

SKF General Conditions of Purchase

VALID FROM 2010-03-01

These conditions of purchase shall apply in full unless otherwise agreed in writing.

1. Definitions

- 1.1 "SKF" shall mean any company within the SKF Group of companies purchasing products under these General Conditions.
- 1.2 "Supplier" shall mean any company delivering products to SKF under these General Conditions.
- 1.3 "Agreement" shall mean any agreement between SKF and the Supplier related to the sale and purchase of any products. These General Conditions and the SKF Quality Standards for Suppliers (as defined below) form an integral part of the Agreement.
- 1.4 "Products" shall mean any products and services purchased by SKF under these General conditions.
- 1.5 "Defective Products" shall mean Products that are not in accordance with technical and other specifications specified or otherwise established by SKF or are not fit for the purpose intended. In the absence of documented SKF requirements, "Defective Products" shall mean Products that are not in accordance with approved sample deliveries of the Products or where no samples are delivered, do not conform to generally accepted industry standards.
- 1.6 "SKF Quality Standard for Suppliers" shall mean the quality requirements issued by SKF Group Purchasing.

2. Inspection of production

- 2.1 SKF shall have the right to inspect the Supplier's production, take samples and carry out other necessary investigations on the Supplier's premises.
- 2.2 It is the Supplier's responsibility to see to it that SKF can exert its right according to clause 2.1 even in cases where production is assigned, partially or entirely, to another company.

3. Quality, Ethical and Environmental, Health & Safety requirements

- 3.1 The Supplier shall comply with the SKF Quality Standards for Suppliers, which implies adoption of the principles of the SKF Code of Conduct, of the SKF Code of Conduct for suppliers and sub-contractors and of SKF's Environmental, Health & Safety (EHS) policy (<http://www.skf.com>) and shall ensure that any Sub-Contractor approved by SKF under Clause 6 of these General Conditions, is legally bound to a similar compliance obligation. The Products shall be in accordance with technical and other specifications specified or otherwise established by SKF. All specifications will be considered to require that each Product must be new when delivered to SKF, unless the applicable specifications expressly permit the delivery of used, reconditioned or remanufactured Product. SKF may refuse to accept any Products that do not conform to all applicable specifications, in which case the Products will not be considered to have been delivered by the Supplier.
- 3.2 After SKF has approved sample deliveries and respective specifications, if so provided, of the Products, the Supplier is not allowed to change the function, appearance, properties, material, or place of production of the Products, without the prior written consent of SKF.
- 3.3 SKF's approval of Products shall not affect the Supplier's liability under the Agreement.
- 3.4 The Supplier shall notify SKF forthwith of any known or apprehended Defective Products. SKF shall notify the Supplier of any Defective Products within 6 months after the Defective Products have been detected by SKF.
- 3.5 If, on account of Defective Products, SKF deems it necessary to carry out an inspection of any or all Products delivered, this shall be effectuated, after consultation with the Supplier, at the Supplier's expense. The Supplier shall compensate SKF for the cost of such inspection.
- 3.6 The Supplier shall, immediately upon SKF's request, replace or rectify Defective Products free of charge or, if SKF so wishes, compensate SKF for the value of such Defective Products or for the costs of their rectification. In addition, the Supplier shall compensate SKF for all costs, damages and losses incurred by SKF as a result of the Defective Products.
- 3.7 If Defective Products have been incorporated in SKF products that have been delivered to SKF customers, SKF shall have the right to recall the SKF products concerned, at the expense of the Supplier.
- 3.8 The Supplier shall indemnify SKF for freight charges with respect to Defective Products (including those related to Defective Products incorporated in SKF products) and, if the Defective Products are

- 3.9 returned to the Supplier, the freight charges for returned Defective Products. All transport of the Defective Products in conjunction with rectification of defects shall be at the Supplier's account and risk.
- 3.9 The Supplier's obligations under clause 3.5-3.8 above shall expire two (2) years after the SKF products, in which the Defective Products have been incorporated, have been delivered to any SKF customer outside the SKF Group. The period of time under which the obligations shall exist shall however, not exceed three (3) years from delivery of the Defective Products to SKF.¹ The time limitations in this clause shall not affect the Supplier's product liability under clause 10 below.
- 3.10 When a Defective Product has been remedied, the Supplier shall be liable for defects in the replaced or repaired Product under the same terms and conditions as those applicable to the original Product.

