

**STANDARD OPERATING PROCEDURE****KMWE MALAYSIA / KMWE PRECISION / KMWE CHINA**

TITLE: TERMS AND CONDITIONS OF PURCHASE

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## TERMS AND CONDITIONS OF PURCHASE

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	Name	Signature	Department	Date
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Reviewed & Approved	: Tan Hooi Siam	Signed in "Master Copy"	TQM	06-Mar-23

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**REVISION HISTORY: -**

Revision	Reason of Changes	Revised By	Effective Date
00	New released	Vivian Loi	01-Feb-18
01	<ul style="list-style-type: none"><li>Revised Clause 1.0 - This document provides an overview of Terms and Conditions of Purchase utilized by KMWE Malaysia Sdn Bhd and KMWE Precision Sdn Bhd (herein referred to as KMWE) further to establishing the methods to assure that purchased product/service conforms to specified requirements</li><li>Added Clause 6.3.2 - When raising change request such as end of life, the supplier is responsible to provide 12 months advance notice for each anticipated change to facilitate evaluation, last time buy, perform test, inform and receive approval from KMWE and/or KMWE's customer</li><li>Added Clause 6.6 - Cancellation and Purchase Commitment by KMWE</li><li>Added Clause 6.7 - Extension of the Blanket Order or Call off Order or Purchase Order Running Time</li><li>Added Clause 6.8 - Postponement of the Call off Order or Purchase Order Delivery date</li><li>Revised Clause 6.18 - Code of Conduct of KMWE<ul style="list-style-type: none"><li>Child : Any person under <del>15</del> 16 years old, unless local laws stipulate a different age limit</li></ul></li></ul>	Vivian Loi	01-Mar-19
02	<ul style="list-style-type: none"><li>Revised the format of SOP-PC-03 : Terms and Conditions of Purchase</li><li>Header – Added KMWE China</li></ul>	Christie	06-Mar-23



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### 1.0 PURPOSE

- 1.1 This document provides an overview of Terms and Conditions of Purchase utilized by KMWE Malaysia Sdn. Bhd. and KMWE Precision Sdn. Bhd. (herein referred to as KMWE) further to establishing the methods to assure that purchased product/service conforms to specified requirements.

### 2.0 SCOPE

- 2.1 This terms and conditions apply to all KMWE suppliers.

### 3.0 REFERENCE

Nil

### 4.0 DEFINITION

Nil

### 5.0 RESPONSIBILITIES

- 5.1 Suppliers are responsible to meet the requirements in this document. Failure to meet these requirements may result in the loss of existing and/or future KMWE business.


### 6.0 PROCEDURE

#### 6.1 Product Changes

6.1.1 The SUPPLIER shall notify KMWE in writing without undue delay if the Contract Products are changed in any way. Contract Product changes after the conclusion of an individual supply contract, even for the purpose of improving or simplifying the Contract Products, require the consent of KMWE.

#### 6.2 Discontinuation of Contract Products

6.2.1 If the SUPPLIER becomes aware that its preliminary supplier plans to discontinue Contract Products which cannot be substituted by other contract products, the SUPPLIER must notify KMWE by giving notice of not less than 12 months in advance. The parties shall agree on what further action should be taken in the individual case.

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### 6.3 Notification of Supply Disruption


6.3.1 The SUPPLIER is aware of the importance of continuity of supply to KMWE and obligated to notify KMWE in writing immediately upon discovery or occurrence of incident that may or has likelihood of disrupting supply of material/part/component to KMWE. The incidents include but not limited to the following:

- an imminent financial emergency;
- a stay of debt enforcement or insolvency;
- a planned termination of business activities;
- shortage of material;
- shortage of manpower which may affect delivery to KMWE;
- key employee handling the product will be on long leave including medical leave or is leaving the company;
- potential machine capacity constraint;
- machine breakdown/failure;
- planned shutdown;
- quality issues;
- disaster such as fire & flood resulting in temporary closure of operation;
- penalty/sanction from the Authorities which may resulting in temporary closure of operation;
- any other events/incidents that the Supplier believe could disrupt delivery to KMWE.

