

1. GENERAL PROVISIONS

- 1.1. These General Conditions of Purchase define the baselines on which the business and legal transactions are concluded between the suppliers and the Client for the purchase of goods, materials and services for the execution pursuit of ordinary activity. The General Conditions of Purchase are valuable for all types of purchase. They are effective with the day of order acceptance.
- 1.2. The Client reserves the right to set out special conditions – related to specific system requirements of Clients client - for any particular order, and such special conditions shall have priority over the General Conditions.
- 1.3. For open orders, the Client schedules the supplies and makes payments for invoices.
- 1.4. The signed confirmation of order acceptance is returned to the Client by mail. The acceptance or starting performance of order shall also mean the acceptance of the Client's conditions of purchase, and excludes any other instruction or agreement which are not been confirmed in writing by the Client. In the case that supplier does not send written order confirmation in five (5) working days from issuing, or neither send written refusing, it will be considered as accepted included with General Conditions of Purchase.

2. OPEN ORDERS — ROUTING ORDERS FOR SUPPLIES

- 2.1. Certain products and goods in regular consumption can be subject to open order containing the details: Product, place of delivery, price, conditions of purchase (transport, packaging, etc.) and indicative total quantities for a certain period, of informative nature. Delivery dates of concrete supplies and quantities are then defined in routing orders.
- 2.2. Orders and routing orders for supplies, any changes or amendments thereto have to be made in writing.
- 2.3. Within the given circumstances and scope of possibility, the Client may require the Supplier to change the construction and execution of the purchased product/service. The Parties regulate the consequences or impacts by contract, in particular in terms of additional or reduced costs, as well as delivery terms.

1

3. DELIVERY TERMS AND QUANTITIES

- 3.1. The agreed delivery terms are mandatory. The delivery terms set in orders, shall be complied and assuring 100% delivery performance.
- 3.2. The Supplier undertakes to inform the Client promptly, without delay, on any problem that may arise and have an impact on the delivery terms or delivered quantities to be supplied.
- 3.3. The Supplier is liable to indemnify the Client for any damage or loss due to delay. In case of obvious incapacity to supply, delay, actual delay or other breach of the conditions of purchase, the Client reserves the right to cancel the order in whole or in part, and to employ another Supplier at the expense of the Supplier in breach. In enforcing its claim for damages, the Client shall, in good faith, take into account the economic circumstances of the Supplier, the type, scope and duration of the business relationship, as well as the value of the goods supplied.

COST TYPE	COST AMOUNT
Costs of Logistics	Actual costs
Cost of standstill	Actual costs
Cost of delayed supply	Actual costs

- 3.4. Force majeure, riots and civil commotions other than strikes directly at the Supplier's plant, action taken by authorities and other fatal incidents that could not be prevented shall release the Contractual partner for the duration of the disturbance from contractual obligations. Within the range of possible, the contractual partners shall immediately convey the necessary information to the other Party and in good faith adjust their obligations to the changed situation, without delay.

4. SAFETY INVENTORY

- 4.1. In case of open order for the products needed in the Client's production process, the Supplier shall establish a safety inventory at its own expense and have it available and renew at all times. Unless otherwise determined, such safety inventory shall accommodate the quantity of twenty working days.
- 4.2. The Client reserves the right to check the safety inventory from time to time.

5. SUPPLY

- 5.1. Unless otherwise defined, the goods ordered shall be delivered to location of the Client. All the costs are paid up to the point of delivery indicated in the order.

- 5.2. The Client's address and data of the plant, warehouse or service as indicated in the order must be written on each packaging unit. Each shipment must be announced by a delivery note, completed with full details from the resp. order (date, order number, quantity and type of goods, detailed description of packaging, etc.).

6. PACKING, PACKAGING, PROOF/ CERTIFICATE OF ORIGIN

- 6.1. Unless otherwise agreed, the Supplier shall pack the goods in a professional way and despatch them under a customary business practice, or deliver the goods in the packaging as instructed by the Client. Supplier shall be liable for any damages/loss resulting from deficient or wrong packaging.
- 6.2. On the basis of the valid business arrangements, the Supplier shall submit to the Client all certificates of origin and other documentation that the Client deems necessary, for each and all supplies.
- 6.3. The supplier shall assure the traceability of the products supplied and designate the freight units with all the details: Consignee of goods, address, code of goods, status of change, number of pieces (freight units), net/gross weight, name/ description of goods, order number, delivery note number, production date, charge number, and special markings if required.

