

ETN024 EN December 2014	ETO Terms and Conditions of Delivery for devices	 JOINTLY INNOVATIVE
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Preamble

The ETO Group is a global company specializing in the production of pneumatic and hydraulic actuators and sensors (e.g. magnets, valves, pressure sensors) and primarily supplies the vehicle technology and industrial supplies markets. The components produced and distributed by the ETO Group enjoy an outstanding reputation worldwide, which can be attributed to its innovative technology, the consistently high quality of its products and the recognized high level of reliability of the company's performance. The continuous research and development of products as well as the constant optimization of the cost-benefit effect are also critically important.

The supplier is a company specializing in its field of business, which has high standards for the quality of its products that are comparable with those of the ETO Group.

To meet the supply requirements of ETO for devices, in particular with regard to project cooperation, project deadline monitoring and acceptance criteria, a joint understanding of these aspects is essential.

Subject to the foregoing, the parties agree the following Terms and Conditions of Delivery for Devices (hereinafter referred to as "Contract"):

1 Purpose and scope of application

ETO's Terms and Conditions of Delivery for Devices regulates the technical and commercial terms and conditions of delivery for devices as a binding document. It forms the basis for any enquiries or orders made by ETO.

Devices are works produced by the supplier according to ETO's instructions (e.g. ETO Performance Specifications and ETO Regulations for Devices) and used by ETO as production resources. These include, for example, assembly systems, test stands, machinery, handling equipment and tools for in-house production.

Any conflicting or differing terms and conditions of delivery or other terms and conditions of the supplier, such as general terms and conditions of business, do not apply unless ETO has expressly approved the applicability thereof in writing. The unconditional acceptance of the delivery by ETO in the knowledge of conflicting or differing terms and conditions of delivery of the supplier also does not constitute consent to their application.

ETO's Terms and Conditions of Delivery also apply to repairs, modifications, conversions or the overhaul of devices.

The provisions of this contract apply to the procurement of devices of the supplier by ETO and by all companies affiliated to ETO within the meaning of section 15 of the German Stock Corporation Act (AktG) (hereinafter referred to collectively as "ETO").

Each of the parties confirms that they are authorized to conclude this contract.

This contract replaces previous ETO terms and conditions of delivery for devices. If ETO terms and conditions of delivery for devices have already been previously agreed between the contracting parties in accordance therewith, they shall lapse upon the effective conclusion of this contract.

2 Change history

Issue	Change Description
December 2014	Translation of the German version December 2014

3 Standards and regulations

EC Machinery Directive 2006/42/EC shall apply.

The supplier is responsible for ensuring the safe functioning of the mechanical equipment and for compliance with the standards and guidelines which apply at the time of operational acceptance.

The supplier shall ensure that it has them available. ETO Regulations for Devices can be requested from ETO's purchasing department or can be accessed on the internet (www.etogroup.com) under the section Download/Supplier Documents.

If the operator of the supplied product (ETO) has a monitoring obligation under the statutory provisions, the supplier must inform ETO thereof.

If components of the supplied product are subject to monitoring under the statutory provisions, the supplier must inform ETO thereof.

4 Enquiry, offer

4.1 Enquiry

ETO shall make the following project-related documents available to the manufacturer:

- Performance specifications with all the performance data, requirements and application including the planned deadlines.
- Production/assembly details and/or peculiarities shall be documented in the performance specifications and/or on the basis of attached drawings.

The enquiry documents shall be considered trade secrets and treated with the appropriate confidentiality. ETO reserves the right of ownership and copyright to these documents. Information in a verbal form which ETO makes available to the supplier for enquiries about and, if applicable, for processing the order shall be treated in confidence.

4.2 Offer

The requirements and wishes contained in the enquiry must be implemented by the supplier in accordance with the valid EC Machinery Directive.

The supplier is responsible for ensuring the safe functioning of the equipment and for compliance with the standards and guidelines which apply at the time of operational acceptance.

The EC Declaration of Conformity and/or the EC Declaration of Incorporation is an integral part of the supplied product.

Deviations from the ETO Regulations for Devices and other requirements must be justified insofar as they can already be seen during the offering stage.

In general, unless otherwise requested in the enquiry, each machine must be offered in full working order, i.e. with all the accessories including all the protective devices and all the necessary auxiliary equipment required to carry out the relevant task.

