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GENERAL TERMS OF QUALITY

The present GENERAL TERMS OF QUALITY constitute Appendix no. 1 to the GENERAL TERMS OF SALE OF ELECTROTECHNICAL AND TECHNICAL CERAMIC PRODUCTS and shall apply to the sale and delivery of any product by ETI Elektroelement, d.o.o., Obrezija 5, 1411 Izlake, Slovenia (hereinafter referred to as "ETI" or the "Seller") to the Buyer of electrotechnical and technical ceramic products (hereinafter referred to as the "Buyer") in the absence of a contrary agreement.

I. Quality Assurance

- 1.1. The Seller has established, maintains, and enhances a quality management system in accordance with the international standards of quality.
- 1.2. The Seller ensures that all products are manufactured in accordance with international standards, that they are functional and free from defects.
- 1.3. The Seller monitors the level of defective parts per million ("DPPM") on the market.
- 1.4. For the purposes of calculating DPPM, the following method is used: Number of justifiably claimed products with regard to the number of all products sold in a period of rolling 12 months. For newly launched products, this period may be shorter.
- 1.5. The normal level of DPPM for an individual product is 3000.
- 1.6. Warranty period for the products is 24 months from the date of production.

II. Incoming inspection and warranty for obvious defects

- 2.1. Obvious defects means any non-conformance of the product with the specifications, which is visible or easily detectable without any analysis in a laboratory (hereinafter also "**obvious defects**").
- 2.2. Upon the receipt of the ordered products, the Buyer is obliged to inspect the products with due diligence and determine whether there are deviations in the shipment regarding the quantity of ordered and received products and whether the products have any visible quality defects that can be detected by careful inspection of the product (obvious defects).
- 2.3. If the Buyer discovers such defects when inspecting the products upon receipt of the goods, he shall be obliged to inform the Seller immediately, but no later than within eight days.



2.4. Notification of such defects shall be carried out in accordance with the procedure prescribed by these GENERAL TERMS OF QUALITY.

III. Hidden defects

3.1. Hidden defect is a defect, damage, malfunction or imperfection that could not be discovered by a reasonable inspection of a product (hereinafter "**hidden defect**").

3.2. According to the usual use of the product the Buyer is obliged to check the product in terms of the so-called "3F", i.e. Fit, Function, Form before installation. It is a simple review that does not require special knowledge and resources of the Buyer, so such a review is reasonably expected from the Buyer.

3.3. The Buyer is obliged to report the discovery of a hidden defect to the Seller within two working days from discovering such a hidden defect.

IV. Processing of the claim

4.1. If the Buyer finds that the product has any quality deviation (defect), he starts a procedure according to the rules set out below ("**claim**").

4.2. Reporting of any quality deviation shall be based on the "Claim Report – Basic Information" attached as Appendix 1 to these GENERAL TERMS OF QUALITY.

4.3. Claimed products shall be returned to the Seller for further inspection, unless this is not possible for objective reasons and the Seller agrees on a different way of resolving the claim.

4.4. Claimed product shall be returned packed in a safe transport packing and must be supported by a delivery note.

4.5. Returned products shall be clearly marked with type of failure detected at any stage of life cycle, e.g. clear reason for the claim. If appropriate, any additional documents or records shall be added to ensure clear information of the reason for the claim.

4.6. The Buyer must assure proper traceability of the product and documentation which assures clear connection between the claimed products and related documents.

4.7. If the Claim does not formally meet the requirements of these GENERAL TERMS OF QUALITY and does not contain at least a delivery note with the returned products which are not damaged or opened, claim report, notification of failure, everything with proper traceability, the Seller will not consider the Claim at all and will formally reject it as ineligible.



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- 4.8. The Seller also has the right to formally reject the claim if the Buyer wishes to claim a product that is older than 24 months from the date of manufacture.
- 4.9. When the claim is formally in compliance with these GENERAL TERMS OF QUALITY, the Seller will analyse the returned claimed products in order to confirm the defectiveness of the product. A technical report will be prepared containing the results of the analysis. This report is available to the Buyer.
- 4.10. If the Seller determines by analysis that the product is indeed defective and thus does not meet the quality assurances, it will recognise the claim as justified and rightful ("**rightful claim**"). However, if the analysis shows that the product is working and there are no defects, the Seller will reject the claim as unjustified ("**unjustified claim**").
- 4.11. The buyer has the right within 14 days of receiving the seller's response to the claim to request the return of unjustified claimed products, otherwise the products will be scraped by the seller at his own expense.

V. Product replacement and other costs

- 5.1. In the event the Buyer's claim is justified, the Seller will replace the defective product free of charge to the Buyer. If this is not possible for objective reasons, the Seller will refund the purchase price in a form of a credit note.
- 5.2. The Seller will not bear any other costs in connection with the defective products.

VI. Recall

- 6.1. In the event the Seller deems it necessary to recall the product from the market, he shall inform the Buyer, who shall be obliged to participate in the procedure to the best of his ability.
- 6.2. Any recall or recall-like act (other removal of working products from the market) by the Buyer without prior consent of the Seller is unjustified. The Seller shall not bear the costs associated with such action of the Buyer and may claim from the Buyer compensation for the damages incurred, including damage to his reputation.

QM Manager: Marija Brodar Kastelic

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