

General Terms & Conditions of Purchase

of Pirelli Deutschland GmbH

- Status: 1 September 2017 -

All legal relations with our suppliers shall be governed by these Terms & Conditions; otherwise the law of the Federal Republic of Germany shall apply exclusively.

1. General – scope

1. This Contract and all future contracts with the Supplier shall be governed exclusively by our Terms & Conditions of Purchase; we shall not recognise any terms and conditions issued by the Supplier which differ from our Terms & Conditions of Purchase or conflict therewith unless we have expressly agreed to their validity in writing. Our Terms & Conditions of Purchase shall apply even if, cognizant of terms and conditions issued by the Supplier which differ from our Terms & Conditions of Purchase or conflict therewith, we accept the Supplier's performance or delivery without reservation.
2. All agreements made between ourselves and the Supplier for the purpose of executing this Contract must be set out in this said Contract.
3. Our Terms & Conditions of Purchase shall apply to traders only as set out in Section 310 of the German Civil Code (BGB).
4. Should a reference be made to Pirelli's International Terms & Conditions of Business with reference to purchase contracts, they shall only apply insofar as they do not conflict with these German Terms & Conditions of Purchase. In case of doubt the German Terms & Conditions of Purchase shall supplant the International Terms & Conditions of Business in matters concerning purchase contracts.

2. Orders

1. We shall be bound to our order for 3 weeks. Acceptance of the order may only be made within this period.
2. We shall be allowed to make changes to an order at any time, insofar as this is reasonable given the usages normal in the industry, and providing suitable regulations are applied to the impact of such changes on costs and deadlines.
3. Should the Supplier apply for the opening of insolvency proceedings, we may withdraw from the unfulfilled part of the Contract.
4. Should over-deliveries or under-deliveries be effectually supplied, because agreed as usual in the trade, it shall be compulsory to refer thereto in the delivery papers. This shall apply most particularly to the last of a number of part deliveries.
5. Insofar as reference is made to DIN Norms, VDE Regulations or our Rules of Delivery, the Supplier shall undertake a guarantee that the item for delivery meets these requirements. Hazardous substances in particular must be marked as such.

3. Prices – Terms & Conditions of Payment – invoices

1. The price shown in the order shall be binding. In the absence of a written agreement differing therefrom, the price shall be for delivery "free to destination", including packaging. Return of packaging shall require a separate agreement. Price changes in the case of permanent deliveries must be notified in good time and shall entitle us to withdraw.
2. Payments shall be made upon receipt of goods pursuant to contract and due and proper submission of invoice (showing the Value Added Tax pertaining thereto).
3. Invoices must always show our Order Number; the Supplier shall be responsible for all consequences of failure to comply with this duty, unless he can prove that he is not culpable thereof.
4. Defective deliveries shall entitle us to retention of payment to the proportionate value until due and proper fulfilment.

4. Delivery time

1. The delivery time stated in the order shall be binding. In deciding whether dates or deadlines have been met, the receipt of goods shall be decisive.
2. The Supplier shall have a duty to notify us immediately if circumstances arise or become known to him indicating that the agreed delivery time cannot be met. The reasons for any interruptions to delivery must be stated in writing.

5. Transfer of risk – documents

1. Unless agreed otherwise in writing, delivery must be free to destination.
2. Shipment shall be carriage-paid and packaging-paid in accordance with our respective shipping regulations and must be confirmed to us immediately. Goods shall travel, properly packaged and marked in the way usual in the trade, at the Supplier's risk; notices of shipment and addresses on postal packages and express goods must show our order numbers identically with each of those on the invoices. Costs incurred through failure to comply with shipping regulations and instructions shall be payable by the Supplier.

6. Guarantee

1. Acceptance shall be determined by the delivery agreements made in each case.
2. Along with the agreed technical data, compliance shall be required with the current state of technology for the time being and with all applicable safety regulations. Changes to the item of delivery or to its manufacturing process shall require our prior written agreement. The Supplier shall further have a duty, should we so require, to certify when, how and by whom the goods have been inspected to ascertain their agreed characteristics and what the results of such inspection have been; pre-suppliers must be bound to a corresponding duty.
3. The guarantee period shall be 24 months from transfer of risk. In case of subsequent repair or subsequent delivery, the guarantee period shall begin to run again following execution thereof.
4. We shall enjoy statutory guarantee claims without restriction; along with these, we shall also be entitled to require either rectification of defect or replacement delivery free to place of use, as we may choose. In this case the Supplier shall have a duty to pay all expenses required for the purpose of defect rectification or replacement delivery. The right to claim damages, particularly damages for non-fulfilment, is hereby expressly reserved. Should the Supplier be in arrears with the defect rectification, we may instruct Third Parties to undertake repair on the Supplier's account. The same shall apply should there be risk in delay or should particular urgency subsist. Repeatedly defective delivery or repair shall entitle us to withdrawal, under retention of further rights.
5. In case of malfeasance Pirelli shall be entitled in particular to claim loss of profit, unless the Supplier can prove that it is not culpable.
6. Should a claim be brought against us on grounds of recourse liability, our claims against the Supplier shall expire in accordance with statutory regulations, but no earlier than two months following our fulfilment of the guarantee claims or damages affecting us.

