GENERAL TERMS AND CONDITIONS OF PURCHASE (GTCP)

Version 1.0

Issued: March 2018

HISTORY AND CHANGE LOG

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1 Basic Agreement

1.1 Elaphe Propulsion Technologies Ltd. (hereinafter referred to as Elaphe) is expecting from all its suppliers to follow all regulatory procedures stated both in the Elaphe Suppliers Manual as well as in the General Terms and Conditions of Purchase (GTCP), which are annexed to the suppliers’ manual.

1.2 By either signing a purchasing contract, issuing an offer for an inquiry or with a confirmation of the price list, the supplier: 
   a) agrees with all provisions and requirements set out in this document (also available online at www.in-wheel.com),
   b) commits to organize its own production process according to the requirements specified by the international standards and agreements with Elaphe, moreover to also carry out all the regulatory and agreed-upon procedures,
   c) agrees that the Delivery Note which is issued to Elaphe for each delivery guarantees that the supplied standard products comply with the provisions of the agreed national and international standards and that the supplied non-standard products are in full accordance with the agreed requirements defined in Elaphe’s technical, control, commercial and environmental protection documentation.

2 General

Customers of Elaphe expect that the company will fulfill all their expectations regarding quality of products and services. Because of this, Elaphe needs to cooperate only with reliable and competent suppliers, who are committed to achieve common goals and the desired quality. The suppliers are therefore in regards to moral standards and materials fully responsible for the fulfillment of all contractual obligations.

From its suppliers Elaphe expects and requires:
   a) supplied products and services which completely comply with the set requirements of Elaphe,
   b) 100% on-time deliveries,
   c) deliveries of conforming products only (no delivery of non-conforming products – delivered products shall be controlled and quality-checked according to specified control plan at time of order prior to delivery),
   d) implementation of modern and efficient quality management systems – in development, in production and in all other processes these have to include the principle of "no inconsistencies". The emphasis has to be on preventive methods, rather than on methods for detecting nonconformities.

3 Requirements for Products and Services

3.1 The requirements are defined as all the information required to ensure that products and services in terms are completely described regarding quality characteristics (dimensions, mechanical, electrical, chemical and all other properties) as well as the conditions of installation and operation. Elaphe is regulating these requirements with technical, commercial and environmental protection documentation. Elaphe’s technical documentation includes drawings, bills of materials, testing specifications, technological and control procedures, national, international and Elaphe internal standards, measurement sheets for suppliers’ outgoing quality control, the PPAP documentation including PPAP samples, examples, and other written documents defining the characteristics of the delivered products and services.

3.2 For products developed by the supplier himself, the supplier has to submit all the technical documentation equivalent to the requirements to Elaphe. This documentation also has to include all the necessary tests, including tests of installation, reliability and product life-cycle period.

3.3 Both the suppliers as well as Elaphe must use the documentation and the knowledge acquired from their business relation only for the purpose of the contractually agreed upon business relationship, and therefore both shall be treated as confidential. This confidentiality has to remain in force even after a possible termination of a business relationship. The suppliers have to make sure that the same also applies for their employees, sub-suppliers and others with whom they do business with. All technical documentation and information which Elaphe provides to the suppliers, is considered as a business secret and the property of Elaphe. When using and storing this kind of information Elaphe requires strict confidentiality and can at any time demand the return of the already provided documentation. Production according to this documentation is allowed only for Elaphe. The same requirements also apply to the supplier’s sub-suppliers. The forwarding of this documentation to others is permitted only by Elaphe’s written authorization - the supplier confirms this obligation by signing Elaphe’s Declaration of Confidentiality.
4 Special Tools and Criteria

4.1 Elaphe is the legitimate owner of all special tools and equipment which the company ordered from the suppliers with an order or a purchase agreement. The suppliers are only temporarily entrusted with the use these tools and equipment and they represent an irrevocable property of Elaphe. Under no circumstances the supplier can use them to manufacture other products for other customers, unless Elaphe exceptionally issues a written approval. The same goes for all Elaphe special or standard production tools and measurement equipment which Elaphe is lending to the suppliers for a faster execution of orders. On tools owned by Elaphe non-previously agreed changes are not allowed. Any changes to these tools may only be carried out after a written approval from Elaphe. Only maintenance procedures allowed are those necessary to ensure tool flawlessness, guarantee a fault-free tool operation, and ensure the preservation of the tool’s life span.

