



Parker Hannifin S.p.A.

SSD SBC

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Commercial Conditions for Purchase Orders

1. Scope

- 1.1. Commercial conditions are meant to be the document, agreed with the Seller, where the Parker Hannifin SpA SBC SSD Division –Cinisello B. – MI plant (following described as PH only) are specified and to which the Seller specified in the purchase order, is requested to stick to.
- 1.2. Commercial Conditions shall exclusively apply to all purchase orders where this document will be referred to; contrary or divergent terms of the Seller shall only be recognised where PH has given its express approval. In case of contrary or divergent terms included in the PH's purchase orders and in these Commercial Conditions, the most severe and restricting for the Seller, will apply. Commercial Conditions are integral part of PH's purchase orders.

2. Ordering

- 2.1. PH purchase orders shall only be binding where they are issued in writing with a legally binding signature or by fax (and in electronic form). Any purchase order issued by PH shall be confirmed by the Seller in writing within 7 days. Where no confirmation or delivery is received from the Seller within this time, we shall no longer be bound by the order.
- 2.2. The obligations of Seller under the purchase order may not be assigned or subcontracted in whole or in part without the prior written consent of PH. Seller is requested to specify in advance all the main processes/manufacturing steps that it's outsourcing (e.g. surface treatment, raw material preparation, machining, finishing, packaging, etc..) and generally speaking to provide a manufacturing chart where it's described the full manufacturing process with the possible outsourced parts.

3. Prices and Payment Terms

- 3.1. Order prices are net and do not include VAT. VAT shall always be paid in addition, except where some other express arrangement has been agreed.
- 3.2. Unless otherwise agreed prices will be in EURO currency. Until the rate exchange is changing within +/- 5% from the purchase order issue date, prices will be kept fixed. Out of the above range prices shall be updated consequently.
- 3.3. Unless otherwise agreed, payment terms will be 90 days EOM (counted from end of month)
- 3.4. Prices shall be valid for whole Purchase Order validity period. Validity period expire when all the quantities have been delivered and all the delivery dates are expired.
- 3.5. PH shall be entitled to ask for the revision of the unit prices in case of they can be linked to specific Raw Materials content subjected to reduction (indexed to LME-London Metal Exchange from the date in which the Purchase order is sent to Seller). In such event, Seller will be requested to specify the raw material content in order to update the unit prices.
- 3.6. An invoice for each purchase order shall be sent to PH together with each delivery. In case of Pro-forma invoice issuing, it will be compulsory for the Seller to use the same values/unit prices/total amount showed onto the commercial invoice.
- 3.7. Prices include the cost of packaging of the goods purchased, in a manner suitable for shipment by the method specified by PH.

4. Quality

- 4.1. Seller will be committed to comply with Parker Supplier Quality Manual rev.02 March 2008, that Seller declares to have received, read and fully accepted. As specified into the Manual, the "rejected parts per million" (RPPM) performance metric, will be measured by PH considering "preferred" Seller if lower than 10K PPM and "premiere" Seller if lower than 50 PPM (metrics are referred to each single line items of the purchase order)
- 4.2. PH is adopting the Free Pass approach for the incoming goods, assuming that Seller is responsible to control the goods prior the shipment in order to guarantee that the goods are conforming to the drawings, technical specifications and all the related contractual documents. PH expects to receive "zero defected parts" from Seller with the aim to avoid any issue into the PH receiving/manufacturing/testing/shipping process. Seller is requested to provide an Inspection/Quality/Test report which states the Conformity to the Purchase Order together with each batch/shipment specifying: the purchase order number, invoice number, batch/delivery document number, PH part number, shipped quantity.
- 4.3. Seller will be taking on its account all the costs deriving from any quality issue, non-conformance, rejection of parts, including air/express shipment that would be needed to recover the issue, in which PH should incur after having received the goods from Seller. Seller shall also reimburse PH for any incidental and consequential damages caused by such non conforming goods including, but not limited to costs, expenses and losses incurred by PH: (a) in inspecting, sorting, repairing, scrapping, reworking or replacing such goods; (b) resulting from any production interruptions; (c) conducting

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any recall campaigns or other corrective actions. The hourly rate amount applied by PH is 70 Euro-per-hour with an additional fixed Service fee applied for each quality claim of 250 Euro.

