

# **General Purchasing Conditions**

## 2019 Version



These General Terms and Conditions of Purchase (hereinafter GTCP) govern the supply relationship relating to the Purchase Orders issued by Carraro S.p.A. and by the subsidiaries of the Carraro Group pursuant to Article 2359 of the Italian Civil Code (hereafter Carraro). Any deviating or supplementing conditions must be agreed separately and in writing.

## 1. Definitions

In addition to what may be defined in other Articles of these GTCP, the terms and expressions listed below shall have the meaning assigned herein.

- ▶ **Specific Equipment:** instruments, equipment, moulds, patterns and other devices, including related software, specially acquired, constructed or adapted for the performance of contractual obligations.
- ▶ **End Customer:** person who buys Products from Carraro or one of its resellers.
- ▶ **Purchase Agreement:** agreement between Carraro and the Supplier for the purchase of Products regulated by the GTCP and, if present, by the Framework Agreement and other contractual documents in accordance with Article 2.1.
- ▶ **Framework Agreement:** a long-term agreement between Carraro and the Supplier governing the supply relationship for certain Products and supplementing the GTCP.
- ▶ **CPN or Carraro Private Network:** Carraro web-based application for the exchange of data between Carraro and the Supplier.
- ▶ **Delivery Date:** date indicated in the Purchase Order on which the Supplier shall deliver a certain quantity of Products.
- ▶ **Supplier:** person who supplies or intends to supply Products to Carraro and who signs the GTCP.
- ▶ **Confidential Information:** information communicated or disclosed orally or in writing by either party to the other before or after the date of entering into the Purchase Agreement, including but not limited to: industrial inventions, know-how, non-patentable inventions, financial, economic or legal information, including analyses, collections, memoranda, notes, reports, data, studies or other documents, as well as any copies and extracts containing or based in whole or in part on such information.
- ▶ **Closed Order:** an order which concerns a single supply of Products and which contains all the terms and conditions of delivery (Products to be supplied, quantity, delivery times, prices, etc.).
- ▶ **Purchase Order:** a written document, in the form of a Closed Order or Delivery Plan, by which Carraro formalises its request to purchase certain Products.
- ▶ **Parties:** Carraro and the Supplier considered collectively; each of them, taken individually, is referred to by the term Party.
- ▶ **Fixed Period:** period of time within the Delivery Plan during which no unilateral modification of scheduled deliveries is permitted.
- ▶ **Delivery Plan:** a document showing the planning of deliveries of certain Products for a certain period of time, structured in a period in which the quantities and times of delivery cannot be changed (Fixed Period) and one in which these are to be considered only indicative.
- ▶ **Products:** materials, both raw and processed, components, processes and services that Carraro purchases from the Supplier.
- ▶ **Defective Products:** Products with defects or which in any case do not comply with the requirements of Article 11.1.
- ▶ **Warranty Claim:** request to the Supplier to provide the remedies provided by the warranty in case of Defective Products. Unless otherwise agreed, it is sent to the Supplier via the CPN as an individual complaint or as a summary list of several complaints.
- ▶ **Technical Specifications:** documentation provided by Carraro containing description, shape, drawing, functions, characteristics and any other specification of a given Product.

## 2. General Principles

**2.1** The conditions set forth in the GTCP, the Carraro Supplier Quality Manual, the Framework Agreement (if any) and other documents exchanged between the Parties constitute the Purchase Agreement and

govern all supplies of Products from the Supplier to Carraro. These documents are all incorporated in each Purchase Order and fully accepted by the Supplier.

**2.2** Each Purchase Order contains the commercial conditions relating to a specific supply. In the event of incompatibility between the GTCP and the Purchase Order, the provisions contained in the latter shall prevail.

**2.3** The application of general conditions of sale, commercial terms and conditions or any other similar document from the Supplier is excluded. The sending of Purchase Orders against offers from the Supplier therefore does not imply in any way the tacit acceptance of any alternative sales conditions proposed by the Supplier.

**2.4** Subject to specific agreement, the Parties shall manage through the CPN computer platform the exchange of data and information relating to the supply of Products such as, for example, programming, receipt and confirmation of Purchase Orders, price lists and quality indicators. Carraro also reserves the right to implement electronic tools and media (e.g. EDI, electronic mailboxes, web portals, etc.) for the exchange with the Supplier of data and information relating to purchases (e.g. orders, order confirmations, invoices, etc.), on the basis of available technological resources and current legislation. The Supplier is required to adopt the procedures and methods for exchanging information and documents that Carraro shall identify as official channels of communication with the Supplier.

## 3. Purchase Orders

**3.1** The purchase of Products shall be managed through Closed Orders that the Supplier must confirm on a case-by-case basis, or through continuous Delivery Plans that Carraro will transmit to the Supplier.

