

STANDARD AGREEMENT
“TERMS AND CONDITIONS OF SALES FOR GREY FABRICS
(source of SISTEMA MODA ITALIA)

LEGAL SECTION

1. Definitions

"Grey Fabrics" mean fabrics, regardless of their fibrous composition and type (orthogonal or knitted) made of undyed, scoured or dyed yarns as taken from a loom before undergoing further processing.

Any references to a particular application shall be specified each time

"Parties" shall mean "Buyer" and "Seller" jointly.

2. Negotiation and Finalizing Purchase Orders

Under article 1326 of the Italian Civil Code, the Purchase Order is a contract proposal (purchase offer). In the event a Purchase Order is submitted to the Seller's agents or employees, the Purchase Order shall not become binding unless accepted in writing, also by facsimile or e-mail (better if certified), by the Seller.

Unless otherwise agreed between the Parties, the Purchase Order shall be deemed accepted within 10 working days from receipt. The contract is formed when accepted by Seller's acknowledgment.

Any modifications after the formation of the contract shall be agreed in writing by the Parties.

Failure to accept the purchase offer within 10 working days or within the term otherwise agreed by the Parties, shall void the purchase offer, and any late acceptance shall not become binding for the Buyer unless the Buyer has assented to it.

3. Calculating Time Limits

Time limits are calculated according to the common calendar except for otherwise agreed upon for individual items.

Time limits expiring on a Saturday or Bank Holiday as provided by law, are postponed to the next following working weekday.

Intimations or warnings to abide shall run from the date of receipt

4. Sales based on the standard piece and/or technical data sheet

Sample-based sales are always based on the standard fabric piece that the Seller delivers to the Buyer. Where this is not available, reference shall be made to the technical data sheet which could even be temporary. The Seller has the right to deliver the technical data sheet at the request of the buyer¹.

The Buyer will use the standard piece to carry out all the tests so as to verify its compliance with the requirements for the intended use. The Buyer is liable for deciding what kind of tests shall be performed.

The same standard piece and relevant technical data sheet of the item shall be used as reference for the subsequent deliveries except for any modifications agreed upon in writing between the Parties.

The above characteristics are deemed to refer to the standard piece provided it did not undergo additional treatments.

Upon agreement, the Seller shall be entitled to charge with a separate invoice the Buyer for any costs incurred in the production of special orders commissioned by the Buyer that entailed additional expenses for warping, drawing-in and weaving.

5. Validity and price confirmation

When a purchase order is received, except for the specifications contained in the temporary technical data sheet, the Seller should communicate the Buyer the production prices and the minimum quantities for each item as well as any supplement for samples and prices validity².

¹ See technical data sheet form attached to the Technical Part of this Standard Agreement .

² The indication of a period of prices validity shall not bind the Seller to accept the purchase offer submitted by the Buyer. In compliance with previous article 2, only the accepted purchase order by the Seller gives rise to the contractual obligation.

If the general term "season" is used to define the price validity, the Seller shall also specify the final date of the season's end.

The contract is formed when the Purchase Order acceptance has been received, and the established price cannot be modified neither influenced by any increase or decrease in the price of raw and processing materials. However, the Parties are entitled to agree the minimum validity of the prices communicated.

The contract is formed when the Purchase Order acceptance has been received, and the established price cannot be modified neither influenced by any increase or decrease in the price of raw and processing materials, except for outstanding variations. Nevertheless, should the Seller change the price due to exceptional variations as mentioned above, the Buyer is entitled to approve the price as modified or to withdraw from the agreement.

6. Payment terms

Payment terms are in compliance with the negotiations agreed upon by the Parties for each Purchase Order/Contract and Purchase Order acceptance³.

The acceleration clause shall come into effect and, as a result, the Buyer is required to immediately pay wherever one of the hypothesis included in Art. 1186 of the Italian Civil Code can be applied.⁴

In case of delivery by several instalments, the payment will run from the date of each invoice.

The payment must always be made directly to the Seller, except as otherwise specified. The parties are entitled to sell and buy goods on a retention of title in compliance with Art. 1523 of the Italian Civil Code.

In case of any difficulties to pay on the due date, the Buyer must promptly inform the Seller in order to find a proper solution

In case of failure to pay at the due date as mutually established, the Seller shall reserve the right to cancel the conditional discount allowed for timely payment, and to charge relevant interests in compliance with Art. 5 Decree Law 231/2002 as amended by Decree Law 192/2012, except when such failure depends on the Seller or for reasons attributable to the Seller.