The type of envisaged control, e.g. program and sequence control and the applicable control systems (mechanical, pneumatic, hydraulic, electrical, electronic or their combined modes of operation), must be described adequately.

4.2.1 Offer structure

The offer must be clearly broken down into:

- Ready-for-operation basic machine or production facilities without special equipment, priced according to the individual
 - Work operations/process sequences
 - Construction and development costs for: mechanics/control technology/testing systems/simulations
 - Material costs for: mechanics/control technology/testing systems, dividing machines, conveyors
- Documentation costs
- Special devices
- Devices for workpiece handling (workpiece carriers)

- Offer for maintenance and repair accessories
- Offer for all spare parts and wear parts
- Induction and training
- Packaging suitable for the means of transport and the transport route
- Transport and insurance
- Assembly and start-up of the machine/system in the place prepared by ETO
- Provision of support for the start of production must be listed as an optional extra
- Quantification of service costs
- Energy consumption value (for standard machines)

On-site requirements of the supplier vis-à-vis ETO must be specified in the offer (e.g. specifications such as the necessary pressure level: 6bar, foundations, floor load capacity/type of floor, ...); the size of the unit and the machine weight must be stated. The supplier shall also comment on the required process capabilities in the offer.

5 Order processing

The contracting parties are agreed that any changes after the contract has been awarded must be agreed and documented in writing. Should agreements concluded verbally not have been agreed afterwards in writing between the parties prior to implementation of the agreement, they shall have no binding force.

5.1 Documents to be supplied after the order has been placed

To evaluate the planned performance (concept discussion) the supplier shall present ETO with a corresponding

- Project timetable
- Detailed system design with analyses of:
 - Cycle time per station,
 - Changeover time,
 - Tolerance analyses for fulfillment of machine capability and analyses of functional reliability

The supplier shall prepare a detailed project timetable taking into account the end date required by ETO and send it to ETO no later than 4 weeks after order acceptance.

Approval of the concept by ETO only applies to the basic performance and does not release the supplier from responsibility for ensuring the appropriate and current state of technology, construction in line with environmental and safety technology and proper functioning. The supplier shall act as the general contractor.

5.2 Design modifications

If the offer is not based on any final documentation, a number of technical details may still have to be clarified between the supplier and ETO after order confirmation. All such subsequent changes by ETO or the supplier are subject to a written, mutual agreement and, if necessary, a supplementary order. ETO or the supplier must then immediately replace the obsolete version with the corrected technical documents. Receipt of the new corrected design documentation must be confirmed in writing.

5.3 Monitoring deadlines

The supplier shall supply ETO with status reports on the progress of the project every 4 weeks of its own accord. ETO is entitled to satisfy itself about the progress of the work, the quality of the materials used and compliance with the regulations for the devices during the planning, design, manufacture and installation of the machine at all times at the supplier's premises through measures which it deems appropriate.

5.4 Trial workpieces

The supplier must request order-specific workpieces, tools, inspection gauges, etc. in good time from ETO. The agreed number of units of the last processed workpieces including the relevant measuring reports shall be surrendered to ETO for inspection. All materials and items provided by ETO shall be returned upon delivery of the devices, whereby in terms of the processed parts a distinction shall be made between the good and reject parts through labeling.

6 Acceptances

The equipment and machinery to be accepted must meet the requirements of the European market (EC Machinery Directive) and be furnished accordingly with the CE symbol.

Acceptance shall be carried out on a sufficient number of workpieces in accordance with the requirements of the regulations for the devices/the performance specifications. The supplier is obliged to work through the acceptance checklists and hand them over to ETO for preliminary acceptance.

- TP-106-Checklist Equipment Acceptance Mechanical Engineering
- TP-107-Checklist Equipment Acceptance Electrical Engineering
- TP-108-Checklist Equipment Acceptance Control Engineering
- TP-109-Checklist Equipment Acceptance Electronic Data Processing
- TP-111-Checklist Equipment Acceptance Design Discussion
- TP-112-Checklist Equipment Acceptance Injection Tool

The acceptance documents are logged and signed by the respective ETO and supplier representatives.