4. Technical modifications

- SKF reserves the right, after the order has been placed, to modify the agreed product specification. Any such modification shall be confirmed in writing. Any difference in price and/or delivery date resulting from such modifications is to be subject to mutual agreement and must be confirmed in writing.

5. Terms of delivery

- 5.1 Delivery clauses shall be construed in accordance with the latest version of "INCOTERMS". If no delivery term is specifically agreed, the delivery shall be "DDP".
- 5.2 Deliveries shall be made in accordance with agreed delivery dates.
- 5.3 SKF does not accept any responsibility for Products supplied in quantities exceeding those agreed upon or delivered before the agreed date. Such Products may be returned to the Supplier at the Supplier's expense. The risk of loss for such Products shall be borne by the Supplier.
- 5.4 The Supplier shall forthwith notify SKF in writing of any known or apprehended events that may result in a breach of the agreed delivery date and advise SKF as soon as possible thereafter when delivery can be expected.
- 5.5 The Supplier shall have to pay for any extra freight charges incurred in ensuring that delayed deliveries reach SKF on time.
- 5.6 The Supplier shall compensate SKF for all costs, damages and losses incurred by SKF as a result of late delivery.

6. Sub-Contractors

- Supplier's use of a sub-contractor shall require SKF's prior written approval. Such use will not relieve Supplier from the responsibility for ensuring that the provisions of the Agreement are complied with.

7. Intellectual Property Rights

- 7.1 The Supplier represents and warrants that the Products do not infringe any Intellectual Property Right of any third party. The Supplier shall indemnify SKF for all costs arising out or relating to the Products and/or the incorporation of the Products in the final products sold by SKF or by any customer of SKF, if such Products infringe the Intellectual Property Right of a third party. The Supplier shall assist SKF and, if so requested by SKF, shall defend SKF, at the Supplier's expense, in disputes in which SKF is involved as a consequence of said infringement.
- 7.2 In the event the Supplier prepares for SKF notes, reports, data, and any other information regardless of the media of expression (collectively, "Material"), these shall be deemed to be works for hire and shall belong exclusively to SKF. If by operation of law any of the Material is not work made for hire, then the Supplier hereby assigns to SKF the ownership of such Material including all copyrights thereto. The Supplier will not use any Material prepared for SKF without first obtaining the written consent of SKF.
- 7.3 In the event the Supplier makes an improvement to any SKF product, SKF shall be entitled to full ownership of any such improvements conceived or first actually reduced to practice by Supplier during the performance of the order. The Supplier agrees to promptly disclose any such improvements and hereby assigns to SKF all intellectual property rights thereto. The Supplier further agrees to provide reasonable assistance to SKF, at SKF's expense, for securing all intellectual property rights pursuant to Sections 7.2 and 7.3.



8. Tooling

- 8.1 Special tools and equipment provided by the Supplier to be used in fulfillment of the Agreement, shall, when wholly or partly paid by SKF, become the property of SKF ("Tooling").
- 8.2 The Supplier shall mark the Tooling with a clear reference that the tooling is SKF's property. The Supplier shall not, without the prior written consent of SKF, surrender Tooling to third parties and shall not be entitled to manufacture with the Tooling any products, other than the Products for SKF. The Supplier's responsibilities include taking care of repairs, storage, servicing and insurance related to the maintenance of the Tooling.