Unless the Parties have agreed on an essential term, if the Buyer fails to make any payment on the due date, the Seller is entitled to temporarily cease all deliveries referring to open orders as well as to enjoin in writing the Buyer to pay by fixing an adequate term which cannot be less than 15 (fifteen) days, in compliance with art. 1454 of the Italian Civil Code. In the event the Buyer fails to respect this term, the Seller shall have the right to terminate the contract. Accrued interests shall be automatically calculated from the day immediately after the expiry date of the payment as provided for in the previous paragraph.

Furthermore, in case of late or missed payment, penalties agreed upon (if any) by the Parties shall be applied⁵.

7. Delivery Terms and Conditions

The delivery terms agreed by the Parties are specified in the acknowledged purchase order with a grace period of 20 working days.

In case the original Purchase Order is modified, the renegotiated delivery date shall apply.

Prior to delivery, the Seller shall make sure that the fabric corresponds to the technical specifications of the technical data sheet.

The Seller shall inform about any differences in the lots belonging to the same delivery in terms of seizing and/or yarns.

Unless differently agreed by the parties, the piece delivered must be duly rolled open-width on a cardboard tube, right side inside.

Unless the Parties agree otherwise, the Seller shall be deemed to have fulfilled its obligation to dispatch the goods when products are made available to the Buyer at the Seller's works on the day and time agreed or previously communicated by the Buyer.

In this case the goods shall travel at the Buyer's risk.

³ The general reference to the Italian Law also includes the decree law 231/2002 and subsequent modifications and supplements as far as the "fight against late payment" is concerned, and in particular as regards payment terms (unless otherwise agreed upon), late payments and interests for late payments.

⁴ Art. 1186 of Italian Civil Code: "Despite the term established in favour of the debtor, the creditor is entitled to recover immediately the compensation if the debtor has become insolvent or has decreased de facto the warranties or has not given the warranties as promised".

⁵ Any penalty agreed upon, is in general an oppressive clause to be specifically approved in writing.

The Seller is deemed to be liable for the storage of the goods from the time goods have been made available for dispatch on the day and time previously agreed and their actual collection.

If the collection of the goods exceeds 30 (thirty) days after the established delivered date, the Seller shall be entitled to charge the Buyer with the storage costs incurred in and calculated according to the General Customs Warehouse fees.

Unless otherwise agreed upon by the Parties, forwarding costs shall be charged to the Buyer.

8. Late Deliveries⁶

The Seller shall timely inform the Buyer of any late deliveries or unexpected obstacles occurred within the grace period in compliance with article 7 of this agreement, and in any case at the earliest dates possible. Given such communication, the Parties can reach a mutual understanding to manage such unexpected delay.

In the absence of the above understanding, and except for the cases in which the Parties have agreed on an essential term, once the grace period under article 7 of this agreement has expired, the Buyer is entitled to insist upon the performance or, as an alternative as provided for by article 1456 of the Italian Civil Code, to automatically cancel the agreement rejecting the undelivered order, by giving written notice to the Seller yet without prejudice to any penalty and claim for damages agreed upon⁷.

During the negotiations and before forming the contract, the Parties undertake to agree in writing limitations of liabilities for damages caused by late or missed delivery, so that the Seller has the opportunity to assess the cost effectiveness and the order-related risk⁸.

In the absence of the above agreement on limitations of liabilities, any damages caused by late or missed delivery shall be determined by the arbitrator/judge in compliance with the applicable rules of the Italian Civil Code.

Late deliveries caused by force majeure not attributable to the Seller (ex.: unplanned strikes, restrictions on the use of energy or other major production elements, wars, revolutions, fires, natural disasters, outbreak, and all other elements unpredictable and avoidable if due diligence is implemented) yet timely notified to the Buyer and accompanied with the request of a new delivery date, shall not lead to penalties, terminations, returns or claims for damages

However, if the late delivery caused by force majeure exceeds 10 days from the new term agreed, both parties have the right to cancel the agreement without any liability.

