



Purchase Terms and Conditions for Production Material of ŠKODA AUTO a.s.

I. Introductory provisions

These Purchase Terms and Conditions for Production Material (hereafter referred to as "Purchase Terms and Conditions") apply to any relations between ŠKODA AUTO a.s. (hereafter referred to as "ŠKODA AUTO") and a supplier, unless otherwise previously agreed in writing.

II. Orders and contract conclusion

1. Delivery contracts (order and acceptance) as well as their modifications and amendments have to be conducted in writing or via the Volkswagen Group B2B Supplier Platform "www.vwgroupsupply.com", provided that the Terms and conditions for using the platform have been confirmed by the supplier at the www.vwgroupsupply.com portal. Delivery call orders are usually sent out by electronic data transfer and the supplier is obliged to establish conditions for electronic communication with ŠKODA
2. In case of contracts conclusion in writing, the order is considered accepted and the contract concluded at the moment when the ŠKODA AUTO company receives a copy of the order properly signed by the supplier. In case of contracts conclusion via the B2B Supplier portal www.vwgroupsupply.com the order is considered accepted and the contract concluded at the moment when the supplier sends an unconditional confirmation of the order acceptance to ŠKODA AUTO.
3. Establishment of the contract based on acceptance of an offer or other proposal for establishment of a contract with a deviation shall not be permitted, even if it is a deviation that does not significantly amend the originally agreed conditions. The same applies for agreeing on any changes hereto or to entering into partial contracts corresponding hereto.
4. If a supplier does not accept an order within three weeks from its receipt, ŠKODA AUTO is entitled to revoke the order. If the supplier does not reject the delivery call orders within two weeks from their receipt, the delivery call orders are binding.
5. The supplier is required to examine the demand of ŠKODA AUTO and the data contained therein to determine its accuracy, completeness, feasibility, and compatibility, and to consider in the offer all costs that could arise in connection with fulfilment of the supplying tasks. The supplier is required to specify potential shortcomings in the offer. By submitting the offer, the supplier accepts the risks related to the ability to fulfil the delivery arrangement for the agreed price for the purpose specified in the demand of ŠKODA AUTO.
6. ŠKODA AUTO may request the supplier to make changes in design and construction of the delivery item. Impacts of such changes (especially cost decreases or increases or delivery deadlines) have to be agreed with the supplier in writing.
7. The supplier working at the premises of the ŠKODA AUTO company is required to comply with the Requirements on suppliers operating in ŠKODA AUTO production sites related to the protection of the environment and working environment and occupational health and safety, Binding conditions and regulations of occupational health and safety for business partners supplying services in ŠKODA AUTO production plants, and other requirements inferred from the documents published at www.vwgroupsupply.com.
8. A part of the contract with the ŠKODA AUTO company are Purchase Terms and Conditions for Production Material as amended, Volkswagen Group requirements regarding sustainability in its relationships with business partners (Code of Conduct for Business Partners), Requirements for the Suppliers of ŠKODA AUTO a.s. Concerning the Compliance with the Code of Conduct, as well as the Declaration on Social Rights and Industrial Relationships at Volkswagen, published at www.vwgroupsupply.com.

III. Payment conditions

1. If ŠKODA AUTO has available verifiable and formally correct tax documents, the payment shall be made 30 days after the delivery has been carried out or service provided, or, in case ŠKODA AUTO receives the invoice only after the goods have been delivered / the service has been provided, 30 days after verifiable delivery of the invoice.
2. Payment shall be made by bank transfer. Electronic form of invoicing is mandatory, with the use of EDI data transfer, either in standard form or with the use of the self-billing method, unless otherwise agreed in writing (further information at <http://edi.skoda-auto.cz/>). ŠKODA AUTO has the right to charge the differences incurred due to price or quantity deviations immediately to the supplier's account. Retroactive price modifications shall be charged in the same way.