4.2 The supplier is obliged to take good care of all Elaphe tools and carry out ongoing tool maintenances at his own expense. For every intention to relocate a tool the supplier must obtain a written permission from Elaphe. The supplier is obliged to mark the tool with an inventory number in a way that is prescribed by Elaphe. At first Elaphe’s request the supplier is obliged to carry out an inventory of tools and their related components in accordance with the requirements. Elaphe has the right to carry out the inventory of tools at any given time in all locations where the company’s tools are being used and the supplier has to make this possible on first demand.

For the tools the supplier is obliged to keep the following records:
- tool card,
- a list of interventions to the tools and the number of manufactured pieces,
- a record of spare parts and their use.

The supplier is obliged to:
- provide a report on the status and location of Elaphe’s tools and all the related components annually by June 30th.
- provide a written request to Elaphe about the need for replacing or servicing a tool at least 6 months before the expiry of the tool’s life span, taking into account the regular orders or the identified needs for servicing or replacement of the tool.

The cost of a non-scheduled, unexpected maintenance of tools, which are the result of any interventions on already worn-out tools due to bridging reasons, shall be considered and accounted for separately if the supplier notified Elaphe of such endeavors in due time, in accordance with the mutual agreement and a written confirmation of Elaphe.

4.3 The supplier has to adequately protect all the tools and equipment owned by Elaphe against any kind of damage as well as against loss. The supplier is also obliged to cover the costs of regular metrological controls of measurement equipment which is owned by Elaphe. Same requirements apply for the measurement equipment as for the tools. The supplier is obliged to return all borrowed Elaphe tools and measurement equipment within 14 days after the conclusion of the contract. They shall be returned in the same condition as when they were handed to the supplier, taking into account the wear and tear resulting from a normal usage. The supplier is obliged to notify Elaphe and provide information in case the tool is no longer in use and ask for further instructions. The supplier can write off the tools and equipment only after a written approval of Elaphe.

4.4 The supplier must guarantee the minimum life span of the tool stated in the offer or contract.

5 Quality Assurance

5.1 Before the start of regular supplies, a procedure for authorization of the regular production with first samples which contains the measurements (PPAP process) has to be done. First samples, which are usually free of charge, the supplier must manufacture under the conditions of mass production and with serial production assets. The first samples from the supplier given to Elaphe also have to have all the required documentation sent along with them. This procedure must be followed:
- a) in case of a new product,
- b) if changes in design, technology, material or production sites occur,
- c) after the replacement of a sub-supplier or the source of material supply and
- d) after long interruptions of production.

After the inspection of samples and all the documentation Elaphe decides:
- a) to approve,
- b) to temporary approve or
- c) to refuse the activities.
Elaphe has to provide this decision to the supplier in writing. With an approval of the initial samples and documentation Elaphe authorizes the supplier for the commencement of regular production of the sampled product. This is also a key requirement for the start of regular supplies. With this the supplier’s liability and the guarantee of the quality of regular deliveries shall not decrease. The quality of supplied products and services must be equal or even better than that of the approved samples. Both the supplier and Elaphe have to keep records of the PPAP documentation and all samples to serve as the assessment of products before shipment from the supplier and for the collection of products at Elaphe.

5.2
The supplier is obliged to provide quality products and services in accordance with the requirements. Elaphe will collect the supplied products based on trust. For this, the supplier shall inspect products before shipment thoroughly and on request send the agreed metrics along with the goods. The dispatch of every delivery must be approved in writing by an authorized person of the supplier.

5.3
Elaphe will reject all nonconforming products. All direct and indirect costs (which will occur during transport, handling, sorting, finishing, production stoppages, loss of sales or with administrative expenses, etc.) will be charged to the supplier. In case of noncompliance of the supplied products and services, Elaphe will withhold payment. In case of hidden inconsistencies of the supplied products, which will get noticed by Elaphe’s customers, Elaphe will also charge the supplier with all direct and indirect costs (repairs, replacement of products at Elaphe or at the premises of the customer, recall ...), which will occur from this. Elaphe will charge all costs on the basis of submitted documents.