9. Protection of Intellectual Property

The Buyer shall inform the Seller of any products in connection with the Purchase Order which are deemed to be specially manufactured to meet the special Buyer's drawing and is protected by intellectual property right; the Seller shall not reproduce, copy or disclose any such drawing for its own or third-party production in the future. In this case, the drawing and its technical industrial specifications shall remain the exclusive property of the Buyer and the Seller is precluded from reproducing, imitating or disclosing such information for its own or third-party production in the future.

Consequently, it shall be understood that the Buyer legitimately holds the right to make use of the drawing for reproduction and its technical industrial specifications, and assumes all responsibilities and relevant risks.

The Seller shall expressly inform the Buyer if any of the products offered are distinguished by a special drawing protected by intellectual property right. If this is the case, both the drawing and the technical industrial specifications shall remain the exclusive property of the Seller who has the right to make use of the drawing for reproduction and its technical industrial specifications, and assumes all responsibilities and relevant risks.

⁶ Oppressive clause that to be fully effective must be expressly approved in writing in compliance with Art. 1341 of the Italian Civil Code; in this respect, see appropriate expression at the bottom of this "Standard Agreement".

⁷ Any arrangements on penalties are generally considered as oppressive clause to be expressly approved in writing

⁸ It should be stressed that any limitations to the agreed responsibilities are unfair contract terms that become fully effective when expressly agreed upon pursuant to Art. 1341 of the Italian Civil Code.

In this case too, the Seller continues to hold the intellectual property right covering its drawing and its technical industrial specifications in connection with the products sold to the Buyer, and may reproduce it on products supplied to third parties including the Buyer's competitors unless the Parties expressly agree that the Seller grants the Buyer the exclusive right to buy the products distinguished by such a drawing for a limited period of time.

Buyer and Seller agree that the guarantee pursuant to Art. 1483 of the Italian Civil Code⁹ shall apply to any sales/purchases of a drawing and its technical industrial specifications covered by intellectual property right.

For any fabrics featuring special complex production Con riferimento a tessuti caratterizzati da particolari complessità produttive, le Parti possono concordare un'esclusiva.

10 Fabric Defects¹⁰

Visible or evident defects are all the imperfections that can be eye-spotted on fabrics at the time of delivery and may cause prejudice to the finished piece.

Concealed or non-visible defects are non-compliances with the specifications set out in the technical data sheet of the standard piece and can either be spotted only with technical detection systems, or detected during or after standard finishing and/or processing operations included in the technical data sheet of the item.

Pursuant to Art. 11 here below, no complaint can be filed for defects which are the intrinsic characteristics of the raw fabric as stated by the technical data sheet¹¹ of the item and based on the standard piece assessment, where defined.

The technical data sheet of the item and the Technical Part of this "Standard Agreement" sets the tolerance limits of fabric defects.

If the Parties shall notice any defects in the grey fabric delivered, they will agree on one of the following remedies: 1) return the grey fabric to be re-processed/replaced; 2) agree on a discount ; 3) terminate the contract if the severity level of the non-compliance so allows¹², except for any services already provided.

If necessary, the Parties, during the negotiation and before signing the contract, shall undertake to establish in writing responsibility limitations so that the Seller may assess whether it is convenient to accept the risk related to the order¹³

In the absence of the abovementioned agreement on responsibility limitations, any and all damages for out-of-tolerance defects shall be assessed in compliance with the applicable regulations of the civil code such as, for example, no compensation shall be acknowledged for damages that the creditor could have avoided with the "due diligence"¹⁴.

⁹Reference is made to the warranty of good title: if the Buyer is deprived of the purchased thing because a third party and the real owner of the thing itself puts forward a claim, the Seller, under such circumstance, is required to compensate the Buyer for the damage occurred in compliance with Art. 1479 of the Italian Civil Code.

The mentioned Art. 1483 of the Italian Civil Code textually sets out: "*Full dispossession of the thing*" – "*If the Buyer undergoes the full dispossession of the thing because a third party has enforced its rights, the Seller is required to compensate for the damage pursuant to Art. 1479.*" "*The Seller must also compensate the Buyer for the value the latter is required to return to the dispossessed third party as well as any expenses incurred in for filing any litigations and any other expenses to be refunded to the plaintiff.*"

¹⁰ Oppressive clause that becomes fully effective only when expressly approved in writing in compliance with Art. 1341 of the Italian Civil Code; in this respect, see appropriate expression at the bottom of this "Standard Agreement."

