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Document	Process	Quality Assurance verification	General Direction approval	date	Rev.	
I.P. 09.02	Purchasing	Massimo Lombardo	Antonio Affinita	30/11/2022	2	

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NB:			
2	30/11/2022	M.Affinita/G.Mattia	Updated par.11
1	25/01/2022	G.Mattia/M.Lombardo	Updated some internal procedure references
0	15/10/2018	Massimo Lombardo	First version following the issue of the IATF 16949:2016 standard.
Rev.	Date:	author	Draft / version

mod. CQ_NI_2009.01 date 16/11/2009

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1. PURPOSE

The purpose of this procedure is to clarify and determine the general terms and conditions of Purchase that will regulate the supply contracts of SAPA S.p.A.

2. DEFINITIONS

Whenever used in the provisions of the order document and its annexes, the following expressions shall have the meaning assigned to them below:

- ✚ **PRINCIPAL:** the company SAPA S.p.A. and its subsidiaries.
- ✚ **SUPPLIER:** any company that has received an order issued by SAPA S.p.A. or its subsidiaries to supply goods.
- ✚ **ORDER:** is the set of contractual documents sent by the Principal to the Supplier, consisting of the Order document and any attachments, the General Conditions of Purchase, the Mould Specifications, technical specifications, drawings and all other documents necessary for the proper execution of the order by the Supplier.
- ✚ **GOODS:** this is the object of the order assigned by the Principal to the Supplier, which the Supplier is required to produce and deliver to the Principal in accordance with the provisions of the Order.
- ✚ **PARTY:** is either the Principal or the Supplier.
- ✚ **PARTIES:** this is both the Principal and the Supplier.
- ✚ **TECHNICAL INFORMATION:** all types of information, technical and technological documentation, models and samples given by the Principal to the Supplier for the correct execution of the order.
- ✚ **CUSTOMER:** the company that has assigned to the Principal the supply of goods in relation to which the Order is issued to the Supplier


3. GENERAL TERMS

The contractual relationship resulting from the completion of the Order is governed by these General Conditions and by the notes expressed in the Order, as well as by the general conditions and details concerning the execution of the Order that the Supplier declares to know and accept without reservation. Any derogation or variation to the conditions will be only valid if agreed upon in writing.

The Order is considered irrevocably accepted by the Supplier upon receipt by the Supplier, unless the Supplier expressly notifies us within and no later than the following 48 working hours (as indicated in the purchase order notes). The Principal has the right to revoke the Order by sending written notice at any time. In this case, the Supplier will receive payment only for the goods and work carried out in accordance with the time scales shared with the Principal.

The Order and/or its execution are not transferable by the Supplier, even partially.

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All disputes shall be submitted to the competent court of Benevento. The applicable law is Italian law.

The Supplier undertakes to treat as confidential all technical, commercial or other information of which it becomes aware during the execution of the Order.

In the event that circumstances arise such as to indicate that the Supplier is unable to ensure the correct fulfilment of the commitments undertaken, especially in the event of bankruptcy, composition or any insolvency proceedings against the Supplier or in the event of liquidation or transfer of the company, the Principal shall have the right to withdraw from the contractual relationship by simple written notice.


Any violation by the Supplier of one or more of the present conditions shall entitle the Principal to request, at any time and at its choice, the forced execution of the present conditions or the termination of the contract, without prejudice, in any case, to the right to compensation for damages.

4. THECNICAL INFORMATION AND INDUSTRIAL PROPERTY

- 4.1** The technical information that the Principal provides or makes available to the Supplier for the design, testing, development or production of a part, its prototypes or equipment shall remain the exclusive property of the Principal and may only be used for the execution of the Principal's Orders. In relation to this, the Supplier, even after the termination of the supply relationship, is obliged to:
- a. Retain it with the maximum care and confidentiality and return it to the Principal upon its request;
 - b. identify it as the property of the Principal in cases where the Principal has not done so; not to reproduce or copy it except within the limits expressly authorised by the Principal and not to transmit or disclose its contents to third parties; not to apply for the registration of patents or other industrial property rights, which, where however requested, must be offered for assignment to the Principal, with priority over other possible applicants; this priority may be exercised within 30 days of communication, in writing and completed with all useful evaluation elements, from the Supplier to the Principal.
 - c. not to produce or have produced and/or supply to third parties, for any reason, directly or indirectly, for use in production or as spare parts, parts designed or produced exploiting the technical information resulting from the activities carried out within the framework of the Order of the Principal;
 - d. impose and guarantee compliance with the obligations arising from this Article on any third party cooperating with the Supplier, even if authorised by the Principal.
- 4.2** When proposing or agreeing to study and/or adapt a part for the Principal or to supply a part to the Principal, the Supplier shall inform the Principal in writing in advance whether and by what industrial property right the part is covered. Failure to notify the Supplier in advance shall be considered as a waiver of the Supplier's right to assert any claims against the Principal and the suppliers to whom the Principal has entrusted the production of the part concerned.