6.3.2 When raising change request such as end of life, the supplier is responsible to provide 12 months advance notice for each anticipated change to facilitate evaluation, last time buy, perform tests, inform and receive approval from KMWE and/or KMWE's customer.

6.3.3 KMWE shall be able to, based on this procedure, produce the Contract Products or to have them produced by a third party.

6.3.4 The SUPPLIER must notify KMWE immediately of a halt in production and inform about the estimated length of the halt in production.

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6.3.5 SUPPLIER shall contact KMWE Supply Chain Management (SCM) via phone and email within 8 (eight) hours upon discovery or occurrence of incident. All emails must be sent to:

[procurement.std@kmwe.com.my](mailto:procurement.std@kmwe.com.my) and/or  
[procurement.fab@kmwe.com.my](mailto:procurement.fab@kmwe.com.my)

**6.4 Declaration of Origin of Goods**

6.4.1 The SUPPLIER shall declare the Country of Origin (COO) and the Commodity Code of Foreign Trade (CCFT) of the Contract Products each time on each individual invoice.

**6.5 Contract Penalties in Case of Delivery Delay**

6.5.1 If the SUPPLIER does not deliver the Contract Products in the agreed amount by the agreed delivery date, a contract penalty will be due. A contract penalty will only be dropped if the delay is due to force majeure and for which the SUPPLIER is not able to take any corrective measures to ensure ability to deliver.


6.5.2 In the case of a delivery delay, the SUPPLIER shall be entitled to deduct contract penalties amounting to 3 (three) percent of the total invoice for the delayed deliveries per working day following the day of the agreed delivery date, to a maximum of 15 percent of the outstanding invoice amount. The payment of contract penalties does not release the SUPPLIER from fulfilling the contract.

**6.6 Cancellation and Purchase Commitment by KMWE**

6.6.1 If KMWE discovers that the volume of ordered of Contract Products from the SUPPLIER in the form of Blanket Orders, Call off Order and Purchase Order is no longer needed as originally planned, KMWE shall be entitled to request a halt in production, to extend the acceptance period and/or to cancel the Blankets Order, Call off Order and Purchase Order placed with the SUPPLIER. The existence of such a circumstance shall not be deemed a reason for an extraordinary termination of this Agreement.

**6.7 Extension of the Blanket Order or Call off Order or Purchase Order running time**

6.7.1 KMWE has the right to extend the duration of the placed Blanket Order or Call off Orders or Purchase Order up to a maximum of 18 months.

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## 6.8 Postponement of the Call off Order or Purchase Order delivery date

6.8.1 KMWE has the right to postpone the placed Call off Order or Purchase Order up to a maximum of maximum of 18 months, calculated from the Purchase Order's original delivery date onwards. Beyond this extended duration, the SUPPLIER is entitled to issue reasonable costs occurred by so caused surplus stock of material components, semi-finished goods, and/or finished goods to KMWE.

## 6.9 Quality Management

6.9.1 The SUPPLIER agrees to plan, organize and carry out his responsibilities in connection with the fulfilment of the contract in such a way that comprehensive control and supervision is ensured and that the quality and safety requirements of the Contract Products are complied with.

6.9.2 KMWE has the right to audit the Quality Management System of the SUPPLIER.

6.9.3 KMWE reserves the right to conclude a separate agreement for quality management with the SUPPLIER, which then shall take precedence over this clause.

## 6.10 Warranty

6.10.1 The SUPPLIER fully warrants the functional capability and quality of the Contract Products for a period of 24 months from the date of final acceptance of the products by KMWE at the agreed destination, as accordingly defined Incoterms or 20 months following acceptance by KMWE's ultimate customer of the system in which the Contract Product is incorporated, whichever is later.

