

## General quality conditions (GQC) of TT OKROGLICA d.d.

This document is a constituent part of the definition of contractual goods.

The purpose of the General Quality conditions (further on called GQC) is to define basic rules and procedures referring to purchase, quality assurance, liability for quality and acceptability of quality levels of the contractual goods at embedding and in use.

### 1. General conditions

The supplier is responsible, that the contractual goods are produced entirely in accordance to defined demands of the purchaser, by valid technical documentation, determined reference samples, parameters of production quality and reliability, accepted takeover conditions and other demands of this GQC.

Confirmation of the contractual goods by the purchaser does not yet mean transfer of responsibility for such goods to him.

The purchaser **does not carry out** regular entry control, therefore the shipment acceptance does not mean a confirmation of its quality. The supplier is responsible for the quality of goods, irrespective of the fact, in which production phase the defect has been stated. The purchaser expects that the supplier will in his production of goods carry out all procedures, to assure the expected quality level. The purchaser will inform the supplier of cases of not-achieving determined quality levels.

### 2. Quality system

The supplier is liable to maintain such a quality system, which will constantly assure the agreed and stable level of quality of contractual goods, to carry out tests of reliability and durability and to let the purchaser have insight into the results.

The purchaser can demand proofs and tests of single shipments suitability from the supplier. For basic materials, the certificate of mechanical, chemical and other characteristics of the material is obligatory. Not enclosing the agreed certificate may result in rejecting the shipment. The purchaser may carry out an additional control of the shipment, without concordance of the supplier and at supplier's cost. This kind of control serves the purchaser only to be able to decide about takeover of the shipment in urgent cases and does not replace the supplier's evidence. All written records about the carried out controls and tests are kept by the supplier according to his own regulations. Upon purchaser's demand, supplier allows insight into these records.

The supplier binds himself that - upon previous announcement - he will allow the purchaser to carry out an audit of quality assurance in the production of contractual goods.

### 3. Quality Assessment of Goods

Material batches are accepted without previous quality entry control. In case of stated defects, the purchaser may initiate a control system which helps him to examine improvement of the situation.

The purchaser immediately informs the supplier in form of a claim about the stated defects, which can have the status of a **regular claim**, a **claim detected in production** (rejected at using the goods) or the status of a **warning**. Irrespective of the kind of claim, the supplier has to reply within 7 days, stating the cause of the defect as well as the introduction of measures to prevent repeating of the same kind of defect, in a written form using the "8 D report". For each issued claim

(except for a warning), the purchaser will debit the supplier with lump administrative costs for the procedure of the claim. If the supplier needs all rejected goods or only a sample for analysis, it is, upon his demand, at his disposal. The transport is made according to agreement, but the costs always debit the supplier. In case of a request for return of goods, the supplier is obliged to give a written information answer within two days from receipt of the shipment.

The supplier is obliged to make a decision latest in 14 days after receipt of the claim and send a written information to the purchaser on how to handle the rejected goods. Otherwise, the purchaser will destroy the rejected goods within 1 month at the expense of the supplier.

In case of extraordinary conditions, the purchaser can demand such a decision from the supplier in a shorter time.

### 4. Kinds of deviations

#### 4.1 Legal defect

The supplier declares, that the contractual goods, delivered to the purchaser, have no legal defects and that in case, someone third should be asserting and actually should succeed in putting into force such defects, he will repay all damage to the purchaser.

#### 4.2 Material defect

The supplier declares, that the contractual goods have no material defects and defects in operation and that they have all agreed upon and determined characteristics and distinctions.

#### 4.3 Obvious defect

An obvious defect is a defect, which the purchaser states during the time from the takeover and the final product leaving the factory.

#### 4.3.1 An obvious defect is with respect to the severity and possible consequences listed as:

**A – Critical deviation** – is a defect or deviation, which can jeopardize health or life of the user or harm his property.

**B – Major deviation** – is a defect or deviation, which can make the use or installation of the contractual goods impossible or which essentially truncates the appearance of the goods. At the market, such deviation as a rule dissuades the buyer from purchasing the product or demands a service intervention.

**C – Minor deviation** – is a defect or deviation, which will probably not reduce the applicable value of the contractual goods, but can in minor extent influence the installation, functionality or appearance.

**D – Less important deviation** - is a defect or deviation, which according to the estimation and experiences of the purchaser does not influence the applicability or appearance of the contractual goods. A repeated defect in the next series gets the status of a C defect.