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- 4.3** Unless otherwise agreed in writing in advance, when the study and/or adaptation and/or supply of the part is proposed or accepted by the Supplier, except, where applicable, the application of Article 4.1, without prejudice to the Supplier's rights deriving from industrial property rights communicated to the Principal in accordance with Article 4.2, in the event that the connection with research, design, experimentation or development work carried out for a part to be used on the Principal's production, the Supplier realizes inventions, whether patentable or not, it will notify the Principal and will make available to the Principal all documentation and information necessary or useful for production; in relation to such inventions and the relative industrial property rights, the Principal shall automatically be considered to have been granted the right to license the production (directly through third parties), sale and use in Italy and abroad, for use in the Principal's production. The Supplier undertakes, if requested by the Principal, to request the appropriate patent of the invention in Italy and abroad or to allow the Principal to do so, in the name and on behalf of the Supplier.

In the event that the invention subject to industrial property rights is obtained by the Supplier independently, with the consent of the Principal, without information, documentation or technical cooperation from the Principal, the latter shall pay an equitable remuneration in return for the said licence.

In other cases, the licence and sub-licence rights referred to above shall be deemed to have been granted free of charge. In the event that the research, design, experimentation or development work is carried out by the Supplier in execution of a specific assignment by the Principal, the invention or the relative industrial property rights, the drawings and, in general, the technical results shall be the exclusive property of the Principal.

The Supplier undertakes, if requested by the Principal, to affix the Principal's trademark on the ordered parts and/or on the original packaging that the Principal may request. Such application and/or packaging shall in no case be understood as a licence to use the Principal's trademark. Therefore, the parts marked above can only be supplied to the Principal.

5. SPECIFIC TOOLS AND MATERIALS


- 5.1** The equipment (gauges, moulds, specific equipment, control equipment, etc.) that the Principal makes available to the Supplier for the execution of the order remain the exclusive property of the Principal. The Supplier is responsible for their maintenance, storage as well as any loss, breakage or damage.

The Supplier is obliged to:

- a. register and mark it as the property of the Principal;
- b. Provide adequate insurance cover against fire, theft, vandalism, natural disasters, tampering and other insurable risks of loss or damage, in favour of the Principal;
- c. keep and use it with the utmost care and provide, at its own expense, for routine maintenance;
- d. inform the Principal of any extraordinary repairs, replacements or remakes required, as a matter of urgency, it being understood that the Principal shall be responsible for any decision regarding the implementation of such repairs, replacements or remakes, which shall be understood to be at the Principal's expense provided that they are not due to accidents, negligence or other causes attributable to the Supplier, in which case all costs shall be borne by the latter;
- e. not to transfer it out of the production site designated and qualified by the Principal, except within the limits of what has been previously authorised each time by the Principal;

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- f. to allow the Principal's employees to check, during normal working hours, the manner of its storage and use as well as its state of use;
- g. not to transfer it to third parties for any reason whatsoever, not to provide guarantees on it.
- h. not to use it or allow it to be used except for the execution of the Principal's orders even after the supply to the Principal has ceased, and in any case, not to produce and/or transfer it to third parties for any reason, directly or indirectly, for use in production or as spare parts, parts designed or products based on them.
- i. comply without delay with the instructions that will be provided by the Principal regarding its return, scrapping or storage at the time of termination of the supply of the part for which it is used, and in any case at the simple request of the Principal.

5.2 The provisions of Article 5.1 shall apply for as much as is compatible, also to semi-finished products and other materials owned by the Principal that the latter has made available to the Supplier for or in connection with the execution of the Order.

