

# TERMS AND CONDITIONS:

## SELLING GOODS AND SERVICES

### 1. DEFINITIONS AND INTERPRETATION

“Business Day” means a day other than a Saturday, Sunday or public holiday in Scotland, when banks are open for business;

“Buyer” means the person or firm who purchases the Goods from the Seller;

“Contract” means the contract between the Buyer and the Seller for the sale and purchase of the Goods in accordance with these Terms, which includes Order and any Specification;

“Force Majeure Event” means an event, circumstance or cause beyond a party’s reasonable control;

“Goods” mean the goods (or any part of them) set out in the Order;

“Incoterms Rules” means standardised set of international trade terms as published by the International Chamber of Commerce (ICC) from time to time;

“Order” means the Buyer’s order for the Goods, as set out in the Buyer’s purchase order form or the Buyer’s written acceptance of the Seller’s quotation;

“Proof of Removal” means documentation as defined in Clause 3(b) of these Terms;

“Seller” means Scottish Leather Group Operations Limited, a company incorporated in Scotland with company number SC015274 and having its registered office at Baltic Works, Kilbarchan Road, Bridge of Weir, Renfrewshire, PA11 3RH;

“Specification” means any specification for the Goods made available by the Seller;

“Terms” means these terms and conditions, as may be amended by the Seller from time to time.

- a. A person includes a natural person, corporate or unincorporated body (whether or not having separate legal personality).
- b. A reference to a party includes its personal representatives, successors and permitted assigns.
- c. A reference to legislation or a legislative provision is a reference to it as amended or re-enacted. A reference to legislation or a legislative provision includes all subordinate legislation made under that legislation or legislative provision.
- d. Any words following the terms including, include, in particular, for example or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.
- e. A reference to writing or written includes fax and email.

### 2. BASIS OF CONTRACT

- a. The Order constitutes an offer by the Buyer to purchase the Goods in accordance with these Terms. The Buyer is responsible for ensuring that the terms of the Order and any applicable Specification are complete and accurate.
- b. The Order shall only be deemed to be accepted when the Seller issues a written acceptance or acknowledgement of the Order, at which point the Contract shall come into existence.
- c. Save as provided in this Clause 2(c), all Contracts entered into by the Seller, howsoever constituted, shall be governed solely by these Terms which shall apply (notwithstanding any provision to the contrary) to the exclusion

of all other terms and conditions which the Buyer seeks, or may seek, to impose or incorporate, or which are implied by law, trade custom, practice or course of dealing. In the event of any ambiguity or inconsistency between these Terms and any specific terms and conditions set out in the Seller's quotation or the Seller's acceptance or acknowledgement of the Order (if any), such specific conditions shall take precedence over these Terms.

### 3. PRICE AND PAYMENT

- a. The price of the Goods shall be the price set out in the Order, or, if no price is quoted, the price set out in the Supplier's published price list in force as at the date of delivery.
- b. The Seller may, by giving notice to the Buyer at any time before delivery, increase the price of the Goods to reflect any increase in the cost of the Goods that is due to any factor beyond the Seller's control (including foreign exchange fluctuations, increases in taxes and duties, and increases in labour, materials and other manufacturing costs), any request by the Buyer to change the delivery date(s), quantities or types of Goods ordered, or the Specification, or any delay caused by any instructions of the Buyer or failure of the Buyer to give the Seller adequate or accurate information or instructions.
- c. The price of the Goods excludes amounts in respect of value added tax ("VAT") and any other applicable taxes, which the Buyer shall additionally be liable to pay to the Seller at the prevailing rate as applicable, subject to the receipt of a valid invoice. The price of the Goods also excludes the costs and charges of packaging, insurance and transport of the Goods, which shall be included on the invoice to the Buyer where applicable.
- d. The Seller reserves the right to require payment and issue the invoice to the Buyer on, or any time prior to or after, delivery or collection. Insofar as payment has not been made prior to delivery or collection, payment shall be due within 30 days of the date of the invoice. Without prejudice to any other remedy in respect of non-payment, the Seller shall be entitled to charge interest at the rate of 3% over the base rate from time to time in force of Royal Bank of Scotland plc from the time payment falls due until payment is made.
- e. In the event that the Buyer fails to make any payment on the due date to the Seller, then without prejudice to any other remedy or right available to the Seller, including the right of termination under Clause 14, the Seller shall be entitled to suspend any existing or future Orders or deliveries to the Buyer without liability to the Buyer.
- f. The Seller reserves the right to reject any debit notes from the Buyer unless the appropriate credit note has been authorised in advance by the Seller. The Buyer shall make all payments to the Seller without any deduction, withholding or set-off whatsoever. If any unauthorised deductions or debits are issued by the Buyer, the Seller shall be entitled to suspend any existing or future Orders or deliveries to the Buyer without liability to the Buyer.

