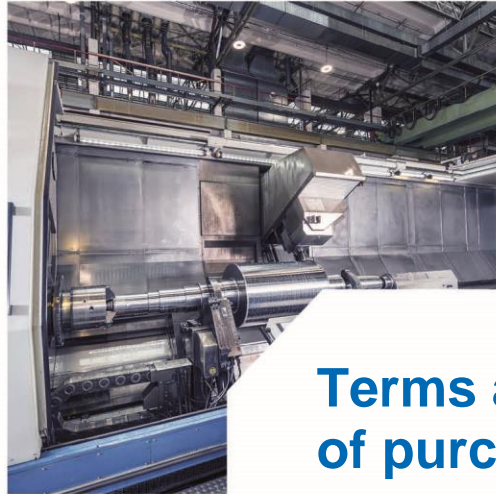
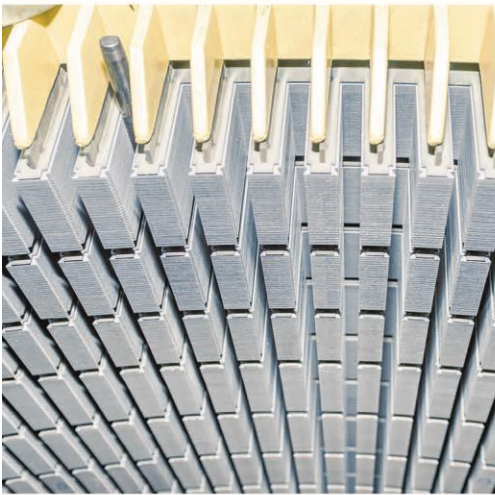




ELECTRIC DRIVES
FOR EVERY DEMAND



**Terms and conditions
of purchase of VEM**

April 2019

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A Commercial terms and conditions

1 Scope

1.1 These terms and conditions of purchase apply to all legal relationships in which VEM is the buyer, customer or similar and the Contracting Partner is the seller, supplier or similar. Conflicting or deviating terms and conditions of the Contracting Partner will only be recognised by VEM if VEM has expressly agreed to the applicability in writing. These terms and conditions of purchase shall also apply exclusively if VEM accepts the delivery without reservation in the knowledge of conflicting or deviating terms and conditions.

1.2 These terms and conditions of purchase shall also apply to all future transactions with the Contracting Partner, to the extent that these are transactions pursuant to Item 1.1.

1.3 If the contractual documents are contradictory, the following documents (if any) shall apply in the order in which they are listed:

- the content of the order,
- any drawings, dimensions, tolerance values, standards and ratings specified by VEM
- any applicable framework supply contract
- Part B of these General Terms and Conditions of Purchase
- Part A of these General Terms and Conditions of Purchase

2 Prices, invoice and payment

2.1 Unless otherwise stated in the order, the prices shall include packaging, loading, transportation to the place of performance, customs charges, taxes, fees and duties and shall be subject to value added tax to the respective statutory amount.

2.2 Unless otherwise agreed in writing, VEM shall pay the purchase price within 15 days of receipt of the invoice with a 3% discount or within 30 days of receipt of the invoice with a 2% discount or net within 60 days of receipt of the invoice. Payments shall not mean that the delivery or service is deemed to conform to the contract.

2.3 The payment deadline shall commence upon receipt of the invoice, provided it meets the statutory requirements and the requirements of these terms and conditions, but not before complete delivery of the goods owed. The payment deadline shall not start to run prior to the agreed delivery date. The billing of partial services which have been provided shall require the written agreement of VEM. If acceptance is to take place, the payment deadline shall commence, at the earliest, when the acceptance protocol is signed.

2.4 The preparation of quotations and cost quotations is free of charge, even if it involves business trips.

2.5 Partial payments shall only generally take place in consideration of the issuing of a contractual fulfilment surety in accordance with the VEM sample. The sample can be delivered on request.

2.6 Invoices shall be issued stating the order number, order date, order items (if available), description of the material or service performed, delivery date or completion of the service, price, VAT and VAT number.

