

IB-20 General Terms & Conditions of Purchase Sura Magnets AB

1. GENERAL

For all purchasing orders from Sura Magnets and its supplier the terms and condition of **Orgalime S 2012** or **NL17** (Nordic countries) applies together with this addendum "**General Terms & Conditions of Purchase Sura Magnets AB**" unless other terms and conditions or contracts are agreed upon between the purchaser and supplier.

1.1 Warranty

The Supplier guarantees that the parts supplied by the Supplier are free from defects according to the zero-defects principle, and that they will perform satisfactorily during the warranty period. The Supplier shall be responsible for defects that are due to shortcomings in the design, materials and manufacture, and for defects caused by failure to conform to the agreed specifications. The Supplier shall not be responsible for defects that are due to materials, design information or technical specifications received from SM.

-The warranty period shall begin on the date of the Supplier's delivery and shall expire 24 months after SM's end customer has taken SM's end product into operation, although no later than 30 months after the date of the Supplier's delivery.

In the event of a defect, a claim shall be lodged within a reasonable period of time.

1.2 Product liability

The Supplier shall be liable for damage sustained by a third party as a result of defects or faults with parts supplied by the Supplier. If a third party claims for damages against SM, the Supplier will be notified without undue delay. The Supplier shall reimburse SM for the cost incurred in SM's defence, or the Supplier shall defend SM at the Supplier's own expense, the alternative selected being at SM's discretion. The Supplier's liability shall also extend to companies that market SM's products, and the Supplier shall also indemnify SM by reimbursing SM for any costs, reimbursements and damages incurred.

-The Supplier shall not be responsible for defects or faults if these are due to materials, design information or technical specifications received from SM. The Supplier's responsibility for damage incurred by a third party as a result of defects or faults in parts delivered by the Supplier shall remain in force during the period that product liability claims can legally be raised against SM.

-The Supplier shall obtain internationally valid product liability insurance cover for the safe functionality of the Supplier's parts delivered during the Supplier's liability period. The insurance certificate shall be available to SM for inspection on request.

1.3 Tools and patterns (used for the production of parts for SM)

Tools, patterns and other production equipment (referred to hereafter as equipment) that is owned by SM shall be marked with SM's name and part number in such a way that it is clearly shown that SM is the owner thereof.

Equipment that is owned by SM's end customer shall be marked (if instructed to) with the end customer's name and part number, in such a way that it is clearly shown that SM's end customer is the owner thereof.

-The supplier is responsible for the maintenance of the equipment, and sale or scrapping thereof without SM's prior written consent is not allowed.

-In the following cases, parts must not be produced or sold by the Supplier to any other party than SM, without SM's written consent:

- In equipment financed or owned by SM, or end customer of SM.

- In which SM, or end customer of SM, holds intellectual or industrial property rights.

- That is marked with SM, or end customer of SM, trademarks.

- Resulting out of design or technical development or know-how of SM, or end customer of SM.

- For which SM, or end customer of SM, holds a licence to manufacture or let manufacture.

- For which SM (or end customer of SM) has paid or provided, wholly or partly, design or technical development or know-how to the Supplier.

1.4 Environmental concerns

The Supplier and all subcontractors of the Supplier shall abide to Swedish and European legislation, according to environmental influence and chemical articles, such as RoHS, etc.

The Supplier agrees to working with continuous improvements concerning negative environmental influence.

1.5 Social Responsibility Code (SRC)

The Supplier, and all subcontractors of the Supplier, shall fulfil the obligation stated in Social Responsibility Code (SRC, document I-012). The document can be requested from the purchaser or downloaded from our webpage www.suramagnets.se

1.6 Child labour

With addendum to our SM:s Social responsibility code and section 3.2.3 Child labour, SM require this section also to be fulfilled by our suppliers own suppliers.

1.7 Zero defects principle

The Supplier will follow the *zero defects principle*, and thereby agrees to:

- One defect article by the Supplier is sufficient ground for claim.
- Working with continuous improvements of the product, manufacturing process and all other relevant factors concerning the article, in order to ensure zero defects and minimize total costs.

1.8 Secrecy

Neither of the parties may disclose to a third party, without the prior written consent, any information, drawings or other documentation that may harm the competitive situation. The parties shall ensure observance of secrecy by concluding confidentiality agreements with their employees or by other suitable measures. This undertaking shall not apply to information that can be demonstrated to be generally available. The secrecy undertaking shall continue to apply after the expiry of this contract.

1.9 Intellectual property rights

The Supplier guarantees that SM or SM's customers will not through sale or use of the parts infringe in any patent, trademark, design, copyright or other intellectual property right. The Supplier shall indemnify SM or SM's customers for any compensation or damages including legal fees they may be required to pay because of an infringement of any one of the above mentioned rights.

-If an action is brought against SM for infringement of such a right or if SM is informed that an action is brought against any customer of SM for infringement of such a right, SM *shall without undue delay* inform the Supplier thereof. The Supplier shall then actively assist SM and such customers of SM in defending the case and at SM's request, if necessary or appropriate, intervene as a party in the action on the same side as SM or its customers.

-The Supplier shall not be responsible for such infringement caused by design work made by or received from and required to be introduced in SM's products by SM.

-If the part includes design work undertaken jointly by both parties, the intellectual property rights protecting such work shall belong to both parties and both parties are free to commercialise such rights. However, before such commercialisation, the parties shall agree in writing upon the appropriate registrations of any of such intellectual property rights.

1.10 Arbitration, Amendment etc

Swedish law shall apply to this contract.