**3.2** The Supplier must send an order confirmation within 5 days of receipt of the Closed Order. In the absence of communications, after this period the Closed Order shall be considered tacitly confirmed.

**3.3** The Supplier is obliged to sell, and Carraro is obliged to purchase, the Products covered by the Closed Orders confirmed or falling within the Fixed Period of the Delivery Plan.

**3.4** The quantities of Products not included in the Fixed Period of the Delivery Plan are to be considered as an indicative and non-binding estimate and, therefore, do not entail any obligation for Carraro to purchase.

**3.5** Carraro may request the supply of larger quantities of Products than those indicated in the Delivery Plan. In this case, within 7 days, the Supplier must inform Carraro if it will be able to meet the request. If no response is received within this period, the request shall be deemed tacitly accepted and binding and the Delivery Plan shall be updated accordingly.

**3.6** The Supplier shall at all times maintain adequate production capacity to meet Carraro's estimated requirements for the entire Delivery Plan, including the non-binding period.

## 4. Non Exclusive Supply

Carraro has no obligation to purchase the Products exclusively from the Supplier.

## 5. Specific Equipment (Tools)

**5.1** Upon payment of the agreed price, the Supplier undertakes to transfer to Carraro the ownership of the Specific Equipment acquired at Carraro's request. Carraro shall make the Specific Equipment available on loan to the Supplier for use.

**5.2** The Supplier may invoice Carraro for Specific Equipment only with Carraro's prior authorisation.

**5.3** The Supplier may not use the Specific Equipment for the production or supply of Products to third parties, even after the termination of the supply relationship with Carraro.

The Supplier \_\_\_\_\_

Date \_\_\_\_\_

Company stamp and Signature \_\_\_\_\_

**5.4** The Supplier shall:

- a) apply a label or other mark to the Specific Equipment owned by Carraro expressly indicating that these goods are property of Carraro;
- b) prepare a register of all the Specific Equipment, which must be freely accessible to Carraro;
- c) if a lesser quantity is delivered, require the Supplier immediately to dispatch the missing Products at the latter's ex

**5.5** Unless otherwise agreed, the Supplier shall keep the Specific Equipment in safe custody with ordinary diligence and shall carry out all repairs, replacements and maintenance necessary to maintain it in full working order at its own expense.

**5.6** The Supplier may not destroy, modify or scrap the Specific Equipment without the written consent of Carraro.

**5.7** The Supplier may not transfer the Specific Equipment outside its plant without the written consent of Carraro.

**5.8** The Supplier at its own expense shall insure the Specific Equipment against the risks of loss or damage and in particular those arising from fire, theft, tampering, vandalism and natural disasters.

**5.9** Upon request by Carraro, the Supplier shall return the Specific Equipment without delay.

**5.10** If the Supplier does not return the Specific Equipment or the Specific Equipment is damaged beyond normal wear and tear, the Supplier shall compensate Carraro for:

- a) the cost of the Specific Equipment (if Carraro has contributed only in part to the purchase, the Supplier shall be liable up to the amount of such contribution);
- b) the economic damage suffered by Carraro as a result of its immediate unavailability;
- c) the costs incurred for the procurement of replacement Specific Equipment.

**5.11** At the end of the supply relationship, Carraro will have an option to purchase the Specific Equipment owned by the Supplier.

**6. Outsourced Material**

**6.1** Carraro shall remain the owner of the products delivered to the Supplier for outsourcing and the residues of processing, such as waste, scrap and rejects.

**6.2** Before the delivery of each batch of Product processed, the Supplier shall notify Carraro of the quantity of waste due:

- a) to the production process;
- b) quality defects in the products delivered by Carraro through outsourcing.

**6.3** The Supplier shall be obliged to store with the utmost diligence the products supplied to it for outsourcing and to use them exclusively for the production of the Products intended for Carraro. The Supplier shall keep Carraro's property separate from that of the Supplier or third parties and shall allow Carraro to check, during normal working hours, the state of preservation and correct use of such property.

**6.4** The Supplier shall notify Carraro of any discrepancies between the quantities of outsourced Products reported in the transport document and those actually delivered within 3 working days of their delivery. No subsequent communications shall be taken into consideration and any Products missing in relation to the transport document will be charged to the Supplier.

**7. Packaging**

**7.1** The Supplier must pack the Products in a suitable manner to avoid damage during transport and storage and shall follow Carraro's instructions for marking, identification, packaging and protection of the Products.

**7.2** The handling and return of returnable packaging shall be carried out in accordance with the agreements between the Parties.

