

1 APPLICATION

This Warranty Charter applies to any and all agreements for delivery of Parts to Volvo and is an integrated part of the Purchase Agreement between Volvo and the Supplier in accordance with Volvo's General Purchase Conditions. The purpose of this Warranty Charter is to establish the process for the handling of warranty claims. In no way shall this Warranty Charter limit the Supplier's liability or obligations towards Volvo under the Purchase Agreement or otherwise and any specific warranties and/or guarantees (including remedies) shall thus not be limited or impaired by this Warranty Charter.

2 INTRODUCTION

- 2.1 Quality is a core value for the Volvo Group as expressed in the Volvo Quality Policy which is part of the Volvo Procedures. The Supplier shall comply with all quality policies available at the Supplier Portal and shall act and perform as a top quality, world class supplier.
- 2.2 The warranty process explained in this Warranty Charter has two main purposes:
- to serve as a "quality over-check" to detect quality issues and to implement immediate corrective measures; and
 - to set out the relevant processes for establishing whether a quality issue exists and/or if a Part is defective, as well as set out an agreed compensation model to be applied as an alternative to Volvo's actual costs where requested by Volvo.

3 DEFINITIONS

All capitalized terms used but not defined herein shall have the same meaning as set out in the Purchase Agreement (as defined in Volvo's General Purchasing Conditions).

Acceptance Rate – shall mean the percentage of Defective Parts out of the sampled Parts. For example, if 70 Parts are included in the Warranty Material Analysis and 7 Parts are Supplier responsibility, the Acceptance Rate is 10 percent. The Acceptance Rate shall be applied to the full claim list and to any future claims of the same failure mode unless otherwise agreed or determined by an additional Warranty Material Analysis.

Administration – shall mean the administration time set at one hour per claim, in the event of a State of Technical Crisis, due to the additional work needed at Volvo to handle the crisis.

Dealer Mark-up – shall mean the profit margin added by the dealer on the sales price of a component to the end user. In some markets or countries e.g. in North America, the dealer mark-up is regulated by law. For other markets where the dealer mark-up is not regulated by law, and the actual dealer mark-up is not specified in the claim, the dealer mark-up shall be 20 percent.

Failure Frequency – shall mean, as defined in Section 6.2, at any given time, the accumulated number of failed Volvo Products containing a Defective Part divided by the accumulated number of Volvo Products delivered by Volvo containing a Part (i) globally during a calendar month, or (ii) to a specific market during a calendar month.

Labor Hours – shall mean actual labor hours per claim, where such information is included in the claim file presented to the Supplier. Where information about the actual labor hours per claim is not included in the claim file, the labor hours shall be calculated according to Volvo Standard Repair Times.

NCRF – shall mean No Root Cause Found, see Section 5.

NRCF Rate – shall mean the percentage of Parts included in Warranty Material Analysis that are logged as NRCF. For example, if 100 parts are included in the Warranty Material Analysis and 8 Parts are NRCF, the NRCF Rate is 8 percent. The NRCF Rate shall be applied to the full claim list and to any future claims of the same failure mode unless otherwise agreed or determined by an additional Warranty Material Analysis.

OES – shall mean the sales price charged for the Parts and other replaced parts sold by the Supplier or a third party to Volvo for spare part purposes (not as components for production).

Overhead – shall mean Volvo's costs for material handling such as warehousing, packaging, landing, logistics et cetera.

Reference Markets – shall, unless otherwise agreed, mean the markets listed by Volvo in the Supplier Portal.

Regional Labor Rates – shall mean the labor rates made available on the Volvo Supplier Portal under the E-library "Warranty section" and as updated by Volvo.

State of Technical Crisis – shall mean a situation when the Failure Frequency and/or the lead time to solve a quality issue exceeds the thresholds values stated in Section 6.

Travel – shall mean cost of both the travel and labor hours of the service technicians going to vehicles/machines to repair.

Volvo Products – shall mean any product or service sold by the Volvo Group

Volvo Quality Policy – shall mean the applicable quality policy available at any time on the Supplier Portal.

Warranty Material Analysis – means a technical analysis to determine the root cause of the quality issue and the respective responsibilities of Volvo and/or the Supplier.

