

# VCST-IP General Conditions of Purchase.

Issue: GPC/11/03

## 0. DEFINITIONS

In these conditions of purchase the following terms are to be understood as defined below:

<u>The contract:</u>	The document which comprises the agreement of the parties and which has been signed by VCST-IP and the seller.
<u>Delivery date:</u>	The date on which the goods have to arrive at VCST-IP.
<u>The Parties:</u>	both VCST-IP and the seller
VCST-IP:	VCST-IP bvba and/or affiliated companies
Seller:	Contracting company
<u>The goods:</u>	The materials, components, equipment, services, drawings, instructions and technical specifications purchased by VCST-IP in accordance with the contract.

## 1. GENERAL

- 1.1. These general conditions shall be applied, except for any alterations which the parties agree upon explicitly and in writing.
- 1.2. Acceptance of the order implies that the seller renounces any application of the provisions of his general or special conditions of sale, even if these conditions stipulate that they are solely valid.

## 2. THE CONCLUSION OF THE CONTRACT

The agreement shall be deemed to have a contract acceptance at the moment VCST-IP and the seller have signed the contract, or in the absence of a contract at the moment that the written order of VCST-IP has been received by the seller, subject to objections omitted within eight (8) calendar days.

## 3. DRAWINGS AND DESCRIPTIONS.

- 3.1. The weights, dimensions, capacities, prices, specifications and other data comprised in catalogues, prospectuses, circulars, advertisements, illustrations and price lists shall be regarded as approximations only.  
These data shall be binding only insofar the contract explicitly refers to them.
- 3.2. Drawings and technical descriptions which have been handed over to the seller by VCST-IP before or after the conclusion of the contract with the intention of using them for the manufacturing and assembly of the goods or part of them, shall remain the exclusive property of VCST-IP. Without the permission of VCST-IP they shall not be used, copied, multiplied, passed on or brought to the notice of third parties by the seller.
- 3.3. Drawings and technical descriptions which have been handed over to VCST-IP by the seller before or after the conclusion of the contract with the intention of using them for the manufacturing and assembly of the work or part of it, remain the exclusive property of the seller. Without the permission of the seller they shall not be used, copied, multiplied, passed on or brought to the notice of third parties by VCST-IP.
- 3.4. At the beginning of the period of guarantee, defined in article 10, the supplier will at the request of VCST-IP provide the latter, free of charge, with information and other drawings of the products which are sufficiently detailed to enable VCST-IP to use and maintain all goods, including the current reparation, and to make the assembly and the start of operations possible. This information and the drawings shall become the property of VCST-IP, and the restrictions regarding them as defined in article 3.3. shall not apply to them. The seller, however, can determine that they shall remain confidential.
- 3.5. If the parties cannot reach an agreement regarding the conditions for additional deliveries or alterations of the deliveries, or if VCST-IP has cancelled the contract wholly or partially, or if the seller does not meet his obligations under article 10 and VCST-IP is obliged to use another seller, then VCST-IP will have the right to present the designs and other documents of the seller to the new seller so the latter will be able to manufacture and supply goods.
- 3.6. Drawings and other documents which are the result of the joint efforts of the parties with regard to the execution of the contract, will be the joint property of VCST-IP and the seller. This means, among other things, that each party has the right to freely use these drawings and documents for its own purposes. Possible licensing contracts will be developed by both parties jointly. However, the foregoing shall in no way restrict the rights of the parties with relation to 'know-how', developed separately from the object of the contract, nor shall it in any way restrict the rights to the patented inventions, inventions made by the personnel of one of the parties, even if the 'know-how' or invention has been described in above-mentioned drawings or documents.
- 3.7. The parties will jointly lodge patent applications for the patentable inventions which they have come up with together and that are the result of the combined efforts of the parties with regard to the execution of the contract. Each party will have the right to use freely these patents for its own needs. However, licensing contracts will have to be agreed upon jointly. Patentable inventions created by the personnel of VCST-IP or by a consultant appointed by VCST-IP, and which relate to the solving of problems arising from the contract, will be made available to the seller for its own needs, on payment of a reasonable and fair compensation to VCST-IP. Such a right of use will not be bound by territorial restrictions and will be without time-limit.  
The provisions of article 3.2. to 3.6. inclusive will not detract from the right to communicate the drawings, documents and information as determined by VCST-IP to third parties as part of the right of use as referred to in paragraph 3.7.
- 3.8. The seller is forbidden to mention or use the trade-name, trade-marks or products of VCST-IP for referential or advertising purposes without the written consent of VCST-IP. Publicity and advertising regarding the deliveries to VCST-IP can only be done by the seller with the prior and written permission of VCST-IP.

