



PORSCHE

Dr. Ing. h.c. F. Porsche Aktiengesellschaft General Development Conditions

Status 11/2015

1. Standard conditions

- 1.1 The legal relationship between the Client (hereinafter PAG) and the Contractor for the provision of development services by the Contractor shall be in accordance with these conditions and any other written agreements, including amendments and additions. As well as the written form, the text form and transactions concluded by means of an electronic system provided by PAG shall suffice. The Contractor's General Terms and Conditions shall not apply, even if they have not been expressly rejected in specific cases.
- 1.2 The contract shall be based in the following order of precedence on the agreement concluded with the Contractor for the provision of development services including the respective reference documents and these General Development Conditions.
- 1.3 The key parameters for the technical specifications, costs, dates, weight and quality objectives which are binding on the Contractor can be seen from the respective agreement for the specific project. These must be defined more precisely or modified by PAG and the Contractor as the development progresses.

2. Provision of services

- 2.1 The Contractor shall be solely responsible for providing for PAG from within his own organization the development services described in more detail in the agreement. He shall report on progress in accordance with the defined reporting plan in each case and the associated documentation.
- 2.2 The Contractor is not authorized to have the services to be provided, or parts thereof, provided by subcontractors. Exceptions must have the prior written agreement of PAG.
- 2.3 With justified cause (e.g. in the case of non-compliance with agreements, delivery or submission dates by the Contractor), PAG shall be entitled to check the provision of services by the Contractor during normal business hours and inspect the materials, documents and results of the services which are directly or indirectly associated with the services.
- 2.4 PAG and the Contractor shall each nominate a project manager, on whom it shall be incumbent to monitor the proper and timely implementation of the project and the production of any necessary reports according to separate agreement.
- 2.5 PAG shall be entitled to request changes to the contractual services to a reasonable extent. In this regard, PAG shall come to an agreement with the Contractor, wherein technical changes are to be documented in accordance with the procedure provided for the purpose in the respective agreement and require the written consent of both project managers. The Contractor shall advise the effects of changes to contractual services on the remuneration and timeframe without delay. If there is any question of a change in remuneration or completion date, this must be recorded in writing. Otherwise, remuneration and timescale shall remain unchanged.
- 2.6 The Contractor shall undertake to pay his employees at least the statutorily prescribed or contractually agreed minimum wage.

Further, the Contractor shall undertake only to employ such subcontractors that likewise contractually undertake to pay at least the statutorily prescribed or contractually agreed minimum wage to their employees.

The Contractor shall place the subcontractors instructed by him under obligation in accordance with Clause 2.6.

In the event of an infringement of the provisions of the Minimum Wage Act, the Contractor shall undertake to comprehensively indemnify PAG from all obligations associated with such an infringement and also to compensate PAG for any damages resulting from a culpable infringement. The same obligation shall apply to the Contractor if a subcontractor instructed by him should infringe the provisions of the Minimum Wage Act.

If a claim should be made against PAG by an employee of the Contractor for payment of the statutory minimum wage, the Contractor shall undertake to PAG to provide all information necessary for the defense against the claim and any action for payment. This shall also apply following termination of the contractual relationship between the Contractor and PAG.

The Contractor shall guarantee to place subcontractors instructed by him under obligation in accordance with Clause 2.6 and to pass the necessary information to PAG without delay if an employee of the subcontractor lodges claims against PAG.

3. Deployment of staff

- 3.1 The Contractor shall only employ staff who are qualified technically and on a personal level for carrying out the services and tasks specified in the agreement. The Contractor shall designate a contact responsible for the services to be provided, with whom necessary agreements with PAG relating to the subject matter of the contract are to be concluded.
- 3.2 The Contractor is obliged to identify staff who are to be in direct contact with PAG (contact persons/representatives) to PAG in writing in advance.
- 3.3 Changes to the Contractor's staff in accordance with Clause 3.2 must be notified to PAG in writing in advance. Clause 3.1 applies in a similar way to the replacement of Contractor's staff. The Contractor shall be responsible for the consequences in this respect, in particular all costs for replacing staff and the familiarization of replacement staff.
- 3.4 The services shall be provided under the responsible management of the Contractor. The Contractor shall retain sole technical, personal and disciplinary authority for the staff employed by the Contractor within the framework of the subject matter of the contract.
- 3.5 If foreign staff are employed, the Contractor shall undertake to ensure that they have a valid residence title which entitles them to engage in gainful employment. A valid work permit in accordance with the currently applicable regulations must be presented to PAG on request.