### 4. INFORMATION TO BE PROVIDED BY THE BUYER

- a. Where the Contract is made without the specification of colour or any other details which in the Seller's reasonable opinion are necessary to enable the Seller to fulfil the Contract, the Seller will request such details from the Buyer. The Buyer must provide such necessary details as soon as practicable, but in any event within three months from the date when the Contract is formed. If the Buyer fails to supply such details within that period, the Seller shall be entitled to terminate the Contract. The Seller shall be entitled (whether or not the foregoing entitlement to terminate the Contract is exercised) to recover from the Buyer all costs and additional expenses incurred by the Seller as a result of the Buyer's failure to supply such details timeously.
- b. Supplies of Goods under EXW Incoterms Rules will be liable to a zero-rate VAT (to the extent VAT would otherwise be applicable) where the Buyer provides valid Proof of Removal, being shipping documentation determined by the Seller (in its sole discretion) to be sufficient. The Buyer shall provide such Proof of Removal as soon as reasonably practicable. Where the Proof of Removal is not provided by the Buyer timeously, the Seller reserves the right to charge VAT (to the extent VAT would otherwise be applicable) at a standard rate prevailing at the time.

## 5. DELIVERY

- a. Upon prior agreement between the parties, the Goods shall either (i) be delivered by the Seller to the location and on the date set out in the Contract, or such other location and date as the parties may agree in writing, or (ii) collected by the Buyer from the address and on a date set out in the Contract, or as otherwise advised by the Supplier prior to delivery.
- b. Delivery is completed on the completion of unloading or loading (as case may be) of the Goods at the location determined in accordance with Clause 5(a) above.
- c. Any time or date for delivery or collection is given as the Seller's best estimate and shall not bind the Seller. The Seller shall not be liable to the Buyer for the consequences of any delay beyond such time or date. The Seller shall use its reasonable endeavours to keep the Buyer advised of any delays. The Buyer shall be obliged to take delivery or collect the Goods (as appropriate) at the time or date for delivery or collection specified in the Contract or such other date as may be subsequently specified by the Seller pursuant to these Terms.

## 6. STORAGE OF GOODS

If the Buyer fails to collect the Goods purchased on an EXW basis within five Business Days of the Seller notifying the Buyer that the Goods are ready for collection, then, except where such failure or delay is caused by a Force Majeure Event or the Seller's failure to comply with its obligations under the Contract, the Seller shall store the Goods until collection takes place, and charge the Buyer for all related costs and expenses (including insurance).

## 7. TITLE AND RISK

Risk of loss or damage to the Goods shall pass to the Buyer at delivery or collection. Notwithstanding delivery or collection, title to the Goods shall not pass until the Seller has received payment of (i) all sums due in respect of the Goods, and (ii) any other sums due to the Seller at the time the Contract is made. Until title in Goods passes, the Buyer shall keep any such Goods separate from those of its own and any third party's, properly stored and insured for their full value.