3 Delivery dates

3.1 The dates and deadlines stated in the order are binding. The timeliness of deliveries without assembly or installation shall be determined by the time of arrival at VEM.

3.2 In the case of delays in delivery, VEM shall be entitled to charge a flat-rate default compensation to the amount of 0.5% of the order value per commenced week of the delay, however, no more than 5% of the order value. The right to assert further claims is reserved. The Contracting Partner has the right to prove to VEM that no loss was incurred due to the delay or that the loss which was incurred amounted to less.

3.3 The Contracting Partner shall be obliged to immediately inform VEM in text form as a minimum if circumstances arise or become recognisable which mean that the agreed dates and deadlines cannot

be complied with. In such a case, the Contracting Partner must state the reason for the delivery delay and its expected duration.

3.4 The acceptance of the delayed delivery or service without reservation shall not mean that VEM is foregoing the damages claims to which it is entitled due to the delayed delivery or service.

4 Packaging, transport, delivery

4.1 The Contracting Partner is responsible for the proper packaging and cleanliness of his delivery. The packaging must be in a condition where the product is protected from damage or contamination by environmental influences and cannot be damaged during delivery. In order to be able to store the ordered products for a longer period of time, the Contracting Partner is obliged to submit the corresponding storage and maintenance requirements to VEM.

4.2 The Contracting Partner must ensure that components or assemblies which require corrosion protection for transport are provided with an anti-corrosion agent approved by VEM. If a minimum durability date must be observed, the date of manufacture of the product must also be indicated.

4.3 If deliveries fall under the Hazardous Substances Ordinance (GHS Ordinance), these must be packaged in accordance with the applicable laws, regulations and ordinances, and must be clearly marked externally.

4.4 Deliveries are made according to DDP Incoterms 2010 (delivered duty paid). Partial deliveries and partial services are excluded. Should the delivery or individual delivery components be covered by state import or export regulations, the necessary permits must be obtained by the Contracting Partner in good time at its own expense. In the event that pricing in accordance with EXW is agreed, VEM can also issue the Contracting Partner with instructions concerning the type of carriage and delivery company following conclusion of the contract. Should these guidelines not be complied with, the Contracting Partner shall bear the additional costs which are incurred.

4.5 Package labels or delivery notes stating the content, order number or other order information must be attached to each delivery. Should the shipping papers with the required content not be attached to a delivery, the goods will be stored at VEM at the expense and risk of the Contracting Partner until the shipping papers arrive. In case of missing papers, factory certifications or similar contractually agreed certificates, VEM shall be entitled to charge the Contracting Partner a fixed penalty to the sum of 250 EUR. Assertion of a higher loss is not excluded. The Contracting Partner shall be at liberty to provide proof of a lower loss.

4.6 If damage or soiling caused by unsuitable transport packaging is discovered on delivery of the product, VEM may refuse acceptance and claim compensation if necessary.

4.7 In the case of deliveries without assembly and installation, the risk shall be transferred at the time of receipt by VEM. Should acceptance be required to take place, this shall be decisive in relation to the transfer of risk. Should a subcontractor engaged by the Contracting Partner cause damage to the property of VEM during delivery, the Contracting Partner shall incur liability as if it had caused the damage itself.

4.8 The costs for the disposal of packaging materials shall be borne by the Contracting Partner. Any costs connected to the return of packaging shall also be borne by the Contracting Partner. The costs of insuring the delivered goods, in particular, the costs of forwarding insurance, will not be paid by VEM.

4.9 The Contracting Partner has been informed that VEM is an SVS and RVS prohibition customer.

5 Warranty and compensation

5.1 The Contracting Partner guarantees that the deliveries or services have the agreed quality, correspond to the agreed specifications, exhibit the promised properties, are suitable for agreed or customary use, and are not afflicted with defects which cancel or reduce their value or suitability.