3. ŠKODA AUTO stresses the importance that any correspondence, notes of delivery, bills, invoices, etc., always have to include a complete order number and number of the supplier, otherwise fast processing of the documents in question is not possible.
4. In the event of defective fulfilment, ŠKODA AUTO shall be entitled to withhold any payment, even if entitlement to it arose from another legal reason, until proper fulfilment occurs.
5. The supplier is not entitled to assign or pledge its receivables against ŠKODA AUTO, unless otherwise agreed in writing. If it has been agreed that the relationship between the supplier and ŠKODA AUTO shall be governed by the law of the Federal Republic of Germany, the following provisions shall apply: The supplier's assignments or pledging of its receivables against ŠKODA AUTO without the consent of ŠKODA AUTO in contravention of sentence 1 are nonetheless valid. ŠKODA AUTO may, however, at its discretion discharge its liability by payment made either to the supplier or to the third party.
6. ŠKODA AUTO is entitled to unilaterally set-off its already due, as well as not yet due receivables against any already due, as well as not yet due receivables of the supplier against ŠKODA AUTO.
7. ŠKODA AUTO is entitled to pay the part of its liability corresponding to the amount of Czech VAT (DPH) charged by the supplier on the account of the supplier's Tax Authority. ŠKODA AUTO is obliged to inform the supplier about the payment accordingly.
8. If requested by ŠKODA AUTO, the supplier is obliged to provide a proof of ownership of the bank account used for commercial payments in accordance with the contract concluded with ŠKODA AUTO; the same is valid for any other bank account that may be used in the commercial relationship with ŠKODA AUTO. ŠKODA AUTO is entitled to stop all payments until the supplier provides sufficient proof of the above mentioned fact.
9. If requested by ŠKODA AUTO, the supplier is obliged to report all pending accounting items in the supplier's accounting books related to the commercial relationship with ŠKODA AUTO on the specific date. The supplier shall clarify and resolve all potential discrepancies between their and ŠKODA AUTO's accounting books. ŠKODA AUTO normally sends to the supplier a confirmation of the status of open accounting items contained in ŠKODA AUTO's accounting books. This confirmation is based on accounting records only and does not have any relevance for laying potential claims, does not bear any legal consequences and cannot be used under any circumstances as acknowledgement of debt.

IV. Confidentiality

1. The supplier is obliged to treat as a business secret all commercial and technical information of which he becomes aware by reason of his business relationship with ŠKODA AUTO, except for the information that have become generally known.
2. Drawings, models, patterns, samples and similar items related to the business relationship with ŠKODA AUTO may not be transferred, published or otherwise made available to third parties in any way. The reproduction of such items is only permitted for necessary business purposes and in accordance with the copyright law.
3. The supplier is obliged to bind its sub-suppliers in a similar way.
4. The supplier may refer to its business relationship with ŠKODA AUTO in its advertisement only if ŠKODA AUTO authorizes it in writing in advance.
5. The confidentiality obligation pursuant to this article is in effect regardless of whether a contract was concluded and shall also cover information acquired during the bidding stage and after expiration of the contract.

V. Delivery of production material

1. Deadlines, quantities and quality agreed between the supplier and ŠKODA AUTO are binding. Regarding compliance with delivery deadlines, receipt of the production material by ŠKODA AUTO is decisive. The supplier is obliged to prepare production material in time, taking transportation requirements (available at www.vwgroupsupply.com) and the load plan (so called Beladeplan) into account.
2. The supplier assumes the risk of change of circumstances.
3. Deliveries are executed in accordance with instructions provided by ŠKODA AUTO. Suppliers from the European Union are obliged to enclose a delivery note with every shipment and issue a statement about the origin of the delivered goods (once a year) and to send the original to ŠKODA AUTO. Suppliers from third countries (outside of the European Union) are obliged to enclose with every shipment an invoice, delivery note and the original of the document regarding the origin of goods. The particular form of documents on the goods origin is stipulated in every order. Not supplying a document on the goods origin shall result in the supply being considered incomplete and ŠKODA AUTO shall be entitled to hold payment for such delivery in accordance with article III. of these Purchase Terms and Conditions. In addition, the supplier is obliged to reimburse damages caused by not supplying a document on the goods origin.
4. If the subject of supply are dual-use goods within the meaning of US law as well as under Annex I of the EU Regulation 428/2009, the supplier must inform the ŠKODA company about the fact as well as comply with the Terms

and Conditions for Securing Safety in the Supply Chain, and provide a proof of origin of the goods delivered, as published at www.vwgroupsupply.com.