## 8. WARRANTIES AND LIABILITY

- a. The Seller warrants that it has title to the Goods and that they shall comply in all material respects with any Specification provided by the Seller. All other warranties, conditions or terms implied at common law or by statute are hereby expressly excluded save to the extent they may not be lawfully excluded.
- b. In the case of a breach of warranty under Clause 8(a) by the Seller, the Buyer is entitled to reimbursement of the price of the Goods (or if appropriate, a pro-rata proportion thereof) or replacement (to the extent available) of any defective Goods. The Buyer's right to reimbursement or replacement under this Clause 8(b) is the only remedy available to the Buyer in connection with the Supplier's breach of the warranty in Clause 8(a).
- c. In the case of any warranty claim by the Buyer under Clause 8(b), it is a condition precedent that the Buyer intimates the claim in writing within seven days from the date (as appropriate) of delivery to, or collection by the Buyer or the Buyer's agent of, the Goods and in any event prior to the Goods being put to use.

## 9. LIMITATION OF LIABILITY

- a. The Seller shall not be liable to the Buyer for any indirect, special or consequential loss or damages that may be suffered by the Buyer.
- b. Nothing in these terms shall be deemed to exclude or limit (i) the party's liability for death or personal injury resulting from its own negligence or breach of contract or (ii) any other liability which cannot be excluded or limited under applicable law.
- c. Subject to Clause 9(a) and Clause 9(b) above, the Seller's total liability to the Buyer arising under or in connection with the performance of the Contract or the supply of the goods or the services (including but not limited to liability

for liquidated damages for delay and failure to achieve performance) save only for amounts recovered from insurance required to be effected and maintained under the Contract shall not exceed a sum equal to the value of each individual call off or purchase order as adjusted to take account of any additions thereto or deductions therefrom.

## 10. RETURNS

- a. The Buyer shall be entitled to return any Goods if they are in a re-saleable condition within seven days from the date of delivery of collection with prior authorisation by the Seller by way of provision of a return reference number. The Seller shall be entitled to reject any Goods returned which do not have a valid return reference number or are not in a re-saleable condition. Under these circumstances, the Buyer will be liable for its own shipping costs.
- b. A charge of 30% of the invoiced value of the Goods being returned will be levied for returns of between one and nine items of Goods, and a charge of 10% of the invoiced value of the Goods being returned will be levied for returns of ten or more items of Goods.

## 11. QUANTUM AND MEASUREMENT

- a. The parties agree that the Seller is entitled to supply, and to be paid for, at the Seller's option (i) up to the nearest item of Goods in excess of the quantity of Goods ordered, or (ii) -10/+10% of the ordered Goods, and a pro-rata adjustment shall be made to the relevant invoice.
- b. Any claim relating to a deficiency in the measurement of finished leather will require to be supported by a Certificate of the Northampton Chamber of Commerce Check Measurement Service based on a pinwheel measuring machine carried out in accordance with the International Council of Tanners Measurement Code. Any such claim shall exclude the application and effects of Clause 11(a). No adjustment will be made for differences in measurement, excluding the application and effect of Clause 11(a) of areas equal to or less than 2% for firm leather and 3% for softer leather as specified in the International Council of Tanners Code. In the event of any discrepancy outside these tolerances, such adjustment shall be made on the actual discrepancy, excluding the application and effect of Clause 11(a).

## 12. SHIPPING

Where the Goods are sold and delivered on the basis of FOB under Incoterms Rules, the Seller shall not be under any obligation to give the notice as specified in Clause 32(3) the Sale of Goods Act 1979. Where the Goods are sold and delivered on the basis of CIF under Incoterms Rules, the Buyer shall not be entitled to reject the Goods.

## 13. LIEN

In addition to any right of lien which the Seller may be entitled to by law, the Seller shall be entitled to a general lien on all goods of the Buyer in the Seller's possession for the unpaid price of any goods sold or delivered to the Buyer by the Seller under any other contract.