## 4. PACKING

Unless stated otherwise, the costs of the packing or the protection, necessary to prevent damage during the transportation under normal circumstances to the destination mentioned in the contract, are included in the prices mentioned in the offers and in the contract.

## 5. SAFETY REGULATIONS

The seller is responsible and liable for the compliance with the appropriate and most recent laws, regulations and rules, applicable at the time of the execution of the contract, with regard to the security and the hygiene of all materials, parts, services, drawings, instructions and technical specifications; as well as to environmental, electrical and electromagnetic provisions. The foregoing shall be judged on the basis of all applicable local codes and ordinances. The default Belgian codes and standards are applicable. In the absence of the applicability of Belgian codes or standards, the parties will negotiate acceptance of the applicable standard.

If the above-mentioned laws, regulations and rules should be amended between the date of conclusion of the contract and the date of delivery, VCST-IP will immediately inform the seller about it and both parties will by mutual agreement decide upon the consequences for the contract.

**The supplier shall prove to VCST-IP that direct delivered materials are compliant to the 'Conflict mineral legislation-securities and exchange commission (SEC)-requirement by section 1502 of the Dodd Act (2010).**

## 6. CONTROLS AND TESTS

### Controls

- 6.1. VCST-IP is allowed, during the manufacturing as well as after its completion, to have the quality of the used goods controlled and verified by its duly authorized representatives. These controls and verifications are carried out during normal working hours in the workshop, after the place, date and time have been arranged with the seller.
- 6.2. If VCST-IP on the basis of these controls and verifications, is of the opinion that certain goods are defective or that they are not in accordance with the contract, VCST-IP has to notify the seller in writing and request corrective actions.
- 6.3. The fact that no comments have been made following these controls or verifications in no way prejudices the right of VCST-IP to refuse and/or reject the goods if they are not correct or if they have hidden defects.

## Tests

- 6.4. Unless stated otherwise, the verification, run at rate and inspections are executed in the workshop of the seller during normal working hours. If the technical requirements of the tests are not specified in the contract, the tests will be carried out in accordance with the general use in the relevant branch of industry of the country where the goods shall be delivered.
- 6.5. The seller will inform VCST-IP in time to enable its representatives to be present at the tests. If VCST-IP is not represented at these tests because it was not informed in time, it can require that the entire test procedure be carried out again. If VCST-IP decides not to be represented at these tests, the seller will provide VCST-IP with the test report.
- 6.6. If it is found during a test that the goods or services are defective or not in conformity with the contract, the seller shall remedy the defects as soon as possible or see to it that the goods meet the requirements of the contract. After that, the test will be repeated if VCST-IP demands it.
- 6.7. Unless stated otherwise, all costs with regard to the tests performed in the seller's workshop are borne by the seller, except the personal expenses of the representatives of VCST-IP.
- 6.8. If the agreement mentions tests at the place of the setting up, the circumstances in which these tests take place will especially be agreed upon by the parties.