**8. Delivery**

**8.1** The Supplier shall deliver each batch of Products on the Scheduled Delivery Date.

**8.2** In case of late delivery, the Supplier shall pay Carraro an amount equal to 1% of the price of the undelivered Products per day of delay, up to a maximum of 20%, as compensation for damages. If, at Carraro's incontestable judgement, the delay is no longer acceptable, Carraro may cancel the Purchase Order and procure the Products ordered and not delivered from an alternative supplier, charging the Supplier for any additional costs.

**8.3** Without prejudice to the compensation referred to in Article 8.2, in the event of partial deliveries or deliveries that are delayed with respect to the Delivery Date, the Supplier shall compensate Carraro for any additional costs, damages or losses caused, directly or indirectly, by such delay.

**8.4** Carraro may request the suspension of the Delivery Plan or the postponement of the Delivery Date of the Products ordered. In this case, the Supplier must keep them free of charge in its warehouse until the new Delivery Date communicated by Carraro.

**8.5** The Supplier guarantees that the quantities of Products declared on the transport document correspond to those actually delivered (quantitative conformity).

**8.6** Carraro shall be obliged to collect only the quantity of Products ordered and may refuse partial or early deliveries with respect to the scheduled Delivery Date. If at the time of receipt of a batch of Products a shortfall or surplus is detected, Carraro shall have the right to:

- a) accept the surplus Products, charging them as a down payment on subsequent deliveries; the price of such Products shall be paid together with the next scheduled delivery and Carraro shall charge the Supplier for the related storage and handling costs;
- b) return surplus Products to the Supplier at the risk and expense of the latter;
- c) in the event of a shortfall in the Products, obtain the immediate shipment of the missing Products, with costs to be borne by the Supplier.

**8.7** The Supplier shall promptly inform Carraro of any event that could jeopardise the punctuality and completeness of deliveries and shall communicate the actions taken to reduce the consequences of the delay.

**8.8** Unless otherwise agreed, the terms of delivery are DAP (Incoterms® 2010) Carraro factory.

**8.9** Under no circumstances may the receipt or payment of the Products be considered as acceptance of the same, nor shall it affect or limit the Supplier's liability for shortfalls or defects in the Products.

**9. Compliance with Laws and Regulations**

**9.1** The Supplier shall be in possession of all authorisations, permits and licences required for the production and sale of the Products supplied.

**9.2** The Supplier shall ensure that the Products comply with all applicable laws and regulations, including the standards referred to in the Carraro Supplier Quality Manual, and any substitute, similar or equivalent standards, and in particular those listed below, including future updates and additions:

- a) Regulation (EC) No 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH);
- b) Directive 2012/19/EU on Waste Electrical and Electronic Equipment (WEEE);
- c) Directive 2013/56/EU on batteries and accumulators and waste

The Supplier \_\_\_\_\_

Date \_\_\_\_\_

Company stamp and Signature \_\_\_\_\_

batteries and accumulators;

- d) Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS);
- e) Regulation (EC) No 1272/2008 on classification, labelling and packaging of substances and mixtures (CLP);
- f) US Dodd-Frank Act - Section 1502 - Conflict minerals.

**9.3** Upon request by Carraro, the Supplier must confirm in writing that the Products conform to the requirements of these standards and enter the composition of its Products in the International Material Data System (IMDS - [www.mdssystem.com](http://www.mdssystem.com)).

## 10. Quality Control

**10.1** The Supplier shall comply with the provisions of the Carraro Supplier Quality Manual and any further instructions provided by Carraro.

**10.2** By appointment with at least 5 days' notice, Carraro may access the Supplier's premises to carry out checks on the processes and equipment used to manufacture the Products. The Supplier shall also guarantee Carraro access to the production sites of its subcontractors under the same conditions.

**10.3** Carraro is not required to perform any quality control on the incoming Products. Any such checks shall be carried out at Carraro's sole discretion and shall not entail the assumption of any burden or responsibility on Carraro, shall not relieve the Supplier from the obligation to carry out the checks for which it is responsible, nor shall it limit the Supplier's liability for any defects in the Products supplied.

## 11. Warranty

**11.1** The Supplier shall guarantee for 12 months from the sale or registration of the vehicle/means/application in which the Product is installed or for 36 months from the delivery of the Product to Carraro, the event that occurs first:

- a) the conformity of the Products with the Technical Specifications, with the samples approved by Carraro and with the applicable standards;
- b) the suitability of the Products for the intended use;
- c) the good quality of the materials used, if not supplied directly by Carraro;
- d) the absence of manufacturing defects;
- e) the absence of design defects, if the Supplier is responsible for the design of the Product;
- f) the full and free ownership of the Products.