Acceptance takes place in 4 stages:

1. Design discussion
2. Preliminary acceptance with verification of process capability at the supplier's premises
3. Operational acceptance at ETO's premises
4. Final acceptance at ETO's premises after several weeks of operating the equipment in production

All acceptances are documented by means of an acceptance report:

- TP-110-Checklist Equipment Acceptance Pre-Operation Acceptance

6.1 Design discussion

Special designs require basic approval from ETO prior to manufacture. For this, the supplier shall present the design and, if applicable, a simulation. A minuted design discussion shall take place with the supplier at ETO's premises.

Should any changes arise during the detailing phase or during installation for design or manufacturing reasons, they will require renewed approval from ETO.

Design approval only applies to the basic design and does not in any way release the manufacturer from its overall responsibility.

6.2 Preliminary acceptance at the supplier's premises

Essentially preliminary acceptance shall be carried out at the supplier's premises in four stages, unless otherwise agreed in the order.

1. Inspection of the services agreed in the performance/technical specifications

Testing of the supplied product to ensure that it conforms to the order and complies with the superordinate standards and requirements and ETO requirements for devices, e.g.:

- Risk assessment, proof for carrying out the conformity assessment procedure
- Ergonomics
- Environmental protection
- Noise emission
- Completeness and up-to-dateness of the technical documents to be supplied
- EC Certificate of Conformity

2. Preliminary acceptance according to the acceptance checklists
3. Inspections/proof of process capability

The process capability of the devices is proven by the supplier in accordance with the performance specifications and the requirements for devices.

4. Service cycle over one shift to determine the output/availability

The degree of compliance of the supplied product, e.g. based on the criteria of cycle time, down time and service life of wear parts, as defined in the performance specifications.

The supplier is obliged to ask ETO to carry out the preliminary acceptance in good time in writing.

Neither the presence of ETO's representatives nor the granting of dispatch approval will release the supplier from its obligations with respect to liability and warranty, as preliminary acceptance is not acceptance in the legal sense. Any defects that become evident during the preliminary acceptance shall be rectified prior to delivery by the supplier. Should any serious differences or difficulties arise, the preliminary acceptance will be aborted by ETO and a new date will be set at short notice. The supplier shall bear the costs incurred by ETO for a new preliminary acceptance.

If the preliminary acceptance is carried out with representatives of ETO, the supplier shall provide all the necessary materials for the preliminary acceptance free of charge. The necessary series of measurements shall be carried out by the supplier.

After working through all the outstanding points on the preliminary acceptance report readiness for dispatch shall be declared by the supplier. ETO shall grant approval for dispatch (possibly under certain conditions).

6.3 Operational acceptance at ETO's premises

Operational acceptance of the machine shall be carried out at the installation site at ETO's factory after start-up. Operational acceptance shall only be deemed completed if all the requirements from the performance specifications, the requirements for devices and the plan of measures from the preliminary acceptance have been met by the supplier.

6.4 Final acceptance

Final acceptance shall take place after the equipment has been in operation at the production facility for several weeks. In this case, the required technical availability and the provisional process capability must be fulfilled.

7 Delivery

7.1 Packaging

The packaging units must be clearly labeled by the supplier and the contents must match the corresponding breakdown of the detailed delivery list and shall be surrendered to the client once they are ready for dispatch. The manufacturer must ensure that the packaging is professional and fit for purpose and will guarantee safe transport to ETO. The type of preservation shall be agreed with ETO (e.g. sea or air freight).

Liquids must be properly secured for transport. In the case of systems and devices oils and coolants must be drained off. The manufacturer shall comply with the regulations that apply to the treatment of wood packaging when exporting to certain countries.

7.2 Delivery, Incoterms

The items will be delivered in sealed containers; part and supplementary deliveries, particularly of accessories, are not permitted unless otherwise expressly agreed in the contract between the supplier and ETO. The exact day of dispatch and the mode of transport and type of packaging (loose, in boxes, covered with tarpaulins) shall be stated at least 8 days in advance so that ETO has time to prepare for acceptance. Loaned packaging (boxes, tarpaulins) shall be clearly labeled accordingly. Transport to the place of installation within the works premises will be arranged by ETO (in line with the supplier's transport instructions) and carried out by a specialist transport company if necessary. The residual technical documents shall be handed over to ETO on delivery of the machine according to the order.