6.10.2 The SUPPLIER guarantees that the Contract Products comply with all the relevant norms and all applicable legal provisions, in particular, with regards to product, work and operation safety, prohibition of child labour as well as the relevant EU directives and all suppliers are expected to comply fully with all local, regional, national, states and guidelines that have the force and effect of law. This includes laws and regulations relating to environmental, occupational health & safety, and labour practices.

6.10.3 Furthermore, the SUPPLIER is obligated to comply with the code of conduct and guarantees in the case of previous agreement with subcontractors of the SUPPLIER that they also comply with the code of conduct.



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6.10.4 If Contract Products show defects, the SUPPLIER shall, at its discretion, either repair/rework the Contract Products within 3 (three) working days or if this is not possible for technical reasons, to replace them partially or in their entirety within the same time period. If the Contract Products repeatedly have significant defects such that they cannot be used for their foreseen purpose, KMWE shall be entitled to refuse acceptance in general.

6.10.5 If a defect is not eliminated within the above-mentioned period, KMWE is entitled to repair/rework the respective Contract Product or have it repaired/reworked by a third party at the cost of the SUPPLIER. The SUPPLIER must replace damage, which results directly from the delivery of defective Contract Products. If it transpires that the SUPPLIER is not responsible for the reported defect, the SUPPLIER can pass on any costs arising from the repair/rework of defects for KMWE. If the SUPPLIER plans to charge the costs, the SUPPLIER must forward a detailed cost estimate for the repairs/reworks of the defects and gain approval by KMWE.

### 6.11 Losses Due to Defects

**6.11.1** The SUPPLIER is liable for any further damages (loss due to defects) that KMWE suffers through the delivery of defective Contract Products, unless it proves that it is not at all culpable. If it is discovered that the SUPPLIER is not responsible for the notified defect, the SUPPLIER may invoice KMWE for the costs it incurred for the elimination of the defects.

### 6.12 Loss Prevention Measures

6.12.1 The SUPPLIER is liable for measures to prevent losses to KMWE (e.g. recall action or field action). KMWE shall inform and seek advice from the SUPPLIER immediately and fully grants the SUPPLIER the opportunity to investigate the circumstances. KMWE and the SUPPLIER shall come to an agreement regarding the measures to be taken prior to taking action.

### 6.13 Liability Insurance

6.13.1 The SUPPLIER confirms that it has taken out a public and product liability insurance with worldwide coverage of at least 2.5 (two point five) million EUR for any single occurrence to cover personal injury, property damage and pure financial loss for the duration of this agreement and for at least 5 (five) years after the contract expires.

6.13.2 If the SUPPLIER does not comply with its obligation to take out a respective insurance, KMWE shall be entitled to take out the insurance on behalf and on account of the SUPPLIER. KMWE must notify the



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SUPPLIER of damages and losses for which the SUPPLIER is liable in writing without undue delay or have the SUPPLIER survey them.

### 6.14 **Guarantee of Delivery**

6.14.1 The SUPPLIER agrees to continue the production and delivery of compatible Contract Products (according to “form, fit and function”) to KMWE for a period of 10 more years commencing from the delivery of the last series of Contract Products.

### 6.15 **Repair/Rework Warranty**

6.15.1 The SUPPLIER guarantees to maintain a repair/rework service for the Contract Products for a period of 10 more years commencing from the delivery of the last series of Contract Products to KMWE.

### 6.16 **Payment Conditions**

6.16.1 Unless agreed otherwise, the prices quoted in the order are fixed prices. The period allowed for payment begins on the day of the correct delivery of the items or on the day of receipt of the invoice, whichever occurs later.