**11.2** The Supplier shall ensure that the Products are safe and do not pose a health risk if used properly. To this end, the Supplier shall provide Carraro with complete and accurate information on the correct and safe use of the Products, including the updated safety data sheets of all the Products that have been delivered in the previous 12 months.

**11.3** The Supplier shall send the replacement Products as soon as possible and, at Carraro's request, shall arrange for rapid transport (by air) at its own expense.

## 12. Zero-Hour Products

**12.1** Without prejudice to any other right provided for by the GTCP or by law, if any defects are discovered in Products that are still available to Carraro and not yet transferred to the End Customers, Carraro may exercise one or more of the following options at its sole discretion:

- a) discard and return to the Supplier, at its own risk and expense, the entire batch containing potentially Defective Products, with the right to request their replacement or to procure replacement products for the Defective Products from an alternative supplier, at the Supplier's expense;
- b) select the Products at the Supplier's expense; the Defective Products found during selection shall be returned to the Supplier or re-stored at the Supplier's expense.

**12.2** The Supplier shall collect the rejected Products at its own expense and care within 30 days from the communication of rejection.

## 13. Warranty Claim

**13.1** Carraro shall send the Supplier a Warranty Claim containing the report of non-conformity of the Defective Products with an indication of the defects found, the interventions already carried out and the costs for which compensation is requested.

**13.2** The Supplier shall promptly investigate the causes of the reported defect and, within 30 days of sending the Warranty Claim, shall submit a report in which it may:

- a) acknowledge the presence of the defect and its own responsibility;
- b) reject the Warranty Claim on all or part of the disputed Products, indicating the Products on which it does not recognise the warranty and justifying in detail the reason for rejection;
- c) request further information and documentation and/or to inspect the Defective Products. Carraro shall forward the documentation at its disposal as soon as possible and send a sample of the Defective Products at the Supplier's expense. Since the material availability of the Defective Products may depend on the End Customer and is therefore not guaranteed, in the event of unavailability, the Supplier shall base its evaluations exclusively on the documentation provided by Carraro.

**13.3** In the absence of a reply from the Supplier within the period provided for in Article 13.2, the Warranty Claim shall be considered tacitly accepted and Carraro may charge the Supplier for the damages suffered and the costs incurred.

**13.4** The Supplier shall keep the Defective Products returned by Carraro for analysis for at least 60 days.

**13.5** At Carraro's request, the Supplier shall prepare a corrective action plan which, after Carraro's approval, shall be implemented on time and without delay.

## 14. Service or Recall Campaigns

**14.1** If, at any time, even after the expiry of the warranty period, a serial or repetitive defect or one that may concern a significant quantity of Product is detected, the Parties shall carry out a joint investigation to identify the causes of the defect, assess the risks and decide on appropriate corrective actions. If it is found that the defect may affect the functionality, performance, safety or regulatory compliance of the Products or of the vehicles/means/applications in which they are installed, corrective actions may include a service campaign for repair, or a recall campaign for replacement of the Products, including Products already sold to End Customers.

**14.2** The Supplier shall be obliged to:

- a) deliver to Carraro, as a matter of urgency, without additional expenses and without suspending or delaying the delivery schedules for ordinary supplies, the Products necessary to implement the service or recall campaign;
- b) reimburse Carraro for the costs of purchasing, handling, packaging, shipping and transporting the replacement Products, as well as the costs of operations necessary for the replacement or repair of the Products concerned by the service or recall campaign, and other costs necessary for the implementation of the campaign.

**14.3** The Supplier shall indemnify Carraro from the costs incurred to eliminate, if necessary by means of service or recall campaigns, those Product defects which, although not entailing an immediate risk to their safety or their non-compliance with legal requirements, are unacceptable to Carraro or to the End Customers due to their severity and/or frequency according to the measurement criteria and the End Customer satisfaction standards.

The Supplier \_\_\_\_\_

Date \_\_\_\_\_

Company stamp and Signature \_\_\_\_\_

## 15. Product Liability, Default and Insurance

**15.1** The Supplier shall hold Carraro harmless and indemnified against all claims for compensation from third parties for damage to property or persons caused directly or indirectly by the Defective Products.

**15.2** The Supplier shall compensate Carraro for any damage, burden, cost or loss directly or indirectly caused by or in any way related to:

- a) acts or omissions of the Supplier, its employees, agents or subcontractors, including failure by the Supplier to provide adequate instructions or warnings regarding the assembly, installation, operation, use, repair or replacement of the Products;
- b) the Supplier's failure to comply with laws, regulations, standards, permits, licences, authorisations, directives and public authority requirements relating in particular, but not limited to, safety, health, environment, production process, approval and product liability;
- c) infringement of the intellectual property rights of third parties, except where the Product has been designed by Carraro or where the infringement derives from instructions given in writing by Carraro, provided that the Supplier was not aware of the infringement or could have detected it with ordinary diligence.
- d) environmental damage, emissions or spillage of hazardous or noxious substances related to a defect in the Product;

**15.3** The Supplier shall take out and maintain at its own expense an insurance policy with a first-rate company that complies with the requirements of the *Carraro Supplier Insurance Requirements* document for the entire duration of the supply relationship and for the 5 years following its end. The Supplier shall provide Carraro with a copy of this policy (or insurance certificate), as well as any subsequent modification, integration or cancellation thereof.

