

## Warranty Agreement

Between

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and their affiliates

(hereinafter referred to as "Supplier")

and

**KOSTAL Automobil Elektrik GmbH & Co. KG**  
**An der Bellmerlei 10**  
**58513 Lüdenscheid**  
and their affiliates

(hereinafter referred to as "KOSTAL")

(Supplier and KOSTAL hereinafter also referred to individually as "Party" or jointly as "Parties")

The following agreement on the reimbursement of warranty costs is made:

### 1. Subject Matter of the Agreement

- 1.1 The present warranty agreement ("Agreement") shall be related to all products delivered to KOSTAL by the Supplier.
- 1.2. This Agreement shall effect an unbureaucratic, cost-optimized and swift processing of quality concerns for both Parties.
- 1.3. This Agreement shall moreover regulate as a rule all costs to be reimbursed by the Supplier, which arise due to a defective product, including damages for consequential harms and related warranty rights.
- 1.4 Affiliates are companies controlling, or being controlled by, or under joint control with, a Party. Affiliates of KOSTAL are listed on the KOSTAL website: <https://www.kostal.com/en-gb/unternehmen/zahlen-daten-fakten/standorte/>

### 2. Scope of Warranty

- 2.1 The Supplier shall be responsible for the compliance with the quality of the products agreed upon to the full extent. The Supplier shall be in charge of the unlimited quality assurance of the products including a comprehensive verification of the products. The Supplier shall guarantee that the products are free of defects and meet the specifications agreed upon and the usability for the known purpose of use. In the event that the Supplier is not aware of the intended use, they shall be required to inform KOSTAL and to request information. The Supplier shall moreover guarantee the compliance of their delivery with legal provisions and the recognized rules of engineering.
- 2.2 The billing of the warranty will be made as individual billing of all costs incurred by KOSTAL and their customer due to the defective product. KOSTAL may charge the Supplier fully with all costs for the verification, billing or otherwise required for the claims management. The Supplier shall

be required to reimburse all costs proven by evidence. This also includes the in-company and outside costs for the verification of the defect and the expenses for the detection and remedy of the defect. The Supplier shall be moreover required to reimburse the warranty costs according to section 2.3.3 a) and b) hereunder, which will be set off against the highest costs in favour of the Supplier. The Supplier shall be permitted to verify lower costs. For the recourse of costs on the part of the customer of KOSTAL, the Supplier shall accept the billing of the relevant customer.

### 2.3 Subsequent Deliveries, Sorting and Reworking Costs

- 2.3.1 KOSTAL shall be entitled to demand from the Supplier the subsequent delivery of products free of defects, or the remedy (repair) within an appropriate period set by KOSTAL. KOSTAL will give the Supplier the opportunity before installation of the products upon the option of KOSTAL to sort out or repair the defective products or to replace the products by flawless new products where it is reasonable for the Supplier.

Where it is not reasonable for KOSTAL (e.g. in the event of a threatened production interruption, endangerment of the compliance with their own delivery obligations) or if the Supplier refuses or fails to meet the deadline of the remedy or is unable to do so, KOSTAL shall have the right to perform the remedy themselves or have the remedy made by third parties, or to procure replacement. The Supplier will then be charged with the costs arising according to staff employment, work effort as well as hourly wage along with overheads and profit margin. KOSTAL shall be entitled to fully charge the Supplier, in addition to the above-mentioned costs, with the rental costs arising for the required work and storage spaces to the amount of the effort actually made. The Supplier shall be charged with the extra costs arising from the replacement purchase.

In events in which immediate action is required, KOSTAL shall be entitled to do so without any advance notification or extension of time.

- 2.3.2 The Supplier shall be required to pay, or reimburse KOSTAL, all costs arising due to the remedy, including subsequent costs from third-party claims. This shall include but not be limited to costs for removal, installation, transport (freight and packaging), troubleshooting, allowances, additional expense for covering purchase, material, scrapping etc. as well as third-party damage claims.
- 2.3.3 In addition, in the event of defects in supplied parts/materials/services, the following amounts will generally be invoiced within the scope of compensation for expenses due to internal expenditure at KOSTAL:
- a) Per necessary test report, the Supplier shall be required to reimburse € 192.50 (3.5h x 55 €/h).
  - b) The Supplier shall be charged with error reports for which the cause of failure is determined by KOSTAL analysis staff during further processing with € 275.00 (5h x 55€/h). If additional costs are incurred by KOSTAL for the verification of the defect because the Supplier unjustly contests the defect or their responsibility, KOSTAL shall be entitled to charge the Supplier with these costs also.
  - c) The Supplier shall be required to fully pay the special transport for the prevention of business interruptions at KOSTAL or at KOSTAL's customer's to the full invoice amount for the transport.