5.2 VEM shall be entitled to the statutory defect claims without any omissions. In all cases, VEM is entitled to demand from the Contracting Partner, at its discretion, either the removal of defects or the delivery of a new item, as well as compensation. In the event of delivery of a defective product, VEM is also entitled to demand a lump sum for expenses from the Contracting Partner to the amount of 0.5%

of the net remuneration of the respective order. This shall, however, amount to a minimum of 50.00 EUR and not exceed 500.00 EUR. This exclusively covers the purely administrative expenses at VEM and shall co-exist with the other claim for damages.

5.3 If a defect is found in at least 10% of the delivered products, this shall constitute a defect for the entire order of this product (serial defect). VEM may then assert its warranty rights for the products affected by the serial defect. The same applies if the products have been delivered by several orders, provided that a period of no more than 24 months has elapsed between deliveries. The Contracting Partner cannot plead the statute of limitations if the 10% on which the defect was determined was not yet time barred.

5.4 Defect claims shall be time barred after the expiry of 36 months. The limitation period shall commence at the time of transfer of risk (delivery in case of sales agreements; acceptance in case work is carried out). The limitation period for replacement deliveries commences with the new delivery, unless the Contracting Partner had no obligation to render subsequent performance and, at the same time, in the case of subsequent performance, had expressly reserved the right to make the replacement delivery only as a gesture of goodwill. The Contracting Partner shall bear the costs and risk of the return of defective objects of delivery and the sending of their replacements.

6 Product liability

6.1 Should the Contracting Partner be responsible for damage caused by its products, he shall be obliged to release VEM on first request from third-party claims for damages, should the cause lie in his area of control and organisation and should he incur liability himself in relation to third parties.

6.2 Within this framework, the Contracting Partner is also obliged to reimburse any expenses due to or in connection with a product recall carried out by VEM. Where possible and reasonable, VEM shall inform the Contracting Partner of the content and scope of the recall measures carried out and shall provide the Contracting Partner with the opportunity to make a statement. Other statutory claims shall remain unaffected.

6.3 The Contracting Partner shall be obliged to take out sufficient product liability insurance and to maintain this during the contractual term, including the limitation periods. Following a request, the Contracting Partner must provide VEM with a copy of the valid insurance contract.

7 Property rights

7.1 By means of the delivery and its use by VEM, no property rights of third parties may be infringed within the Federal Republic of Germany. The Contracting Partner shall release VEM from all claims arising from such infringement, should the Contracting Partner be responsible for the infringement of property rights.

7.2 In case of a breach of third party property rights for which the Contracting Partner is responsible, the Contracting Partner shall defend at its own expense the third party claims which are brought against VEM due to infringements of property rights by the deliveries and services provided by the Contracting Partner.

7.3 Should the use of the delivery by VEM be hindered due to existing property rights, the Contracting Partner must, at its own expense, either acquire the corresponding permit or alter or exchange the parts of the delivery concerned in such a way that the use of the delivery is no longer prevented by third party property rights and these correspond to the contractual agreements at the same time.

7.4 Rights of use in relation to samples, cost quotations, documentation and similar information in physical and intangible form which are created by the Contracting Partner on the instructions of VEM shall be transferred automatically and exclusively to VEM at the time of their coming into existence.

8 Supply

8.1 VEM reserves all ownership rights and rights of use in all samples, cost quotations, images, drawings, calculations, work norm sheets, printed papers, documentation and other documents or information of a physical and intangible nature which is made available by VEM. These may not be made accessible to third parties without the express written agreement of VEM and may only be used for the manufacturing of the ordered goods and provision of the service which has been ordered. VEM

can request the surrender of these at any time. The Contracting Partner is not entitled to a right of retention. These must be kept secret in relation to third parties.

8.2 Materials provided by VEM shall remain the property of VEM. These may only be used in accordance with the contract. In the case of processing or mixing, VEM shall acquire co-ownership of the new item in the ratio of the value of the item of VEM to the other processed objects at the time of processing.

8.3 The Contracting Partner shall be obliged to carefully inspect and store the materials which have been provided. Deviations (for example quantity, quality etc) shall be reported to VEM immediately. The Contracting Partner shall incur liability for loss or damage due to negligence or intent.