5.3 With reference to the specific equipment owned by the Principal and manufactured by the Supplier, for which the Principal undertakes to pay the residual depreciation in the event of early termination of the supply, it must be transferred to the Principal at a price equal to the residual depreciation

6. MODIFICATIONS AND VARIATIONS IN SUPPLIES

6.1 The Supplier undertakes, if requested by the Principal, to promptly:

- a. modify the characteristics of the part ordered

And/or

- b. to suspend or cease production and delivery of the ordered part upon receipt of such a decision by the Principal.

In this case, provided that the Supplier complies with the provisions of this Article, the Principal shall be obliged to take over, unless otherwise agreed, the parts already completed or in the process of being produced for a quantity which, in any case, may not exceed the sum: (1) of the deliveries scheduled for the month in which notice of change or cancellation is given for the following month; (2) of the semi-finished products and raw materials for the production of the parts to be delivered for the second following month and (3) of the volume of contractual stocks required.


These parts, whether completed or in the course of processing, and the related raw materials shall be deemed to have been sold to the Principal for all purposes, and the Supplier shall therefore be obliged to comply with the Principal's instructions with regard to their destination or delivery.

6.2 In the cases referred to in the preceding Article, the Supplier shall be obliged to take all appropriate measures to limit as far as possible the quantity of modified or cancelled parts chargeable to the Principal and, in any case, to comply with the agreements made each time with the Principal and/or with the latter's instructions, as well as to allow the Principal to check the stocks.

7. RELIABILITY, QUALITY AND CHECKS

7.1 Unless otherwise agreed in writing when the study and/or adaptation and/or supply of the part is proposed or accepted by the Supplier and unless the part is produced by the Supplier in accordance with the technical and technological

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documentation available from the Principal, the Supplier undertakes to carry out and/or have carried out all the tests and/or controls necessary to establish the reliability and suitability of the part for the intended use and its compliance with the Italian and foreign legal requirements indicated or not by the Principal.

The results of the above checks and tests shall not bind the Principal, who reserves the right to approve the supply at its sole discretion.

The Supplier is authorized to start the series production only after having received the supply approval from the Principal on the first samples.

In any case, it is understood that, unless otherwise agreed in advance and in writing, any approval by the Principal's technical bodies and/or the Principal's approval of the supply shall not exonerate or diminish the Supplier's responsibility or guarantees.

The Supplier undertakes to put in place and maintain suitable production and control means and processes to ensure that the parts supplied are at all times reliable, of adequate quality and conform with the Principal's technical requirements (drawings, standards, specifications, tables, approved and/or deposited samples, etc.).

Without prejudice to the responsibilities and obligations deriving from point 7.1 above, the Supplier undertakes to comply with the provisions contained in procedure **IP_09.01 "Quality Agreement"** (in latest revision), which the Supplier declares to have read and accept, and also undertakes to grant access to the personnel delegated by the Principal to carry out inspections and checks on the processing and/or testing methods implemented.

The Supplier undertakes to issue a quality certificate with which it certifies that the parts sent to the Principal have been adequately tested and that following such testing they have been found suitable.

Each lot of parts sent to the Principal must be accompanied by the relevant Quality Certificate (e.g. PPAP) at the beginning of the supply and whenever requested by the Principal, failing which the Principal shall have the right to reject the goods.

No changes may be made by the Supplier in the production of the part except with the written consent of the Principal. The Supplier is obliged to inform the Principal of technical innovations that are likely to improve the quality and/or characteristics of the part ordered, as well as technological innovations that may affect the quality of the part.

In the event that the part ordered is subject to Italian and/or foreign laws concerning safety and the environment, the Supplier is required to prepare specific documentation relating to type-approval and production processes, which shows among other things how, by whom and with what results the characteristics concerned have been tested.

This documentation must be kept by the Supplier for at least 15 years and must be delivered to the Principal upon request.


Furthermore, since the Principal is obliged to allow the competent authorities to carry out checks and inspections on the production and testing methods and on the testing documentation, the Supplier declares its willingness to allow similar checks and inspections also at its own premises.

The Supplier shall impose similar obligations on its sub-suppliers.