## 16. Compensation for Damages

**16.1** The Supplier shall compensate Carraro for all direct and indirect damages and expenses incurred as a result of breach of contractual obligations, non-conformity or defects of the Products.

**16.2** Unless otherwise agreed, such damages include, but are not limited to:

- a) the costs of the replaced Products and spare parts;
- b) the costs of quality control and selection of Defective Products;
- c) the costs of disassembly of the Defective Products and other parts damaged by the Defective Products and assembly of spare parts;
- d) the costs of restoring, reworking, recovering and rechecking the Defective Products, including the materials used for such operations and the work carried out on the Defective Products and subsequently discarded;
- e) the costs of materials or finished products that are damaged by the Defective Products;
- f) the costs of transport, handling, travel, labour, board and lodging of the staff employed and the related costs;
- g) urgent consignments, including air consignments;
- h) administrative costs incurred in issuing reports of non-conformity of the Products and in handling Warranty Claims.

**16.3** Labour costs will be linked to the hourly rates applied in the relevant markets.

**16.4** In the event that the defect detected in the Products should cause a production stoppage at a Carraro and/or End Customer plant, Carraro shall have the right to charge an amount for each hour of production stoppage corresponding to the hourly rates provided for in the reference markets.

**16.5** Without prejudice to Carraro's right to compensation for greater damages caused by defects in the Products and delays in delivery, Carraro will charge the Supplier for any penalties and compensation requested by End Customers for defects in the Products and delays in delivery.

**16.6** The Supplier shall pay for the damages within 60 (sixty) days

of the invoice date. Carraro also reserves the right to offset invoices for compensation against payments due to the Supplier.

## 17. Spare Parts

**17.1** The Supplier shall guarantee the availability of spare parts for the Products for a period of 15 years from the date of the last delivery.

**17.2** After the guaranteed availability period of 15 years, the Supplier undertakes to offer Carraro the possibility of purchasing a last batch of spare parts.

**17.3** The Supplier undertakes to sell spare parts for Products supplied exclusively to Carraro only through Carraro's official distribution channel and not to take any action that may cause harm.

## 18. Prices

**18.1** The prices of the Products are indicated in the price list agreed between the Parties in force at the time of sale. In the event of any difference between the list price and the price indicated in the Purchase Order, the price indicated in the Purchase Order shall prevail. Unless otherwise stated, prices are shown net of taxes.

**18.2** Prices may be changed or updated only with the agreement of both Parties or by applying agreed updating rules.

**18.3** The phasing out of a Product may not justify variations in the price of that Product or of others supplied by the Supplier.

**18.4** The Supplier undertakes to apply prices that are competitive with respect to the reference market. If Carraro considers that the prices applied by the Supplier to all or some of the Products are uncompetitive, it shall inform the Supplier and the Parties shall meet without delay to discuss in good faith the appropriate price adjustments. Carraro reserves the right to terminate the Purchase Agreement or to discontinue the purchase of non-competitive Products.

## 19. Invoices, Transport and Delivery Documents

**19.1** The Supplier shall issue the invoices for the sale of the Products on a monthly basis and send them in original form to Carraro's Supplier Accounting Office. All invoices from Italian suppliers made out to companies of the Carraro Group based in Italy must be sent electronically exclusively through the interchange system (SDI) managed by the Italian Revenue Agency.

**19.2** Each invoice must relate to a single Purchase Order and to Products delivered in a single month and subject to the same VAT rate. Carraro may reject any non-conforming invoices.

**19.3** The Supplier shall indicate in the invoices the origin of the Products in accordance with the provisions of the Community Customs Code (EC Regulation no. 2913/92 of 12/10/1992) in force at the time of delivery.

**19.4** For each delivery, the Supplier shall issue a transport document drawn up in accordance with the applicable legal provisions, which shall report:

- a) the number of the Carraro Purchase Order;
- b) the Product code;
- a) its description;
- b) the quantity;
- a) the number and type of packages;
- b) the recipient and the destination.

**19.5** The transport document must accompany the Products shipped. Carraro may reject, at the Supplier's risk and expense, shipments of Products accompanied by non-conforming transport documents.

