chemicals Regulation REACH. The supplier must inform HANSA without undue delay in writing if the supplier has any concerns about the purchase order being performed as requested by HANSA.
- 6.3 To the extent feasible in the proper course of business, HANSA shall examine without undue delay after taking delivery of the goods whether the goods received correspond to the purchase order in terms of quantity and type and whether any damage has been sustained in transit that can be identified externally.
- 6.4 If a defect is discovered during such examinations or at a later point in time, HANSA shall, to the extent feasible in the proper course of business, so advise the supplier without undue delay after the examination has been carried out or the defect discovered.
- 6.5 HANSA's approval of drawings, calculations or other technical documents of the supplier shall not affect the supplier's responsibility for defects or the supplier's liability under any guarantee it has given.
- 6.6 If the goods contain defects, HANSA may, without prejudice to its statutory claims for defects, demand that the supplier repair the defects or, at HANSA's option, that the supplier deliver goods which are free from defects. The supplier shall bear all necessary expenses for the repair or replacement delivery.
- 6.7 Except in cases of fraudulent intent, claims for defects shall become time-barred within 3 years unless the item has been used for a building in accordance with its normal use and has caused such building to be defective. The limitation period shall commence when HANSA takes delivery of the contractual items (transfer of risk).
- 6.8 If the supplier performs its obligation to take remedial action by making a replacement delivery, the limitation period shall commence anew for any goods supplied as a replacement after HANSA has taken delivery of these goods.
- 6.9 Suppliers of goods for which replacement parts are needed shall be obliged to supply HANSA upon expiry of the

limitation period for another ten years with the required replacement parts, accessories and tools.

#### **7. Product liability**

- 7.1 The supplier shall be obliged to indemnify and hold HANSA harmless from and against any and all third-party claims under German or foreign product liability law which are based on a defect of the product delivered by the supplier if and to the extent that the supplier is responsible for the product defect and the damage suffered according to the principles of product liability law. This shall not affect any further claims of HANSA.
- 7.2 In the cases set out in clause 7.1 above, the supplier shall bear all costs and expenses, including the cost of legal action, if any. In particular, the supplier shall reimburse HANSA for any and all expenses which HANSA incurs as a result of or in connection with any precautionary measures – in particular, product warnings, an exchange of products or product recalls – which HANSA takes to avoid being held liable under product liability law. Where possible and not unreasonable for HANSA, HANSA shall advise the supplier of the contents and scope of the measures to be taken and give the supplier the opportunity to comment thereon.
- 7.3 The supplier must appropriately insure against all risks arising from product liability, including the risk of product recalls, and shall present the insurance policy to HANSA as evidence, if so requested.

#### **8. Third-party property rights**

- 8.1 The supplier warrants that the delivery and use of the goods do not infringe any patents, licences or other third-party property rights.
- 8.2 If, due to the delivery and use of the goods, HANSA or HANSA's customers are held liable by a third party for infringement of any such rights, the supplier shall be obliged to indemnify and hold HANSA or HANSA's customers harmless from and against these claims. This duty to indemnify shall apply to all costs and expenses which are incurred in connection with HANSA or HANSA's customers being held liable.

#### **9. Provision of items by HANSA**

- 9.1 HANSA shall retain title to all samples, models, drawings, artworks, tools, and other items which HANSA provides to the supplier for the manufacture of the goods ordered or for any other purpose. The supplier is obliged to use these items only for the manufacture of the goods ordered or as otherwise specified by HANSA. The items may not be made available to third parties. The supplier must return the items to HANSA unasked and without undue delay at its own expense if and when they are no longer needed.
- 9.2 Any processing or transformation by the supplier of the items provided shall be made on behalf of HANSA. If such items are processed together with other items which do not belong to HANSA, HANSA shall acquire co-ownership of the new item in proportion to the ratio of the value of the item provided by HANSA to the value of the other processed items at the time of processing.
- 9.3 The supplier is obliged to handle and store all items provided with due care. The supplier must insure the items provided at its own expense at replacement value against damage by fire, water, and theft. The supplier hereby assigns to HANSA all claims for compensation arising from such insurance. HANSA hereby accepts the assignment. The supplier is obliged to carry out all necessary maintenance and inspection work and all servicing and repair work with respect to the items provided in a timely manner at its own expense. The supplier must advise HANSA without undue delay of any damage.
- 9.4 Goods which the supplier manufactures in whole or in part according to HANSA's specifications, or using the items provided by HANSA, may be used by the supplier itself, or be offered, supplied, or otherwise made available to a third party, only with the prior written consent of HANSA. This

also applies to goods which HANSA has legitimately refused to accept from the supplier. The supplier must pay HANSA liquidated damages in the amount of EUR 25,000.00 for each and any violation of these provisions. This shall not affect any further claims of HANSA.

#### **10. Force majeure**

10.1 If an event of force majeure prevents HANSA from performing its contractual obligations – in particular, from taking delivery of the goods – HANSA shall be released from its obligation to perform for the duration of the impediment and a reasonable start-up period, without being liable to the supplier for damages. The same shall apply if the performance of its obligations by HANSA becomes unreasonably complicated or temporarily impossible because of unforeseeable circumstances for which HANSA is not responsible, in particular, because of official acts, energy shortage or major disruptions of operations. This also applies if HANSA is affected by industrial action.