5.4
In the event of any inconsistency (with the accompanying documentation, packaging, labeling, quantity or quality of the product) Elaphe will file a claim. The supplier must respond to all such claims (via telephone, e-mail or a complaint form) not later than within 24 hours and in that time:
   a) pick-out and replace all nonconforming products,
   b) notify Elaphe in writing about all the possible measures to ensure an undisturbed production at Elaphe,
   c) notify Elaphe about the causes of these inconsistencies and inform the company about the measures introduced to prevent similar noncompliance in the future. All further actions must go through the purchasing manager at Elaphe. In case of requests for corrective measures, within one month the supplier has to send Elaphe a written plan for the permanent elimination of nonconformities (8D report).

5.5
Elaphe demands that after the confirmation of the product the supplier does not carry out any changes – this applies to the technical documentation, the supplier’s own sources of supply, the technology, process and production location. All of the above can only be changed after a prior written consent from Elaphe.

5.6
Elaphe is controlling the supplier’s management effectiveness quality system with assessments and audits. In case of nonconformities, the supplier must prepare, present and carry out appropriate corrective measures. Elaphe will assess the suppliers and their supply once a year. With good assessment results the suppliers can obtain an advantage when new purchase demands occur.

5.7
Ensuring the quality of the final product also depends on the quality of the products that the supplier buys from his sub-suppliers and which later get incorporated into the end product for Elaphe. Elaphe is requesting from the supplier to set the same demands to his sub-suppliers as Elaphe is requesting from him.

5.8
The supplier guarantees to Elaphe the quality and functionality of the supplied contractual products to the same extent and duration, as Elaphe guarantees to their customer for their own products.

5.9
In accordance with the existing Regulation regarding the criteria for identifying and proving the origin of goods for the purposes of preferential trade the supplier is obliged to issue a Proof of the product’s origin.
6 Logistics

6.1 To prevent damage to products or their loss the supplier is obliged to provide the appropriate packaging material, packaging type, labeling and the appropriate mode of transport. The supplier must comply with these requirements which are described further in detail in the Elaphe Suppliers Manual. All packaging units must be filled up to the end, have to keep their shape up to the place of use, allow machine handling, include goods of the same manufacturer, products of the same code, manufacturing date and the same batch, and must not impair the safety of workers. Each packaging unit must be equipped with a proper label. The content of the label must be in accordance with the requirements of Elaphe and also has to satisfy traceability requirements. Labels should include the following information: the name of the manufacturer, the name of the goods, the purchase order number, the product code, the quantity per unit, the batch sign, the production date, the stamp of the outgoing inspection and a barcode. If Elaphe and the supplier do not agree otherwise, the labeling standard which must be followed is ODETTE or VDA. The supplier is also liable for any extra costs or for the loss of material resulting from insufficient labeling, inappropriate packaging or inappropriate transport.

6.2 Unless otherwise agreed, the monthly calculation of material needs at Elaphe is the basis for making recalls or the announcement of new needs. With recalls we can predict order of goods for a longer period of time. A recall applies to the monthly amount. Unless otherwise agreed, the delivery quantities are ordered DAP – “Delivered at Place” the production line/warehouse of Elaphe taking into account the risk of transport from the supplier to Elaphe. In the framework of the recall methods and the agreed deadlines, the delivery time and type are binding and allows neither delays nor early deliveries. At the expense of the supplier Elaphe has the right to refuse an early delivery or charge the supplier for storage costs.

6.3 In case of delayed deliveries (Force Majeure excluded) Elaphe has the right:
  a) to require a partial or whole delivery from the supplier and, unless otherwise agreed, charge the supplier for the resulting costs on the basis of submitted documents,
  b) to order products from another manufacturer at the expense of the supplier.

6.4 If agreed so, the supplier is obliged to have an emergency stock present at his warehouse in accordance with the agreement. In the event the supplier has no such stock available, Elaphe has the right to charge the supplier for the costs of the missing stock. In the event of Force Majeure, the supplier and Elaphe must specifically agree on new terms of delivery. The basis for such an agreement must be the supplier’s written notice to Elaphe about the impossibility of deliveries within the agreed timeline. Elaphe will not accept such notices after the expiry of the primary delivery date specified at time of order, nor because of supply delays from the supplier’s sub-suppliers.

7 Collections of Goods

7.1 The acceptance of delivered material and its payment does not mean that the delivery is final. Elaphe carries out the process of collecting the goods in accordance with the decisions of the competent services and specifically defined methods. The supplier is fully responsible for the quantitative adequacy of the supplies as stated in the agreement and delivery documents. In the event that Elaphe notices a nonconforming quantity of the delivery, Elaphe has the right:
  a) to accept the delivery and according to the proper difference change the following orders,
  b) to reject the delivery at the supplier’s expense or charge the supplier for warehousing costs if the quantity deviation has not been specifically agreed,
  c) to require from the supplier an immediate delivery of the missing quantity at his costs or
d) to charge the supplier with 10 percent of the value of the goods ordered unless otherwise agreed.
Elaphe is obliged to inform the supplier with a Reclamation Record about the nonconforming quantity of the delivery within 30 days from the delivery date.