¹¹ Pursuant to Art. 1455 of the Italian Civil Code: "*The contract cannot be terminated if the breach by one of the parties is of minor importance, provided that it does not affect the interest of the other party*"

¹² Pursuant to Art. 1455 of the Italian Civil Code: "*The contract cannot be terminated if the breach by one of the parties is of minor importance, provided that it does not affect the interest of the other party*".

¹³ It should be stressed that any limitations to the agreed responsibilities are unfair contract terms that become fully effective when expressly agreed upon pursuant to Art. 1341 of the Italian Civil Code.

¹⁴ Pursuant to Art. 1227 of the Italian Civil Code: "*Contributory negligence of the creditor – If the creditor has with fault contributed to cause the damage, the compensation of damages is diminished taking account of the gravity of the fault and of the extent of the consequences deriving therefrom. No compensation shall be awarded in relation to those damages that the creditor could have avoided by exercising ordinary diligence*"; pursuant to Art. 1229 of the Italian Civil Code: "*Exoneration of liability clauses – Any agreement which frees or limits the debtor in advance from responsibility for willful misconduct or gross negligence is null and void. It is also null and void to make any agreement to exempt or limit responsibility of the debtor or his/her associates, which violate any duties deriving from general rules and regulations*". Finally compare also Art. 1490 of the Italian Civil Code: "*Guarantee for the defects of sold goods*" – "*The seller is obliged to guarantee that the object sold is free from vices which make it unsuitable for the usage to which it is destined or that appreciably decrease the its value. An agreement excluding or limiting such warranty has no effect if the seller has, in bad faith, omitted to mention such defects to the buyer*".

11. Claims¹⁵

If the defects is the result of the Buyer's failure to inspect the fabric suitability for the intended application, there are no grounds for the claim.

In case of greige fabrics faults, the Buyer must issue a written notice to be forwarded by registered mail, fac-simile, e-mail (preferably certified).

The complete traceability and the ongoing improvement of the supply chain depends on the prompt and exhaustive notice forwarded by the Buyer (i.e. accompanied by a sample, pictures, etc.) in order to clearly identify the claimed grey fabric and the types of defects detected: the notice should mention the number of the piece or, if this is not possible, the production batch, and the place where the goods are stored.

When inspecting the fabric delivered, the Buyer must highlight the defects of the grey fabric in order to avoid affecting the fabric itself.

Any claims/notices of visible/evident defects must be communicated in writing within 10 (ten) working days from the date in which the defect has been identified and in any case within a year from the delivery of the goods

Given the fact that the goods must be moved from one place to another, the above term for notifying evident defects runs from the day the goods have been received by the Buyer or the third party to whom the Seller has sent the goods.

As far as the concealed defects are concerned, they must be notified in writing within 8 (eight) days from direct detection by the Buyer and/or from the communication sent to the Buyer by its final client.

For all defects, any actions to enforce the guarantee are limited to one year from delivery.

The claim may also be notified by telephone and, if the Seller expressly agrees in continuing the production process, the Seller shall become liable for any or greater damages to the fabric; viceversa, if the Seller has not expressly authorized production, the Buyer shall be held responsible for its decision to continue producing.

In particular for visible defects, the Seller is liable only for goods under their original condition, i.e. prior to any further treatment such as steaming or decatizing, unless otherwise stipulated by the Parties. Any compensations for damages on the Seller shall not exceed the value of the goods¹⁶.

Without prejudice to the agreements between the Parties (if any) in order to limit responsibilities for damages caused by grey fabric defects, the Seller is required to compensate the damages acknowledged caused by defects detected in grey fabrics already used only if such defects were not visible during the aforementioned inspections or during the production processes¹⁷.

The Seller must keep the goods under claim available for 3 working days from receipt of the notice in compliance with paragraph II of this article so as to enable the Buyer to carry out any inspection or analysis he deems necessary; during this period of time, goods must be stored by the Buyer with regular due diligence.

In case the Seller objects to the defects as notified by the Buyer, within the same period of 3 working days from receipt of the above notification he shall arrange with the Buyer the selection of a Laboratory and/or an Inspection Centre where joint inspections should be carried out. The arrangement between the Parties shall also include a deadline taking into account the directions provided under article 12 and 13 here below.

12. Visual Fabric Inspection

With reference to the last paragraph of the previous article, in case the Parties cannot come to an agreement on the claims for defects, they will decide to carry out the visual inspection of the grey/processed fabric at the premises (factory/facility) of the Parties or, as an alternative, have a Control Centre performing such inspection.