The version of Incoterms that was valid on conclusion of the contract shall apply for interpreting the trade terms. Unless otherwise shown in the order, the DDP (delivery duty paid) delivery terms pursuant to

Incoterms 2010 shall be deemed as agreed. If the destination is not stated, the registered office of ETO shall be deemed to be the final destination.

For suppliers outside the EU the carrier chosen by the supplier shall be approved by ETO. Should the supplier not have obtained permission from ETO and problems occur with payment of the import turnover tax to the competent tax authority when crossing the border, the supplier shall be fully liable for any damage which ETO incurs as a result.

7.3 Assembly and installation

The supplier shall arrange for and carry out the assembly and alignment of the machine and/or the individual parts and units according to the installation instructions and according to the dimensions in the supplier's machine layout.

The power connections will be installed at a central connection point by ETO, whereby the fittings required to operate the machine (valves, filters, etc.) in the connecting lead are provided as standard by the supplier.

8 Delays

If the supplier realizes that it will not be able to meet the agreed deadlines, it shall inform ETO without delay. The obligation to meet the agreed deadlines shall remain unaffected. If the supplier is unable to meet the agreed deadline for the preliminary acceptance or approval for the preliminary acceptance cannot be given (see performance specifications), ETO shall be entitled to demand a contractual penalty of 0.5% of the total order value per calendar week of the delay, but a maximum of 5% of the total order value. ETO shall assert and offset the contractual penalty at the latest when the final payment is made.

In the event of a delay on the part of the supplier ETO shall also be entitled to the statutory and contractually agreed rights. If the supplier defaults and customers of ETO assert claims for damages against ETO due to the supplier's default, the supplier shall be obliged to indemnify ETO against such claims for damages.

9 Payment terms

30% on confirmation of the order against presentation of a bank guarantee

60% operational acceptance

10% after final acceptance at ETO's premises

30 days net after issuing the invoice.

In addition, the statutory regulation on the due date for payment with regard to contracts for work and services pursuant to section 641 of the German Civil Code (BGB) applies.

10 Liability for defects

In the event that the supplied goods are defective ETO shall be entitled in full to the statutory rights and claims to subsequent performance, self-remedy of defects, withdrawal or reduction as well as compensation and reimbursement of expenses incurred in vain. Liability for defects applies in particular if the supplied goods do not conform to the requirements of ETO's performance specifications.

11 Cancellation

ETO reserves the right to cancel the order in full or in part for good cause. Upon receipt of the corresponding written notification from ETO the supplier is obliged to cease working on the orders affected. ETO shall reimburse the supplier's expenses for partially finished items and/or for fulfilling the order for materials already ordered. The supplier shall undertake to follow instructions issued by ETO for the use of such items or materials.

12 Warranty/guarantee

Unless otherwise agreed in the performance specifications or in the order the following warranty or guarantee claims shall apply:

24 months, but at least 8000 operating hours after operational acceptance of the devices by ETO.

If the supplier carries out work during the warranty/guarantee period, this work shall be described in a service report and made available to the operator of the devices.

The limitation period for warranty claims for spare parts is 24 months after operational acceptance and shall end no later than 36 months after delivery to ETO.

13 Passage of title

If ETO has made down payments on the object of delivery, title to the contractual item shall already pass to ETO on a pro rata basis on payment of the down payment and as a percentage of the payment made; ETO shall acquire joint title according to the corresponding share paid. An initial down payment of 30% by ETO on receipt of the order shall be deemed as agreed.

In this case until the transfer of ownership a bailment relationship shall exist between the parties, according to which the supplier shall grant possession of the contractual items to ETO on a percentage basis according to the down payment made. Any prolonged or extended reservation of title by the supplier with regard to the object of delivery is expressly excluded.

The contracting parties are agreed that title to the contractual item shall pass to ETO in full after ETO has made a second part payment of at least 55% to the supplier. Insofar as the object of delivery is directly in the possession of ETO, there is no need to hand it over. If the object of delivery is still in the possession of the supplier, the contracting parties shall agree that the supplier will grant indirect possession to ETO within the meaning of section 930 BGB.

Within the scope of the agreement stated above the parties agree that any provisions to the contrary, such as in the general business relationships of the parties or in the supplier's order confirmation, will not apply. This also applies if the general terms and conditions of business or the order confirmation is no longer opposed in the individual case.