8. PACKAGING, DELIVERY AND DELIVERY TIMES

- 8.1** The marking, packaging, labelling, identification, shipping and transport of the ordered parts must be carried out in accordance with the instructions provided by the Principal. The Supplier shall be liable to pay compensation for damages resulting from any delay, loss or damage due to deficiencies in marking, packaging, labelling, identification, shipping, or failure to comply with the above instructions.
- 8.2** Unless otherwise agreed, the checks for compliance with the delivery terms and the transfer of the risk related to the goods from the Supplier to the Principal shall take place upon delivery of the goods at the warehouses and/or plants of destination.

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8.3 Within the framework of the planning method that will be communicated by the Principal or in the presence of agreed delivery terms or programmes, the delivery terms and programmes are mandatory and essential and with respect to them, neither delays nor early deliveries are permitted.
The Principal shall be entitled to return deliveries received before the agreed date at the expense and risk of the Supplier or to charge the Supplier for storage costs.
In the event of delays in delivery not due to force majeure, the Principal shall have one or more of the following options at its discretion:

- a. demand the execution of the order, in whole or in part, and apply a penalty equal - unless otherwise agreed - to 0.50% of the price of the quantities not delivered within the agreed term, for each day of delay up to a maximum of 10% of the value of such supply.
- b. to supply elsewhere and at any time, in whole or in part, the parts ordered, at the expense and risk of the Supplier, with the exclusive obligation of notifying the Supplier.
- c. terminate, with immediate effect, the order with full right pursuant to and for the purposes of Article 1456 of the Italian Civil Code, by simple communication to the Supplier
This is without prejudice, in any event, to the right to compensation for the additional damage actually suffered.

The Supplier is obliged to keep in its warehouses the stocks of parts necessary to ensure the continuity of supplies according to schedule.

The stocks consisting of the tested goods, appropriately rotated, must be arranged in such a way as to facilitate the identification and control of the quantities by the Principal's agents.

In the event that the Supplier, in relation to objective impediments, foresees difficulties in complying with the delivery terms, it shall immediately inform the Principal, who may authorise it to draw the necessary quantities from the stocks, subject to prompt reinstatement once the emergency has ceased.

Periodically, the Principal shall notify the Supplier of the amount of stocks for each type of part, it being understood that, in relation to the parts for which nothing is communicated, the related safety stocks shall be as a minimum equivalent to 50% of the monthly requirement indicated in the supply programmes (average value for the current quarter).

In the event of non-compliance, a penalty of 20% of the value of the missing stock shall apply to the Supplier.

In the event that the execution of the Order is prevented by the occurrence of proven circumstances of force majeure, the delivery terms shall be deemed extended and the new deadline shall be established by mutual agreement between the Parties in consideration of the impediment, provided that the Supplier has promptly informed the Principal by certified mail of the occurrence of the circumstances of force majeure and has taken all appropriate measures to limit their effects. The circumstances of force majeure cannot be invoked if they arise after the expiry of the agreed delivery period.

It is also specified that in no case will delays of sub-suppliers be considered a cause of force majeure.

If the circumstances of force majeure result in a delay in delivery of more than 20 days, or in a shorter delay but incompatible with the production requirements of the Principal, the latter shall have the right to terminate the Order, in whole or in part, at any time, by simple written notice to the Supplier.


The Principal's liability is excluded in the event of strikes, fires, picketing or other circumstances beyond the Principal's control that prevent the receipt of the delivery or result in a reduction in the requirements of the parts ordered.

9. ACCEPTANCE AND WARRANTY

9.1 The mere delivery or payment of the goods shall in no case be considered as tacit acceptance of the goods, which shall be carried out by the competent departments of the Principal in the manner indicated below in this paragraph.

9.2 The Supplier may send its own personnel to the Principal's premises, subject to agreement with the latter, to inspect the means and procedures used in the reception control and acceptance test.
The Supplier guarantees conformity, both with what has been agreed and with what has been declared on the delivery notes. In the event that, at the time of the receipt check, the quantity of the goods delivered proves to be non-compliant with what had been agreed, the Principal shall have one or more of the following options at its discretion:

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- a. accept the quantitative differences found, with the right to modify the quantities of any subsequent deliveries accordingly;
- b. except for any tolerance limits previously agreed upon in writing, reject the part of the supply that is in excess, with the right, if the Supplier does not provide for immediate withdrawal, to return the excess at the risk and expense of the Supplier or charge the same for stock and storage costs;
- c. obtain that the Supplier immediately sends the missing part of the supply, it being understood that any greater burden or expense for the immediate integration of the shortfall will be borne by the Supplier.