10.2 HANSA may rescind the contract if an impediment within the meaning of clause 9.1 above lasts longer than four months and if, as a result of such impediment, the performance of the contract is no longer of interest to HANSA. At the request of the supplier, HANSA shall declare after the expiry of the aforesaid four-month period whether it will make use of its right to rescind the contract or whether it will take delivery of the goods within a reasonable period of time.

#### **11. Confidentiality**

The supplier must treat all information about HANSA that becomes available to the supplier and is designated as confidential or can be identified as a trade or business secret due to other circumstances as confidential for an unlimited period of time and, except where required for the delivery to be made to HANSA, shall not record, disclose or exploit any such information. The supplier shall enter into adequate contractual agreements with the employees and agents working for it to ensure that they, too, refrain at least for the duration of the business relationship from any exploitation, disclosure or unauthorized recording of such trade and business secrets for their own purposes.

#### **12. Export control and customs**

The supplier is obliged to inform HANSA in its business documents of any licences that may be required for (re-)exporting the supplier's goods pursuant to German, European and/or US-American export and customs regulations and/or the export and customs regulations of the country of origin of the supplier's goods. For this purpose, the supplier shall provide the following information in connection with the goods concerned at least in its offers, order confirmations and invoices:

- the export control list number pursuant to the Export Control List (*Ausfuhrliste*) that is an annex to the German Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*) or similar list numbers of any relevant export control lists;
- for US-American goods, the ECCN (Export Control Classification Number);
- the trade origin of its goods and of the components of its goods, including technology and software;
- whether the goods were transported across the USA, manufactured or stored in the USA, or manufactured using US-American technology;
- the statistical product code (HS Code) of its goods; and
- a contact person within its undertaking who can be contacted if HANSA has any further questions.

At the request of HANSA, the supplier is obliged to notify HANSA in writing of all further foreign trade data in relation to its goods and their components and to additionally inform HANSA without undue delay (and before delivering any of the goods concerned) in writing of all changes in the above data.

#### **13. Social responsibility and protection of the environment**

The supplier undertakes to comply with the respective regulations on how to deal with employees, the protection of the environment, and safety at work and to work towards reducing the long-term effects of its activities on human beings and the environment. For this purpose, it is recommended that the supplier implements a management system according to ISO 14001 and further develop such system, as far as possible. Furthermore, the supplier shall observe the principles of the Global Compact initiative of the United Nations. These principles essentially concern the protection of international human rights, the right to collective bargaining, the elimination of forced and compulsory labour and the abolition of child labour, the elimination of discrimination in employment and occupation, environmental responsibility and the prevention of corruption. Further information about the UN Global Compact initiative is available at [www.unglobalcompact.org](http://www.unglobalcompact.org).

#### **14. Governing law/place of jurisdiction**

14.1 The legal relations between the supplier and HANSA shall be governed by the laws of the Federal Republic of Germany. International matters shall be governed by the United Nations Convention on Contracts for the International Sale of Goods (CISG). Matters that are not dealt with in the Convention or that cannot be decided in accordance with the basic principles of the Convention shall be decided in accordance with the substantive law applicable at the buyer's place of business.

14.2 The exclusive place of jurisdiction for all national business relations with businesspersons and legal persons under public law shall be the buyer's place of business. However, the buyer shall additionally have the right to sue the supplier at the supplier's place of business or at any other permissible place of jurisdiction.

14.3 In international, cross-border business transactions, whenever a legal dispute arises out of or in connection with this agreement and its implementation, the contracting parties may choose whether to turn to the ordinary courts of law or whether to bring the matter before an arbitral tribunal.

14.4 If the parties turn to the ordinary courts of law, the exclusive place of jurisdiction for all disputes arising out of or in connection with this agreement and its implementation shall be the buyer's place of business. However, the buyer shall additionally have the right to sue the supplier at the supplier's place of business or at any other permissible place of jurisdiction.

14.5 If the parties turn to an arbitral tribunal, all disputes arising out of or in connection with the present agreement shall be finally decided in accordance with the Arbitration Rules of the German Institution of Arbitration (*Deutsche Institution für Schiedsgerichtsbarkeit e.V.* (DIS)). The DIS Arbitration Rules are available in German, English, French, Spanish, Chinese, Russian and Turkish, amongst other languages, at <http://www.dis-arb.de/de/16/regeln/uebersicht-id0>.

14.6 The arbitral tribunal shall be comprised of three arbitrators. Unless otherwise agreed between the parties, at least one of the individual arbitrators must have studied law and completed such studies successfully. The arbitrators must be in command of the language of the arbitral proceedings.

14.7 The language of the arbitral proceedings shall be German unless the parties agree on another language for the arbitral proceedings.

14.8 The place of arbitration shall be the buyer's place of business.

#### **15. Miscellaneous**

15.1 The supplier shall not be authorized to employ a third party to carry out an order, or any material parts of an order, unless HANSA has given its prior written consent.

15.2 Any transfer or assignment of rights and obligations of the supplier to third parties shall require the written consent of HANSA.

15.3 The language of the contract shall be German.

- 15.4 The place of performance for all obligations that are to be performed by the supplier and by HANSA shall be HANSA's place of business.
- 15.5 The German-language version of these Conditions of Purchase shall be authoritative.