## **7. DELIVERY**

- 7.1. Unless stated otherwise, the delivery has to be in accordance with the FCA-Incoterms. FCA place is the place of production by the seller.
- 7.2. The delivered goods have to be in conformity as written in the order, specifications, drawings and quality agreements, and with the conditions which can be considered as being part thereof. Only after written approval of the inspection, performed by VCST-IP and according to conditions laid down by VCST-IP, can the goods be deemed to have been accepted by VCST-IP. On the subject of measurements, quantities and weights, the findings of the examination of VCST-IP are final.
- 7.3. If the delivered goods do not meet the acceptance criteria, VCST-IP reserves the right, at its discretion, either to return the entire consignment, whether or not provided with reject marks, to the seller, at the expense and risk of the seller; or as the case may be and in consultation with the seller to render the goods unserviceable or to scrap them, reimbursing the scrap value according to domestic rates; or to have the delivered goods repaired at the expense of the seller, either by the seller, or by VCST-IP or by a third party, and this at the discretion of VCST-IP.
- 7.4. Only after the final inspection and acceptance of the goods by VCST-IP, will the seller have fulfilled his obligation to deliver.
- 7.5. Rejected goods have to be replaced by others immediately and without causing any delay for later deliveries, at the expense and at the risk of the seller.
- 7.6. If, on account of repeated rejections there is a justified doubt whether the seller can meet the delivery and quality conditions requested by VCST-IP, VCST-IP reserves the right to end the contract immediately, wholly or partially. In that case VCST-IP is not obliged to compensate the seller for possible consequential damage.

## **8. TERM OF DELIVERY**

- 8.1. Unless otherwise agreed the term of delivery starts on the date on the order form issued by VCST-IP.
- 8.2. Without prejudice to his obligations to VCST-IP, the seller shall immediately notify the ordering department of VCST-IP in writing of any circumstances as referred to in article 13, which could result in a delay of deliveries. However, he remains obliged to do everything in his power and leave nothing undone to meet his obligations.
- 8.3. It is the seller's duty to see to it that the term of delivery is respected in turn by his sellers and in due time to take the appropriate measures to replace them if necessary.
- 8.4. In case of default of the seller, VCST-IP retains the right to claim the fulfilment of the contract plus compensation. In this case, the seller safeguards VCST-IP against claims of third parties on account of damage suffered by these parties as a result of the default of the seller.
- 8.5. VCST-IP is not obliged to purchase if and for as long as the production is being stopped because of a strike at VCST-IP or at one of its sellers, or because of other reasons.

## **9. PAYMENT**

- 9.1. The term of payment is to be stated in the contract. Payment can only take place after the goods or services have been received, definitively approved and accepted, as defined in article 7.4. and after the receipt of a valid invoice from the seller.
- 9.2. Payment does not imply a formal acceptance of the delivery.
- 9.3. The advance payments, paid by VCST-IP, are deducted from the purchase price.
- 9.4. A payment, linked to the fulfilment of an engagement by the seller, cannot be claimed before this engagement has been fulfilled, unless the non-performance of the seller is due to an act or an omission by VCST-IP.
- 9.5. Should VCST-IP fail to pay on time as a result of one of the circumstances stipulated in article 13, the seller will not be entitled to compensation for such failure.

## **10. GUARANTEE**

- 10.1. The seller guarantees that the delivered goods are of good workmanship, made of sound material and that they are suitable for which they are destined, known by the seller.
- 10.2. Any claims of VCST-IP by virtue of defects in delivered goods continue to apply unimpaired during further processing *and/or* during further use of the goods, unless they can be ascribed to an improper processing by VCST-IP of the goods delivered by the seller. The seller safeguards VCST-IP against claims of third parties on account of damage suffered by these third parties as a result of defects of goods delivered by the seller to VCST-IP.
- 10.3. The goods which are replaced or renewed by virtue of this article, shall be guaranteed by the same provisions and conditions as the original goods.
- 10.4. If the seller refuses to meet his obligations under this article, or when in spite of reminders to do so, he does not act with the required speed, VCST-IP has the right, without prior written permission of the seller, to proceed to the necessary repairs or purchase from 3<sup>rd</sup> party at the expense and risk of the seller, provided that VCST-IP acts reasonably.