## 14. TERMINATION

- a. Without limiting its other rights or remedies, the Seller may terminate the Contract with immediate effect by giving written notice to the Buyer if:
  - i. the Buyer commits breach of any term of the Contract and (if such a breach is remediable) fails to remedy that breach within seven days of being notified in writing to do so;
  - ii. the Buyer takes any step or action in connection with its entering administration, provisional liquidation or any composition or arrangement with its creditors (other than in relation to a solvent restructuring), obtaining a moratorium, being wound up (whether voluntarily or by order of the court, unless for the purpose of a solvent restructuring), having a receiver appointed to any of its assets or ceasing to carry on business or, if the step or action is taken in another jurisdiction, in connection with any analogous procedure in the relevant jurisdiction;
  - iii. the Buyer suspends, threatens to suspend, ceases or threatens to cease to carry on all or a substantial part of its business; or

- iv. the Buyer's financial position deteriorates so far as to reasonably justify the opinion that its ability to give effect to the terms of the Contract is in jeopardy.
- b. Without limiting its other rights or remedies, the Seller may suspend provision of the Goods under the Contract or any other contract between the Buyer and the Seller if the Buyer becomes subject to any of the events listed in Clause 14(a)(ii) to Clause 14(a)(iv).
- c. Without limiting its other rights or remedies, the Seller may terminate the Contract with immediate effect by giving written notice to the Buyer if the Buyer fails to pay any amount due under the Contract on the due date for payment.
- d. On termination of the Contract for any reason, unless otherwise directed by the Seller, the Buyer shall immediately pay to the Seller all of the Seller's outstanding unpaid invoices and interest and, in respect of Goods supplied but for which no invoice has been submitted, the Seller shall submit an invoice, which shall be payable by the Buyer immediately on receipt.
- e. Without prejudice to the foregoing, on termination of the Contract for any reason the Seller shall be entitled to recover Goods in the Buyer's possession as long as the title in these Goods has not passed to the Buyer in accordance with Clause 7. Upon serving to the Buyer of a reasonable notice, the Seller shall be entitled to enter Buyer's premises to recover such Goods, and the Buyer shall provide all reasonable assistance in order to allow the Seller exercise its rights under this Clause 14(e).
- f. Termination or expiry of the Contract, however arising, shall not affect any of the parties' rights and remedies that have accrued as at termination or expiry, including the right to claim damages in respect of any breach of the Contract which existed at or before the date of termination or expiry.
- g. Any provision of the Contract that expressly or by implication is intended to come into or continue in force on or after termination or expiry of the Contract shall remain in full force and effect.

## 15. FORCE MAJEURE

In this Agreement "Force Majeure" means any event or circumstance if and to the extent only that such event or circumstance is beyond the reasonable control of the Party claiming Force Majeure and that such event or circumstance reasonably delays or prevents the Party claiming Force Majeure from or in performing any of its obligations under the Agreement which event or circumstance shall include:

- a. War, invasion, hostilities (whether war be declared or not), invasion, act of foreign enemies, terrorism, riot, civil commotion, unrest or disorder whether or not declared as such by a government;
- b. Government order or law;
- c. Actions, embargoes or blockades in effect on or after the date of this Agreement;
- d. Action by any governmental authority.
- e. Acts of God, tempest, explosion, earthquake or other natural disaster of overwhelming proportions, fire, flood.
- f. Shortage of power or transportation facilities, the failure or closure of any sewerage or effluent treatment works, the sewage system or any related incident that impacts on the ability of the Supplier to carry on its business.
- g. Delays or non-performance of a subcontractor, agent, or supplier.
- h. Strike, lockout, labour unrest or other industrial disturbances (but not any consequential period), provided however that an industrial dispute (other than one forming part of a national or regional or collective bargaining dispute out with the control of the Supplier, as the case may be) between the Contractor or Owner, as the case may be, and any of its employees and/or between any sub-contractor and any of its employees shall not constitute Force Majeure;

- i. Labour problems (including strikes, lockouts, and slowdowns regardless of their lawfulness), or failure of supplies of power, fuel, transport, raw materials or other goods and services, or the failure to comply with applicable law or to take actions reasonably necessary to schedule performance in anticipation of any customs, export-import, or other Government Requirement of which public notice has been given.