4 WARRANTY MATERIAL ANALYSIS/EXAMINATION COMMITTEES

- 4.1 When quality issues are discovered or increasing in the field or otherwise in respect of or which may be related to Parts delivered by the Supplier, the Supplier shall promptly, and in any event no later than 10 business days from the day when Volvo has informed the Supplier of the discovery of the quality issue or the Supplier should otherwise have become aware of the issue, and at its own cost and expense, analyse the information and report to Volvo all actions that it intends to take to identify and document in detail the root cause(s) for the quality issue or to establish and document in detail any contention by the Supplier that there is none, including but not limited to the performance of a Warranty Material Analysis.
- 4.2 The Supplier shall be presumed liable for 50 percent of the total warranty cost for any quality issue, defect and/or failure and agrees to perform the necessary corrective actions and assume, on a preliminary basis, 50 percent of the financial burden brought

upon Volvo as a result of such quality issue until the final distribution of responsibility is agreed or otherwise settled. The Supplier therefore agrees that Volvo shall be entitled to withhold payment of any amounts due for the Volvo Group to the Supplier or any Supplier Group Company corresponding to the Supplier's undertaking herein.

- 4.3 The Supplier's report to Volvo under Section 4.1 shall include a notification to Volvo of the number of presumably defective Parts that the Supplier intends to include in the Warranty Material Analysis. The Supplier shall increase or decrease the number of presumably defective Parts to include in the Warranty Material Analysis at Volvo's request. Volvo shall, in its sole discretion, decide whether the technical analysis will be done at the Supplier's or Volvo's premises or at another location. When the examination is held at the Supplier's premises, the Supplier shall pay all extra costs related to the transportation of goods to and from the Supplier's premises regardless of the outcome of the Warranty Material Analysis.
- 4.4 The Supplier shall promptly, and in any event no later than 10 business days from the day when the Supplier at its premises first receives a Part or a Part is otherwise made available to the Supplier report to Volvo the result of the Warranty Material Analysis. The Supplier's reporting shall contain an 8D-report including, but not limited to, a root cause analysis and the technical details thereof and a log of all claims as either: Supplier responsibility, Volvo responsibility or NRCF (see Section 5) resulting in an Acceptance Rate and a NRCF Rate.
- 4.5 The Supplier shall provide Volvo with the diagnostic and analysis methods, including technical information and support needed to determine if a quality issue is attributable to the Supplier or not.
- 4.6 The time limitations for presenting the results of the Warranty Material Analysis may be extended subject to Volvo's prior written approval. The Supplier's request shall include a notification to Volvo in writing containing an expected timeframe and detail what analysis remains to be completed. Such approval not to be unreasonably withheld by Volvo in consideration of the complexity of the quality issue, technical problem or warranty claim.
- 4.7 Where the Supplier fails to present the results of the Warranty Material Analysis within the time period set out in Section 4.4 or any extended period agreed to by Volvo in accordance with Section 4.6, the Supplier shall be deemed to have accepted that the quality issue is fully attributable to the Supplier including an acceptance of Volvo's full claim for compensation which Volvo shall be entitled to invoice immediately for incurred costs and regularly for any future costs as they are incurred by Volvo. Should Volvo contest the results as presented by the Supplier, Volvo may invoice the Supplier in accordance with the results as interpreted by Volvo. If the Supplier does not accept the invoice, it must notify Volvo within 10 business days, counted from the receipt of such invoice. Where the Suppliers fails to notify Volvo within said 10 days, the Supplier shall be deemed to have accepted the invoice.
- 4.8 Any information provided by Volvo in connection with, and relating to, a Warranty Material Analysis shall only be used by the Supplier for the sole purpose of fulfilling its obligations under this Warranty Charter and, to the extent they relate to quality matters, obligations otherwise set forth under the Purchase Agreement.
- 4.9 Notwithstanding the Supplier being responsible for performing the Warranty Material Analysis, the Supplier shall allow Volvo such insight into the analysis that is required to enable Volvo to determine whether the conclusions drawn or actions taken by the Supplier are accurate and necessary. Without limiting the above, Volvo's insight shall include, at Volvo's sole discretion, meetings at a frequency determined by Volvo and full participation in the Warranty Material Analysis and the possibility to instruct the Supplier to perform additional actions as part of the Warranty Material Analysis and to perform additional Warranty Material Analyses.
- 4.10 The Supplier shall always be represented by someone duly authorized and empowered to make legally binding decisions and to accept responsibility on behalf of the Supplier, both technically and financially.
- 4.11 Any goods received by the Supplier shall be stored for the longer of (i) 60 days after the Supplier has presented the results of the Warranty Material Analysis, and (ii) the full duration of any dispute in respect of the responsibility for the quality issue, defect and/or failure. The Supplier shall upon Volvo's written request procure that Parts stored by the Supplier are returned to Volvo. If Volvo does not request such goods to be returned, the Supplier shall scrap the goods at its own expense. If the Supplier fails to store and/or return Parts in accordance with the above, the Supplier shall be deemed to have accepted that the quality issue is fully attributable to the Supplier including an acceptance of Volvo's full claim for compensation.