**19.6** Upon request by Carraro and in all cases provided for by law or by current regulations, the Supplier shall provide the documentation necessary for the handling of the Products, such as, but not limited to, certificates of origin, export licences and customs documents.

The Supplier \_\_\_\_\_

Date \_\_\_\_\_

Company stamp and Signature \_\_\_\_\_

## 20. Payments

**20.1** Payments of invoices issued by the Supplier shall be made to the bank account communicated in writing by the Supplier within the terms agreed between the Parties.

**20.2** The Supplier's claim on Carraro may not be assigned and/or delegated in any form whatsoever.

**20.3** Carraro may offset the amounts due to the Supplier against any receivables due from the Supplier.

**20.4** Carraro may suspend payment of the Defective Products until the outcome of the Warranty Claim.

**20.5** In the event of a total or partial objection to an invoice, Carraro reserves the right to withhold payment until the dispute is settled. The Parties shall cooperate in good faith to resolve the dispute in the shortest possible time and, at the end, Carraro shall pay the agreed amounts within the payment terms set out in the disputed invoice or by the end of the month following the date of settlement of the dispute, the event that occurs later.

## 21. Transfer of Contract and Production

**21.1** The Purchase Agreement and any other rights relating thereto may not be assigned by the Supplier without the prior written consent of Carraro.

**21.2** The Supplier may not entrust subcontractors with the supply of complete Products, parts, components or services relating to the Products without prior written authorisation from Carraro. If the Supplier avails itself of the collaboration of subcontractors without authorisation, Carraro may terminate the Purchase Agreement.

**21.3** If Carraro has authorised the Supplier to use a subcontractor, the Supplier shall include in the subcontracting agreement the essential terms and conditions set out in these GTCP, in particular relating to quality and warranty, and, if requested, provide a copy of such agreement to Carraro. In any case, the Supplier shall be solely liable to Carraro for any breach of subcontractors' obligations or defects in the Products.

## 22. Continuity of Services

With the exception of serious delays in the payment of undisputed invoices, the Supplier shall not be entitled to suspend supply in the event of disputes or litigation with Carraro, which shall be settled separately. In particular, the Supplier may not interrupt or threaten to interrupt supply in order to obtain changes to the contractual conditions.

## 23. Termination of the Contract

**23.1** Either Party may terminate the Product Purchase Agreement and/or the Framework Agreement with immediate effect by giving written notice to the other Party:

- if the other Party is no longer able to fulfil its contractual obligations on a permanent basis;
- if the other Party has failed to perform one or more of its contractual obligations without effective remedy within thirty (30) days after receipt of a written notice from the first Party;
- if the other Party has been placed in liquidation, declared bankrupt or subject to other insolvency proceedings, or has offered to assign its assets to creditors, or has been placed in whole or in part under judicial control.
- if there is a circumstance of Force Majeure (as defined in Article 25) that prevents the other Party from performing its obligations under the Purchase Agreement for more than thirty (30) days;
- if the Products supplied by the Supplier are not competitive with the market in terms of price, quality and service levels.

**23.2** The Purchase Agreement may be suspended or terminated in the event of international sanctions, trade restrictions, blacklists or embargoes imposed by national or international bodies or agencies that prohib-

it the marketing of the Product or inhibit business dealings with either Party.

**23.3** At any time Carraro may unilaterally terminate the Purchase Agreement, either wholly or limited to individual Products, subject to at least 3 months' written notice.

**23.4** If requested by Carraro, the Supplier shall immediately interrupt the supplies.

## 24. The Effects of Terminating the Purchase Agreement

**24.1** Following termination of the Purchase Agreement for any reason, the Supplier shall:

- return the Specific Equipment and any other property owned by Carraro in its possession;
- return all technical documentation and any other document containing Confidential Information owned by Carraro;
- delete from its archives and electronic media the Confidential Information owned by Carraro.

**24.2** Carraro shall not be obliged to pay the Supplier any compensation following the termination of the Purchase Agreement. However, Carraro shall pay all undisputed invoices at their natural due date, net of the compensation with the sums due from the Supplier.

**24.3** In the event of termination of the Purchase Agreement, Carraro undertakes to discuss a phase-out plan with the Supplier that limits as far as possible the inconveniences associated with the conclusion of the supply relationship for both Parties and aims, as far as possible, to exhaust the Supplier's production chain and warehouse stocks. To this end, Carraro:

- shall collect the Products ordered with Closed Orders confirmed or included in the Fixed Period of the Delivery Plan and already finished before the date of termination of the Purchase Agreement;
- may authorise the Supplier to complete the production of all or some of the unfinished Products ordered with Closed Orders or included in the Fixed Period of the Delivery Plan, undertaking to collect them;
- shall purchase the semi-finished products and raw materials that the Supplier has procured for the supply envisaged by Closed Orders or the Fixed Period of the Delivery Plan (therefore excluding the non-binding period of the Delivery Plan);
- shall refund the cancellation costs that the Supplier can prove it had to pay to its subcontractors for supplies under Closed Orders or included in the Fixed Period of the Delivery Plan.