In the latter case, the Parties shall deem it necessary that the inspection is carried out by a Control Centre which can provide to the Parties documentary evidence of the procedures followed even prior to testing.

¹⁵ Oppressive clause that becomes fully effective only when expressly approved in writing in compliance with Art. 1341 of the Italian Civil Code; in this respect, see appropriate expression at the bottom of this "Standard Agreement".

¹⁶ It should be stressed that any limitations to the agreed responsibilities are unfair contract terms that become fully effective when expressly agreed upon pursuant to Art. 1341 of the Italian Civil Code; in this respect, see appropriate expression at the bottom of this "Standard Agreement".

¹⁷ It should be stressed that any limitations to the agreed responsibilities are unfair contract terms that become fully effective when expressly agreed upon pursuant to Art. 1341 of the Italian Civil Code; in this respect, see appropriate expression at the bottom of this "Standard Agreement".

In particular, the Parties agree that each fabric piece to be inspected must be distinctively identified by item number, drawing, colour and piece number.

Control Centres too must identify and accompany the item with its technical data sheet and an appropriate reference sample to assess its **drawing**, colour, handle and appearance and its drawing including any other document stating any arrangements between the Parties, so that each parameter inspected complies with the requested quality level and final use of the goods.

If the items have unique features, the Buyer must guarantee the presence of its Raw Material Quality Manager at the Control Centre to define inspection conditions and set tolerances.

The length of the piece must be checked at delivery; as for measurement uncertainty, the admitted values must be equal to those illustrated in the Technical Part of this "Standard Agreement". Marks/labels on pieces must be positioned at least 60 cm inside

The grey/processed fabric inspection shall be carried out to detect length/width and evident defects within the established lapse of time (pursuant to last paragraph of Art. 11). Defects shall be immediately notified, numbered and classified in compliance with the defects data sheet approved by the Parties.

Unless the Parties have otherwise agreed on managing corrections and refinishing, at a later stage, the notification procedures applied to evident defects are explained under previous Article 11 and relevant Technical Part of this "Standard Agreement".

13. Inspection of grey/processed fabrics by laboratories (chemical/physical testing)

If the visual inspection of the grey/processed fabrics is not sufficient or if chemical/physical exams should be carried out, Seller and Buyer shall necessarily and jointly decide to have an ACCREDIA-accredited laboratory carrying out inspection testing of defective fabrics. If any defects are detected, the cost of the tests shall be charged to the party liable for such defects; in the absence of defects, the tests carried out should be reimbursed by the party which has asked to perform such tests.

14. Return of goods

Once the claim is accepted, within 10 (ten) calendar days after the notification pursuant to Article 11 or after receipt of the results of joint inspections carried out in compliance with Articles 12 and 13, if the Parties agree on returning the fabric in compliance with article 10 of this Standard Agreement, the Seller is required to authorize in writing the returns of the pieces or their scheduled replacement and the expected delivery date.

Returns of goods are forwarded at the Seller's charge.

The piece to be returned must be properly rolled up and packed, right side inside.

If the grey/processed fabrics returned have been damaged because of a clumsy handling or improper packing operation, the Buyer is deemed liable for damages caused to the Seller. This also applies to regular deliveries of pieces forwarded by the Seller to the Buyer and based on the delivery terms established.

If the piece is returned because the Buyer has detected defects during the inspection of the piece itself, the seals (or tags or labels) detecting the defect shall be located only on the piece selvages to avoid any damage to the fabric.

Only when the return of the goods has been approved by the Seller, the latter becomes liable for defects. Therefore the Buyer is not automatically entitled to issue a debit note for defects.

15. Cancellation and Modifications

All requests to cancel or modify the purchase orders the Buyer may deem necessary of grey fabrics shall be assessed by the Seller on the basis of production progress.

Should bespoke purchase orders be cancelled, the Buyer shall pay all direct production expenses incurred. Furthermore, the Buyer shall collect the grey fabric already manufactured.

16. Assignment of the Contract

The Parties expressly agree that the Contract shall not be assigned to third parties in absence of the written consent of the Counterparty. The Party assigning the Contract without such written consent shall be deemed liable first and foremost over the Counterparty.