8.4 VEM reserves ownership in relation to provided work tools; the Contracting Partner is obliged to only use the work tools for the manufacturing of goods which have been ordered by VEM. Products which are manufactured in accordance with documents drafted by VEM, such as drawing, models and similar or in accordance with confidential information of VEM or with work tools of VEM or reproduced work tools of VEM may not be used by the Contracting Partner itself outside of the scope of the engagement and may not be offered or delivered to third parties either. The Contracting Partner shall be obliged to insure the work tools which belong to VEM at its own expense and to the replacement value against fire and water damage and theft. The Contracting Partner shall be obliged to carry out any necessary maintenance and inspection work, as well as any repair work in relation to the said work tools in good time at its own expense. It must inform VEM immediately of any breakdowns; should it culpably fail to do so, damages claims shall remain unaffected.

8.5 The Contracting Partner can only claim the lack of handover of materials or documents to be supplied by VEM if it has issued a warning in relation to the documents and has not received these within a reasonable deadline.

9 Non-disclosure

9.1 The Contracting Partner and VEM undertake to maintain secrecy regarding the content of agreements and contractual regulations vis-à-vis third parties. Documents and information related to the order will be treated as confidential. The confidentiality regulation also applies beyond the end of the contractual relationship. Subcontractors must be subject to this obligation to maintain confidentiality.

10 Assignment, pledging, right of retention

10.1 The assignment or pledging of contractual claims is only valid with the prior written agreement of VEM. VEM will not withhold this agreement without important reasons being present.

10.2 VEM can withhold the remuneration in full or in part should it have legitimate claims against the Contracting Partner or should the VEM have justified concerns that the delivery or service provision is not taking place in accordance with the contract or that the warranty obligations cannot be fulfilled. The concern is justified if an application for the opening of insolvency proceedings has been filed against the Contracting Partner, if the Contracting Partner is in default with the payment of social security contributions, if the Contracting Partner has failed to pay several of its subcontractors on time or if the bank has suspended the credit line.

10.3 The Contracting Partner can only withhold the delivery or service if VEM does not comply with any advance payment obligation.

11 Replacement parts

The Contracting Partner shall be obliged to be able to delivery replacement parts for the period of the expected technical use, however for at least 10 years following the delivery on reasonable terms. Should the Contracting Partner suspend the manufacture of the replacement parts, it shall be obliged to inform VEM of such and to provide it with the option to place a final order.

B Compliance

If the Contracting Partner cannot fulfil one or more of our compliance requirements, he must inform VEM of this in writing and obtain appropriate exclusions.

1 Management systems

1.1 VEM is certified according to DIN EN ISO 9001, DIN EN ISO 14001 and DIN EN ISO 50001. The requirements arising from these certifications are focused on the goal of working only with partners who have established a quality management system (QM system), develop it further and monitor it regularly. As a manufacturer of explosion-protected machines, VEM follows legal and normative requirements pertaining to explosion protection and monitors suppliers of components for these machines in accordance with DIN EN ISO/IEC and ISO/IEC 80079-34.

1.2 Environmental impacts are recorded, analysed and evaluated within VEM in order to reduce environmental pollution. The Contracting Partner undertakes to comply with all legal regulations in accordance with ISO 14001 environmental management as a minimum. All deliveries and services must be provided in such a way that the principle of minimising the use of energy is observed when selecting and manufacturing products, as well as when providing services. By means of the use of the best available and most economically efficient technology, a high degree of energy efficiency on the part of the products and services is to be ensured. For VEM, this is a criteria which is taken into account when selecting suppliers and goods / services.

1.3 The Contracting Partner undertakes to comply with all regulations concerning the occupational health and safety of its employees. The Contracting Partner also undertakes to comply with the minimum working conditions applicable to its employees, and in particular, to pay the applicable minimum wage. VEM may require proof of compliance. Should the Contracting Partner not be able to provide the proof within 1 month of the request, VEM may withhold its payment and, if necessary, withdraw from the contract and assert a claim for damages. The Contracting Partner shall indemnify VEM on first demand against all claims and demands of third parties as far as these claims and demands are based on the violation of the minimum working conditions by the Contracting Partner or its subcontractors.