7. Independent performance and compliance with statutory regulations (minimum wage etc.)

1. The Contractor shall supply the contractual performances independently and on his own responsibility.
2. In supplying his performances the Contractor shall be free to choose his place of performance. Should the order require, however, that the said performances be supplied on the Customer's premises, the Contractor is prepared to supply the said performances to this extent on the premises in question; the Contracting Parties shall agree the place of performance in question, taking the requirements of the order into account.
3. The Contractor shall have the sole right of instruction towards his own employees under his own deployment and any subcontractors whom he may employ. He shall be free to organise his supply of performance and to apportion his working time as he deems fit. Insofar as the order so requires, however, he shall consult and agree on the time of work with others involved in the said order and meet agreed deadlines.
4. Should he employ staff, vicarious agents and subcontractors, the Contractor hereby warrants that all requisite official licences (such as work permits and residence papers) are available. The Contractor hereby releases the Customer from all legal consequences arising from failure to comply with this requirement.
5. The Contractor hereby agrees, in his capacity as an independent trader, to pay to the Tax Office the sales tax (value added tax) which he has collected and, independently and on his own responsibility, to declare for tax the remuneration received from the Customer.
6. The Contractor hereby warrants that he and his subcontractors will comply with all statutory regulations (industrial safety, trading licence etc.), particularly the Minimum Wage Act. With regard thereto he shall have a duty *inter alia*, should the Customer so require in writing, to submit proof that he or his subcontractors are paying the minimum wage. The Contractor shall release the Customer from all claims in connection with minimum-wage requirements; this shall also apply to pending fines. He further hereby agrees to inform the Customer immediately should suspicion arise that he or one of his subcontractors is undercutting the minimum wage or breaching other statutory rules.

8. Product liability – release – third-party liability legislation – environmental protection

1. Should the Supplier be responsible for a product defect, he shall have a duty to release us upon first demand from claims for damages by Third Parties arising therefrom insofar as the cause lies in his domain or organisational sphere and he himself is liable therefor in external relations.
2. The Supplier shall release us in full from claims by Third Parties for defective goods under domestic or foreign law or shall let the principles of liability applied against ourselves apply to him, unless the defect is due to a breach, of which we are culpable, of service, maintenance or installation rules, improper use, or defective or negligent treatment, or the goods have been subject to natural wear and tear in conformity with their intended use.
3. Duty of replacement is hereby excluded insofar as we have also effectively restricted liability towards our buyers.
4. Under his liability for claims as set out in Paragraph 1, the Supplier hereby agrees to reimburse any expenditure pursuant to Sections 683 and 670 and Sections 830, 840 and 426 of the German Civil Code (BGB) arising from or in connection with a recall action which we have carried out. We shall inform the Supplier, as far as possible and insofar as may be reasonably expected, of the details and scope of the said recall actions and give him an opportunity to make a response. Other statutory claims shall not be affected thereby.
5. The Supplier hereby agrees to maintain a product-liability insurance with cover of EUR 5 million (all-inclusive) per claim for personal injury or material damage; further claims for damages shall not be affected thereby.
6. The Supplier hereby agrees to comply with each of the applicable regulations and legislation on environmental protection, particularly the law governing hazardous substances, water and waste. The safety data-sheets pertaining to the materials concerned must be submitted to Purchasing prior to delivery.

9. Protective rights

1. The Supplier shall ensure that no rights of Third Parties within Germany are breached in connection with his delivery and shall inform us immediately of any risks of such breach of which he becomes cognizant.
2. Should a claim be brought against us by a Third Party for a breach of law as set out in Paragraph 1, the Supplier shall have a duty to release us from these claims upon first demand; we shall not be entitled to conclude agreements with the Third Party regarding this claim, nor in particular to reach a settlement, without the Supplier's agreement.
3. The Supplier's duty of release shall apply to all expenditure which we necessarily incur from or in connection with the claim by a Third Party.