5. Packing, marking and shipping

- 5.1. Delivery of goods quantities included into the Purchase Order shall be done by the Seller strictly according to delivery/release dates. No advance or late deliveries will be accepted, unless specifically agreed with PH in written form. As specified into the Supplier Quality Manual, the "on time delivery" (OTD) performance metric will be measured by PH considering "preferred" Seller if OTD is above 95% and "premiere" Seller if above 98% (metric are referred to each single line items of the purchase order and to the Parker requested delivery date). PH is considering "on time" the deliveries that fall within the period of 3 working days early / 3 working days late to PH requested delivery date.
- 5.2. Seller shall pack, mark and ship all goods in accordance with the requirements of the purchase order and good commercial practices, and in a manner which will permit the securing of the best transportation rates. Damage to any article resulting from improper packaging will be charged to the Seller.
- 5.3. No additional charges will be allowed for containers, crating, boxing, bundling, storage or transportation thereof, unless stated in the purchase order. Packing slips must accompany all shipments.
- 5.4. Some specific requirements to the Seller could be attached to this Commercial Conditions (at the bottom of this document) to secure the correct handling and safety rules for the usage of the goods into PH.

6. Buffer stock

- 6.1. Seller is requested to give PH at any time the availability of a buffer stock of ready-to-ship parts for each item included into the purchase order for a quantity equal to one month average consumption. These parts have to be intended to be in addition to the parts needed to fulfill the purchase order itself, since their scope is to avoid stock out in case of consumption peaks/higher demand from PH 's customers.

7. Transfer of Risk

- 7.1. The risk shall transfer to PH once the consignment has been properly handed over at the place of performance and accepted.
- 7.2. The transport risk shall be borne by the Seller.

8. Warranty

- 8.1. Unless otherwise agreed Seller guarantee its goods for a period of 24 months starting after the receiving of the parts into PH's plants.

9. Access to Seller's plants, audit and inspection

- 9.1. Seller's plant, books and records pertinent to the purchase order shall at all practical times be subject to review, inspection and audit by PH , its authorized representative to verify compliance with PH's specifications or to enable PH to comply with its obligations to its customer(s).

10. Parker's property

- 10.1. Unless otherwise expressly provided in the purchase order, all Special Property, and all tangible and intangible property furnished to Seller by PH, or based on or derived from Seller's confidential or otherwise proprietary information, or produced or purchased by Seller at PH's expense, for use in Seller's performance hereunder, and any replacement thereof, is and shall remain the exclusive property of PH. For purposes of the purchase order, "Special Property" includes without limitation, dies, fixtures, moulds, patterns, gauges, test equipment, information or similar items used in Seller's performance of the purchase order that are especially acquired for Seller's performance and their use is limited to the production of the goods or the services referenced in the purchase order.

11. Non-Disclosure Clause

- 11.1. The Seller shall treat as confidential any information to which he shall become privy in consequence of his business relationship with PH or that PH has disclosed to him. Within his operations the Seller may make such information available only to those persons for whom such information is necessary for the purpose of delivery and who are themselves bound to observe confidentiality.
- 11.2. All informations (including materials that contain information) relating to the purchase order or to the goods or services to be provided hereunder which has been disclosed to Seller by or on behalf of PH (whether such information is owned by

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Buyer or by any other entity with whom Buyer is doing business) or which will be developed in the course of Seller's performance under the purchase order specifically for PH (collectively referred to as "Information"), have been and will be received and held by Seller in confidence. Such Information includes, but is not limited to, trade secrets, drawings, plans, designs, specifications, manufacturing, research and development data, inventions, know-how, processes, procedures, costs, suppliers, methods, sales, customer information and lists, financial data and business plans. Seller will not disclose the Information to others and will not use the Information for any purpose other than for the direct benefit of Buyer.

11.3. The obligation to observe confidentiality shall also apply after the contractual relationship has ended.

12. Miscellaneous

12.1. The place of performance for deliveries shall be PH business plants specified in the order. The sole and exclusive place of jurisdiction for any disputes arising out of or in connection with these Conditions between the Parties, shall be the PH business plants specified in the purchase order.

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