## 16. NOTICES

- a. Any notice or other communication given to a party under or in connection with the Contract shall be in writing and shall be:
  - i. delivered by hand or by pre-paid first-class post or other next working day delivery service at the address of the other party as set out in the confirmation of Order or to such other address as that party may have previously notified in writing for such purposes; or
  - ii. sent by fax to its main fax number or sent by email to the address as may be provided by one party to another from time to time.
- b. Any notice or communication shall be deemed to have been received:
  - i. if delivered by hand, on the following Business Day and on signature of a delivery receipt;
  - ii. if sent by pre-paid first-class post or other next working day delivery service, at 9.00 am on the fifth Business Day after posting or at the time recorded by the delivery service; and
  - iii. if sent by fax or email, at the time of transmission, or, if this time falls outside business hours in the place of receipt, when business hours resume. For the purposes of this Clause 16(b), business hours means 9.00 am to 5.00 pm Monday to Friday on a day that is not a public holiday in the place of receipt.
- c. This Clause 16 does not apply to the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution.

## 17. CONFIDENTIALITY

- a. Each party undertakes that it shall not at any time during the Contract, and for a period of two years after termination of the Contract, disclose to any person any confidential information concerning the business, affairs, customers, clients or suppliers of the other party, except as permitted by Clause 17(b).
- b. Each party may disclose the other party's confidential information:
  - i. to its employees, officers, representatives or advisers who need to know such information for the purposes of exercising the party's rights or carrying out its obligations under the Contract. Each party shall ensure that its employees, officers, representatives or advisers to whom it discloses the other party's confidential information comply with this Clause 17; and
  - ii. as may be required by law, a court of competent jurisdiction or any governmental or regulatory authority.
- c. Neither party shall use the other party's confidential information for any purpose other than to exercise its rights and perform its obligations under or in connection with the Contract.

## 18. GENERAL

- a. The Seller may at any time assign, transfer, charge, subcontract, delegate or deal in any other manner with all or any of its rights or obligations under the Contract. The Buyer may not assign, transfer, charge, subcontract, delegate or deal in any other manner with any or all of its rights or obligations under the Contract without the prior written consent of the Seller.
- b. The Contract constituted under these Terms supersedes all previous conditions, understandings, commitments, agreements and representations (other than any fraudulent or negligent misrepresentations) whatsoever, whether oral, by conduct or written, relating to the subject matter of the Contract. No variation may be made to the Contract unless such variation is in writing and signed by an authorised representative of each of the parties.

- c. Any delay or failure by the Seller in enforcing its rights hereunder shall not constitute a waiver of the Seller's rights in respect of the Contract or any other contract, nor shall it prevent or restrict the further exercise of that or any other right or remedy. No single or partial exercise of such right or remedy by the Seller shall prevent or restrict the further exercise of that or any other right or remedy.
- d. If any provision or part-provision of the Contract is or becomes invalid, illegal or unenforceable, it shall be deemed deleted, but that shall not affect the validity and enforceability of the rest of the Contract. If any provision of the Contract is deemed deleted under this Clause 18(d) the parties shall negotiate in good faith to agree a replacement provision that, to the greatest extent possible, achieves the intended commercial result of the original provision.

## 19. JURISDICTION AND GOVERNING LAW

The Contract, and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation, shall be governed by and construed in accordance with the laws of Scotland. Each party irrevocably agrees that the courts of Scotland shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Contract or its subject matter or formation.

## 20. QUALITY PERFORMANCE LIQUIDATED DAMAGES

SELLER shall replace all goods/components that do not meet the Technical Specifications agreed by both parties. An inherent part of the manufacturing process is that there shall invariably be imperfections. Therefore, both parties recognise that there will be components (which are manufactured from natural materials) that are rejected after being received by the BUYER, and this is a direct consequence of the subjective nature of inspection. As such an acceptable level of this quality performance will be a reject rate of less than 5% of the individual cut parts of each individual call off or purchase order. After SELLER's inspection of the rejected part(s) and confirmation that SELLER agrees with same, then should this level of performance not be achieved, in addition to supplying the replacement, should the client suffer loss or disruption, they may be entitled to claim liquidated damages calculated at 10% of the selling price of the number of components supplied over the 5% rejection rate, capped to 5% individual call off or purchase order value only. Any costs incurred by SELLER in assessing components that were incorrectly rejected shall be deducted from any damages claimed. This shall be the BUYER's sole remedy for supplying components that do not meet the agreed NFG parameters, SELLER shall not be liable for any direct or indirect costs including consequential losses associated with the supply of these components, for the avoidance of doubt SELLER shall accept no liabilities whatsoever for the costs associated where a component supplied by SELLER has been incorporated into the products manufactured by the client, including intermediate processed parts.

