

This document is a constituent part of the definition of contractual goods.

Purpose of the General Quality condition (further on called GQC) is to define basic rules and procedures referring to purchase, quality assurance, liability for quality and acceptability of quality levels of the contractual goods at building in and use.

1. General conditions

The supplier is responsible, that the contractual goods are entirely produced according to declared demands of the purchaser, defined with the last valid technical documentation, determined reference samples, parameters of production quality and reliability, accepted take over conditions and other demands of this GQC.

Confirmation of the contractual goods by the purchaser does not yet mean transfer of responsibility for such goods to him.

The purchaser **does not carry out** regular entry control, therefore the accepting of a shipment does not mean confirmation of its quality. The supplier is responsible for the quality of goods, irrespective of the fact, in which production or building in phase the defect has been stated. The purchaser expects, that the supplier will in his production of goods carry out all procedures, which assure achieving of the expected quality level. The purchaser will inform the supplier about cases of not-achieving the determined quality levels.

2. Quality system

The supplier is liable to maintain in his business system such a quality system, which will throughout assure the agreed upon and stable level of quality of contractual goods, to carry out tests of reliability and durability and to let the representatives of the purchaser have insight into the results.

The purchaser can demand from the supplier evidence with results of the proofs and tests about appropriateness of single shipments. For basic materials, without respect to the agreement between the purchaser and the supplier, a certificate about mechanical, chemical and other characteristics of the material is obligatory. If the agreed upon certificate is not enclosed, this can be reason to reject the shipment. The purchaser is permitted to carry out an additional control of the shipment, without concordance of the supplier and at supplier's expense. This kind of control serves the purchaser only to be able to decide about takeover of the shipment in urgent cases and does not replace the supplier's evidence. All written records about the carried out controls and tests are kept by the supplier according to his own regulations. Upon demand of the purchaser the supplier allows him insight to these records.

The supplier binds himself that - upon previous announcement - he will make it for the representatives of the purchaser possible to carry out an audit of quality assurance in the production of contractual goods.

3. Quality Assessment of Goods

Series of goods are as a rule taken over without previous quality entry control. In case of stated defects, the purchaser may, according to his own judgment, initiate a control system which helps him to examine improving of the situation.

The purchaser immediately informs the supplier in form of a claim about the stated defects, which can have the status of a **regular claim**, a **claim stated in production** (reject at using the goods) or the status of a **warning**. Irrespective of the kind of claim, the supplier has to give a written answer within 7 days, stating the cause of the defect as well as the introduction of measures to prevent repeating of the same kind of defect using the "8 D report" form. For each issued claim (except for a warning), the purchaser will debit the supplier with lump administrative costs for the procedure of the claim in amount according to **Reclamation cost specification list**, which is part of this GQC. If for the analysis of causes the supplier needs all rejected goods or only a sample, it is, upon his demand, at his disposal. The transport is made according to agreement, but the costs always debit the supplier. In case of a demand for returning, the supplier is obliged to give a written information answer within two days from receipt of the shipment.

The supplier is obliged to make a decision latest in 14 days after receipt of the claim and send a written information to the purchaser, how to handle the rejected goods. In opposite case the purchaser will destroy the rejected goods within 1 month at the expense of the supplier.

In case of extraordinary conditions the purchaser can demand such a decision from the supplier in a shorter time.

4. Kinds of deviations

4.1 Legal defect

The supplier declares, that the contractual goods, delivered to the purchaser, have no legal defects and that in case, someone third should be asserting and actually should succeed in putting into force such defects, he will repay all damage to the purchaser.

4.2 Material defect

The supplier declares, that the contractual goods have no material defects and defects in operation and that they have all agreed upon and determined characteristics and distinctions.

4.3 Obvious defect

An obvious defect is a defect, which the purchaser states during the time from the point of takeover and till the final product leaves the factory.

4.3.1 An obvious defect is with respect to the gravity and possible consequences listed as:

A – Critical deviation – is a defect or deviation, which can jeopardize health or life of the user or harm his property.

B – Major deviation – is a defect or deviation, which can make use or building in of the contractual goods impossible or which essentially truncates the appearance of the goods. At the market such deviation as a rule dissuades the buyer from purchasing the product or demands a service intervention.

C – Minor deviation – is a defect or deviation, which will probably not reduce the applicable value of the contractual goods, but it can in minor extent influence the building in, functionality or appearance.

D – Less important deviation - is a defect or deviation, which according to the estimation and experiences of the purchaser does not influence the applicability or appearance of the contractual goods. A repeated defect in the next series gets the status of a C defect.

4.3.2 Rejects in the production process

An acceptable level of rejects is the highest acceptable part of defective goods rejected at use, building in or final control because of a defect, for which the supplier carries the undisputable responsibility. This level is determined by **1000 ppm** (number of rejected pieces in a million of used) and is as a rule calculated upon a monthly average.

The purchaser will regularly inform the supplier about the extent of the rejected goods; the supplier is obliged to replace these goods (except if agreed upon some other way) and instruct the purchaser about how to handle them. The exceeding of the agreed upon level of rejects influences the ranging of the supplier.