4. Dates

- 4.1 The Contractor shall provide the development services in accordance with the time schedule included in the respective agreement.
- 4.2 As soon as one of the parties notices that the agreed schedule cannot be maintained, he shall inform the other party immediately and provide reasons for the delay.
- 4.3 The parties shall jointly discuss the effects of exceeding the schedule and possible remedies. Unless otherwise agreed, the statutory regulations for default shall apply in the event of delays to the time schedule initiated by the Contractor.
- 4.4 Delays to the time schedule must be documented and require the written agreement of both project managers.
- 4.5 The Contractor shall be solely responsible for managing the time schedule for the development services to be provided in accordance with the agreement and shall inform PAG of the planned/actual comparison based on the defined reporting system and associated time schedule.

5. Performance criterion

- 5.1 The Contractor shall be solely responsible for providing the development services to be provided in accordance with the specifications contained in the respective agreement, the state of the art in terms of science and technology, and with due observation of the degree of diligence usual in the industry, such that the contractual product complies with the key parameters defined in the respective agreement and is not subject to defects which nullify or reduce the value or suitability for the intended application. The status at the time of carrying out the respective development services shall be definitive.
- 5.2 As part of the development services, it must be noted that the contractual products must comply worldwide with all approval regulations, the applicable safety requirements, and all rules pertaining to testing, the environment, and identification/labeling.
- 5.3 The Contractor agrees to use the most environmentally compatible, economical, and technologically state-of-the-art method for the production and recyclability and recoverability of the contractual products.
- 5.4 Necessary country-specific releases (e.g., CCC-Certification) must be obtained early enough to provide the results by the time of sample inspection and/or by the agreed deadline.

6. Deliverables, rights to deliverables

- 6.1 On principle, PAG is entitled to all development results, documentation, and performance produced as part of the activities that are the subject matter of this contract. PAG automatically receives free-of-charge, exclusive, irrevocable, territorially and temporally unlimited, transferable, sub-licensable rights of use to work results.
- 6.2 Volkswagen Group companies and the Group subsidiaries: FAW Automotive Company Ltd., Changchun, People's Republic of China; Shanghai Volkswagen Automotive Company Ltd., Shanghai, China; MAN AG, Munich, Germany are entitled to the same rights.
- If the Contractor uses sub-contractors, it must use appropriate contractual agreements in order to ensure that said sub-contractors also agree to this clause 6 as binding for themselves.

- 6.3 Insofar as innovations are produced in connection with development results (these include, in particular, inventions, technical improvement proposals, and know-how, but also other individual intellectual achievements), the Contractor shall be obligated to notify PAG accordingly and to submit all documents required to evaluate said innovations.

Within this context, PAG alone is entitled to file applications for intellectual property rights. The Contractor shall claim innovations of this kind in relation to his staff without restriction in a timely manner, and support PAG in obtaining proprietary rights, in particular issuing the necessary declarations. Should PAG waive this right in writing or if a development service is considered as "partially paid", i.e., PAG does not pay at least 75% of the negotiated development costs and this is agreed in writing with the Contractor in advance, then the Contractor is entitled to apply for intellectual property rights at its own expense. PAG is entitled to a non-exclusive, free-of-charge, transferable right of use - unrestricted in terms of time, place, and content - to these intellectual property rights.

PAG and the Contractor shall only bear the commission for employee's inventions for their own employees in each case.

- 6.4 If, in the work results or within the context of manufacturing the components, the Contractor makes use of its own intellectual property rights (pre-existing proprietary rights) or authorized use of intellectual property rights of third parties, then the Contractor must disclose this to the PAG Design Engineering contact person in the form of a list. If these pre-existing proprietary rights are necessary for the exploitation of the development results, including the production of spare parts, and the Contractor does not have the opportunity to become the serial supplier, the Contractor shall declare that he is prepared to grant PAG a non-exclusive and sub-licensable usage right which is unrestricted in time, location and content to the pre-existing proprietary rights under conditions which are customary in the market.

- 6.5 The Contractor is obliged to provide PAG with all deliverables (including test and development reports, suggestions, ideas, drafts, designs, proposals, samples, models etc.) including drawings, individual parts drawings and CAD data records which show the current state of development. The contractor transfers to the PAG the non-exclusive, free-of-charge, and transferable right of use - unrestricted in terms of time, place, and content - to all copyrights that the Contractor is entitled to use for the services or partial services to be performed. PAG's right of use encompasses the right to revise or modify the work result, documentation or records related thereto and/or to place them at the disposal of third parties, against payment or free of charge, to be used among other things for tenders and supplier selection.

- 6.6 The Contractor shall undertake to produce the development results free from the rights of third parties, or alternatively indemnify PAG against claims by third parties except when the Contractor is not responsible for the defect of title.