### 2.4 Serial Damages

Serial damages are warranty damage events repeatedly occurring with the same cause of error.

A serial damage occurs if a ppm value of 5 for security-relevant failures, 10 for function-relevant failures and 25 for other failures is exceeded for products delivered with the same part number, and such value is once exceeded over a period of 3 months or repeatedly within 12 months.

In the event of serial damages, all costs required for the remedy of the defect and for the compensation of the damage, including but not limited to section 2.6, shall be charged.

### 2.5 Recalls

Recalls shall serve hazard prevention for the protection of the health of persons as well as material damage. By means of recalls, the companies responsible for the product and their employees shall be protected against far more cost-intensive damage claims or criminal sanctions. Recalls may be made by legal obligation by each company involved in the manufacturing process of the end product in coordination with the other parties involved or by official order. The Supplier will generally accept recalls of KOSTAL's customers unless the recall is unreasonable. The recall may be made as an open or tacit recall, i.e. in the event of the latter, the contract workshops and distributors of KOSTAL's customers only will be informed by internal communications on recall measures.

- a) During the evaluation phase of a potential recall, and in the event of a tacit recall, the Suppliers shall undertake to maintain special confidentiality towards the general public. For damages resulting from a breach of confidentiality on the part of employees, the Supplier shall compensate the damaged party to the full extent.
- b) In the event of recalls, KOSTAL shall be entitled to charge the Supplier with all necessary expenses including the charges of KOSTAL's customers. If the recall is made for a serial damage, the Supplier shall in principle agree upon defect-free products also being replaced at his charge. The Supplier shall only be required to pay the replacement costs for the defect-free products if the replacement of defect-free products is justified. This is the case if the determination of whether the product is defect-free or defective is either technically impossible or economically unreasonable at the place of replacement with reasonable effort.
- c) Upon the request of the Supplier, KOSTAL will return those defective products which KOSTAL can access. Please note in this context that for cost reasons, defective products are returned by KOSTAL's customers for analysis purposes on a random basis only. The Supplier on his part shall to that effect waive the complete return of defective products. The Supplier shall pay the costs for the return transport of defective products including all affiliated costs.
- d) If the cause of the defect and/or the question if the Supplier or KOSTAL are accountable for that defect for which a recall is made may not be clarified in due time, the Supplier and KOSTAL shall agree upon the costs incurred, and those that will be incurred in the future, being shared half in order to compensate the claims of KOSTAL's customers in the short term. This shall be an interim solution until it is clarified what Party is accountable for the defect. The Supplier and KOSTAL shall therefore undertake to continue their attempts to clarify the matter as soon as possible. If it is finally determined who is accountable for the defect, the relevant amount shall be either subsequently paid or reimbursed, whichever case may apply, according to the ratio of responsibility either by the Supplier or KOSTAL.

### 2.6 Acceptance of an Exemplary Proof of Costs

For serial damages and field failures and other damages with the same cause and costs, the Supplier shall accept an exemplary proof of costs that is taken as a basis to that effect for other defective products without any further evidence.

**3. In deviation of the principle described in section 2, the Supplier shall as a rule be required to reimburse warranty costs due to a material defect as follows:**

In respect of the time of the error detection, KOSTAL shall distinguish between three types of returns. As a general rule, all costs required for the remedy of defects shall be compensated with the following amounts. This shall not include sortings and reworkings, serial errors (including but not limited to replacement actions at the plant or in the field, tacit or open recalls) neither special cargoes charged according to section 2.

**3.1 Internal Returns (KOSTAL Manufacturing Defects)**

Internal returns are those defective products whose defects are determined during production (further processing), assembly or the final inspection at KOSTAL's.

The Supplier shall reimburse three times the amount of the KOSTAL product to the amount of the manufacturing costs of each component affected per defective final article affected, at least however € 250 per damage.

**3.2 Factory Returns (KOSTAL's Customers's Manufacturing Defects)**

Factory returns are justified complaints on the part of KOSTAL's customers for products which did not yet leave the manufacturing plant of KOSTAL's customer and whose defects lie within the accountability of the Supplier.

The Supplier shall reimburse the single amount of the KOSTAL product to the amount of the ex-works selling price (the price which KOSTAL's customers are charged with) per defective final article affected as well as sorting and action costs additionally arising (e.g. costs for installation and removal, logistics expenses).

**3.3 Field Returns**

Field returns are justified complaints on the part of KOSTAL's customer for products which have already left the manufacturing plants of KOSTAL's customers, which means for which the intermediary, the distributor or end user were already supplied with the final product or the spare part and whose defects lie within the accountability of the Supplier.