17. Express Termination Clause in favour of the Seller¹⁸

The Parties agree that the Contract/Purchase Order may be terminated by the Seller in compliance with Art. 1456 of the Italian Civil Code by registered mail or certified e-mail or fax, if any of the conditions listed below occur:

- Failure to provide the warranties that the Buyer has specially undertaken to provide (if any) in respect of this "Standard Agreement" as far as due payments are concerned, and their later expiration (i.e. withdrawal of credit lines, credit insurance uncoverage, etc.);
- Evident insolvency to the extent to which the contractual obligation cannot be strictly adhered to unless a proper warranty was provided;
- Infringement of the provision pursuant to Article 16 on the prohibition on assigning the Contract to third parties;
- Buyer's infringement of any Seller's industrial property rights

18. Express Termination Clause in favour of the Buyer¹⁹

The Parties agree that the Contract/Purchase Order may be terminated by the Buyer in compliance with Art. 1456 of the Italian Civil Code by registered mail or certified e-mail or fax, if any of the conditions listed below occur:

- Late deliveries exceeding a tolerance period of 20 working days in compliance with article 8 exclusively for goods still to be delivered;
- Seller's infringement of the exclusive right he has been granted by the Buyer pursuant to Article 9 par. IV on his own Intellectual Property Right;
- Seller's infringement of any Buyer's Intellectual Property Rights;
- Infringement of the provision pursuant to Article 16 on the prohibition on assigning the Contract to third parties;
- Textile composition different from the legally approved technical data sheet and relevant tolerances²⁰, or from any further requests communicated in writing by the Buyer in its Purchase Order and clearly confirmed in the Purchase Order Acceptance;
- Seller's infringement of Italy's and EU's legal provisions and in particular binding ecotoxicological requirements for textiles during the production cycle or any further requests communicated in writing by the Buyer in its Purchase Order and clearly confirmed in the Purchase Order Acceptance

19. Applicable Law²¹

The Contract/Purchase Order between the Parties is governed by Italian Law.

¹⁸ Oppressive clause that becomes fully effective only when expressly approved in writing in compliance with Art. 1341 of the Italian Civil Code; in this respect, see appropriate expression at the bottom of this "Standard Agreement."

¹⁹ *Ibidem*.

²⁰ Textile composition is governed by the EU regulation No. 1007/2011. Reference is made to the main provisions and their details under articles 7, 8 and 20. Shortly defined and as regards the tolerance of extraneous fibres (i.e. not mentioned in the label) both for pure textile products (i.e. entirely made of one fibre), and for multifibre textile products, the tolerance allowed is:

- Textile product containing no more than 2% by weight of extraneous fibres provided this quantity is justified as being technically unavoidable in good manufacturing practice and is not added as a matter of routine
- Textile product undergone a carding process containing no more than 5% by weight of extraneous fibres.
- As for fleece wool or virgin wool products (i.e. composed exclusively of a wool fibre which has not been incorporated in a finished product, which has not been subjected to any process other than those required in the manufacture – see article 8 for more details), extraneous fibres in the product shall not exceed 0.3% and is justified as being technically unavoidable in good manufacturing practice and is not added as a matter of routine

In addition to the percentages of "extraneous fibres" (2%, 5%, 0.3%), a manufacturing tolerance of 3% shall be permitted (in case of textile products composed by more fibres) referring to the total weight of the fibres stated by the label, between the percentage of the fibres and the percentage obtained from the analysis. For instance: declared composition 70% - 30%, tolerance interval 67-73% and 33-27%.

²¹ *Ibidem*.

20. Disputes²²

For the purpose of mediation, the Parties shall submit any disputes arising from the Contract/Purchase Order to the mediation procedure provided by the Chamber of Commerce of the Seller's registered office. In case of failure to reach an amicable settlement, any disputes arising by the Agreement and/or its interpretation is exclusively governed by the competent court of the Seller's registered office

Place and date: _____

Seller's signature

Buyer's signature

21. Approval of clauses

"The Buyer, pursuant to Articles 1341 and 1342 of the Italian Civil Code, hereby declares to have read and approve all the above mentioned clauses and in particular those under points: 6 (Payment Conditions), 10 (Fabric Defects), 11 (Claims), 17 (Express Termination Clause in favour of the Seller), 19 (Applicable Law), 20 (Disputes)

"Place and date: _____

Buyer's signature

"The Seller, pursuant to Articles 1341 and 1342 of the Italian Civil Code, hereby declares to have read and approve all the above mentioned clauses and in particular those under points 8 (Late Deliveries), 10 (Fabric Defects), 11 (Claims), 18 (Express Termination Clause in favour of the Buyer), 19 (Applicable Law), 20 (Disputes)

"Place and date: _____

Seller's signature

²² Oppressive clause that to be fully effective must be expressly approved in writing in compliance with Art. 1341 of the Italian Civil Code; in this respect, see appropriate expression at the bottom of this "Standard Agreement.