-Disputes arising from this contract or matters emerging from it shall not be subject to litigation in a general court of law, but shall be finally settled by arbitrators in accordance with Swedish law. Unless otherwise agreed in writing, the arbitration procedure shall take place in Stockholm and shall be held in Swedish or English.

-Amendments referring to this contract can be made in the following ways:

- By E-mail, fax or normal mail.

Amendments are only valid after confirmation from the other party via E-mail, fax or normal mail.

2 Logistics

SM's goal is to deliver all SM products according to customer demands. 100% delivery reliability on all call-offs from our suppliers is mandatory to meet SM goals. Both parties shall have this as a mutual principle.

-The Supplier shall apply to:

- Deliver parts/materials according to latest agreed purchasing order or call-off, with zero defects.
- Agreed logistic and transportation parameters
- Deliver proper Delivery documentation.

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- Delivery documentation shall unless agreed otherwise with SM, contain:
 - Delivery note that states SM's purchase number, article number, description and quantity.
 - Measuring protocol, of at least 5 articles. If applicable
 - For SPC dimensions capability document, of minimum 50 articles randomly selected from the delivered lot.
 - BH Demagnetisation curve (only relevant to permanent magnets). If applicable
 - Surface treatments protocol, if applicable
 - Material certificate, if applicable
- On request from SM, the Supplier shall be able to provide the following:
 - MSD, Material Safety Document (16 points document).
 - IMDS-declaration, International Material Data Sheet (www.md-systems.com), SM's identification: 7715).
 - Conflict mineral declaration.
- If the Supplier suspects, or has detected, defective articles in a delivery to SM, the Supplier commits itself to immediately notify SM about this.

2.1 Missing or defective parts

- If parts are missing or defective in a received shipment, SM will notify the supplier and may take the following actions:
- Order immediate compensation shipments.
 - Without unreasonable delay return or scrap the parts at Supplier's costs.
 - Transfer personnel from the Supplier to SM or from SM to the Supplier to make a 100% inspection.
 - 8D-report shall be supplied to SM from the Supplier, in case of missing or defective parts, within five days of the reported incident.
 - Locate development teams at the Supplier
- In case of claim, SM reserves the right to debit the Supplier investigation costs; minimal debit is 150 USD/130 EURO.
- If the supplier consistently fails to make correct deliveries SM reserves the right to terminate the business with the supplier.
- If any cost or damages occur due to defective or missing parts e.g. stop at SM's production or 100% inspection, SM have the right to discuss the settlement thereof.

2.2 Packing and documentation

- The Supplier agrees to:
- Follow the packing instructions, documented by SM.
 - Ship the parts according to purchase order.
- The Supplier agrees to repack/sort deliveries due to defective articles. If the Supplier is incapable of this, SM can perform the repacking/sorting to a minimal debit (debited from the Supplier) of 50 USD/40 EURO per hour.

2.3 Improvements

- SM expect the Supplier to continuously suggest improvements in all areas.
- Agreed logistic parameters will continuously be improved together with SM purchasing.
- The Supplier must inform SM on request about the Supplier's delivery reliability.
- If a deviation occurs from the agreed activities, the Supplier must inform SM without delay.
- Contact persons:
 - SM, see contact list on SM web page (<http://www.suramagnets.se>).
 - The Supplier shall distribute and update a contact list of contact persons.

2.4 Purchase right

If SM has developed an article itself, if it is designed for SM, if SM had paid either partly or totally for the development of the article, or if SM is owner either partly or totally of the tool, mould, pattern or the like, the Supplier must commit itself to supply spare parts only to SM. In the supplier's relation to a third party, the Supplier must not use our trademark, name, or equivalent distinguishing marking, without our prior written consent.

5 Quality & Environmental certifications

These demands for environmental and Quality assurance are established as mandatory rules for Suppliers to SM to ensure the

quality throughout the complete process, from development to series production.

- A product related supplier must as minimum comply with the applicable standard ISO9001 and be certified by an accredited certification organisation.
- Automotive suppliers shall be IATF 16949 certified by an IATF-recognized certification body or have the ultimate goal to become certified.
- If not IATF-certified, the supplier shall be ISO 9001 certification by a certification body bearing the accreditation mark of a recognized IAF MLA (International Accreditation Forum Multilateral Recognition Arrangement) with the ultimate objective of becoming IATF 16949-certified.
- The Supplier shall comply according to ISO 17025.
- The Supplier shall have a system for claim handling.
- The Supplier must comply with the applicable standard ISO14001 and be certified by an accredited certification organisation or have a plan to comply with the ISO 14001 standard and be certified by an accredited certification organisation.

5.1 PPAP (Part Production Approval Process)

When PPAP is required we expect of the Supplier (unless agreed otherwise with SM) to fulfil all requirements that applies with a PPAP, such as Project plan, Design review, FMEA, MSA, Fault effect analysis, Quality plan – process flow chart, Initial Sample, Full run test, Process capability etc.

When required from either SM or the end customer of SM, the Supplier must be able to provide all relevant PPAP documentation.

The Supplier shall use the methods and fulfil the demands described in this document. All exemptions must be agreed upon in writing with representatives from the SM Purchasing.

5.2 Other requirements and regulations by law

The supplier must fulfil production and supply of parts according to domestic and Swedish regulations by law and other general world standard regulations such as, REACH, ROHS and Conflict Minerals. The supplier are responsible to cascade it further down the supply chain.

6 Communication

The contact persons must understand and speak the English language.