10. Reservation of title – non-disclosure

1. Should we order parts or materials from the Supplier, we shall reserve title thereto. Such parts or materials shall be processed or converted by the Supplier for ourselves. Should goods to which we retain title be processed with other items not belonging to ourselves, we shall acquire joint title to the new product in the ratio of the value of the reserved goods to the other products processed at the time of processing.
2. Should parts or materials which we have supplied be mixed indissolubly with other goods not belonging to us, we shall acquire joint title to the new product in the ratio of the value of the reserved goods to the other products mixed therewith at the time of mixing. Should mixing be carried out in such a way that the Supplier's goods must be regarded as the principle product, it is hereby deemed to be agreed that the Supplier transfer joint title to ourselves *pro rata*; the Supplier shall keep sole title or joint title for ourselves.
3. We shall retain title and copyright to illustrations, drawings, calculations and other documents supplied; they must be returned to us without solicitation following execution of order. The Supplier shall have a duty to keep in strict confidence all illustrations, drawings, calculations and other documents and information received. They may only be disclosed to Third Parties with our express agreement. This duty of non-disclosure shall also apply even after execution of this Contract; it shall expire if and insofar as the manufacturing expertise contained in the illustrations, drawings, calculations and other documents so supplied has become generally known.

11. Software

1. Unless agreed otherwise in the individual contract, the Supplier shall grant us at least a non-exclusive right of use, unlimited in time and non-transferrable except in the cases set out in Paragraph 2, to all software and hardware products and the documentation pertaining thereto.
2. We shall be entitled to make duplicates for the purpose of data backup. We shall also be entitled, while drawing attention to any copyright note by the creator, to pass them on to our customers in connection with execution of contract.
3. The Supplier shall undertake warranty that the software and its data structure are free of errors and make assurance of proper duplication.

12. Business ethics and corporate responsibility

1. The Supplier hereby declares to have read and understood the following Pirelli group documents and policies: "Values and Ethical Code", "Code of Conduct", "Global Human Rights", "Health, Safety and Environment", "Anti-Corruption Program" and "Product Stewardship", published on the web at

<http://corporate.pirelli.com/corporate/en-ww/sustainability/policies/the-ethical-code>,

which establish the principles that conduct the management of Pirelli group's business, as well as contractual relations and other relations with third parties.

2. In light of the above, and in relation to the execution of the Order/s and/or Contract/s, the Supplier hereby undertakes:

a) to manage its activities in compliance with:

- all principles, values and commitments as expressed in the documents mentioned above;
- policies and similar commitments, if any, publicly adopted by the Pirelli group;

b) and in particular undertakes:

- not to use or support the use of any form of child labour, slavery, servitude, forced/compulsory labour or human trafficking, or any other form of exploitation;
- to ensure equal opportunities, freedom of association and promotion of the development of each individual;
- to oppose the use of corporal punishment, mental or physical coercion or verbal abuse;
- to comply with applicable laws and industry standards on working hours and wages, ensuring that wages are sufficient to meet the basic needs of personnel;
- to establish and maintain appropriate procedures to evaluate and select suppliers and subcontractors based on their commitments to social, human and labour rights and environmental accountability;
- not to tolerate corruption in any way, shape or form in any jurisdiction, even if such activities are allowed, tolerated or non-prosecutable;
- to assess and reduce the environmental impact of its own products and services throughout their entire life cycle;
- to use material resources responsibly, in order to achieve sustainable growth that respects the environment and the rights of future generations;
- to implement similar management models within their own supply chain.

3. The Supplier acknowledges that Pirelli has the right, at any time, to verify, either directly or through third parties, compliance by it with the obligations herein undertaken.

4. The Parties hereby agree that Pirelli may terminate the Contract/s and/or the Order/s and exercise any remedies available at law in the event that the Supplier breaches any of the provisions of paragraph 2 above.

5. The Supplier may report to ethics@pirelli.com any breach or suspected breach of the "[Values and Ethical Code](#)", the "[Code of Conduct](#)" and Pirelli Group policies "[Global Human Rights](#)", "[Health, Safety and Environment](#)", "[Anti-Corruption Program](#)" and "[Product Stewardship](#)" or any applicable laws; reports may be anonymous but shall contain a description of the events that constitute the breach of the provisions contained in the above mentioned Pirelli documents, including information about time and place of occurrence of the relevant events, as well as the persons involved. Pirelli will not tolerate threats or reprisals of any kind against employees and third party collaborators arising from such reporting and shall adopt all appropriate actions against any persons engaging in any such acts of threat or reprisal. Furthermore, Pirelli shall ensure the anonymity of those reporting the breaches, subject to the requirements of applicable law.