5. In case of ŠKODA AUTO's request the supplier is obliged to submit in relation with fulfilment for the company all documents and certificates required for further export within and beyond the European Union borders (such as E-Mark, COP).
6. INCOTERMS, as amended and effective at the time of concluding the contract, will apply to delivered items. FCA and FOB shipping terms are preferred.
7. In the case of deviations mentioned in the Target catalogue of logistics deviations of ŠKODA brand the supplier is obligated to pay to ŠKODA AUTO an amount according to the Target catalogue of logistics deviations of ŠKODA brand. The target catalogue of logistics deviations of ŠKODA brand is available at www.vwgroupsupply.com in the section Information/Divisions/Logistics upon login.

VI. Force majeure

1. Force majeure, strikes, riots, measures taken by authorities and any other unforeseeable, unavoidable and serious events release the contracting parties from the performance obligation for the duration of such obstacle and in the scope of its effect. This shall also apply when such events occur when the affected party is in delay. The parties are obliged to immediately provide necessary information and adjust their obligations to the changed circumstances.
2. If force majeure prevents ŠKODA AUTO from accepting performance at the agreed location, for the duration of the obstacle this shall not be considered as default on the part of ŠKODA AUTO in taking delivery, and the supplier is not entitled to consideration or compensation for damages. The supplier shall store the goods at its own cost and risk for the duration of the obstacle.

VII. Quality and documentation

1. Every delivery has to be defect-free. The supplier is responsible for the quality of the delivery and pledges to carry out effective quality provisions and documents it to ŠKODA AUTO.
2. Every delivery must correspond with the current state of competition, with regard to the latest science and technology aspects. The supplier shall without prompting inform ŠKODA AUTO on the current state of competition. In case of changes, both parties shall commence negotiations to achieve adjustment to competitors. In addition, the supplier is obliged to inform ŠKODA AUTO on planned changes in the production and/or control process.
3. ŠKODA AUTO is entitled to verify that the supplier applies quality assurance measures in the required scope and that it performs related obligations to manage documentation. For this purpose, the supplier shall enable ŠKODA AUTO to execute at any time and upon request an inspection of production and control equipment, as well as production and control records, including documentation. As far as the confidentiality issues are concerned, the art. IV. of these Purchase Terms and Conditions is valid in full extent.
4. The evaluation and determination of measures necessary for quality assurance are based on series of publications by the VDA, ISO/TS 16949 - Quality Management in the Automotive Industry and the supplier is obliged to follow them. The supplier commits to implement all measures necessary for quality assurance for Pre-Series Phase as for the Serie, as described in the following documents, which form an integral part of these Purchase Terms and Conditions, and are available at B2B platform www.vwgroupsupply.com in the section Information/Divisions/Quality Assurance:
 - › Formula Q-Konkret (Quality Management Agreement Between the companies of VOLKSWAGEN GROUP and its suppliers),
 - › Formula Q-Capability (Quality Capability Suppliers / Assessment Guidelines),
 - › Formula Q New Parts Integral (Qualification Programme New Parts - Procedures with integrated acceptance of 2-day production),
 - › Qualitätsnachweis für die Vorserienphase (Sampling manual including life cycle of the product),
 - › Technical requirements (Lastenheft) for quality of ŠKODA AUTO a.s.
5. The supplier is responsible that only materials meeting the norm VW 91101 will be used and the prohibition on the use of lead, mercury, cadmium and hexavalent chromium in accordance with Directive 2000/53/ES, including exemption clauses, will be followed.

