

## **GENERAL TERMS FOR THE PURCHASE AND SUPPLY OF MERCHANDISE, PRODUCTS, PARTS, AND SERVICES**

### **1 - PURPOSE:**

1.1 – The merchandise, products, parts, and services under this agreement constitute the material assets ordered or purchased by **SABÓ** to be used in its activities, including Oil Seals, standard or custom parts and objects made by the **COMPANY** upon **SABÓ's** request, in accordance with the quality requirements under the Quality Agreement.

### **2 - PRICE:**

2.1 – By receiving the order, purchase agreement, scheduling agreement, or another similar document issued by **SABÓ**, and not objecting to it within three (3) days, the **COMPANY** not only irreversibly and irrevocably confirms it, but also expressly accepts the specified prices, technical specifications, and other requirements that shall be met.

2.2 – The agreed price is right and unchangeable, even for readjustment purposes, without **SABÓ's** prior written consent.

2.3 – Notwithstanding the above, **SABÓ** may cancel partially or totally the order, purchase agreement or scheduling agreement should it deem any price changes intended by the **COMPANY** unreasonable.

2.4 – The **COMPANY** shall, upon **SABÓ's** request, present the merchandise, products, parts or services cost spreadsheet. It shall also reduce the price of merchandise, products, parts, and services accordingly every time there is an exclusion/reduction of any elements from the respective cost.

2.5 – **SABÓ** and the **COMPANY** agree that the adjusted prices may be reviewed before the start of production and/or purchase in case of governmental measures that lead to substantial changes to the Brazilian Economic Policy, calculating the economic impact to this contract.

### **3 – SABÓ'S OBLIGATIONS:**

**SABÓ** must:

3.1 – Pay for the merchandise, products, parts, and services as specified in the order, purchase agreement, scheduling agreement, or another equivalent document.

3.2 – Provide designs, specifications, and other related documents, in accordance to the rules concerning intellectual property rights set forth in the Agreement.

3.3 – Make available for the **COMPANY**, for the purpose of analysis, any merchandise, products, parts, and services deemed disagreeable, as well as those replaced internally or in the field.

3.4 – Periodically send the **COMPANY** a summary of its respective performance.

#### **4 – COMPANY’S OBLIGATIONS:**

The **COMPANY** must:

##### **4.1 – Regarding the delivery of merchandise, products, parts, and services:**

4.1.1 – Strictly observe the delivery place and date for any merchandise, products, parts, and services, as specified in the order, purchase agreement, scheduling agreement, or equivalent document;

4.1.2 – Delivering merchandise, products, parts, and services in a place and date different than those specified in the order, purchase agreement, scheduling agreement, or equivalent document does not require **SABÓ** to accept said delivery, nor does it entitle the **COMPANY** to make such demand. **SABÓ** cannot be held liable for any merchandise, products, parts, and services delivered in places different than those previously specified by **SABÓ**;

4.1.3 – The number and item of the order, purchase agreement, or scheduling agreement, and respective material number shall be specified in the invoice, in addition to other demands **SABÓ** may make;

4.1.4 – Should the **COMPANY** fail to meet delivery times, **SABÓ** may, at its own discretion, cancel the order, purchase agreement, scheduling agreement, equivalent document, without prior notice or interpellation. **SABÓ** is hereby authorized to refuse the receipt of merchandise, products, parts, and services when the specified delivery time was exceeded;

4.1.5 – When a link between a stoppage in **SABÓ’s** and/or the client’s production line and the delay in the delivery of merchandise, products, parts, and services has been proven, the **COMPANY** shall reimburse **SABÓ** for any losses or damages incurred. **SABÓ** is hereby authorized to use any credit the **COMPANY** holds as compensation;

4.1.6 – Merchandise, products, parts, and services delivery days and times, unless otherwise specified by **SABÓ**, are Monday through Friday, 7am to 4pm, considering business days. Outside this period, deliveries shall only be accepted with express consent from **SABÓ**. On holidays, deliveries shall only be made with **SABÓ’s** prior consent.

