

HOW SUPPLY AGREEMENTS CAN PROTECT YOUR BUSINESS

And what should be included

What is a supply agreement?

A supply agreement is an agreement between a supplier and a purchaser which outlines the terms and conditions upon which the parties agree to be bound when supplying/purchasing products.

How can a supply agreement protect my business?

A supply agreement is essential if you are supplying goods to purchasers. These agreements can reduce the possibility of expensive legal disputes by outlining your expectations regarding the transaction and detailing the processes of dispute resolution.

What should a supply agreement cover?

A well drafted supply agreement will include the following:

- details of the goods being supplied;
- delivery terms and conditions (ie. estimated time for goods to be packaged and sent). It is also good practice to specify who will be responsible for any delay in the delivery of the goods and if/how the purchaser will be compensated for such a delay;
- any limitations of liability;
- details relating to the return of faulty products. The agreement should outline the return process of any faulty products and whether such products will be replaced or refunded;
- how and when payment will be made. It is also important to specify whether the price is GST/delivery inclusive;

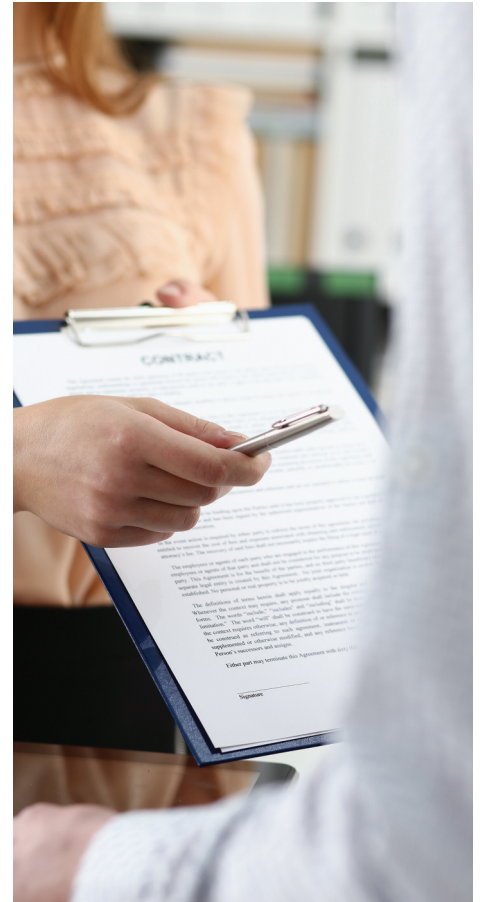
- any rights of termination; and
- what warranties are included.

Warranties

A business may choose to offer warranties in relation to their goods. These warranties are in addition to the consumer guarantees under the Australian Consumer Law which cannot be excluded.

There are three main types of warranties:

- **Express Warranties** – is defined as an undertaking, assertion or representation (either verbal or in writing) to a consumer about the quality, state, condition, performance or characteristics of the goods (eg. the good will last for three years), the provision of services or supply of parts required or the future availability about of identical goods, that is given or made to induce a person to acquire the goods. If you provide an express warranty, you guarantee that the goods will meet this warranty. If the goods fail (eg. only lasts for two years), consumers will be entitled to a remedy under the consumer guarantee provisions.
- **Warranties Against Defects** (or manufacturer's warranty) - is defined as a representation communicated to a consumer in connection with the supply of goods and services, at or about the time of supply, to the effect that a person will (unconditionally or on specified conditions) repair, replace or refund the goods and services if the goods or services are



defective, and includes any document by which such representation is evidenced.

- **Extended Warranties** – a business may offer warranties for an extended period. Usually such warranties are purchased by the consumer at the time they purchase the goods or services. It is important that it is clear what is being offered and that the consumer has rights under the consumer guarantees regardless of whether or not they purchase the extended warranty.

Need assistance?

Industry Legal Group can draft supply agreements for your business to ensure it is protected when supplying goods to purchasers. We can also assist in drafting any warranty documents or checking current documents are compliant.

AAAA Member Benefits

Please contact Industry Legal Group
on 1300 369 703 or
aaaa@industrylegalgroup.com.au
if you require any assistance.