VIII. Liability for defects and delays, warranty

1. Unless otherwise agreed, if defective production material is delivered, ŠKODA AUTO is entitled to request:
 - a) Before the start of production (processing and assembly), the supplier is allowed to sort out, repair, deliver additional production material or substitute production material; however, only if it is acceptable for ŠKODA AUTO. If the supplier is unable to accomplish the above or fails to do so immediately after complaint, ŠKODA AUTO can rescind the contract without setting any deadline and return the delivery to the supplier at the supplier's risk. During the complaint process, the supplier is required, besides compensating for incurred losses, also to reimburse ŠKODA AUTO 5 % of the price of the complained parts (administrative fee for storage, shipping, administration and

manipulation). In urgent cases, ŠKODA AUTO can rectify defects by itself or have them rectified. The supplier is responsible for the costs of such rectification. If the same delivery is delivered with any defect repeatedly, ŠKODA AUTO is entitled to rescind the contract upon a written reminder, even from deliveries that have not been implemented yet.

- b) If a defect in production material is discovered after the start of production, ŠKODA AUTO shall have the same entitlements as specified in letter a) of this article, and the supplier shall be required to reimburse extra costs that arise or to provide a discount from the purchase price of the defective production material.
2. The warranty period for delivered production material is 24 months from registration of the vehicle or installation or sale of the spare part; however, no more than 30 months after delivery of the production material.
3. Upon the supplier's request and at its cost, ŠKODA AUTO must immediately provide the supplier production material, which should be replaced by the supplier.
4. No warranty claims of ŠKODA AUTO in accordance with this article arise if a defect on the production material is a result of non-compliance with instructions regarding operation, maintenance or installation, unsuitable or incompetent use, incorrect or careless handling, regular wear and tear, as well as of interventions carried out on the production material by ŠKODA AUTO or a third party.
5. Unless otherwise agreed regarding liability for defects, the supplier takes over liability for defects on its performance in accordance with this article. If the supplier sorts out defective or in any other way unusable parts in the ŠKODA AUTO plant, it can use only suppliers of sorting services approved by ŠKODA AUTO for this purpose. In case of lasting or repeated problems with a supplied part, ŠKODA AUTO reserves the right to place the supplier into a special input control mode – Warenfilter.
6. In case of damage due to delay, incorrect delivery or damage on subject different from the subject of delivery (so-called subsequent damage), the supplier is obliged to reimburse to ŠKODA AUTO all damage (direct and indirect) and other losses. The claims of ŠKODA AUTO resulting from product liability remain unaffected.

IX. Product liability

If not agreed otherwise about the liability of the supplier, the supplier is obliged to reimburse all damage (direct and indirect), as well as other losses caused to ŠKODA AUTO by a defective supply due to violation of regulations on product safety.

X. Subcontractors

1. In case the supplier ensures supplies of a part purchased in a set designed for installation to a system part or set, these are then ŠKODA subcontractors, hereinafter as "subcontractor". In case the subcontractor has been chosen by ŠKODA AUTO directly, the subcontractor will receive a Nomination Agreement from ŠKODA AUTO for supply of the part in question. The order/contract regulating quantity of output, date of delivery, technical specifications of order recalls will be agreed upon by the subcontractor with the direct supplier of ŠKODA.
2. The direct supplier (supplier of the set) bears unlimited liability for defects, delays, and damage caused by a defective product, as well as for adherence to technical, qualitative, scheduling and purchase conditions agreed upon with ŠKODA, as is specified in these Purchase Terms and Conditions, Nomination agreement, as well as in other contractual documents, namely for the whole set.
3. The subcontractor bears unlimited liability within the scope of the set of products delivered to ŠKODA towards his contracting party for defects, delays, as well as for damage caused by a defective product and for adherence to technical, qualitative, scheduling, and purchasing conditions, as is specified in these Purchase Terms and Conditions, Nomination agreement, as well as in other contractual documents.

XI. Protective rights and product marking

1. The supplier is responsible for ensuring that the goods delivered to ŠKODA AUTO do not infringe any protective rights related to patents, utility models and industrial designs, trademarks, nor any other intellectual property rights of any third party and that no third party has any right to the goods, domestically or in countries where ŠKODA AUTO performs its business activities.
2. The supplier is obliged to inform ŠKODA AUTO on the utilisation of all own patents, utility models or industrial designs, trademarks, and other intellectual property rights or their applications, as well as on licensed utilisation of patents, utility models and industrial designs, trademarks, and other intellectual property rights of third parties for the goods delivered to ŠKODA AUTO. Used licences have to enable export of goods into all countries where ŠKODA AUTO performs its business activities.
3. The contracting parties commit to inform each other immediately on found risks of breach or on alleged cases of breach and to proceed in such cases in accordance with a mutual agreement.