1.4 If the Contracting Partner provides services on VEM's premises, it shall comply with VEM's regulations for external companies and follow the instructions of the personnel regarding conduct on site.

1.5 If the Contracting Partner procures deliveries or uses services, it will include these suppliers in its QM system or ensure the quality of the preliminary deliveries itself. In this case, a qualified supplier should be sought.

2 General requirements for cooperation

2.1 VEM strives for long-term cooperation with its contracting partners. This is intended to ensure continuous qualification which, in turn, will result in continuously improved quality. These relationships are based on open communication in dialogue.

2.2 VEM commissions only those contracting partners who meet the qualitative requirements and who are approved for deliveries. A special selection procedure according to ISO/IEC 80079-34 is particularly necessary for suppliers of products that are used in explosion-protected machines. VEM's main suppliers are contacted for voluntary disclosure of supplier information and graded according to the main criteria of quality, price, delivery reliability and service. The results are communicated to the Contracting Partner and possible improvements in the supplier relationship are defined in the form of measures.

2.3 The Contracting Partner grants VEM and its customers, as well as regulatory agencies, the right to convince themselves of the effectiveness of the QM system on site and to take part in inspections of the relevant objects of performance. The supplier's processes are checked by VEM in supplier audits. The Contracting Partner shall be informed of the audit at least four weeks in advance.

3 Order documents from VEM

3.1 If the Contracting Partner receives further documents along with the order, such as drawings, specifications, technical terms of delivery, production instructions, test certificates to be completed,

etc., ("technical documents"), the Contracting Partner must compare these with its existing indices and inform VEM of any deviations.

3.2 Technical documents with the processing status "in progress" must be approved separately by VEM before production. If this results in a change in the production costs, the Contracting Partner must submit a new offer.

3.3 The Contracting Partner must ensure that all further documents belonging to these technical documents, such as standards, test specifications, forms, etc., are available. The Contracting Partner shall check the order documents to ensure that it can implement all specifications in its organisation.

3.4 If documents that could delay or prevent contractual delivery are missing, these must be requested from VEM immediately after checking the order.

3.5 When accepting the order, the Contracting Partner shall confirm the existence of the necessary capacities to be able to meet the required delivery date.

4 Quality goals

4.1 All processes must be aimed at "zero defects", 100 % delivery reliability, and cost optimisation. The Contracting Partner shall implement the quality requirements with the aim of reducing costs and minimising errors that lead to warranty claims. This is simultaneously aimed at increasing the efficiency of the cooperation.

4.2 The focus is on avoiding errors by applying suitable processes and quality assurance measures combined with continuous improvement.

5 Quality assurance in development

5.1 If development activities are taken over by the Contracting Partner, he shall be responsible for the quality of the design. The Contracting Partner undertakes to develop the products in accordance with the respective orders and the descriptions, specifications, data sheets, drawings, samples or models contained therein.

5.2 The Contracting Partner must implement suitable product validation and verification measures for the purpose of quality assurance in the development phase. Possible risks must be analysed and documented, and suitable measures must be taken to minimise these risks (e.g., through an FMEA). At VEM's request, the Contracting Partner shall submit its concept for minimising risks.

5.3 The testing schedule shall be based on the results of the risk analysis and, if not specified, shall be coordinated with VEM. The Contracting Partner also undertakes to carry out the first article inspections, as well as service life tests, on request.

5.4 All entries and results of the development must be documented and archived for at least ten years.

6 Quality assurance during transfer/relocation

6.1 Any unplanned transfer to subcontractors generally requires the consent of VEM. If the Contracting Partner procures services or products from subcontractors, he shall contractually include these subcontractors in its QM system or ensure the quality of the preliminary deliveries himself. The selection of certified subcontractors is preferred. VEM can demand written proof from its contracting partners that they have convinced themselves of the effectiveness of the subcontractors' QM system and/or have ensured the quality of his deliveries by other means.

6.2 The Contracting Partner shall also ensure that its subcontractors comply with statutory regulations on environmental management, product safety for customers, consumers and employees, as well as health and safety at work.