## **11. LIABILITY**

- 11.1. The seller takes on all commitments concerning the safety of machinery and the safety of labour production as defined in the national laws and regulations converting these directives and the seller will comply with them so as to relieve VCST-IP completely.
- 11.2. The seller guarantees that the goods at the time of the delivery comply with the appropriate legal requirements and governmental regulations applicable in country of manufacturing, shipment & destination and other by VCST identified countries. The seller guarantees that the supplied goods do not infringe upon patent rights, trademark rights or other rights of third parties, and shall safeguard VCST-IP against any claims in this matter.
- 11.3. The seller shall safeguard VCST-IP against all claims by third parties, including any government, which would be based on the compliance with the legal instruments defined in articles 11.1. and 11.2.
- 11.4. The seller shall safeguard VCST-IP against any claims of third parties based upon hidden defects or upon the product liability which would result from defects in the goods delivered by the seller or from a deficiency in the instructions, the information or in the warnings with regard to his products.
- 11.5. This guarantee covers all compensations and all sums which VCST-IP would be obliged to spend within the framework of the claims mentioned above.
- 11.6. In the event of such claims the seller will provide VCST-IP free of charge with all the information, all documents and all other evidence or materials which could be necessary for its defence.
- 11.7. The seller will only use parts, components, products and raw materials of which the seller and/or the manufacturer can be identified.
- 11.8. The seller will prove to VCST-IP before every delivery that he has insured all his liability mentioned above by an insurance policy of sufficient value covering the complete duration of the liability.
- 11.9. If, as a result of a default or of a tort committed by the seller VCST-IP has a claim for damages against the seller. VCST-IP is entitled to suspend, without interest payment, possible liabilities which may exist on account of previous or subsequent contracts on which no disputes exist between the parties until the competent judge or arbitration has decided this claim for damages, or until the parties have reached a decision by mutual agreement.

## **12. INTELLECTUAL PROPERTY RIGHTS**

- 12.1. The seller is obliged to keep secret all information with regard to the drawings, models and other aids mentioned in article 3.2. and concerning the activities of the company VCST-IP, which he or persons who work for him may learn, and he has to ensure that these persons will also observe such secrecy.
- 12.2. Only with the permission in writing of the Purchasing Department of VCST-IP may drawings, models and other aids made available by VCST-IP to the seller be copied completely or partially, shown to third parties or used for the benefit of third parties, or for other purposes than those defined in the contract at hand.
- 12.3. In the event of infringement by the seller of the obligations mentioned above, the seller will compensate VCST-IP for the damage which has resulted from this. This compensation will be claimable ipso jure and without notice of default and its undiminishable minimum amounts to five hundred thousand Euro, without prejudice to the right of VCST-IP to claim a supplementary compensation amounting to the costs of the actual damage.
- 12.4. The seller cannot deliver and/or offer to third parties the same goods, as well as the necessary service parts ordered by VCST-IP without the permission in writing of the Purchasing Department of VCST-IP, unless these goods had already been put on the market by the seller in exactly the same composition as standard articles through his own trading organisation before the order was placed by VCST-IP. The term 'third parties' also includes the various 'Spare-parts'-organisations.
- 12.5. If for the fulfilment of the order tools and / or materials are made available by VCST-IP, or when these are manufactured or purchased by the seller at the expense of VCST-IP, these tools and/or materials will remain or become the property of VCST-IP. The seller shall commit himself to store these drawings, models, tools and other aids at his own expense and risk. The seller will see to it, at his own expense and risk, that the models, tools and other aids are kept in good condition, repaired or replaced. The seller will insure them at his own expense against loss, theft and damage.