## 21. OBSOLESCENCE

Any Hides that are in the Scottish Leather Group's (SELLER) Stores which SELLER have manufactured in Good Faith against a firm BUYER schedule / purchase order shall become due for payment in full after a 26-week period has elapsed from the date the goods were completed and first stored. It is the responsibility of the BUYER to arrange for the collection or transportation of goods within two (2) weeks of a written or verbal request for the collection of goods. Any costs related to the transportation of unsold goods will be the responsibility of the BUYER. If arrangements for transportation of the goods is not finalised within two weeks the BUYER shall become liable to pay for any additional storage charges and other applicable costs. If the cost of storage exceeds the value of the goods, then SELLER may retain possession of the goods and may exercise a right of sale or dispose of the goods at their discretion. Any insurance and/or storage fees for the goods during this period will be at the cost of the BUYER.

## 22. DAMAGES FOR DELAY

For each day/week SELLER is late in the delivery of the Goods, the SELLER shall pay BUYER as liquidated damages and not as a penalty, an amount equal to 0.10% per day of the value of the delayed goods only, up to a maximum of 5% of the value of said goods only, provided however, in the event the BUYER does not suffer any loss as a result of SELLER's delay in delivery of the goods, Liquidated Damages will not be imposed by BUYER. The payment of Liquidated Damages shall be the sole remedy of BUYER for SELLER's delay in delivering the goods.

## 23. OUT OF BALANCE

For manufactured hides, the quantity can be revised no later than two (2) weeks (the fixed period) before the dispatch date, this quantity can be amended by +/- 15%, where the amended quantity is greater than +/-15% an additional premium shall be payable of 20% for this Out Of Balance quantity. For example, where there is an increase an additional 20% shall be added to the agreed price of the component, where there is a decrease there shall be a cancellation fee of 20% of the agreed price for the goods not required which shall be added to the invoice of the goods shipped. The same methodology shall apply to cut parts, where the cut off shall be one (1) week prior to the commencement of cutting. All increases in volumes are subject to confirmation by SLG that these are achievable, all reductions in volumes shall be limited to 20% of the original order quantity.

## 24. ACCEPTANCE OF GOODS

The Buyer/Customer shall only be entitled to reject the goods if, upon examination, they prove to be defective in any material aspect. All goods sold and delivered shall, for all purposes, be deemed to be free from defects if the Buyer/Customer fails to notify the Seller in writing that the goods are defective withing ten (10) calendar days from the date of delivery.

## 25. STORING LEATHER HIDES AFTER CUSTOMER RECEIPT

### a. Recommended Conditions for Storing Leather

Leathers and hides should be stored in a clean, well-ventilated environment where temperature and humidity are maintained at local ambient levels. It is important to note that higher storage temperatures are possible, but that large temperature fluctuations should be avoided as this can promote the aging process. Storing in close proximity to direct sources of heat, cold or moisture should be avoided. Lighting levels should be kept to a minimum during storage where possible, avoiding exposing any leather to bright spotlights or direct sunlight over prolonged periods of time because this can cause the leather to fade, discolour and dry out.

### b. General Storage Guidelines

Hides should be removed from their original packaging promptly after delivery. If they require storage for a longer period, they should be unpacked and hung or draped over an appropriate stand or tress. If the hides are kept in good storage conditions, there is no maximum storage time, though they should be checked monthly. For short-term storage, hides can be kept on the rolls provided, but care should be taken not to compact the hides or place items on top of them. Limiting the stacked height of leather rolls during storage will help prevent creasing.