7. QUALITY AND QUANTITY ACCEPTANCE

- 7.1. The inspection and acceptance of goods is performed by the Client in accordance with their agreement on the acceptance of delivery. The signature and stamp for the release shall not be deemed as final acceptance.
- 7.2. Any non-compliant or deficient supplies shall be returned to the Supplier at the Supplier's expense. The Client reserves the right to claim replacement supplies for such deficient supplies, at the originally agreed terms.
- 7.3. The Client and Supplier agree on the form of acceptance on "Certificate" (in accordance with the EN 10204 Standard, Section 3.1), or acceptance under the Supplier's quality assurance system. In case of acceptance in accordance with "Certificate" missing of that means inadequate shipment .
- 7.4. In all cases, Client performs counter-tests at random, checks the quantities, accompanying reports, condition of packaging and labelling.
- 7.5. In the case of rejects in processing, repairs or obligatory screening or sorting above the acceptable percentage rate applicable to the product type, the Client reserves the right to charge the Supplier for the costs of processing, repair or sorting, and also demand a reduction in price or urge the supplier to remedy the defects.
- 7.6. The Supplier shall assume full responsibility for the costs suffered by the Client, the Client's buyer, or end-user resulting from any discrepancy from the required quality level for which the Supplier is at fault.
- 7.7. Such costs resulting from the quality management (QM) related problems are: Flat rate upon issue of complaint, and actual costs related to the quality-related problem (standstill, sorting or screening, repairs). In the case of repeating mistakes Client reserves the right to impose additional controls on shipments.

COST TYPE	COST AMOUNT
Flat rate upon quality claim issued	140,00 €
Hour rate for repairs/sorting	Min. 20,00 €
Non conforming parts	price x quantity + manipulative costs
Quality related costs at Client's customer	Actual costs
Delay with response on quality claim	200,00 €

8. PRICES

- 8.1. All the prices are fixed prices, except if otherwise defined in the Order, and the prices cannot be changed one-sidedly.
- 8.2. Prices are inclusive of the packaging. Unless otherwise agreed, all prices understand DAP client — the User Plant.

9. ISSUE OF INVOICES AND PAYMENT

- 9.1. Each invoice must comply with the resp. Order. The invoice has to contain the Order number, code of product, status of change, product name/description, quantity, price, date and number of delivery note, method and point of delivery.
- 9.2. The invoices must be sent exclusively on finance@timpavlin.com, only these invoices will be proceeded to payment.

- 9.3. The payment is affected after the arrival of goods, as agreed in the contract, and the invoice has been received and checked as correct.
- 9.4. Unless otherwise defined by the Client, all payments are effected in 60 days after the end of month of invoicing.
- 9.5. In case of a defective supply, the Client may retain the payment in full or in part, in proportion to the share of inadequate products, until the correct and complete performance.
- 9.6. Unless the Client's prior consent in writing has been obtained — which shall not be unreasonably withheld - the Supplier is not entitled to assign its claim towards the Client or have the claim collected by third party.

10. QUALITY AND CONFORMITY /ADEQUACY

- 10.1. The Supplier shall be held responsible for the quality of the products supplied, and shall establish its own quality control and management system that is adequate to the criteria applied in the automotive industry. The efficiency of the quality management system, as well as the conformity of it, shall be proved by:
 - ✓ Quality Certificate IATF 16949:2016
 - ✓ Quality Certificate ISO 9001:2015
- 10.2. In cases when the supplier does not have a quality system rating, supplier is responsible to organise audit from authorised certification body, which assesses the Supplier's capacities. In case of positive opinion, the Supplier is required to prepare the process, provided that all the requirements of quality assurance for the process are fulfilled.
- 10.3. Suppliers, who are selected according to the above mentioned, must gain, during the period of one years, the certificate of quality mentioned in 10.1.
- 10.4. Suppliers which own other Certificates like Environmental management system ISO 14001:2015 or Occupational health and safety OHSAS 18001, will be better rated during the supplier selection and evaluation process.
- 10.5. The products supplied shall comply with specifications, drawings and all other documents that define the product and were available to the Supplier; in case of any undefined characteristics, they shall comply with evtl. standard parts (type parts) or etalons. At the request of Client supplier is obliged to deliver an annual requalification of the product, with no additional cost for subscriber. Requalification should include assessment of all the requirements of the drawings, specification.
- 10.6. The Supplier proves the compliance of contracted products with the current valid documentation:
 - ✓ The procedure "Initial samples",
 - ✓ Calculation of process capacity as per individual characteristics (Cp, Cpk),
 - ✓ Supply of contracted products within tolerance,
 - ✓ Quality records of supplied products.
 - ✓ Yearly Requalification of product
- 10.7. For each new product and in cases when so agreed, the Supplier shall provide the Client — at request with a sample of product that fully complies with the planned production. The control report has to be submitted and all the test results required under the regulations, if needed. Pieces must conform to the definition and comply with the designated function and requirements imposed by the applicable regulations. The order will become a fix order only after the Client has confirmed the adequacy of standard type pieces (samples).
- 10.8. The required documentation is in custody of the Supplier, who also keeps (archives) the Quality Records. The Supplier shall keep the documents for the entire life cycle of the product.
- 10.9. Without the Client's consent, no technical change — even if insignificant - is allowed. The Supplier shall inform the Client for each change in production process and on any relocation/transfer of production, any use of new tools or applying a new procedure. Any of these changes shall require repeating the procedure of "Initial sample".