**24.4** Without prejudice to the provisions of the preceding paragraphs, Carraro has no obligation to purchase finished Products, semi-finished products and raw materials not strictly necessary for the supply of the quantities envisaged in the Fixed Period of the last Delivery Plan issued before the notice of termination of the Purchase Agreement.

**24.5** Upon termination of the Purchase Agreement, all obligations that are not strictly related to the supply of the Products or whose cancellation is not implied, including, but not limited to the following, shall remain valid: Article 15 (Compensation for damages caused by the Supplier); Article 23 (Effects of termination of the Contract); Article 27 (Intellectual Property); Article 28 (Confidentiality); Article 31 (Applicable law and conventional jurisdiction).

## 25. Cases of Force Majeure

**25.1** Neither Party shall be liable for failure to perform its contractual obligations for as long as such performance is impossible due to force majeure provided that:

- within 3 days of the occurrence of a force majeure event, the Party concerned shall inform the other Party in writing, provide evidence of the event and communicate its expected duration;
- the Party concerned shall make every effort to effectively remedy this situation and limit inconvenience to the other Party.

The Supplier \_\_\_\_\_

Date \_\_\_\_\_

Company stamp and Signature \_\_\_\_\_

**25.2** Force majeure is considered to be events of an extraordinary nature that the Parties could not have foreseen or prevented with the exercise of ordinary diligence, including, by way of example, but not limited to: wars (even if not declared), riots, expropriations or requisitions of equipment or installations, sabotage, strikes (except strikes of a strictly corporate nature) and exceptional natural events such as fires, floods, earthquakes, storms and tornadoes.

## 26. Relations between the Parties and with End Customers

**26.1** Nothing in these GTCP may be construed as constituting any company, joint venture, agency or association of any kind between the Parties, with each Party remaining responsible for its own obligations. The Supplier shall therefore not be entitled to represent or assume obligations on behalf of Carraro towards third parties.

**26.2** The Supplier undertakes not to establish any direct business relationship with the End Customers or their representatives with regard to Products that are traceable to the Purchase Agreement.

**26.3** The Supplier shall not submit any direct or indirect offer to the End Customers for spare parts without the consent of Carraro.

## 27. Intellectual Property

**27.1** Each Party shall retain sole ownership of its own information, data, know-how, licenses, designs and industrial inventions provided to the other Party by reason of the supply relationship (proprietary information) and any other of its own intellectual property rights prior to the Purchase Agreement.

**27.2** The Supplier may not develop solutions, designs, processes or products derived from proprietary information provided by Carraro and undertakes not to take, without Carraro's consent, any action aimed at obtaining its recognition and legal protection (e.g. registration of trade marks or filing of patent applications).

**27.3** The Supplier undertakes to assign to Carraro the ownership of the inventions or technical solutions developed on the basis of proprietary information and/or on behalf of Carraro.

**27.4** Subject to the Supplier's performance of all its contractual obligations, Carraro shall grant the Supplier, for the sole purpose of supplying the Products sold to Carraro, a non-exclusive, personal, non-transferable, revocable and royalty-free license to use the intellectual property rights relating to such Products.

**27.5** Unless the Supplier has manufactured the Products in accordance with drawings and designs received from Carraro, the Supplier shall ensure that the sale or use of the Products does not breach any licence, patent, trade secret or intellectual property of any third party. The Supplier shall indemnify and hold harmless Carraro and the End Customers from any claim, damage, expense, sanction or claim caused by the infringement of the law on intellectual property and the related rights of third parties.

**27.6** If the use of a Product is prohibited due to infringement of an intellectual property right of a third party, the Supplier may at its own discretion and without charge to Carraro:

- a) procure for Carraro the right to use the Product;
- b) replace the Product with another equivalent one that does not infringe the rights of third parties;
- b) modify the Product in such a way that it no longer infringes the rights of third parties.

**27.7** The Supplier shall affix the trade mark indicated by Carraro to the Products and their packaging.

**27.8** The Supplier shall refrain from using the name and trade mark of Carraro in any way without the express written consent of the latter.

## 28. Confidentiality

**28.1** Each Party undertakes for the duration of the contract and until the Confidential Information becomes public knowledge:

- a) to keep all Confidential Information secret and not to disclose or divulge it to anyone, except to any subsidiaries and subcontractors who, by virtue of participating directly in the activities involved in the execution of the Purchase Agreement, have a need to know about it;
- b) to take all necessary and indispensable measures to ensure the Confidential Information remains confidential;
- c) not to use the Confidential Information directly or indirectly for purposes other than the execution of the Purchase Agreement.

