

## **SAARIOINEN'S GENERAL PURCHASING CONDITIONS 1.6.2004**

### **1. Area of Application**

These purchasing conditions shall be upheld in purchasing contracts for products, materials and supplies (products) between Saarioinen Oy and its group (hereinafter Saarioinen) and the company supplying the product (hereinafter Supplier)

Exceptions to these conditions shall be made only by a mutual written contract clause in the actual contract.

In respect of prices and other matters not defined in these conditions the terms agreed separately in other documents pertaining to the order shall apply.

Purchasing contract also refers to an order placed by Saarioinen with a Supplier for which the Supplier has provided a confirmation of the order or on the basis of which the Supplier has commenced to fulfil the order.

### **2. Purchasing documents**

Documents drawn up in connection with the purchasing contract constitute a whole and complement each other and are an inseparable part of the purchasing contract. If the documents contradict one another, the following order of validity shall pertain. The order of validity shall not be affected by the total absence of any of the listed documents:

1. Purchasing contract and its annexes
2. Memoranda and minutes of negotiations
3. Quality contract
4. Saarioinen's General Purchasing Conditions
5. Confirmation of order provided by the Supplier
6. Offer submitted by the Supplier and its specifications
7. Saarioinen's request for an offer and its enclosures

General sales and delivery conditions possibly used by the Supplier shall not be adhered to unless it has been agreed in writing to abide by these.

### **3. Main obligations of the Supplier**

The Supplier undertakes to supply Saarioinen with products in keeping with the specifications at the agreed price according to the agreed schedule.

The definition of the delivery conditions will be done in the purchasing contract.

The Supplier shall be responsible for the products fulfilling the current requirements set by the Finnish legislation pertaining to foodstuffs and the orders issued on the basis of this legislation by officials or by separate agreement the corresponding regulations prevailing in another target country.

The Supplier shall be responsible for ensuring that the structure, raw materials and preparation of the product supplied by him/her are appropriate to the purpose of use in the purchasing contract or emerging from the context.

Written agreement may be made in the purchasing contract or in a separate quality contract regarding individual, special specifications or quality requirements. The Supplier shall be responsible for the products s/he supplies fulfilling the specifications and quality requirements in question. These specifications and quality requirements may be amended only by mutual written agreement.

The Supplier undertakes to pay special attention in his/her actions and supervision of the products s/he supplies to matters pertaining to health, safety and environmental protection.

The Supplier guarantees that none of the products s/he supplies to Saarioinen is directly deleterious or harmful either to health or the environment when appropriate use is made of it.

#### **4. Delivery, transportation**

The transportation of the product to Saarioinen is to be accomplished with transportation equipment appropriate to the quality and conservation of the products.

Saarioinen will notify the Supplier of the markings which the Supplier should note on each transportation unit and on the documents accompanying the delivery. The Supplier is obligated to deliver to Saarioinen all the documents required by the legislation in force for products delivered and additionally the documents mentioned in the purchasing contract.

The Supplier shall bear the risk of damages for the products until they have been surrendered to the representative of Saarioinen in keeping with the agreed purchasing conditions.

In deliveries an effort shall be made towards cost-effective transportation.

#### **5. Quality monitoring and reception of the products**

Saarioinen and the Supplier may agree separately on the quality assurance, the quality system or the analyses to be provided to Saarioinen. The aforementioned matters shall be agreed in writing in the purchasing contract.

Unless otherwise agreed the Supplier shall undertake to ensure the quality of the product in keeping with his/her own monitoring system.

On receipt of the product Saarioinen will inspect the product as a so-called external inspection. The purpose is to ensure that Saarioinen has been supplied with products of the agreed quality and quantity. If it appears in the inspection that the quantity of products does not correspond to the purchasing contract or that there are defects in the quality of the product, Saarioinen will make a written complaint to the Supplier.

If the external inspection gives reason to suspect that the products are defective, the products will be transferred for further inspection. At these inspections the representative of the Supplier shall

be entitled to be present when samples are taken from the products in question. If on the basis of further inspection Saarioinen is not willing to approve the products, the parties shall agree between themselves on further measures. Unless otherwise agreed, Saarioinen shall be entitled either to return the defective products to the Supplier or to destroy the products at the Supplier's expense.

The measures described at 5 above do not limit Saarioinen's rights under the legislation (Sale of Goods Act/*Kauppalaki*).

## **6. Quality inspections**

During the period of validity of the purchasing contract and these conditions, Saarioinen shall be entitled to conduct quality inspections in the Supplier's production and storage facilities.