4.1.7 – Without prejudice to the other provisions herein, during the delay period, **SABÓ** may, at its own discretion, purchase merchandise, products, parts, and services from other sources and, therefore, cut down the amounts purchased from the **COMPANY**, without incurring any liability to the latter, or making the **COMPANY** supply the merchandise, products, parts, and services purchased from other sources in the amount and time requested by **SABÓ**, for the exact price specified in the order, purchase agreement, or scheduling agreement. Additionally, the **COMPANY**, on its own, shall take

the necessary measures to ensure **SABÓ** is supplied for a 30-day period during any foreseen production stoppage or stoppage due to the end of the **COMPANY's** work agreement. If requested by **SABÓ**, the **COMPANY** shall provide, within ten (10) days from the request, reasonable assurance that the delay will not exceed thirty (30) days. In the event it exceeds thirty (30) days, or **SABÓ** deems the assurance insufficient, or the aforementioned assurance is not presented in the period specified here, **SABÓ** may terminate this agreement without accepting any liability arising from the termination. The **COMPANY** shall be liable for the risks and expenses of storing the subject matter of the order, purchase agreement, or scheduling agreement, until it is received by **SABÓ**.

4.1.8 – In the event the **COMPANY**, due to internal problems or problems related to its activities, becomes aware that the delivery times cannot be met, it shall notify **SABÓ** immediately. It may request an extension or postponement, with which **SABÓ** may or not agree at its own discretion.

4.1.9 - The **COMPANY** shall ensure the use of packages that meet **SABÓ's** specifications or, should they not be available, appropriate packages to ensure the merchandise, products, parts, and services are delivered to **SABÓ** undamaged.

4.1.10 – Transportation and packaging expenses for the merchandise, products, parts, and services, unless otherwise stated by **SABÓ**, are the **COMPANY's** responsibility. The latter shall also bear the risks involving the transportation and conservation of the merchandise until it is delivered in the place specified by **SABÓ**.

4.1.11 – The merchandise, products, parts, and services shall be delivered with all legally required documentation, in addition to other documents **SABÓ** may request.

4.1.12 – **SABÓ** may refuse merchandise, products, parts, and services whose documentation is not completely regular, and the **COMPANY** shall bear any expenses arising from the return.

4.1.13 – The **COMPANY** shall provide a securitization plan to ensure it's logistically apt to meet **SABÓ's** demands in no longer than thirty (30) days from the moment this agreement is executed.

#### **4.2 – Regarding the quality of the merchandise, products, parts, and services:**

4.2.1 – Send **SABÓ** the respective merchandise, products, parts, and services development timeline, as well as prototypes and/or samples, along with Dimensional and Material Reports.

4.2.2 – Request prior approval from **SABÓ's** Product Engineering or Supplier Quality Engineering to begin manufacturing the merchandise, product, part, or service.

4.2.3 – The merchandise, products, parts, and services shall be manufactured or produced by the **COMPANY**, strictly according to the technical specifications and quality standards set forth by **SABÓ**, as specified in Annex I of this agreement.

4.2.4 – After the merchandise, products, parts, and services have been delivered, even during the manufacturing phase, should **SABÓ** find defects, flaws, or any other vices that prevent the use of the merchandise, products, parts, and services, **SABÓ** may, at any given moment, request the corresponding credit for or replacement of the defective merchandise, products, parts, and services that have not passed quality checks.

4.2.5 – Before beginning to supply the merchandise, product, part, or service, the **COMPANY** shall subject its facilities to a Process Audit for a production capacity check.

4.2.6 – Regardless of the responsibility for the project and construction or tools and/or control mechanisms, it is the **COMPANY's** responsibility to perform the required service so they are kept in perfect working order throughout their expected lifespan.

### **4.3 – Regarding the contractual liability:**

4.3.1 – In the event **SABÓ's** clients request it replaces or exchanges parts in products supplied by **SABÓ** (recall), and after verifying the indicated defects are or arise from quality flaws and/or deviations from what had been specified in the merchandise, products, parts, and services supplied by **COMPANY**, the latter shall adhere to the recall and replace or repair the defective merchandise, products, parts, and services, bearing all related costs, charges, and responsibilities, in addition to reimbursing **SABÓ** for any damages or losses it may incur before clients or consumers.