**28.2** Each Party warrants that its subsidiaries, employees, contractors and subcontractors shall comply with the confidentiality obligations set forth herein.

**28.3** Confidential Information does not include:

- a) to keep all Confidential Information secret and not to disclose or divulge it to anyone, except to any subsidiaries and subcontractors who, by virtue of participating directly in the activities involved in the execution of the Purchase Agreement, have a need to know about it;
- b) information in the public domain at the date of signing of the Purchase Agreement;
- c) Confidential Information that has become public knowledge following the signing of the Purchase Agreement for reasons not attributable to the Party which has received it;
- d) any information that must be disclosed by law or by order of a competent judicial or governmental authority.

## 29. Organisation, Management and Control Model and Code of Ethics for the Carraro Group

**29.1** The Supplier declares that it is aware of the contents of the Organisation, Management and Control Model (pursuant to Legislative Decree no. 231 of 8 June 2001) and of the Code of Ethics of the Carraro Group, which can be consulted at <http://www.carraro.com/it/corporate-governance>, and undertakes to behave in accordance with the provisions contained therein.

**29.2** The Supplier declares that it is aware of the fact that failure to comply with the provisions of the aforesaid documents constitutes a serious breach of the obligations of the Purchase Agreement and entitles Carraro to terminate it with immediate effect, without prejudice to compensation for any damage caused.

**29.3** Carraro declares that it implicitly adheres to the Supplier's codes and rules of conduct that are consistent with its Organisation, Management and Control Model and its Code of Ethics.

## 30. Miscellaneous

**30.1** These GTCP and the other documents constituting the Purchase Agreement constitute the entire agreement between the Parties with respect to its subject matter and supersede and replace any prior understanding, agreement or communication.

**30.2** These GTCP and other documents constituting the Purchase Agreement may only be amended by a written agreement between the Parties signed by their respective legal representatives.

**30.3** Any provision contained in these GTCP or in the other documents constituting the Purchase Agreement which may be declared by a court or other public authority to be invalid, illegal or unenforceable shall be deemed to be replaced by a provision which, with the minimum modifications necessary to make it valid and legal, expresses the contractual will of the Parties. This defect shall not affect the validity of the remaining provisions.

The Supplier \_\_\_\_\_

Date \_\_\_\_\_

Company stamp and Signature \_\_\_\_\_

**30.4** Failure to exercise any right or remedy provided for in these GTCP, in the other documents constituting the Purchase Agreement or under the law shall not constitute a waiver of such right and shall not preclude the right of the Parties to exercise it at a later date.

**30.5** The rights and remedies provided for in these GTCP and in the other documents constituting the Purchase Agreement are cumulative and, unless otherwise provided, do not exclude the application of other rights or remedies provided by law or as a matter of equity.

**31. Applicable Law and Conventional Jurisdiction**

**31.1** These GTCP, the other documents constituting the Purchase Agreement and any dispute or claim relating thereto shall be governed by and construed in accordance with the laws of the Italian Republic.

**31.2** Any dispute between the Parties shall be submitted to the exclusive jurisdiction of the Court of Padua (Italy).

**31.3** Notwithstanding the provisions of Article 31.2, Carraro, at its own discretion, shall have the right to take legal action against the Supplier in any competent court or tribunal located in the country where the Supplier has its registered office or production plant.

By signing, the Supplier declares that it has read these GTCP and accepts them in full.

Date \_\_\_\_\_

The Supplier \_\_\_\_\_

Pursuant to Article 1341 of the Italian Civil Code, the Supplier declares that it is aware of and expressly accepts the provisions of the Articles 2.3 (sole conditions); 3.2 (tacit order confirmation) 3.5 (tacit order increase confirmation); 8.2 (Penalties for delay); 11 (Warranty); 12 (Zero-Hour Products); 13 (Warranty claim); 14.3 (epidemic defects); 16 (Compensation for damages) 17.3 (sale of spare parts); 18.4 (competitiveness); 20.2 (prohibition of assignment of the credit); 20.3 (compensation); 20.4 (suspension of payments); 21.1 (prohibition of assignment of the contract); 21.2 (limits to subcontracting); 22 (continuity of services) 23 (termination); 24.2 (exclusion of compensation); 25 (force majeure); 26 (non-competition clause); 28 (confidentiality); 29.2 (non-observance of the code of ethics); 31 (law and exclusive jurisdiction)

Date \_\_\_\_\_

The Supplier \_\_\_\_\_

The Supplier _____ Date _____	Company stamp and Signature _____
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