6.3 If the Contracting Partner intends to relocate the order partially or completely to another location, this requires the prior consent of VEM.

6.4 The Contracting Partner shall incur liability for ensuring that the subcontractors are provided with the complete and correct manufacturing documents at the time of issuing the engagement and that these are returned to the Contracting Partner by the subcontractor after completion of the

engagement. The Contracting Partner hereby permits and shall ensure that VEM has unhindered access to all manufacturing locations of the Contracting Partner and its subcontractors at all times.

7 Visits to the Contracting Partner

7.1 VEM is entitled to visit the Contracting Partner or its subcontractors after ensuring that the visit is notified in sufficient time and coordinated in terms of content (also accompanied by customers). This is intended to ensure improved communication and cooperation and also to ensure continuous improvement in service provision and the quality management system of the Contracting Partner or his subcontractors.

7.2 In the case of repeated defects, VEM will strive to support the Contracting Partner in finding a solution to the problem. However, this support does not constitute a waiver of the assertion of claims based on defects or other rights. The Contracting Partner undertakes to actively participate in the root cause analysis and permanent remedy of the defect.

8 Process quality requirements

8.1 The Contracting Partner is obliged to observe the relevant technical rules (e.g., DIN, VDI, VDE, DVS, etc.) in all procedures. If the Contracting Partner determines that the order requirements contradict the applicable technical rules of the industry, he must have this clarified with VEM's Purchase department before rendering the service.

8.2 The Contracting Partner shall regularly monitor the effectiveness of his processes, in particular, with regard to process safety. He shall use preventive maintenance measures to ensure that the tools, machines and equipment used are kept process-compliant at all times. Processes that have a direct influence on product quality must be documented with appropriate key figures for monitoring. At the request of VEM, the Contracting Partner shall provide these key figures. If the key figures indicate a deterioration of the process result, suitable measures for correction and prevention must be taken by the Contracting Partner and communicated to VEM.

8.3 Should the Contracting Partner receive an order from VEM which requires the use of special processes (definition according to DIN EN ISO 9000, 3.4.1), it shall receive this information with the order. Special processes must be controlled and monitored accordingly. This special feature gives rise to the following requirements:

- For operation: The technical equipment required for work processes must be available and the relevant documentation must be accessible. The technical equipment must be maintained by qualified personnel in a verifiable manner.
- For personnel: The employees involved in these processes must have verifiable recognised qualifications and must be trained. For these special processes, the associated documentation must be attributable to the production facilities and the employees. Proof of welding authorisation shall be submitted at the request of the responsible welding supervisor (vSAP) of VEM.

8.4 VEM has declared so-called critical products. If a Contracting Partner receives an order for the delivery of such products that are critical for VEM, it will be informed of this in the order description. The Contracting Partner must identify and evaluate its manufacturing risks in consultation with VEM. Additional measures must be taken where appropriate to minimise the risk. If a supplier supplies parts or components that can influence the type of ignition protection of explosion-protected machines, this supplier should have its own certified quality assurance system in accordance with ATEX or IECEx. If this is not the case, the supplier must be regarded as part of the VEM quality management system.

9 Quality assurance in production

9.1 The Contracting Partner shall ensure that all deliveries and services rendered correspond to the requirements specified in the order. He shall provide evidence of product quality at regular intervals by subjecting his deliveries and services to a factory inspection (e.g., inspection of incoming goods, production, process and final inspection). For this purpose, the Contracting Partner shall maintain a testing schedule which he shall adapt appropriately to the requirements of its products, processes or to the order requirements. VEM reserves the right to demand quality assurance plans and to supplement them if necessary.

9.2 Tests that have been carried out must be documented using a test certificate (type of test certificate shall depend on the order description). Test schedules must be communicated to VEM on request in order to enable VEM to participate. The required test certificates are generally part of the delivery documentation.

9.3 The Contracting Partner shall use suitable testing and measuring equipment and systematically check that the testing and measuring equipment are compliant with the permissible tolerances for proof of performance (calibration). Calibration is performed using measurement standards that can be attributed to international or national measurement standards. At VEM's request, the Contracting Partner must indicate the measuring equipment with which quality tests have been carried out.