4. Solutions and procedures that are the intellectual property of ŠKODA AUTO may not be used by the supplier for any other purposes than for production of goods for ŠKODA AUTO. The supplier may not submit an application for invention or utility model or industrial design of any solution that is the intellectual property of ŠKODA AUTO and that was provided to the supplier within documentation or that was created in relation with a development order from ŠKODA AUTO or within consultations with ŠKODA AUTO experts. No such solution may be acknowledged or remunerated as an improvement proposal. If the supplier acquired protective rights in violation of this article, it is obliged to immediately transfer all such rights free of charge to ŠKODA AUTO.
5. In accordance with instructions of ŠKODA AUTO, the supplier is obliged to place labels or symbols of delivered goods or their packaging.

XII. Use of ŠKODA AUTO's tooling and confidential information

Models, matrices, patterns, samples, tools or any other tooling, as well as confidential information provided to the supplier or fully paid by ŠKODA AUTO, may not be used for deliveries to third parties without the previous written consent of ŠKODA AUTO.

XIII. Spare parts and deliveries to third parties

The supplier pledges to deliver spare parts after the end of series production of the production material under usual market conditions for at least 15 years.

XIV. General provisions

1. ŠKODA AUTO is entitled to terminate the contract with immediate effect if:
 - › The supplier has stopped making payments or is not able to perform deliveries in accordance with the concluded contract;
 - › The supplier is in insolvency or similar proceedings;
 - › The supplier has gone into liquidation;
 - › An activity of the supplier enabling performance of the purpose of the contract has been terminated;
 - › The supplier breaches its confidentiality obligation under article IV. of these Purchase Terms and Conditions
 - › The supplier has not fulfilled the subject of the contract properly and on time;
 - › The supplier directly or indirectly provides or promises to provide a bribe or any other unauthorized advantage to an employee or a representative of ŠKODA AUTO;
 - › The supplier has influenced or tried to influence a tender announced by ŠKODA AUTO;
 - › The supplier fails to comply with other obligations stemming from documents obligatory for the supplier under the provisions of these Purchase Terms and Conditions, such as in the area of environmental protection or inferred from the Volkswagen Group requirements regarding sustainability in its relationships with business partners (Code of Conduct for Business Partners) or Declaration on Social Rights and Industrial Relationships at Volkswagen, and this failure to comply will not be rectified even in an additionally granted period;
 - › The supplier has been finally condemned for a crime under the provision of Act no. 418/2011 Coll., on Corporate Criminal Liability and Related Proceedings, as amended;
 - › A member of the statutory body of the supplier or a natural body entrepreneur has been finally condemned for a crime related to the scope of business.
2. The supplier and ŠKODA AUTO declare that all legal regulations, standards, and documents mentioned in these Purchase Terms and Conditions are known to them.
3. For any dispute arising out of or in connection with the contract, the jurisdiction shall be as follows:
 - for suppliers with registered offices in the Czech Republic, the Regional Court in Prague, and
 - for suppliers with registered offices abroad, the court with the jurisdiction for Wolfsburg, Germany.
4. Suppliers with registered offices in the Czech Republic are subject to the applicable law of the Czech Republic and Czech version of these Purchase Terms and Conditions. With the exception of application of § 1726, § 1728, § 1729, § 1740 sect. 3, § 1757 sect. 2 a 3, § 1765, § 1799, § 1800, and § 1950 of Act no. 89/2012, Civil Code, and it is valid, that a commercial practice does not take precedence over mandatory law provisions.
5. Suppliers with registered offices outside the Czech Republic are subject to the applicable law of the Federal Republic of Germany and German version of these Purchase Terms and Conditions
6. Use of provisions of the UN Convention on Contract for the International Sale of Goods from 11th April 1980 as well as those of German private international law is excluded.
7. These Purchase Terms and Conditions for Production Material replace the Purchase Terms and Conditions for Production Material version ENG 01/14 and shall apply as of 1 October 2016.