3

11. ORDER CANCELLATION

- 11.1. In case of non-fulfilment of these terms and conditions, in particular for repeated delayed supplies and repeated deficiencies in terms of quality of the products, the Client may cancel the order (withdraw from contract) with a single notification in writing.
- 11.2. Such notification cancelling the order also contains the reservation of the Client's right to claim damages, but it may also contain a concrete claim for damage/loss.

12. TOOLS AND DRAWINGS

- 12.1. Tools, samples, patterns and models, measures, etc. that were ordered with the Supplier or third party for the Client, or were manufactured by the Client to be handed over or assigned to the Supplier, remain the property of the Client in full. The Supplier shall assume the concern for the maintenance and overhaul, and shall be responsible for executing the order of pieces.

- 12.2. The Supplier shall keep an updated record on the maintenance and repair of tools.
- 12.3. The Supplier shall not produce any piece for any third party on the basis of drawings, tools and patterns/models owned by the Client, unless having obtained the Client's prior consent. In the contrary case, the Client shall deem such an instance as an act of unfair competition and reserves the right to claim damages from the Supplier. Furthermore, the tools may not be changed or destroyed without the Client's prior consent in writing.
- 12.4. The Supplier shall assume all the responsibilities and costs that might incur in case of damage to, destruction or theft of tools referred to in Section 12.1.

13. WARRANTY

- 13.1. The Supplier shall be accountable for any visible or hidden defects of all its supplies, incl. those that may have been entrusted to third party in whole or in part.
- 13.2. The Supplier undertakes to cover the damages also in case if such damages might be enforced from the Client by legal action by a third party on the ground of Supplier's defects.
- 13.3. The Client reserves the right to rescind the contract and/or cancel the order and claim damages under the Code of Obligations, as well as under the General Rules on liability for damages.
- 13.4. The Supplier undertakes to employ its best efforts and inform the Client promptly, without delay, on any actual or alleged deficiency of its products or any factual defect of which the Supplier is aware, in order to restrict any evtl. subsequent detrimental consequences.
- 13.5. For parts built in vehicles, which might prove to be deficient after the vehicles are released for sale, the Supplier shall indemnify the carmaker for any costs, at the pricelist of spare parts, within the warranty terms that are binding on the carmaker versus its buyers; moreover, the Supplier shall refund any other costs, damage and cost refunds directly or indirectly arising from that particular deficiency. In the contract, the term is indicated under which the Supplier is held liable for its defects.
- 13.6. A refund is claimed under the same terms if the warranty period for the same pieces/ parts be extended to the cases of gross deficiencies, for which the Supplier is held responsible, in case the carmaker was forced to call its buyers to bring their vehicles to inspection, and replace defective parts after the expiry of the warranty period.
- 13.7. The Supplier warrants that in the phase of process preparation, during the manufacturing process, and despatch of products to the Client, it shall comply with the laws and other regulatory obligations related to the environmental issues.
- 13.8. The Client undertakes to collect the packaging of dangerous goods and dangerous waste separately in the provided for that purpose. The Supplier undertakes to comply with the requirement for disposal/removal of the packaging of dangerous goods, as well as all the dangerous waste collected, and shall perform it on first request. The removal/ disposal shall be made at the expense of the Supplier, strictly complying with the provisions of laws and other regulations governing the obligations related to environmental issues.

4

14. PROTECTING THE BUSINESS SECRECY

- 14.1. The supplier is bound to protect the confidentiality of all the data or information received. It shall set out all the measures to prevent the disclosure or dissemination of data/information it has received from the Client for the execution of the order. Drawings, documentation, plans, patterns and models, samples obtained from the Client or disclosed to the Supplier shall remain the property of the Client.
- 14.2. The Supplier and Client undertake to treat and protect all commercial and technical details that are not in public domain, with which they got acquainted during their business relationship, as confidential.
- 14.3. Drawings, models, templates, samples and similar may not be left over to unauthorised or third party, or allow access to them to such parties. Reproduction of such objects is only allowed within the business requirements and provisions of the regulations governing the copyright and industrial property rights.

15. FINAL PROVISIONS

- 15.1. If the Supplier wishes to withdraw from the agreed General Conditions of Purchase and from commercial transactions initiated under such agreement, the agreed period of notice shall be 12 months from receipt of the Supplier's written withdrawal from the agreement, unless otherwise agreed.
- 15.2. The Client and Supplier shall endeavour to resolve any controversy or dispute amicably and by agreement. If the Parties cannot reach an agreement, the dispute shall be referred to the competent court in Ljubljana, irrespective of the nature, cause or place of dispute, and special requirements of these conditions of purchase.
- 15.3. Any business transaction concluded shall be governed by the law of the Republic of Slovenia, unless otherwise agreed.

For the Issuer of the General Conditions of Purchase - Agreement:

Tim Pavlin d.o.o.
Managing director
Tomaž Pavlin