9.4 The Contracting Partner shall keep suitable records of any errors that have occurred in production and in the field in order to ensure continuous improvement. Product or process FMEA updates must be made or quality assurance plans must be adapted on the basis of these records, if necessary. This is aimed at avoiding error repetitions and thereby to reduce failure costs.

9.5 Changes which influence the product or process quality require the approval of VEM. These changes relate to

- changes in the manufacturing process and process parameters,
- changes during product testing or in the QM system,
- the use of new machines and tools,
- changes to the production site,
- the use of new materials, i.e., all raw materials and auxiliary materials, as well as
- the use of new hazardous substances, and substances and materials with an environmental impact.

9.6 VEM must be informed immediately and prior to delivery regarding any design or technical changes in series products made in the course of substitutions, rationalisation or technical progress. VEM has the right to reject the changes.

9.7 The Contracting Partner must notify VEM in writing, prior to the start of production or provision of the services, of changes in the type of composition of the processed materials or in the constructive design compared to similar deliveries or services previously provided for VEM, provided that these changes are not already apparent from the order. The changes require the written agreement of VEM.

10 First article inspection (FAI)

10.1 The Contracting Partner shall prove repeatability of the series production via the first article inspection. A first article inspection must be carried out if this is required in the VEM order (initial sampling can be omitted for semi-finished products if an acceptance test certificate 3.1 in accordance with EN 10204 is supplied). VEM reserves the right to participate in first article inspections. Unless otherwise agreed, FAI must take place at least 14 days before the first delivery.

10.2 First article inspections on series products are carried out with:

- the initial order
- new components
- after delivery breaks ≥ 3 years (1 year for ATEX products)
- model changes for cast components
- material changes in the basic material (no add-on parts)
- changes in manufacturing processes and/or conditions
- transfer of services to subcontractors.

10.3 The inspection is based on the specifications given by VEM.

10.4 For the first article inspection, the Contracting Partner must use test equipment that is suitable for testing products manufactured in-house and by third parties for compliance with the state of the art and the given specifications. If the inspection requires special testing facilities which the Contracting Partner does not have, an external test centre shall be commissioned after approval by VEM. VEM reserves the right to propose a suitable test centre itself.

10.5 For each first article inspection, a corresponding first article inspection report shall be prepared and submitted to VEM. To avoid confusion, the first articles must be clearly and indelibly marked on the part itself and on the outside of the package. There must be a reference to the specified serial number.

10.6 After receipt of the first article and the first article inspection report, VEM shall carry out its own or additional inspections at its discretion and make the following decisions:

- approval
- conditional approval (verifiable fulfilment of conditions by the Contracting Partner)
- rejection, re-sampling required (submission of a new first article with first article inspection report by the Contracting Partner).

10.7 Approval of the first article by VEM does not release the Contracting Partner from the obligation to comply with the required quality of its product.

11 Outgoing goods inspection at the Contracting Partner, incoming goods inspection at VEM

11.1 The Contracting Partner undertakes to carry out an outgoing goods inspection before each delivery to VEM. If the type, scope and documentation are not specified in the order, at least one final inspection of the goods must be implemented as the conclusion of the production process and documented appropriately, e.g., by means of test certificates or dimension records. Proof of the inspection shall be handed over to VEM together with the delivery.

11.2 VEM shall carry out an incoming goods inspection, the type and scope of which shall depend on the outgoing goods inspection carried out by the Contracting Partner, in order to avoid unnecessary duplicate inspections as far as possible. The type and scope of the outgoing goods inspection must be regulated in VEM's order or in a quality assurance agreement between VEM and the Contracting Partner. An incoming goods inspection shall take place at the premises of VEM without the conclusion of a corresponding quality assurance agreement only in relation to obvious defects, damage during transportation, completeness and identity of the goods. In case of excess quantity deliveries, the inspection shall take place on a random sample basis. VEM shall issue a complaint in relation to defects which are discovered during such an inspection within a reasonable deadline. To this extent, the Contracting Partner is hereby omitting the defence of late defect complaint.