It should be reminded that if the agreement falls in the scope of the Legislative Decree n. 132/2014 converted into Law n. 162/2014, the parties must proceed with the assisted negotiation under penalty of barring of the judicial claim; nevertheless, the assisted negotiation is not mandatory for payment proceedings and opposition proceedings: as a consequence, making an attempt before requesting the issuance of an order for payment procedure or starting the opposition to such order will not be a mandatory requirement.

TECHNICAL SECTION OF GREY FABRICS

1. Technical Data Sheet

Together with the Purchase Order, the fabric technical data sheet (printed on the company letterhead paper with date of issuance and/or revision) including all technical details (parameters, values and procedures) shall be provided for all samples and/or the standard pieces requested by the Buyer in order to prepare its collection. SMI has prepared a standard form in attachment that can be used by the Seller to create its own template using bold fonts to highlight the item's standard parameters and/or other type of fonts for bespoke technical features the Buyer may request and whose additional costs shall be borne by him

The Buyer, after acknowledgment of the technical data sheet in all its sections, shall decide on his own responsibility whether to use the proposed item for his sample collection on the basis of the intended use. Any other parameters that the Buyer may request by means of tests not included in the technical data sheet shall be provided at a premium that will cover the costs of further analysis.

The Seller undertakes to promptly inform with all due diligence the Buyer of any revisions of the technical data sheet because of operational/technical reasons with reference to the items purchased or sampled over the past four years or in case of a price update. Both parties should check the parameters of the technical data sheet in compliance with the procedures herein mentioned

Unless otherwise agreed between the parties, the SMI standard data sheet should be the preferential format adopted by Sellers and Buyers.

Unless otherwise agreed by the Seller and the Buyer, any values of parameters listed in the technical data sheet make reference to those provided by the "SMI Quality Standard" which is an integral part of this "Standard Agreement".

2. Production piece length

At the signature of the purchase order, the parties agree upon the physical length of the piece to be delivered.

3. Tolerance on the quantities supplied

Permissible variation on quantities within orders for each quality/shade/colour are listed below:

- Up to 500 m: +/- 10%
- Between 501 and 1,000 m: +/- 5%
- between 1,001 and 5,000 m: +/- 2% (with max quantity 50 m)

Each piece shall be measured before any further treatment and without any cutting for laboratory testing or other purpose. Contrarily, the Seller shall be compensated for cut quantities.

The Buyer will accept a +/- 1% tolerance between the quantity being invoiced and the actual quantity on woven items, leaving untouched the tolerance declared for the supply

The Buyer will accept a +/- 2% tolerance between the quantity being invoiced and the actual quantity on fabrics sold by weights such as warp stretch fabrics, leaving untouched the tolerance declared for the supply.

Any changes in tolerance shall be arranged by the Parties.

4. Effective fabric width

The effective fabric width shall correspond – selvedges included - to the details of the technical data sheet of each item.

The effective width will be measured on the fabric prior to any treatment and at the first inspection unless otherwise agreed by Buyer and Seller.

The effective width should be considered as the indicative width of the grey fabric.

5. Weight of the fabric

The weight of the fabric expressed in g/linear meter refers to the grey fabric as delivered to the Buyer with +/- 5% tolerance on the value stated in the technical data sheet. However, this parameter does not apply to some special fabrics such as stretch fabrics, etc.. Tolerances applied to these fabrics are given by the Seller in the technical data sheet.

