OEM Component Supply Agreement · Bosch × [OEM Buyer]

OEM supply · Buyer side · Counterparty: Robert Bosch GmbH · Illustrative case, hypothetical contract terms

OVERALL VERDICT

LOW · Score 82/100

Clauses reviewed	Liability cap	Payment term [6]
10 3 medium, 5 low, 2 info	**2× annual value** Statutory carve-outs included	**60 days** Matches statutory B2B benchmark
US tariff, EU auto parts [9]	Counterparty EBIT margin FY 2025 [11]	
15% EU-US joint statement, Aug 2025	**2.0%** Price flexibility limited	

Summary

Supplier-drafted German-law OEM component supply agreement, reviewed from the buyer side. Liability, warranty and quality terms are balanced and consistent with German standard-terms law [1] [2]. Three commercial clauses need redlines: the unilateral annual price adjustment, the absence of any capacity commitment, and a force majeure clause that treats sub-supplier semiconductor shortages as excusing events, a live risk after the 2025 Nexperia disruption [10]. Context matters for the negotiation: the counterparty's EBIT margin fell to 2.0% in FY 2025, so expect resistance on price and openness on volume and duration [11]. No clause is rated high severity.

Clause risk summary

The agreement is a framework supply contract with call-off orders, a quality assurance agreement as an annex, and German law. Because the supplier drafted the terms for repeated use, German courts would treat most clauses as standard business terms subject to the fairness review in § 307 BGB, which also applies between businesses [1]. That review protects the buyer against the most one-sided provisions, but it is no substitute for negotiated redlines on commercial terms.

The three medium items are commercial, not legal: price, capacity and allocation. All three tie back to the counterparty's situation in 2025–2026, when margins were under pressure and chip supply was disrupted [10] [11].

#	Clause	Category	Severity	Action
1	Annual price adjustment, 60 days' notice	Payment	Medium	Cap and index

2	No capacity commitment	Delivery	Medium	Reserve capacity
3	Force majeure incl. sub-supplier shortages	Force majeure	Medium	Narrow and add allocation rule
4	24-month warranty from delivery	Warranty	Low	Align with recourse
5	Liability cap 2× annual contract value	Liability	Low	Clarify recall costs
6	Incoming inspection limited by QAA	Warranty	Low	Keep
7	Software updates and product liability	Liability	Low	Add update obligation
8	FCA delivery, duties, export control	Delivery	Low	Add tariff review and export-control clause
9	Payment 60 days net	Payment	Info	None
10	German law, Stuttgart courts, CISG excluded	Governing law	Info	Optional arbitration

1. Price adjustment · "Supplier may adjust prices annually with 60 days' notice"

SEVERITY: MEDIUM

The supplier may reprice once a year with 60 days' notice. There is no cap, no link to published indices and no buyer right to verify the cost basis. A clause that lets one party set the price unilaterally without criteria is vulnerable under § 307 BGB [1], but relying on a later court challenge is a poor commercial position.

The risk is practical. Bosch reported a 2.0% EBIT margin from operations for FY 2025 and states that Chinese competitors now set price levels in automotive [11]. Expect the supplier to use this clause.

Redline: replace with a two-way index clause covering named cost drivers (for example semiconductors, copper, aluminium, energy) with a fixed weighting, a 3% annual cap outside those indices, open-book review of any increase above the cap, and a buyer right to resource without penalty if the cap is exceeded.

2. Capacity · "Forecasts are non-binding for both parties"

SEVERITY: MEDIUM

Buyer forecasts are non-binding, and the supplier makes no capacity commitment. In a constrained market this leaves the buyer with no claim to output if the supplier allocates capacity to larger customers. The supplier is also consolidating German Mobility plants through 2030 [11], which raises the chance of product transfers during the contract term.

Redline: add a capacity reservation equal to 110–115% of the rolling six-month forecast, with the buyer committing to a firm zone (for example four weeks firm, eight weeks material release). Add a notification duty of at least twelve months before any change of producing plant, with requalification at the supplier's cost under the quality assurance agreement and IATF 16949 change-management rules [14].

3. Force majeure · "Including shortages at sub-suppliers, in particular of semiconductors"

SEVERITY: MEDIUM

The clause excuses non-delivery when sub-suppliers fail, naming semiconductors explicitly. This shifts supply-chain risk to the buyer for events the supplier can partly manage through second sources and buffer stock. The scenario is not theoretical: in late 2025 the Nexperia export dispute forced Bosch to apply for short-time work at its Salzgitter and Ansbach plants and to cut working time at Braga [10].

Redline: limit force majeure to events outside the supplier's control that could not have been mitigated by reasonable second-sourcing. Add a fair-allocation rule (no worse than pro rata across customers for the affected part), monthly status reporting during any shortage, and a buyer right to terminate the affected part numbers after 90 days of non-supply.

4. Warranty · "24 months from delivery to buyer"

SEVERITY: LOW

The 24-month period matches the statutory limitation for defect claims in § 438 BGB [4]. The gap is downstream: vehicle warranties to end customers usually start at vehicle registration, months after component delivery. Under § 445b BGB, recourse claims against a supplier end at the latest five years after the supplier's delivery, which gives room to extend the contractual period [5].