## **7. Procedure and liability for product defect**

If the products supplied by the Supplier do not meet the quality requirements set by Saarioinen, or if they are not appropriate to the purpose or if the Supplier otherwise neglects his/her obligations agreed in the contract, Saarioinen shall be entitled to demand compensation of the Supplier and that the defect be made good. In such a situation Saarioinen shall be entitled to the following among others:

- the right to immediate compensation for the defects
- the right to demand that the price of the defective products be lowered in a manner corresponding to the defects
- the right to demand that the Supplier immediately provide Saarioinen with new products that are not defective

In these purchasing conditions direct damage shall be taken to mean the following among others:

- the value of defective products including direct and indirect manufacturing costs
- the value of those end products for which the defective products were used
- those additional costs incurred by Saarioinen in having to acquire corresponding products from some other supplier
- the costs of disposing of products or defective end products
- costs of cleaning and repairing Saarioinen's production machinery due to the products and all associated costs
- costs of withdrawing end products and
- reasonable costs accruing to Saarioinen from detecting and limiting the defect

Saarioinen shall be entitled to withhold payment for products already supplied until the Supplier has made good the defective delivery in the manner stipulated by Saarioinen

Saarioinen shall be entitled on the basis of the provisions of the legislation (*Kauppalaki*) also to demand compensation for indirect damages

## **8. Product liability**

The Supplier shall be responsible for those product liability claims which can be shown to be due to defective products

The Supplier shall take out a product liability insurance covering the deliveries of the parties. Product liability damages shall be compensated according to the legislation applicable to the damages and the product liability insurance of the Supplier shall cover this liability.

## **9. Delay of delivery**

In the event of a delay in the agreed delivery schedule Saarioinen shall be entitled to receive from the Supplier a delay sanction of three (3) percent for each week begun. The size of the delay sanction shall be calculated from the price of the entire delivery and the maximum delay sanction shall be fifteen (15) per cent of the total price.

If the delay exceeds five (5) weeks or it is otherwise obvious that the delivery will not conform to the time, quality and quantity in the contract, Saarioinen shall be entitled to cancel the contract.

## **10. Terms of payment**

Terms of payment shall be specified in the purchasing contract.

## **11. Changes in price level**

Regarding changes of price level in long-term contracts separate written agreement shall be reached.

Changes in taxation and payments under public administration, however, always entitle changes in prices in keeping with their real effect.

## **12. Force majeure**

The contracting parties shall not be responsible for damages due to obstacles beyond their control which a party to the contract could not have reasonably been expected to take into consideration at the time of making the contract and the consequences of which a party to the contract could not reasonably be expected to avoid or overcome. This event may for example, be war, rebellion, internal strife, confiscation for common need, import or export embargo, natural catastrophe, breakdown of public transport or energy supply, lockout, strike or other industrial action, fire or other corresponding or exceptional reason having a similar effect.

In the event of a delay in the fulfilment of the contractual obligation for some of the aforementioned reasons, the time for their fulfilment shall continue until the validity of the contract is unreasonable from the standpoint of a party to the contract, that party shall be entitled to cancel the contract without compensatory obligation.

## **13. Validity of the General Purchasing Conditions**

The General Purchasing Conditions shall be in force for the present.

A party to the contract shall be entitled to cancel the contract immediately if the other party substantially breaks these purchasing conditions or other conditions of the purchasing contract.

## **14. Resolution of disputes and legislation to be applied**

Attempt shall be made to resolve possible disputes arising from the purchasing contract and its interpretation firstly through negotiation between the parties. If no agreement in the dispute is

reached in negotiations within one month of the occurrence of the dispute, the dispute will be settled finally and in a manner binding on both parties by an arbitrator appointed by the Arbitration Institute of the Central Chamber of Commerce of Finland under the regulations of that Institute. The procedure will take place in Tampere in Finnish.

The Finnish legislation shall be applied to the purchasing contract.

### **15. Confidentiality**

Neither party may reveal to a third party business or professional secrets of the other regardless of in what form the knowledge to be kept secret was acquired.

The obligation to confidentiality shall continue for two (2) years after the expiry of the purchasing contract.

### **16. Transferring the contract**

Neither party shall be entitled to transfer agreements referred to by these conditions or rights to a third party unless separately agreed.

### **17. The Sale of Goods Act (*Kauppalaki*)**

In other respects the Finnish Sale of Goods Act (*Kauppalaki*) shall apply.