### **5 – ALTERATIONS:**

5.1 – Any design and/or process alterations made by the **COMPANY** shall be previously notified to and approved by **SABÓ**. Changes to manufacturing facilities and/or sites shall be communicated at least three (3) months in advance.

### **6 – COMPANY'S RATING:**

6.1 – The **COMPANY's** financial, commercial, logistical, quality and engineering performance will be monitored by **SABÓ**, and together they will rate the **COMPANY** as:

**"Green"**: the **COMPANY** is apt to take part in new projects and may maintain current deals;

**"Yellow"**: the **COMPANY** may take part in new projects provided they present action plans and may maintain current deals; or

**"Red"**: the **COMPANY** is banned from new projects and their current deals will be reviewed for a change of sources.

6.2 – **SABÓ** shall keep a database with the **COMPANY's** quality history information. This database shall serve as base to evaluate whether current deals will be kept and whether the **COMPANY** can provide new price quotes.

## **7 – TRADE SECRET:**

7.1 – **SABÓ's** designs, tools, models and samples cannot be copied by the **COMPANY**, nor can they be transmitted, loaned, granted, or transferred to any other companies or individuals in any way or for any reason. The **COMPANY** shall destroy any surplus, leftovers, or **SABÓ's** refuse.

7.2 - The **COMPANY** shall treat as trade secrets **SABÓ's** orders, purchase agreements, or scheduling agreements, and especially the designs, models, samples, technical specifications, and quality standards related to the merchandise, products, parts, and services to be provided to **SABÓ**. Otherwise, it may have to compensate **SABÓ** for any damages arising from the breach of secrecy.

7.3 – The obligation of confidentiality shall remain effective not only during the term of this agreement, but also subsequently, for ten (10) years from this date.

7.4 - The **COMPANY** shall defend, exempt, and compensate **SABÓ**, its successors and consumers for any claims of rights violations (including patents, trademarks, copyrights, industrial design rights, or any other intellectual property rights, or for the misuse or misappropriation of trade secret) and for damages and losses incurred (including legal fees and other professional fees), in any way related to the merchandise, products, parts, or services under this agreement, including claims that the **COMPANY** has provided only part of the merchandise, products, parts, or services.

7.5 – The **COMPANY** agrees that **SABÓ** or its subcontractor has the right to repair, rebuild, or reassemble the merchandise, products, parts, and services delivered under this AGREEMENT without paying any amounts as royalties to the **COMPANY**.

7.6 - The **COMPANY** declares and acknowledges that the merchandise, products, parts, and services manufactured based on the designs, models, samples and/or according to de **SABÓ's** specifications are owned exclusively by **SABÓ**, and cannot be intended for private use or sale, or for any reason be transmitted or transferred to any third parties without **SABÓ's** express consent in writing.

7.7 – For the purposes of this agreement and to protect **SABÓ's** intellectual property rights, including copyrights, intellectual and industrial property rights related to the brands, patents, and prototypes, the merchandise, products, parts, and services manufactured by the **COMPANY** will be considered invariably 'custom-made', with all legal privileges in favor of **SABÓ**.

7.8 – The **COMPANY** hereby acknowledged **SABÓ** owns all rights and titles related to copyrights, moral rights, and intellectual and industrial property rights that may fall upon the merchandise, products, parts, and services custom made by the **COMPANY** upon **SABÓ's** request, and the former hereby waives any rights to it in favor of the latter.

## **8 – TERMINATION TERMS:**

8.1 – The orders, purchase agreements, or scheduling agreements may be terminated without any penalties to **SABÓ** regardless of interpellation or judicial or extrajudicial notification, by means of simple communication, in the following events:

8.1.1 – Fortuitous events of force majeure, such as a strike, fire, revolution, war, etc., which lead to the total or partial stoppage of **SABÓ's** activities, preventing it from continuing to produce regularly;

8.1.2 – It becomes clear, at any given moment, that the **COMPANY** did not begin to execute the order in a timely manner, or failed to take the necessary measures to enable it to fulfill the order as agreed, pursuant to the specified times and conditions;

8.2 – The **COMPANY** shall ensure the deliveries specified in **SABÓ's** orders, purchase agreements, or scheduling agreements for a 90-day period in case this Agreement is terminated.