Key Recommendations
Payment terms may not exceed 60 days or the number of days that is customary between a buyer and supplier, whichever is shorter.
No late payments. If payments are deferred, supplier and buyer will negotiate a fee that covers the supplier's interest for the period and loss of opportunity/profit from the late payment.
No changes to the mutually agreed price may be permitted except when there are changes in external costs that exceed 5% of Free on Board (FOB) price[1], such as changes in price of raw materials. When fluctuations exceed 5%, either party may request price changes and any profit or loss that results will be shared between the buyer and supplier. No additional discounts shall be taken by the buyer after the purchase order has been issued.
If order modifications do occur, they will be based on clear and fair procedures for order modifications (e.g., product design, delivery date) with costs and savings following the modifications incurred by the responsible party.
Every order will include a clear demarcation of the transfer of ownership of the goods and responsibility for risk past which point the buyer must accept and pay for delivery of finished goods.
All prices will cover all costs of compliant production and allow for a reasonable and maintained supplier profit (requires further definition in project phase 2).
The buyer will confirm available capacity for a specific time period with the supplier in advance. If capacity reserved is more than 20% of a supplier's total capacity, the buyer pays for the capacity that remains unused.
'Force Majeure' can only be invoked on mutually agreed and legally valid grounds and will respect the transfer of ownership and risks defined elsewhere in the contract. If there is a force majeure event, then costs already incurred by the manufacturer will be paid by the buyer.
Penalties to the supplier will be mutually agreed upon, reasonable, clearly stated in the agreed terms, and require supporting evidence for any claims of supplier fault. Penalties related to quality will only be applied when the commercial value of the product is affected by the deficiency, and they will be substantiated with evidence from a trusted third party. If re-processing is required, charges will be reasonable and never exceed the original FOB price. After goods have passed an in-country inspection the buyer may not reject or take reductions. Penalties related to delivery schedules will be proportionate to the damage caused by the delay.
When relying on nominated material suppliers, a buyer takes full responsibility for the nominated suppliers meeting calendar deadlines. Manufacturers cannot be penalized for a nominated material supplier's failure to achieve the buyer's quality standards or to deliver materials on time. Payment term of the nominated material supplier may not be shorter than the payment term defined between buyer and vendor.

[1] Under the terms of FOB (short for "Free on Board"), the seller clears the goods for export and ensures they are delivered to and loaded onto the vessel for transport at the named port of departure. The buyer takes over risk and costs, including import clearance and duties, as soon as the goods are loaded onto the transport vessel at the port of departure (Source: https://www.aitworldwide.com/incoterms-fob).

The buyer will commit to a transparent forecasting methodology that includes providing forecasts in advance and updating those forecasts as new information about the end market is obtained. Planning may be carried out in such a way that suppliers' compliance to the buyer's code of conduct and other terms is not compromised.
Timelines are jointly developed to allow production to take place within regular factory working hours and to clearly distinguish each party's responsibilities for meeting the agreed deadlines.