For grey cotton and linen fabrics two weights are requested: “theoretical” and “effective”

TECHNICAL DATA SHEET FORM (fac-simile)

[2] Company Name		
[3] Article name / Seller's design	4] Article name / Client's design (prepared by Buyer)	[5] Statistical Customs Tariff (8 digits)
[6] Technical Description		Procedure
Fibre composition of grey fabric	_____	Reg. 1007/2011
Presence of decorative threads	YES / NO %	
Composition of decorative threads	_____	
Piece Standard Length (m)	_____	UNI EN 1773
Weight /linear meter grey fabric (g/m)	_____	(1)
Weight /linear meter grey panel (g/m ²)	_____	UNI 5114 procedure III or UNI EN 12127
Drawn-in width (cm)	_____	//
Effective width (cm) (selvedges included)	_____	Procedure agreed by the parties
Weave Code _____	Brief description _____	ISO 7211-1 or UNI 8099
Yarn and Warp count (tex or Nm or Ne or den)	_____	ISO 7211-5 or UNI 9275
Yarn and Weft count (tex or Nm or Ne or den)	_____	ISO 7211-5 or UNI 9275
Centimetric reductions (Yarns/cm)	_____	UNI EN 1049-2
Centimetric reductions (Insertions/cm)	_____	
[7] Fastness and Processing To be decided each time between the Seller and the Buyer		
[8] Quality composition sizeing/bonding (declaration)		
[9] Europeans Laws of reference Reg. 1907/2006 as amended (REACH) Reg. 1007/2011 as amended (composition)	[10] Issued on	[11] Revised on
[12] Storage Recommendations		
[13] Technical Data Sheet validity		
[14] Notes		

TECHNICAL SECTION OF GREY KNITTED FABRICS

1. Technical data sheet

Together with the Purchase Order, the fabric technical data sheet (printed on the company letterhead paper with date of issuance and/or revision) including all technical details (parameters, values and procedures) shall be provided for all samples and/or the standard pieces requested by the Buyer in order to prepare its collection. SMI has prepared a standard form in attachment that can be used by the Seller to create its own template using bold fonts to highlight the item's standard parameters and/or other type of fonts for bespoke technical features the Buyer may request and whose additional costs shall be borne by him

The Buyer, after acknowledgment of the technical data sheet in all its sections, shall decide on his own responsibility whether to use the proposed item for his sample collection on the basis of the intended use. Any other parameters that the Buyer may request by means of tests not included in the technical data sheet shall be provided at a premium that will cover the costs of further analysis.

Both parties should check the parameters of the technical data sheet in compliance with the procedures herein mentioned.

Unless otherwise agreed by the Seller and the Buyer, any values of parameters listed in the technical data sheet make reference to those provided by the "SMI Quality Standard" which is an integral part of this "Standard Agreement".

2. Production piece length

At the signature of the purchase order, the parties agree upon the physical length of the piece to be delivered.

3. Tolerance on the quantities supplied

Tubular or open-width grey knitted fabrics rolls are sold per kilograms. Tolerance range of +/- 3.0 % may increase by 0.5/1.0 % for items with a high percentage of natural, cellulosic, man-made fibres.

Any changes in tolerance shall be arranged by the Parties

TECHNICAL DATA SHEET FORM FOR GREY KNITTED FABRICS (*fac-simile*)

[2] Company Name		
[3] Article name / Seller's design	[3] Article name / Seller's design	[3] Article name / Seller's design
[6] Technical Description		Procedure
Fibre composition of grey fabric	_____	Reg. 1007/2011
Presence of decorative threads	YES / NO%	
Composition of decorative threads	_____	
Weight/square meter grey fabric (g/m ²)	_____	UNI 5114 procedure III or UNI EN 12127
Effective width (cm)	_____	UNI EN 1773 paragraph 8.3
Rolling type	Open-width – tubular	
Presence of needle drop	YES / NO	
Machine type (warp-knitted):	fineness (needles/inch) _____ bars _____	
Machine type (circular):	diameter (inches) _____ fineness (needles/inch and no. of needles) _____ drops _____	
Interweaving	See attachment (draft / French profile)	UNI EN ISO 4921
Yarn and count (tex or Nm or Ne or den)	_____	UNI 9275
Line of wales/courses	_____	UNI EN 14970 Procedure B
LFA	_____	UNI EN 14970 Procedure A
mm RAC (warp-knitted)	_____	
[7] Fastness and Processing To be decided each time between the Seller and the Buyer		
[8] Europeans Laws of reference Reg. 1907/2006 as amended (REACH) Reg. 1007/2011 as amended (composition)	[9] Issued on	[10] Revised on
[12] Storage Recommendations		
[13] Technical Data Sheet validity		
[14] Notes		

Approved by the Board 19 May, 2017