9. Termination

- 9.1 A party may terminate the Agreement by written notice forthwith and without any liability for compensation, if the other Party becomes insolvent, has a receiver or administrator appointed for its assets, or if a petition for bankruptcy is filed by that Party itself or if other bankruptcy proceedings are commenced.
- 9.2 When Products are delivered after the agreed-upon delivery time or when Defective Products are not rectified or replaced within reasonable time, without limitation of SKF's other rights, SKF has the right to terminate the Agreement in full or in part.
- 9.3 If the Supplier fails to fulfill his obligations under the Agreement, SKF shall have the right to terminate the Agreement forthwith.

10. Product liability and insurance

To the extent that SKF might incur product liability itself or towards any third party, the Supplier shall indemnify SKF as far as the damage or SKF's liability is due to Defective Products. The Supplier shall provide evidence of a business and product liability insurance, at an insured level which is adequate having regard to the business impact for SKF when purchasing the Products and must maintain such insurance with regard to the risks covered and the amount of coverage for the term of the Agreement. Such insurance shall also cover the actions of a subcontractor or subsupplier that the Supplier may utilize under this Agreement.

11. Confidentiality

- 11.1 Designs, samples, tools, drawings, plans, programs or other information provided by one party to the other party must not be used by the receiving party for any other purpose than the fulfillment of the Agreement and must not be reproduced or disclosed to a third party without the prior written permission from the disclosing party.
- 11.2 When requested by the disclosing party, the receiving party shall return all documentation and computer readable data, copies included, as received from the disclosing party. Copies made by either party or on behalf of either party shall be destroyed forthwith.
- 11.3 The Supplier shall not advertise or publicize in any way, without the prior written permission from SKF, the fact that he supplies, or has been contracted to supply, Products to SKF. Further, the Supplier shall not use any SKF name, logo, trademark, or other identifying characteristic without SKF's prior written approval.
- 11.4 Designs, samples, drawing, plans and programs ordered by SKF are SKF's property.
- 11.5 On delivery, the Supplier shall provide SKF free of charge with the agreed number, or at least one copy, of documents and drawings that are sufficiently detailed to enable SKF to carry out assembly, starting up, running and maintenance of the Products.

12. Laws and regulations

Supplier shall comply with all relevant laws and regulations.

13. Payment

- 13.1 Unless otherwise agreed in writing, payment shall be made within sixty (60) days from the date of receipt of the invoice. Payment shall never be made before the Product has been delivered.
- 13.2 Reception of payment shall not affect SKF's rights under the Agreement.
- 13.3 SKF shall not accept additional charges, such as service fees, late payment fees, or invoicing charges.

14. Force majeure

- 14.1 Neither of the parties shall be bound by any undertakings which it is prevented from fulfilling by force majeure such as industrial disputes, third party strikes and lockouts, riots, insurrection, fire, flood, war, confiscation, or if competition is prevented by governmental intervention or regulations or other circumstances beyond the control of the party and which the party could not reasonably be expected to have anticipated at the time of the purchase, and the consequences of which the party could not reasonably have avoided or overcome.
- 14.2 If, for any of the above reasons, the delivery delays, exceed or is estimated to exceed six (6) months, the parties are free to annul that part of the Agreement relating to the delayed delivery or non-delivery without incurring any liability with respect to the other party.
- 14.3 If a party wishes to refer to force majeure, he is obliged to notify the other party forthwith of the arising and ceasing thereof.

15. Arbitration

- 15.1 Any dispute, controversy or claim arising out of or in connection with the Agreement, or breach, termination or invalidity thereof, shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force. The number of arbitrators shall be three and at least the chairman shall be from the country in which the proceeding shall take place. The appointing authority shall be the International Chamber of Commerce in Paris.
- 15.2 The place of arbitration shall be the capital city of the country in which the SKF purchasing company has its principle place of business. The arbitration proceedings shall, unless otherwise agreed, be held in the English language.

16. Applicable law

The Agreement shall be governed by the law of the country in which the purchasing SKF company has its principle place of business, notwithstanding its conflict of laws rules. The United Nations Convention for the International Sale of Goods (CISG) of April 11, 1980 shall not be applicable.

¹ Note to Clause 3.9:

In the event German Civil Code is applicable, §478, 479 BGB shall remain unaffected.