5 RESPONSIBILITY WHEN THE ROOT CAUSE CAN NOT BE CLEARLY DEFINED

- 5.1 The Supplier and Volvo shall be liable for 50 percent each of the total warranty costs for any quality issue where the affected Volvo Product has regained its functionality (e.g. put back in service) following the replacement of the Part but where the root cause has not been identified in the Warranty Material Analysis, (No Root Cause Found Parts "NRCF"). If requested by Volvo, the Warranty Material Analysis shall continue in technical cooperation between the Parties and the final liability shall be determined and divided as per the outcome of such Warranty Material Analysis.

6 COMPENSATION

- 6.1 If at any time the Failure Frequency exceeds the levels set out in Section 6.2 below, or the lead time to solve the quality issue (irrespective of the Failure Frequency) exceeds 18 weeks calculated from the date when the root cause(s) of a specific failure becomes known, or should have been known by the Supplier, the Supplier will be considered to be in a State of Technical Crisis. If the Supplier is considered to be in a State of Technical Crisis, the Supplier shall promptly, and in any event no later than 10 business days after the State of Technical Crisis occurred, reimburse Volvo any and all costs incurred, including but not limited to costs incurred as a result of any Field Action as reasonably initiated by Volvo in its sole discretion. Where requested by Volvo, payment shall be made by way of offset against any amount owed by Volvo Group to the Supplier or any Supplier Group Company. When occurred, a State of Technical Crisis will continue until a solution has been accepted and approved by Volvo and the Failure Frequency has dropped to permissible levels. The acceptance of a solution does not

limit Volvo's right to declare a new State of Technical Crisis should the Failure Frequency once again exceed the levels set out in Section 6.2.

6.2 The permissible Failure Frequency without incurring a State of Technical Crisis shall, in respect of (i) the total number of Volvo Products delivered during any calendar month, or (ii) the total number of Volvo Products delivered to a specific market during any calendar month, be:

- (a) 0.2 percent for the first year of use; and
- (b) 0.5 percent thereafter.

Accordingly, the failure of one (1) Volvo Product shall be compared to the total number of Volvo Products delivered during that calendar month.

6.3 For the avoidance of doubt, the Failure Frequency refers to the accumulated number of failures, meaning that the calculation of the Failure Frequency shall take into account all previous failures in the relevant population. The Supplier acknowledges that the occurrence of a State of Technical Crisis will by definition be on historical data and apply with retroactive effect.

6.4 COMPENSATION MODEL PER CLAIM:

<u>Compensation</u>	<u>Normal Warranty</u>	<u>State of Technical Crisis</u>
Material	OES * 1.0	Normal Warranty * 1.5
Overhead	OES * 0.4	Normal Warranty * 1.5
Dealer Mark-up	OES * 0.2 (Always actual in North America due to regulatory requirements)	Normal Warranty * 1.5
Labor	Labor Hours multiplied by Regional Labor Rate	Normal Warranty
Travel	Actual costs	Normal Warranty
Other	Other actual loss and damage incurred by Volvo due to the defective parts, including but not limited to shop supplies, towing, service car and other loss such as the replacement of other components, whether supplied by the Supplier or otherwise	Normal Warranty
Warranty Handling/ Administration at Volvo		1 hour per claim

For the avoidance of doubt, the purpose of the compensation model is to relieve both Parties of the administrative burden that comes with a claim-by-claim tracking of all actual costs borne by Volvo but shall never limit the Supplier's liability or obligations under the Purchase Agreement, including the GPC.

6.5 Any amount set out herein is net of all applicable, taxes, duties or other levies. Such taxes, duties or other levies shall be paid by the Supplier in addition to the amount referred to above. The Supplier is aware of the fact that compensation payable to Volvo with respect to warranty claims, in some areas, where so defined by law, is considered as a service/goods taxable for value added tax, VAT, and is therefore subject to applicable rates of VAT.

7 MATERIAL SAMPLING METHOD

7.1 The Supplier acknowledges that sustainability is one of Volvo's core values and that Volvo cannot recover all Parts for which Volvo has incurred warranty costs. Therefore, and in an effort to reduce the physical warranty material flow the Warranty Material Analysis shall, at Volvo's request, be performed without the physical Part, using *inter alia* the warranty claim failure description noted in the claim file and other available data. Where physical Parts are used in the Warranty Material Analysis, the technical investigations shall, unless otherwise agreed, be based on the examination of samples recovered from the Reference Markets. The number of Parts to be sampled shall be determined in accordance with Section 4.3.

Sampling Example: 70 Parts are returned for Warranty Material Analysis. Of those, 7 Parts are containing a defect for which the Supplier is responsible pursuant to the Purchase Agreement. The remaining 63 Parts do not contain such defect. This means that the proportion for which the Supplier is liable is 10 % and that the Supplier shall compensate Volvo for 10 % of all reported Part claims from the concerned period for which Volvo has incurred warranty costs.