14 Spare and wear parts

The supplier shall guarantee the availability of spare and wear parts within 72 hours and for up to 8 years after the operational acceptance date. Should spare parts be discontinued by the supplier or its sub-suppliers, ETO shall be informed in advance. ETO will then decide whether to stockpile the spare parts at its premises or whether it is possible to change to alternative components.

Spare and wear parts shall be selected and/or designed in such a manner that if possible several companies/suppliers can be used to obtain spare parts.

15 Service availability

The supplier shall undertake to maintain a maximum reaction time of 24 hours for machine/system malfunctions.

The supplier shall undertake to conclude a service/maintenance agreement if required by ETO. The details thereof will be agreed bilaterally.

16 Technical documents

The system including the software shall be documented in accordance with the final acceptance in such a manner that ETO is able to use, maintain and modify the system and software over its life cycle independently.

The following documents shall be provided by the supplier by no later than the operational acceptance in duplicate and on data carriers (e.g. CD, DVD, USB stick):

- Operating instructions including
 - Technical data for the device
 - Machine layout/installation plan with dimensions
 - Packaging, transport and installation instructions
 - Operating instructions
 - Process flow description
 - Hydraulic plans
 - Pneumatic diagrams
 - Electrical circuit diagrams
 - Data sheets, technical documents and/or operating instructions for the components and elements used
 - List of spare and wear parts
 - Complete supplier's overview of components
 - Set-up plans for product-dependent replacement parts
 - EC Declaration of Conformity/EC Declaration of Incorporation.
 - Risk assessment according to EC Machinery Directive
 - Evaluation of safety-related machine controls according to DIN EN ISO 13849 (e.g. SISTEMA)
- Drawings (as CAD data, preferably as Autodesk Inventor 2D data (IDW/DWG) and 3D data (IPT and IAM), or alternatively original 3D data CAD files and as Step, 2D drawings in PDF, DXF or DWG format) for all special equipment, such as stations, units, tools, devices and individual parts and the relevant parts list.
- Planning of electrical design (as ePLAN data incl. project data)
- Software licenses
- Source codes for system programs

All documents must conform to the actual status of the machine. If documents are subject to official approval (e.g. for equipment such as accumulators, etc. which are reportable and subject to monitoring), the supplier is obliged to obtain the official mark of approval before handing the equipment over to ETO and present it on delivery.

Delivery of software includes delivery and testing of all the system, application and test programs required for problem-solving up until equipment acceptance and all the changes, corrections and supplements arising on the basis of functional checks of the trial operation or the performance record.

Programming tools/licenses are supplied as standard with the machine if ETO does not already have them. The details shall be clarified with the relevant department at ETO. A list of the software tools shall be supplied in advance.

The source code for the project-specific software is supplied as standard (data carrier). This includes the source code for product components.

17 Duration / validity

The contract shall become effective upon signature by both contracting parties and shall be concluded for 5 years. The contract will be renewed automatically for one year unless one of the contracting parties terminates it in writing no later than six months before expiry of the contract or renewal period.

The right to terminate the contract for cause without notice shall remain unaffected. Termination for cause without notice must be in writing.

Should one or several provisions of this contract be or become invalid, unworkable or void, the validity of the remainder of the contract shall not be affected. The contracting parties shall try to replace the invalid, unworkable or void provision with another valid or workable provision that comes as close as possible to the economic purpose of this provision.

The ranking order of the applicable documents in case of contradictions is set out in the performance specifications.

18 Applicable law / place of jurisdiction

The law of the Federal Republic of Germany shall apply to all legal disputes resulting from or in connection with the ETO Terms and Conditions of Delivery for Devices to the exclusion of the United Nations Convention on Contracts for the International Sale of Goods (CISG).

The sole place of jurisdiction for all disputes resulting from or in connection with the ETO Terms and Conditions of Delivery for Devices is the registered office of ETO. ETO is however also entitled to institute legal proceedings against the supplier at its registered office.

19 Written form

Any changes or additions taking place after the conclusion of the contract or the cancellation of the contract must be in writing.

This contract is issued in duplicate and each contracting party shall receive a copy.

Place, date, company stamp of ETO
supplier

Place, date, company stamp of the
supplier

ETO/ Name / Head of Purchasing

Supplier //

ETO/ Name / Purchasing, Investments & General Expenses

Supplier/...../.....