In the event that at the time of the receipt check it is found that there is a quantitative non-conformity with respect to what was declared in the delivery note, the Principal, in addition to the above, may apply a 10% penalty to the Supplier on the value of the missing parts.

The Principal's claims for the exercise of the rights provided for in this Article must be communicated to the Supplier within 90 days from the date of delivery of the lot concerned.

9.3 The Supplier guarantees the supplied parts free of defects and non-conformities with the agreement and with any legal prescriptions pointed out by the Principal and ascertained at any time, before or after the use of the part in production, during or after installation on the product as well as after the use of the product or after the marketing of the parts supplied as spare parts or as loose parts and until the expiry of the warranty period offered by the Principal to its customers in the various markets.

This shall be done in accordance with the procedures described below in this Article 9.3.

9.3.1 If the defect or non-conformity is detected in the period between the delivery of the part and the removal of the part or product on which the part was used from the production site, the Principal shall be entitled to:


- a. obtain, at the Supplier's expense, the immediate replacement of the parts concerned or of the entire batch of which they are part when the agreed tolerance percentage is exceeded;
- b. reject the parts concerned or, when the agreed tolerance percentage is exceeded, the entire lot of which they are part, at the expense and risk of the Supplier, without requesting replacement when it is of no use to the Principal;
- c. request that the Supplier provide at its own expense for the selection of defective parts or make such selection at the expense and risk of the Supplier if the latter has not done so within the period requested by the Principal or in the cases agreed with the Supplier;
- d. Recover through additional work and at the expense and risk of the Supplier, the parts concerned in cases of urgency or in cases where the Supplier is unable to provide for immediate replacement or in cases agreed with the Supplier.

The Principal's claims for the exercise of the aforementioned rights must be communicated to the Supplier within 9 months from the date of delivery of the parts concerned.

For defects and non-conformities detected during the period between leaving the production plant of the product on which the part is mounted (or, where applicable, after the sale of the part or product as a spare part or as a loose part) and the expiry of the warranty given by the Principal to the customer, the Principal shall have the following options:

- a. request the prompt replacement, free of charge, of the defective parts, at the Supplier's expense, it being understood that, in the event that the Supplier has not done so within 45 days of the Principal's request, the latter shall have the right to charge the Supplier for the first supply price of the aforementioned defective parts, in force at that time, increased by 3%;
- b. repair the defective parts, charging the Supplier for the cost;
- c. to charge the Supplier for the value of the defective parts at the price in force at that time, if the replacement referred to in paragraph (a) is not useful for the Principal because of the cessation of use of the part in the production of the parts;

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- d. with regard to the parts for which so indicated in the Order, to charge the Supplier for the value of the defective or non-conforming parts on the basis of the joint examination of samples collected by the Principal, according to a method separately communicated to the supplier; the aforesaid value must be calculated at the first supply price in force at the time of the charge increased by 3% (except for any higher rate agreed between the parties) and it is also understood that in the event that the Supplier, invited by the Principal for the joint examination, does not appear within the set term, the Principal shall have the right to charge on the basis of the quantities of parts presumed to be defective through the sample examination carried out in the absence of the Supplier.

In each of the cases referred to in letters (a), (b), (c), (d) above, the Supplier shall be charged for the cost of the disassembly and assembly operations necessary to eliminate the defect.

In order to exercise the rights referred to in letters (a), (b), (c), the Principal's complaints must be submitted to the Supplier within 6 months from the date on which the defect is ascertained; the Supplier undertakes to carry out the requested interventions on the basis of the aforesaid complaints, reserving the right to check, at its own expense, the validity of said complaints at the premises indicated by the Principal.