For field returns, the Supplier shall reimburse 40 times the amount of the KOSTAL product to the amount of the ex-works price per defective final article affected. In the event that the amount which KOSTAL has to reimburse to the KOSTAL customer, is different, the difference among the amount to be reimbursed and the amount paid to the customer shall be reimbursed to, or reclaimed by, the Supplier at the end of the billing period.

**3.4 The amounts according to section 2.3.3 a) and b) shall remain unaffected and will therefore be additionally charged.**

**4. Determination of Errors**

**4.1 In order to assure the product requirements described in the specifications, individual agreements, the KOSTAL Terms and Conditions of Purchase and other written agreements, the Supplier must have a Quality Management System implemented according to IATF 16949 (as currently applicable).**

KOSTAL shall be obligated to perform an incoming goods inspection only to the extent that obvious defects such as transport damage, different quantities and discrepancies between the order/delivery schedule and accompanying documents are detected. KOSTAL shall notify defects to the Supplier without delay as soon as they are detected during the ordinary course of business. In this respect, the Supplier waives his objection due to late advice of defects

## KOSTAL Warranty Agreement

- 4.2 As soon as and in the event that defective deliveries are detected and the deliveries are in the possession of KOSTAL, KOSTAL shall return the rejected parts or the batch/delivery to the Supplier at the Supplier's cost.
- 4.3 The Supplier shall as a rule be required to handle all complaints of KOSTAL's free of charge and to bring proof that the relevant complaint was made unjustly if the Supplier refuses, entirely or in part, to assume the costs. The Supplier shall inspect the returned parts and submit the test results with KOSTAL. The extent and depth of the inspection shall be coordinated with KOSTAL. The inspections shall be required to be performed and the results to be communicated in written to KOSTAL within 4 weeks unless KOSTAL's customer requests a quicker analysis. An extension of the period shall be possible in justified individual cases and must be agreed upon in written. The complaint shall otherwise be deemed accepted following expiry of the period.
- 4.4 In the event that the Supplier is unable to perform their own inspections, KOSTAL shall be entitled to perform the inspections on their own or with third-party assistance, and to charge the Supplier with the costs.
- 4.5 In the event of field failures, the Parties will reduce the number of defective products to be returned to the Supplier to a statistically required degree for economic reasons. Nevertheless, KOSTAL will make any effort to procure all defective parts which the Supplier needs. The Supplier shall be required to additionally reimburse such additional expenses to the full amount to KOSTAL.
- 4.6 Warranty claims will not arise if the error is based upon the breach of operating, maintenance and installation rules, inappropriate or improper use or storage, incorrect or negligent treatment as well as harmful tampering with the delivered product by KOSTAL or third parties.

### 5. Insurance

The Supplier shall undertake to take out and maintain liability insurance, including but not limited to automotive risk cover, during the term of the Agreement, in order to cover in particular installation and removal, recall costs and serial damages, according to the requirements pursuant to numbers XXI 1 and 2 of the KOSTAL General Terms and Conditions of Purchase. Upon request, the Supplier shall be required to submit the relevant insurance policies.

### 6. Warranty Period / Limitation

- 6.1 The warranty shall end upon expiry of thirty-six (36) months from the first registration of the vehicle or the commissioning/approval with the final customer, however no later than upon expiry of forty-two (42) months from delivery unless longer statutory or contractual warranty periods are provided, which shall be applicable in that event.
- 6.2 Where there is a complaint that may not be clarified within the warranty period, the Supplier waives his right to plead statutory limitation to that effect.

### 7. Cooperation

The Parties shall as a rule conduct a meeting on the amount and extent of warranty costs on an annual basis according to agreement. The declared aim of both Parties is to keep warranty costs due to the production of defective products as low as possible.

### 8. Validity and Term of the Agreement

The Agreement shall take effect upon its execution by both Parties. It shall be extended by one (1) year if it is not terminated within six (6) months by the end of the year. Each notice of termination must be made by registered mail.

**9. General Provisions**

- 9.1 No verbal side agreements were made.
- 9.2 Amendments and supplements to the Agreement must be made in written form.
- 9.3 The invalidity of one provision hereunder shall have no effect on the effectiveness of the remaining Agreement. The Parties shall make any effort to replace a potentially invalid provision by another provision which corresponds to the purpose of the old or lacking provision and to this Agreement.
- 9.4 The law and place of jurisdiction shall apply to this Agreement which was agreed upon for the contractual supply relationship also. In the event that no agreement was made to that effect, the provisions of numbers XXV 1 and 2 of the KOSTAL General Terms and Conditions of Purchase shall exclusively apply.

Lüdenscheid, .....

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Place, date

**KOSTAL Automobil Elektrik GmbH & Co. KG**

**Supplier**

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(Name, role)

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(Name, role)

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(Signature)

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