### 6.17 **KMWE Conflict Minerals Policy**

6.17.1 There has been increased awareness of violence and human rights violations in the mining of certain minerals from a location described as the “Conflict Region”, which is situated in the eastern portion of the Democratic Republic of the Congo (DRC) and surrounding countries. Companies around the globe have been requested to practice reasonable due diligence with their supply chain to assure that specified metals are not being sourced from mines in the Conflict Region, which is controlled by non-government military groups, or unlawful military factions.

6.17.2 KMWE supports this initiative and has either obtained, or is in the process of obtaining, information from our current metal suppliers concerning the origin of the metals that are used in the manufacture of iRobot products. Based upon information provided by our suppliers, KMWE does not knowingly use metals derived from the Conflict Region in our products.

6.17.3 Suppliers of metals used in the manufacture of KMWE products (specifically gold, tin, tantalum, and tungsten) must demonstrate that they understand the conflict minerals laws and will not knowingly procure specified metals that originate from the Conflict Region.



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6.17.4 Suppliers must review and agree in writing to the following conflict minerals contractual language:

6.17.4.1 Supplier represents and warrants that it is in full compliance with conflict minerals laws, including, without limitation, Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 as it may be amended from time to time and any regulations, rules, decisions or orders relating thereto adopted by the Securities and Exchange Commission or successor governmental agency responsible for adopting regulations relating thereto (collectively, (“Dodd-Frank Section 1502”).

6.17.4.2 Supplier must cooperate with KMWE to make available to KMWE and/or its agents, full material declarations that identify the sources of and amount of all substances contained in the Products. Unless KMWE specifically agrees in writing that a particular Product may contain a particular material, Supplier will also provide a statement that the Products do not contain various materials at issue in applicable laws and regulations.

6.17.4.3 Supplier must declare each Product’s compliance to all applicable hazardous material legislation and identify any substances that are banned or must be declared under applicable laws. In addition, Supplier will make available any documentation that supports the declaration. Without limiting the generality of the foregoing, Supplier agrees to disclose to KMWE, upon KMWE’s request, to the extent known or discoverable by Supplier following inquiry, the original source of all minerals contained in the Product.

6.17.4.4 Supplier must declare each Product’s compliance to all applicable hazardous material legislation and identify any substances that are banned or must be declared under applicable laws. In addition, Supplier will make available any documentation that supports the declaration. Without limiting the generality of the foregoing, Supplier agrees to disclose to KMWE, upon KMWE’s request, to the extent known or discoverable by Supplier following inquiry, the original source of all minerals contained in the Product.

6.17.4.5 If Supplier does not know the original source of the minerals, Supplier agrees to cooperate with KMWE,



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including disclosing from whom Supplier purchased the minerals and urging others to disclose such information, so that the original source of minerals can be accurately determined and reported. Supplier shall comply with all laws regarding the sourcing of minerals, including, without limitation, laws prohibiting the sourcing of minerals from mines controlled by combatants and Dodd-Frank Section 1502.

6.17.4.6 Without any further consideration, Supplier shall provide such further cooperation as KMWE may reasonably require in order to meet any obligations it may have under conflict minerals laws, including, without limitation, under Dodd-Frank Section 1502.

### 6.18 Code of Conduct of KMWE

#### ▪ Definitions:

Child: Any person under 16 years old, unless local laws stipulate a different age limit.

▪ Juvenile: Any employee, who is older than a child (see above) but under 18 years old.

▪ Child labour: Work by a child or juvenile, which does not conform to the national and international laws.

6.18.1 KMWE assumes that all suppliers and their sub-suppliers recognise the rights of children and all associated national and international laws, regulations and laws, which prevail in the country of production. The supplier is obligated to take all necessary action to ensure that child labour does not take place, either on its own premises, or at a potential sub-contractor.

6.18.2 Furthermore, juveniles, who attend school, must not work during school time. The total amount of hours consisting of school time, work, travel to and travel home must not add up to more than 10 hours per day. In addition, juvenile under 18 years old must not work during the night or under dangerous conditions.

## 7.0 RECORDS

Nil