If the material for the production of the defective part has been supplied to the Supplier by the Principal, the following shall apply:

- a. if it concerns a defect in the material supplied by the Principal which cannot be detected by the Supplier on the basis of the agreed testing standards or, in the absence of such standards, on the basis of the Supplier's testing standards, the guarantee obligations of this paragraph shall not apply;
- b. if it is a defect in the material that is not hidden or in any case is detectable on the basis of the above mentioned standards, the warranty obligations of this paragraph shall apply, it being understood, however, that the Supplier shall be due, instead of the price of the part, the compensation established for processing in force at the time of the charge, increased by 3%;
- c. if the defect is due to processing, the warranty obligations of this paragraph shall apply in full.

The Supplier undertakes not to place on the market and scrap the defective or non-conforming parts returned by the Principal and for which recovery for the Principal through additional work has not been agreed upon, the Principal having the right to inspect and check such obligation.

Subject to agreement with the supplier on the methods of implementation, the Principal may directly carry out the said scrapping and this on behalf and at the expense of the Supplier.

With the exception of the parts being industrial property of the Principal, the Supplier guarantees that the production, use and marketing of the parts it supplied, do not entail the counterfeiting of third party industrial property rights, both in Italy and abroad, and assumes the responsibility of promptly defining any third party claims and keeping the Principal free of such claims and protected against any action aimed at preventing the free production, sale or marketing.


In the event that the Principal is sued for civil liability (including product liability) or contractual liability, or is accused of violating legal requirements (safety, pollution, etc.) as a result of the defectiveness, non-conformity or unreliability of the parts supplied, the Supplier shall be obliged to indemnify the Principal and to compensate it for any damages it suffered. The Principal is obliged to inform the Supplier as soon as it is informed that the violation of the standard or the claim for its liability is based on the defectiveness, non-conformity or unreliability of the part supplied by the Supplier.

Unless otherwise agreed in writing when the supply of the part is proposed or accepted by the Supplier, in the event that the Principal carries out a recall or restoration campaign of its products in order to replace or repair parts that have proved to be defective or unreliable or do not comply with legal requirements notified by the Principal and even if the defect or unreliability or non-conformity is revealed after the expiry of the warranty, the Supplier shall be obliged to supply free of charge and without charge to the Principal the parts and details necessary to carry out the recall or restoration campaign and shall reimburse the Principal for the cost of disassembly and assembly operations.

10. PRICES

The prices indicated in the Order are fixed and cannot be overhauled: therefore, variations on the basis of any cost increase are excluded, unless otherwise specifically agreed in writing between the Parties.

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Any price increase due to construction changes must be notified in advance by the Supplier and, in any case, will be considered valid and binding for the Principal only if previously accepted in writing by the latter.

11. INVOICES, DELIVERY NOTES AND PAYMENTS

Invoices must show the references of the parts related to a single Order, unless otherwise agreed in writing between the Parties, subject to the same VAT rate.

On invoices must be indicated:

- ✚ the Order number, the Supplier's Personal Code, the Supplier's Tax Identification Code, the delivery note number and the Principal's Drawing or Symbol number;
- ✚ the listing of parts in the progression of the delivery notes;
- ✚ the unit of measurement.

The unit of measurement, both on the invoice and on the delivery note, must be the one indicated on the Order and in particular cases where this is not possible, the quantity in the two units of measurement and the relationship between them must be clearly indicated (Example: meters x equal to Kg. y).

The parts sent must always be accompanied by the delivery note in the number of copies requested by the Principal. The delivery note must contain the following information: name of the Supplier, serial number/drawing or symbol of the Principal, Supplier's Personal Code number, part name, date of shipment, number and date of the Order, number of the warehouse of destination, quantity of the lot shipped, number of packages and any other information requested by the Principal.

The Principal shall make the payment, in the manner and within the terms agreed, subject to receipt of the documents and approvals, duly completed, provided for the delivery product.

The Supplier cannot under any circumstances assign the credit deriving from the execution of the Contract without prior written authorization from the Customer.

In the event that, on one or more lots of parts supplied, a percentage of defective or non-conforming parts is found to be significantly higher than the agreed tolerance limit, the Principal shall have the right to suspend the payment of an amount equal to the price of the lot concerned from the total amount of payments due to the Supplier at that time, until the Supplier has delivered the parts or the replacement lot.

12. ATTACHMENTS

attachments				
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- NN -	- NN -	- NN -	- NN -	- NN -

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