13. Combatting corruption

1. In connection with the foregoing agreement and fulfilment of the duties pertaining thereto, the Supplier hereby declares, guarantees and agrees as follows:

- (a) The Supplier will comply with anti-corruption legislation;
- (b) The Supplier will comply with anti-corruption legislation when obtaining licences, permits and approvals required by any competent government body in connection with orders and contracts;
- (c) The Supplier will not do anything, nor omit, approve or tolerate anything, which is in breach of anti-corruption legislation;
- (d) The Supplier will not offer, pay or promise any of the following persons or establishments, directly or indirectly, either money or anything of value to support Pirelli in obtaining or continuing business, to attract business to Pirelli or another person or unit in connection with orders or contracts, to gain an impermissible benefit of whatever kind for himself in connection with orders or contracts, or to influence the official act or decision of a civil servant, a party, a government, a government department, a state corporation or a state-controlled establishment.

- (I) Civil servants. An individual ceases to be a civil servant when he declares he is acting as a private person or he or she is working in an honorary capacity;
- (II) Political parties or party officers;
- (III) Any individual, knowing full well that this money or this item of value, wholly or in part, directly or indirectly, is being offered, given or promised to one of the persons or organisations listed.

(e) To the Supplier's knowledge, neither the Supplier, nor his controlling shareholders, directors or executive managers, nor the directors and executive managers of his controlling shareholders, have been convicted or found guilty by a decision of the courts of any crime in connection with fraud or corruption;

(f) Based on the information currently available to the Supplier, neither the Supplier, nor his controlling shareholders, nor his directors or executive managers, nor the executive managers of his controlling shareholders, are entered on a list maintained by a state, public or even trans-national agency or office, or by any judicial authority, under which they are excluded or blocked from government procurement programmes or their exclusion or block is proposed, or under which they are unsuitable for the same in any other way;

(g) The Supplier has not offered to pay political contributions to persons and establishments in the name of Pirelli; nor has he paid the same, and will not pay them;

(h) The Supplier maintains full, truthful and precise records and accounts relating to orders and contracts and a record of his income and expenditure relating to orders and contracts, including records of payments to Third Parties, certified by detailed invoices, in compliance with the generally recognised principles of accounting. The Supplier will further hold these records ready for audit by Pirelli or to Pirelli's order within fifteen (15) days following a written notification. This audit will take place during normal business hours at the Supplier's main place of business; the Supplier shall assist Pirelli adequately in scrutinising information and making copies. Pirelli shall treat the information obtained in the audit stage, pursuant to the rules in Section 2.1 of these General Terms & Conditions, as Confidential Information.

- 2. The Supplier shall ensure that all his subsidiaries and all his and their directors, executive managers, consultants, representatives, staff or agents follow Items (a) to (d) of this Section 13.
- 3. The Supplier hereby confirms, should this Section 13 be breached, that Pirelli shall be entitled to suspend fulfilment of its duties relating to orders and/or contracts, notwithstanding the rights of termination set out under this Agreement.
- 4. The Supplier shall compensate Pirelli and its representatives and hold the same harmless in connection with losses, claims, costs or expenses (including court costs and lawyers' fees) which Pirelli or its representatives incur in connection with a breach of this Section 13 and/or in connection with a breach by the Supplier, one of his subsidiaries, or his or their directors, executive managers, consultants, representatives, staff or agents, of any anti-corruption legislation.
- 5. The Supplier shall grant Third Parties no authority to accept payments in his name to which the Supplier is entitled under this Agreement.
- 6. The Supplier hereby confirms expressly that all payments made here by Pirelli shall be transferred to a bank account located in the same country in which the Supplier has his registered office.

14. Place of jurisdiction – place of fulfilment – election of law

- 1. Should the Supplier be a merchant, our registered office shall be the place of jurisdiction; we shall be entitled, however, also to sue the Supplier at his registered office.
- 2. Unless stated otherwise in the order, our registered office shall be the place of fulfilment.
- 3. These Terms & Conditions shall be governed by German law, without reference to the latter's law of collision. The UN law of sale and purchase shall not apply.

15. Miscellaneous

1. Contracts, orders and credits arising therefrom may not be transferred by the Supplier. Contracts with the Supplier, the Supplier's orders and the credits arising therefrom for the Supplier may be transferred by Pirelli to the companies affiliated with Pirelli under the terms of Section 15ff. of the German Joint Stock Companies Act (AktG).
2. Any amendment or supplement to contracts or orders must be in writing and shall be restricted to the special case for which it is agreed.
3. Should any one provision of these Terms & Conditions or other accords be or become invalid or incomplete, the validity of the remaining regulations shall not be affected thereby.