8 Prices

The agreed prices on the price lists and other delivery conditions defined in the GTCP are permanent and none of the contracting parties can unilaterally change them. For each change in price (as a result of cost reduction or an introduction of improvements) the supplier must deliver a written offer to Elaphe. The change is accepted and valid only after a written confirmation from Elaphe.
9 Invoices, Delivery Notes and Payments

9.1 Unless otherwise agreed, invoices are issued for each order/recall. The invoice must include the order number, the delivery note number, product name and Elaphe ID number for each delivered product, and the exact quantities and measurement units. The measurement unit on the invoice and on the delivery note has to be identical to the one on the order. In cases where this is not possible, the ratio of units has to be stated (for example: x meters = y kg).

9.2 The supplied material must always be accompanied by a delivery note, where the following must be clearly stated:
- the name and the code of the supplier,
- the number and date of the contract or of the recall,
- the name of the product and its Elaphe ID number,
- the quantity supplied,
- the batch number and
- the number of packing units (collies).
Each delivery note must refer to only one order.

9.3 Elaphe is obliged to settle all the obligations towards the supplier in the agreed time and manner – successively for each individual invoice. The supplier is obliged, unless otherwise agreed, to issue invoices for the supplies or completed services together with the supply of the goods or completion of the service. Unless otherwise agreed, the payment period starts with the date of the delivery or the date of the preformed services. In case the supply does not meet the agreed requirements, Elaphe has the right to stop or reduce the payment of the whole supply or a part of it to the supplier.

10 Contact or Order Termination

10.1 In cases where the supplier does not fulfill his contractual obligations: e.g. the supplier is not supplying goods or carrying out services within the required timeframe, does not resolve the noncompliance or mistakes within the prescribed time period or does not offer a plan of corrective actions acceptable to Elaphe, then Elaphe has the right to withdraw from the contract/order or work without any notice period and further obligations to the supplier. This decision shall be communicated to the supplier by a written notice. The costs which occur in this case (Force Majeure excluded) are charged to the supplier.

10.2 Without an explanation or a notice period Elaphe has the right to withdraw from the contract/order. Elaphe has to report this intention to the supplier in writing. In such cases, Elaphe is obliged to accept the already manufactured goods or service which do not exceed the amount specified in the contract.

10.3 Without any further obligation to the supplier Elaphe can also withdraw from the contract if it is obvious that the supplier will not be able to fulfill orders in the agreed time period (declaration of bankruptcy of supplier, insolvency, misappropriation of funds for work ...).

11 Environmental Protection Requirements

To meet the requirements regarding environmental protection, Elaphe recommends to the suppliers the certification according to ISO 14001. An uncertified supplier however must work according to his own program of activities to preserve the environment and every three years send a completed Environmental Questionnaire to Elaphe. The products which the supplier is producing and selling to Elaphe must be manufactured in accordance with the European Directive 2000/53/EC and its related Annex II of the European Commission Decision of 30. 9. 2005. The packaging of the supplier must comply with general Elaphe packing instructions.
12 Transitional and Final Provisions

12.1 With a written notification, Elaphe has the right to change the terms of the contract, if the conditions attached to the legal specifications, agreements with customers or banks alter. For any amendments or supplements to the contract both parties have to enter into a written agreement.

12.2 By making an offer or signing the contract the supplier is confirming that he is fully aware of the obligations set out in the GTCP and is accepting them in full. For business relations, which are not covered by the GTCP or any other written agreement, provisions of the Obligation Code’s Trade Act and other applicable regulations including the Incoterms 2010 shall apply. If Elaphe and the supplier regulate their relationship with a separate agreement, and under different terms and conditions that those specified in GTCP, the provisions of that agreement shall apply.

12.3 The supplier and Elaphe will make an effort to resolve all disputes arising from the GTCP amicably. Otherwise, the competent courts to settle any potential disputes are those with jurisdiction at place of Elaphe registered offices (headquarters).

12.4 The GTCP are also available on the website www.in-wheel.com

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