12 Control of defective products

12.1 The Contracting Partner shall take appropriate precautions to exclude the delivery of rejected or not improved and rejected services to VEM either directly or indirectly. It has to establish and maintain a process to control defective products.

12.2 Repairs or deviations from the set of drawings must be approved in writing by VEM, prior to execution, on a non-conformity report (NCR) to be submitted by the Contracting Partner. The document for the preparation of the non-conformity report, which is entitled "Request for special approval (supplier)", is available for download at the VEM Group's website at: <https://www.vem-group.com/en/downloads/quality-management.html> Upon discovery of the defect, the report must be sent immediately by email to the email address stated on the application.

12.3 The reason for the deviation and the corrective measures to be taken shall be specified to VEM in the non-conformity report. If approved by VEM, the report must be supplied with the clearly marked product. If larger quantities are to be delivered, the deviating parts must be delivered separately. VEM reserves the right to propose measures to prevent the recurrence of defects. VEM can also check the effectiveness of measures that have been initiated.

- In the event of a repair, the Contracting Partner is obliged to deliver a zero-defect product even after approval. Corrections may be carried out only after approval by VEM and only by qualified personnel.
- In exceptional cases, VEM can tolerate parts that do not conform to specifications. Tolerated defective parts may be sent to VEM only after approval.

12.4 The approval of a deviation does not constitute a waiver of warranty and liability claims on the part of VEM.

12.5 VEM must also be immediately notified in writing of any deviations that are detected subsequently. The VEM delivery number, affected part numbers and the number of defective parts must be specified. Moreover, the stock at the Contracting Partner and the parts in the supply chain must be checked immediately, blocked if necessary, and specified to VEM.

12.6 VEM shall inform the Contracting Partner immediately if VEM detects deviations for which the Contracting Partner is responsible in the course of incoming goods inspection, further processing or customer complaints. After the defect becomes known, the Contracting Partner undertakes to remedy the defect or to deliver a replacement. He shall also implement and document suitable measures to prevent the recurrence of the defect. VEM reserves the right to request a qualified 8D Report depending on the severity of the defect. This must then be completed and submitted to VEM within three working days at least up to Item D3. The effectiveness of the measures defined within the 8D process must also be suitably proved.

12.7 The Contracting Partner shall be granted a one-time right to rectify the defect. If the Contracting Partner sends the repaired or replaced product to VEM, the delivery note shall include all VEM data known to the Contracting Partner in relation to the order, such as delivery note number, order number, error message number, etc., for the purpose of unambiguous identification of the product.

13 Labelling and traceability

13.1 The Contracting Partner undertakes to mark the deliveries adequately. The marking shall include at least the following:

- order number of VEM
- supplier name and location
- designation or part designation
- part number and/or batch number
- quantity or partial quantities
- manufacturing date
- minimum durability date (MDD)
- information on hazardous substances
- possible changes in the series

13.2 The process of product development, the use and whereabouts of a delivery, as well as its components, must be traceable back to the subcontractor by means of suitable records and, where applicable, by labelling of parts. In the event of a deviation, it must be ensured that the defective quantity can be delimited.

14 Control of documents and records

14.1 Along with the order, the Contracting Partner will receive information on the scope of the documentation to be supplied. The Contracting Partner undertakes to keep documents and records in accordance with ISO 9001. This also applies to the award of orders to subcontractors, provided this has been approved by VEM. Such controlled documents include, for example, development plans, risk analyses, test or quality assurance plans, process descriptions, work instructions, specifications, test documentation or records, which are required for the parts to be supplied to VEM.

14.2 Unless otherwise defined in the order, the Contracting Partner undertakes to store these documents and records for at least 10 years after delivery of the last part and to make them available at VEM's request.

14.3 Special forms or test certificates, which are necessary for the documentation to be supplied, are provided by VEM. When using in-house certificates, it must be ensured that these documents meet the requirements described in the order (e.g., type of test certificate, language of document, scope of documentation).