If any rights of third parties are infringed upon or undisturbed use of development results is hindered due to the intended design of the development results, the Contractor must notify PAG immediately. The parties will look for a different design of the development results jointly. If the use of intellectual property rights of third parties cannot be avoided, PAG will decide whether or not the intellectual property right in question will be used by means of a license. The parties must agree on how to distribute the resulting costs incurred on a case-by-case basis. If a third party asserts that a right is infringed by contractually-compliant use of a development result, the Contractor undertakes to seek clarification with said third party so as to preclude claims against use of the development results and to grant PAG undisturbed use of said development results, unless the enforcement of the third party's rights is manifestly unfounded.

7. Remuneration

The remuneration shall be based on the provisions made in the respective agreement.

8. Acceptance

On completion of the development, the Contractor shall submit the development results and all documents necessary for the use thereof. Acceptance shall be carried out in writing no later than 4 weeks from completion of the development service and on the basis of a joint discussion of the development results in the form of a written protocol which will be issued to the Contractor by PAG.

9. Warranty/Liability

- 9.1 Warranty and liability of the Contractor shall be based on the current statutory regulations unless otherwise stipulated below.

- 9.2 Claims relating to legal defects of the development results must be lodged within 36 months. The limitation period relating to material and/or legal defects shall begin with the issuing of the protocol in accordance with Clause 8.

- 9.3 If claims arising from product liability are lodged against PAG on account of a product developed by the Contractor, PAG shall inform the Contractor immediately and defend against these claims in agreement with the Contractor. The Contractor shall support PAG in the defense at his own cost. The Contractor shall reimburse PAG for all amounts to be paid relating to a judgment or settlement as well as all attorneys' and other necessary costs incurred as a result of the product liability case to the extent corresponding to his contribution to the cause of such claims.

If a recall resulting from the deficiency of a product developed by the Contractor is decreed by the authorities or is objectively necessary in order to prevent loss, the Contractor shall reimburse all costs incurred as a result of the recall (in particular material, dismantling and installation costs, costs arising from lack of operational readiness of the vehicles, handling costs) to the extent corresponding to his contribution to the cause of the recall.

These claims by PAG shall not be barred until at least 12 months after the issue of a final judgment or the conclusion of a settlement between PAG and the third party or the implementation of a recall action.

- 9.4 PAG shall accept the risk of damage to prototypes or other objects during testing (on test drives or on the test rig) and any time schedule risks associated therewith insofar as these failures or the causes thereof are not the responsibility of the Contractor and/or his vicarious agents.

10. Quality management

- 10.1 The Contractor shall verify that he is in a position to satisfy the PAG quality standards relating to the developed contractual products by no later than the acceptance of the development results.

- 10.2 The Contractor shall verify his quality capability by meeting the requirements defined in the agreements, including amongst others the specific quality formula ("Formel Qkonkret"), the PAG quality requirement specifications ("Q-Lastenheft"), the Porsche description of services, Porsche standards and the Porsche Technical Terms of Delivery, by successful production process and product approval, and by audits and other verification processes usual in the industry.

- 10.3 The Contractor is obliged to carry out the measures necessary to maintain the standards verified in accordance with 10.2 and to undertake the necessary quality monitoring. Problems with the quality management process, e.g. including for parts obtained from or processed by third parties, must be notified to the respectively defined PAG point of contact in writing without delay.

11. General provisions

- 11.1 If one of the contracting parties suspends payments or if application is made to instigate insolvency proceedings against its assets or for out-of-court settlement proceedings, the other contracting party will be entitled to revoke the portion of the contract not yet executed. This shall also apply accordingly if the economic position of a contracting party deteriorates in such a way as to seriously jeopardize fulfillment of the contract.

- 11.2 If one of the provisions of these terms and of additional agreements are or become ineffective, this shall not affect the validity of the remaining provisions. The contracting parties are obliged to negotiate in good faith a rule which replaces the ineffective provision.

- 11.3 Unless otherwise agreed, the law of the Federal Republic of Germany shall apply exclusively. The application of the terms of UN Trade Law (United Nations Convention on Contracts for the International Sale of Goods) of April 11, 1980 shall be excluded.

- 11.4 The place of performance is the PAG's registered office. Alternative provisions may be agreed for the delivery itself.

- 11.5 The exclusive court of jurisdiction shall be Stuttgart; however, PAG retains the option of lodging claims with the court at the location of the Contractor's registered office.

- 11.6 These General Development Conditions are produced in German and English. In the event of contradictions between the German and the English version the German version shall prevail.