4.3.3 Obstructions in working process

Costs arising from obstructions in the working process as consequence of unsuitable quality of the goods, are carried by the supplier. The height of costs is calculated for each case separately, the base for this calculation is loss of income due to reduced quantity of produced articles, costs of standstill and additional work because of the bad quality of goods.

4.3.4 Hidden defect

A hidden defect is a defect, which the purchaser does not state until the product leaves the factory. As time for asserting such a hidden defect a term of 24 months is valid from date of selling the product to the final purchaser.

4.3.5 Serial defect

A serial defect is a defect in one or more series. It is defined as a defect of the same kind on the same place. A defect gets the status of a serial defect, if in one series there are more than 3% of products with the same defect. The purchaser has the right to claim each single product with the defect, so the limit of 3% is not meant as condition to issue a claim.

5. Responsibility for the product

The supplier is liable for all costs arising from the responsibility for the product. The supplier declares, that he is holding a corresponding damage insurance on account of responsibility for the product.

6. Packaging and identification of shipments

The supplier is obliged to pack the goods into agreed upon packaging according to instructions received from the buyer. If this one is not extra specified, the supplier has to ensure such packaging, that during transport, storing and till use in the production process, the quality of the goods will not deteriorate.

If a special for the purpose packaging is used for the goods, which has the status of a return(loan) packaging, the procedure of collecting, storage and returning must be agreed upon in writing. In opposite case the purchaser will destroy such packaging at the expense of the supplier if supplier will not take care of collecting it from the buyer.

Packaging units must be marked in such a way, that the contents and quantity are marked in a survey able and unequivocal way and that careful handling is pointed out. Each first shipment or shipment following a change must be additionally marked.

7. Change of production conditions

The supplier is obliged to inform the purchaser about change of production conditions prior to begin of production of regular serial products (for example: transfer of production to a sub-supplier, basic change in technological process, change of used raw materials,...).

8. Early warning

In case, that suspicion should appear at the supplier, about a defect in the shipment, which is already on its way or has already arrived to the purchaser, the supplier is obliged to inform the purchaser immediately. If the supplier does not make such information, the purchaser will define this as intention of deliberate causing of damage.

9. Confidentiality of data

The supplier and the purchaser oblige themselves to use all information and documentation, referring to this agreement, exclusively in connection with the agreement.

Both sides oblige themselves to handle the received information and documentation with the same degree of confidence, which they use to handle their own information and documentation respectively. This obligation is in force immediately after such information or document has been reciprocally exchanged.

10. Time of delivery

The supplier is obliged to confirm the delivery in writing within 3 days after receipt of the order. In case the purchaser does not receive return information, he will consider the order as confirmed.

The supplier is obliged to deliver the ordered goods in time and to the place mentioned on the confirmed order or in time and to the place mentioned on the confirmation of order issued by the supplier.

In case of delay the supplier has to inform the purchaser about the cause and time of delay at least 14 days before the confirmed time of delivery. The purchaser has the right to cancel the order within 3 days after receipt of the note about delay of the shipment and to debit the supplier for the costs arising from a replacement purchase.

In case the supplier is in delay with the delivery of ordered goods and does not inform the purchaser in the above mentioned 14-days term, he is obliged to pay the costs of purchaser's loss of production due to the delay.

11. Quantity takeover of goods

Quantity takeover of goods is performed on the premises of delivery in the enterprise UR-NA and is confirmed on the delivery document, which is also base for issuing the invoice. About each quantity deviation exceeding +/- 10% of the ordered quantity or a partial delivery, the supplier must inform the purchaser at least 14 days before delivery and the purchaser is obliged to inform the supplier within 5 days, if he confirms or rejects the takeover of the changed quantity.

12. Validity

This conditions are valued from date of creation till written cancelation or issue of new version. New version is valued as soon as it is public made on web pages www.ur-na.si.

Appendix 1:

RECLAMATION COST SPECIFICATIONS LIST (RCS)

	Cost description	Cost in €
1	REJECTED PARTS	Nr. of pieces (unit)* Price per piece (unit)
2	RECLAMATION OF QUALITY (REPORT)	70 EUR
3	RECLAMATION OF QUALITY (each repeated)	250 EUR
4	LOGISTIC RECLAMATION	50 EUR
5	REMINDER (written)	50 EUR
6	MEASURED PARAMETERS ARE DIFFERENT AS ON CERTIFICATE FROM SUPPLIER	100 EUR
7	SORTING OF REJECTED PARTS	35 EUR/HOUR
8	CONTROL CHECK	50 EUR/HOUR
9	MATERIAL/COMMODITIES ANALYSIS (internal)	30 EUR/PIECE(UNIT)
10	PRODUCTION STOP	55 EUR/HOUR
11	WEARHOUSE COST	25 EUR/M2/MONTH

The Reclamation Cost specification list is valid part of General Quality Conditions.

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UR-NA d.o.o.