Redline (optional): run warranty for 24 months from vehicle first registration, capped at 36 months from delivery to the buyer, and include field-failure analysis under the quality assurance agreement.

Statutory rule	Content	Relevance
§ 438 BGB	2-year limitation for defects in movable goods	Baseline for warranty term [4]
§ 445b BGB	Recourse claims expire no later than 5 years after supplier delivery	Room to extend warranty [5]
§ 377 HGB	Merchant buyer must inspect and notify defects without undue delay	Modified by QAA in clause 6 [3]
§ 271a BGB	Payment terms over 60 days only if expressly agreed and not grossly unfair	Clause 9 within limit [6]

5. Liability cap · "Twice the annual contract value"

SEVERITY: LOW

Liability is capped at twice the annual contract value, with carve-outs for intent, gross negligence and injury to life, body or health. These carve-outs reflect § 309 no. 7 BGB, whose standards German courts also apply to business contracts through § 307 BGB [1] [2]. The cap is within the usual range for component supply.

The drafting gap is recall and field-action costs. The clause does not say whether they fall inside the cap. For a safety-relevant component, a recall can exceed two years of contract value.

Redline: state that recall and service-campaign costs attributable to the supplier are recoverable in proportion to its causation share, either outside the cap or under a separate recall sub-cap, and require product-recall insurance with a stated minimum sum.

6–8. Quality, software and duties

SEVERITY: LOW

6. Incoming inspection. The quality assurance agreement limits the buyer's inspection duty under § 377 HGB to identity, quantity and visible transport damage [3]. This is buyer-favourable and standard in zero-defect automotive supply. Keep it.

7. Software and product liability. The parts contain embedded software, but the agreement has no obligation to supply security or safety updates. The new EU Product Liability Directive treats software as a product and applies to products placed on the market after December 9, 2026 [7]. Add an update obligation for the agreed support period and a duty to notify vulnerabilities.

8. Duties and Incoterms. Delivery is FCA supplier plant, so the buyer carries import duties. For buyers re-exporting to the U.S., the EU-US joint statement of August 2025 sets a 15% all-inclusive tariff on EU auto parts [9]. Add a review clause allowing either party to reopen prices if duties on the parts change by more than five percentage points. The export-control clause is a one-line general compliance statement; given the supplier's June 2026 BIS settlement over unlicensed shipments to Huawei entities [15], add a classification duty (ECCN and U.S.-content data per part) and mutual end-use screening.

9–10. Payment, governing law and disputes

SEVERITY: INFO

9. Payment. Sixty days net is within the benchmark of Directive 2011/7/EU and § 271a BGB, under which longer terms are valid only if expressly agreed and not grossly unfair to the creditor [6] [8]. No change needed.

10. Governing law. German law applies, the courts of Stuttgart have jurisdiction, and the UN Sales Convention is excluded. Germany is a CISG contracting state, so the exclusion matters: without it, CISG would apply to cross-border sales by default [12]. Excluding it keeps the contract under the BGB and HGB rules cited above. For a non-EU buyer, a German court judgment may be harder to enforce at home than an arbitral award; consider DIS arbitration seated in Germany, or ICC arbitration in Zurich, as an alternative [13].

SOURCES (15)

[1] Gesetze im Internet · § 307 BGB, content review of standard terms

https://www.gesetze-im-internet.de/bgb/__307.html

[2] Gesetze im Internet · § 309 BGB, prohibited clauses (incl. no. 7 liability exclusions)

https://www.gesetze-im-internet.de/bgb/__309.html

[3] Gesetze im Internet · § 377 HGB, merchant's duty to inspect and give notice

https://www.gesetze-im-internet.de/hgb/__377.html

[4] Gesetze im Internet · § 438 BGB, limitation of claims for defects

https://www.gesetze-im-internet.de/bgb/__438.html

[5] Gesetze im Internet · § 445b BGB, limitation of supplier recourse claims

https://www.gesetze-im-internet.de/bgb/__445b.html

[6] Gesetze im Internet · § 271a BGB, agreements on payment periods

https://www.gesetze-im-internet.de/bgb/__271a.html

[7] EUR-Lex · Directive (EU) 2024/2853 on liability for defective products

https://eur-lex.europa.eu/eli/dir/2024/2853/oj

[8] EUR-Lex · Directive 2011/7/EU on combating late payment in commercial transactions

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[9] Euronews · EU and US release trade statement setting 15% all-inclusive tariff, Aug 2025

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[10] Yahoo Finance (Reuters) · Bosch struggling with production snags despite hopes of chip supply detente, Nov 2025

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[11] Bosch · Annual press conference 2026, press release and key figures FY 2025

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[13] German Arbitration Institute (DIS) · Arbitration rules and services

https://www.disarb.org/en

[14] IATF Global Oversight · IATF 16949 automotive quality management

https://www.iatfglobaloversight.org/

[15] U.S. Bureau of Industry and Security · Robert Bosch GmbH to pay $36 million penalty for unlicensed shipments to Huawei, Jun 2026

https://www.bis.gov/press-release/robert-bosch-gmbh-bosch-pay-36-million-penalty-bis-unlicensed-shipments-huawei