## **13. EXONERATION CLAUSE**

- 13.1. The following circumstances are considered circumstances in full discharge if they arise after the conclusion of the contract and if they prevent the execution of it: labour disputes and all other circumstances such as fire, mobilisation, requisition, embargo, prohibition of the transfer of currencies, riots, lack of means of transport, general shortage of raw material, restriction of energy consumption, etc... if these circumstances occur beyond the control of the parties.
- 13.2. The party that relies on one of the circumstances mentioned above, has to inform the other party immediately and in writing of the commencement and the ending of them.  
The occurrence of one of these circumstances relieves both the seller and VCST-IP of all liability.
- 13.3. The consequences of the circumstances mentioned, insofar as they influence the timely fulfilment of the obligations of the parties, are defined in articles 7 and 9. If, however, because of these circumstances the fulfilment of the contract within reasonable time becomes impossible, each one of the parties has the right to end the contract in writing and without judicial intervention.
- 13.4. In the event that the contract ends by virtue of article 13.3., the division of the costs, already made in order to fulfil the contract, shall be amicably settled between the parties.
- 13.5. If the parties cannot settle disputes amicably, it will be for the court to determine which party was prevented from meeting its obligations. If the court finds that only one party did not fulfil its obligations, all the costs mentioned above will be borne by this party solely. If it is up to VCST-IP to bear all these costs and if VCST-IP, before the ending of the contract, has already paid the seller more than the actual costs, VCST-IP has the right to a reimbursement of the difference. If the court finds that both parties were in default, then it will divide the costs between the parties reasonably after due consideration of all circumstances.
- 13.6. In the sense of this article, the term 'costs' comprises the actual and reasonable expenses, after both parties have reduced their damage as much as possible. With regard to the goods delivered to VCST-IP, the expense of the seller shall be deemed to be the part of the price to be paid in respect of the goods delivered.
- 13.7. If, because of force majeure or liquidation, no further deliveries should be possible, the seller is obliged to make available all the drawings, tools, gauges, instructions, reports, etc. used by him for the fulfilment of its obligations under the contract, to VCST-IP on demand, even if these are not the property of VCST-IP.

## **14. SERVICE PARTS**

The seller is obliged to provide the possibility of subsequent delivery of goods and the necessary service parts to VCST-IP for at least 15 years after the last delivery or first assembly at reasonable prices and discounts to be agreed upon at the time. If this should no longer be possible, due to example force majeure or liquidation the seller is obliged to make the drawings, tools, etc..., used by him for the fulfilment of its obligation under the contract available to VCST-IP on demand.

## **15. CHANGES AND ORDERS**

- 15.1. Insofar as it might be necessary, any changes with regard to altered quantities or specifications, or with regard to the ending of the contract as result of the cancelling or modification of the ordered product, will be agreed upon further.
- 15.2. Should the seller, after these negotiations, not be able to deliver the relevant quantity or quality of goods within the time specified, VCST-IP shall be entitled to end the contract. In such a case the seller shall not be entitled to further claims of any kind.
- 15.3. Costs which the seller may incur due to the production of excess quantities, shall be fully borne by the seller whatever the reason for the extra production. All goods produced in such circumstances shall be destroyed or at least made unserviceable by the seller and at his own expenses.

## **16. REGULATIONS OF VARIOUS KINDS**

- 16.1. In case of a secret understanding between the seller and one or more staff members of VCST-IP or in case of dishonest proposals from one to the other, VCST-IP is entitled to end the contract without notice or compensation.  
If the entity which commissioned the order is someone other than the buying production company of VCST-IP, this entity shall be deemed to act as the representative of the buying production company of VCST-IP.
- 16.2. In case of non-performance or tort on the part of the seller towards VCST-IP, all expenses for legal assistance including all extrajudicial expenses incurred by VCST-IP in this respect shall be borne by the seller.
- 16.3. In case when VCST in Belgium makes a contract with a supplier with temporary workers or services who works with non- EU workers and are illegal in the country VCST will not take any responsibility towards social security of these workers in case they are not properly paid by this supplier.

## **17. APPLICABLE LAW.**

Unless explicitly stated otherwise in writing, all disputes in connection with this contract and/or all agreements forming part thereof, are subject to the law of the country of destination. The *Convention on the International Sale of Goods* (Vienna 1980) shall not apply.

## **18. COMPETENT COURT OF JUSTICE**

All disputes resulting from these conditions and/or contracts related thereto shall be decided exclusively by the court of justice which has jurisdiction for the registered office of

- a. VCST-Changzhou if goods are delivered to VCST-Changzhou. Hongkong will be the sole place to do arbitrage in case of disputes for goods bought in China. For the interpretation of these conditions, the Dutch text is binding.
- b. VCST-IP Belgium when goods are delivered to VCST Industrial Products bvba and VCST-STC in Belgium or to VCST-Reichenbach in Germany
- c. VCST de Mexico when goods are delivered to VCST de Mexico located in Mexico
- d. VCST-Alba when goods are delivered to VCST-Alba in Romania