#### 4.3.2 Rejections in the production process

An acceptable level of rejections is the highest acceptable level of defective goods rejected at use, installation or final control due to a defect, for which the supplier carries the undisputable responsibility.

This level is determined by **1000 ppm** (number of rejected pieces in a million used) and is as a rule calculated against a monthly average. The purchaser will regularly inform the supplier on the extent of the rejected goods; the supplier is obliged to replace these goods (except if agreed differently) and instruct the purchaser about how to handle them. The excess of the agreed level of rejections influences the ranging of the supplier.

#### 4.3.3 Obstructions in working process

Costs arising from obstructions in the working process as a result of unsuitable quality of the goods, are carried by the supplier. The height of costs is calculated for each case separately, the base for this calculation is loss of income due to reduced quantity of produced articles, costs of standstill and additional work due to bad quality goods.

#### 4.3.4 Hidden defect

A hidden defect is a defect, which the purchaser does not state until the product leaves the factory. As time for asserting such a hidden defect a term of 24 months is valid from date of selling the product to the final purchaser.

#### 4.3.5 Serial defect

A serial defect is a defect in one or more series. It is defined as a defect of the same kind on the same place. A defect gets a serial defect status, if more than 3% of products are with the same defect in one series. The purchaser has the right to claim each single product with the defect, so the limit of 3% is not meant as condition to issue a claim.

### **5. Responsibility for the product**

The supplier is liable for all costs arising from the responsibility for the product. The supplier declares, that he is holding a corresponding damage insurance on account of responsibility for the product.

### **6. Packaging and identification of shipments**

The supplier is obliged to pack the goods into predefined packaging according to instructions received from the buyer. If this one is not extra specified, the supplier has to ensure such packaging, that during transport, storage and till use in the production process, the quality of the goods will not deteriorate.

If a special purpose packaging is used for the goods, which has the status of a return (loan) packaging, the procedure of collecting, storage and returning must be agreed in writing. Otherwise, the purchaser will destroy such packaging at the expense of the supplier, unless the supplier collects the packaging from the buyer.

Packaging units must be marked in such a way, that the contents and quantity are marked in a surveyable and unequivocal way and that careful handling is pointed out. Each first shipment or shipment following a change must be additionally marked.

### **7. Change of production conditions**

The supplier is obliged to inform the purchaser about change of production conditions prior to start of production of regular serial

products (for example: transfer of production to a sub-supplier, basic change in technological process, change of raw materials used,...).

### **8. Early warning**

In case, that suspicion about a defect in the shipment, which is already on its way or has already arrived to the purchase, should appear at the supplier, the supplier is obliged to inform the purchaser immediately. If the supplier does not make such information, the purchaser will define this as an intention to deliberately cause a damage.

### **9. Confidentiality of data**

The supplier and the purchaser oblige themselves to use all information and documentation, referring to this agreement, exclusively in connection with the agreement.

Both sides oblige themselves to handle the received information and documentation with the same degree of confidence, which they use for handling their own information and documentation respectively. This obligation is in force immediately after such information or document has been reciprocally exchanged.

### **10. Time of delivery**

The supplier is obliged to confirm the delivery in writing within 3 days after receipt of the order. In case the purchaser does not receive return information, he will consider the order as confirmed.

The supplier is obliged to deliver the ordered goods in time and to the place mentioned on the confirmed order or in time and to the place mentioned on the confirmation of order issued by the supplier.

In case of delay, the supplier has to inform the purchaser about the cause and time of delay at least 14 days before the confirmed time of delivery. The purchaser has the right to cancel the order within 3 days after receipt of the note about delay of the shipment and to debit the supplier for the costs arising from a replacement purchase.

In case the supplier is in delay with the delivery of ordered goods and does not inform the purchaser in the above mentioned 14-days term, he is obliged to pay the costs of purchaser's loss of production due to the delay.

### **11. Quantity takeover of goods**

Quantity takeover of goods is performed on the premises of delivery in TT OKROGLICA and is confirmed on the delivery document, which is also base for issuing the invoice. Regarding each quantity deviation exceeding  $\pm 10\%$  of the ordered quantity or a partial delivery, the supplier must inform the purchaser at least 14 days before delivery and the purchaser is obliged to inform the supplier within 3 days, if he confirms or rejects the takeover of the changed quantity.

### **12. Validity**

These GQC are valid from the date of issue and are valid until new version comes into effect. Valid GQC are publicly available on our website <http://forigroup.com/>.

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