

Terms of Purchase for Production Material (used in Domestic and Export Cars)

(for ŠKODA AUTO Volkswagen India Private Limited, formerly known as Volkswagen India Private Limited and herein after referred as “ŠKODA AUTO VOLKSWAGEN)

I. Governing Terms

The legal relationships between the Supplier and the Purchaser are governed by these Terms and any additional agreed terms. Amendments and additions must be in writing. The Supplier's general terms and conditions are inapplicable even if not expressly rejected in a particular instance.

II. Orders

1. Purchase Orders – Commercial :

a. It is expected that Supplier should respond on Purchase Orders or it's amendments within 30 days of it's issuance by the Purchaser, using B2B Platform i.e. www.vwgrouppsupply.com access.

b. Purchase Orders as well as any amendments or additions thereto, must be in writing.

c. If Purchase Orders or it's amendments are not responded within 30 days, the Purchase Order and it's Terms and Conditions would be considered as deemed accepted.

2. Delivery / Call Off Orders :

a. Delivery call orders, as well as any amendments or additions thereto, must be in writing. Delivery call orders may also be effected by electronic data transfer.

b. If the Supplier does not accept an order within three weeks of receipt, the Purchaser is entitled to revoke the order. Delivery call orders become binding at the latest two weeks after receipt if the Supplier has not objected in the interim.

c. Within the limits of what is reasonable for the Supplier, the Purchaser may request modifications of the design and construction of the delivery item. The parties shall reach an appropriate mutual agreement regarding the consequences, in particular cost increases or decreases and delivery deadlines.

III. Payment

1. Provided the Purchaser has received verifiable invoices (see the instructions for bills of delivery and invoicing forms) by the end of the month in which delivery occurs, payment will be made by the 25th day of the month following that of delivery. Where early delivery is accepted, the date on which payment is due is calculated with respect to the originally scheduled delivery date.

2. Payment shall be made by bank transfer or by cheque. The Supplier will receive a payment advice stating its account balance, if requested by them. Discrepancies must be reported to the Purchaser without delay.

3. In the event of improper delivery, the Purchaser is entitled to withhold payment proportionate to value until proper performance is affected.

4. Without the Purchaser's prior written consent, the Supplier is not entitled to assign its claims against the Purchaser or to have these collected by third parties. Where an extended retention of title applies, such consent is deemed to have been given. The Supplier's assignments of claims against the Purchaser without its consent in contravention of sentence 1 are nonetheless valid. The Purchaser may, however, at its discretion discharge its liability by payment made either to the Supplier or to the third party.

5. Withholding tax as applicable will be deducted unless tax exemption certificate from appropriate authorities is submitted in advance.

6. ŠKODA AUTO VOLKSWAGEN would deduct the amount with respect to taxes and other contributions from the payment due and payable to Supplier as applicable under any Central, State and local Government legislation in the manner and time and at the rates applicable from time to time, unless Supplier submit a specific certificate for non-deduction or lower deduction of taxes / contribution, if provided under the applicable legislation.

7. Statutory variation in GST or any other applicable Government Taxes occurring after Contract Effectiveness Date, but within contractual delivery period, shall be to ŠKODA AUTO VOLKSWAGEN account against documentary evidence, needs to be furnished by the Supplier.

8. Every Supplier / Service Provider, who are located in India and within the frame of Goods and Service Tax ("GST") has to register itself on Goods and Service Tax Network ("GSTN"), a website / platform provided by Government of India for initiating any transaction in relation to GST. Further that Vendor / Service Provider shall indemnify ŠKODA AUTO VOLKSWAGEN for the loss caused in case the tax credit of GST is not passed on to ŠKODA AUTO VOLKSWAGEN for any reason whatsoever.

In order to claim the credit/setoff of GST and applicable Cess or any other tax or duty , the Supplier has to provide appropriate invoice /document prescribed under the relevant Central, State and local Government legislation. Supplier should also submit such other statutory documents as applicable from time to time to be furnished to ŠKODA AUTO VOLKSWAGEN for taking credit.

9. If Supplier has not submitted the proper invoice for availing any tax credit or has not filed proper return and ŠKODA AUTO VOLKSWAGEN is not able to avail the Tax credit, then that company shall effect the payment to the Supplier after deducting the equivalent amount of the Tax credit so lost.

10. In the event of imposition of new taxes, duties and levies after signing of Contract, but during the tenure of Contract, ŠKODA AUTO VOLKSWAGEN shall reimburse the Supplier payment of new taxes, duties and levies on the residual value of contract work from the date of such imposition, against Supplier 's submission of documentary evidence.

11. The Supplier shall be solely responsible and liable for his wrong assumptions/omissions/consideration of all applicable taxes, duties and levies in the Contract price including on account of non-compliance with any statutory procedure for claiming the tax exemption, concession if any. In addition to above, taxes, duties and levies, if any, which are prevailing on the date of signing of the

Contract, but not considered by the Supplier in the Contract price, shall be borne and paid by the Supplier.

12. The Supplier shall give all notices and pay all fees and taxes required to be given or paid under any Central or State statutes, ordinances, acts or other laws or any regulation or bye-laws of any local or other duly constituted authority in relation to the this contract .

13. The Supplier shall bear and pay all taxes, duties, charges or levies which may be assessed, imposed or levied upon the Supply / Works outside India or any receipt realized by him outside India in connection with and in the execution of the Contract by any country or governmental agency thereof in which the goods/ Works are carried out.

14. As applicable, ŠKODA AUTO VOLKSWAGEN shall bear and pay all taxes, dues, charges, fees, customs duties etc. levied by authorities in India shall be borne and paid by the responsible ŠKODA AUTO VOLKSWAGEN for clearance of the equipments / goods imported into India under the Contract.

15. All preliminary import documentation such as Invoice, Bill of Lading, Packing list, etc shall be delivered by the Supplier to the responsible ŠKODA AUTO VOLKSWAGEN Logistics offices in India through a reputed courier service at the Supplier's expenses, according to the CPT ICC Incoterms 2000. The Purchaser shall in no way be responsible for any charges or expenses on this account. Necessary clearance in India, if any, of such imported Documentation shall be the responsibility of the Purchaser

16. The fulfilment of the Contract on the Supplier's part is subject to the provision that this shall not be prevented by impediments on the grounds of national or international legal requirements, in particular export control provisions.

17. The Supplier will be responsible for arranging customs clearance for the imported equipment / goods at the FOB Port of Shipment in case, where as a result of the contract, services are received in India by ŠKODA AUTO VOLKSWAGEN, then the ŠKODA AUTO VOLKSWAGEN shall be liable to discharge the GST service tax liability, if any and avail the tax credit of the same subject to the submission of non – PE declaration in the format provided by ŠKODA AUTO VOLKSWAGEN. Failure on part of the Supplier in providing the non- PE declaration shall result in loss of Tax Credit claim to ŠKODA AUTO VOLKSWAGEN. The loss occurred to the ŠKODA AUTO VOLKSWAGEN due to loss of tax credit shall be compensated by the Supplier for an amount equivalent of tax credit.

IV. Notice of Defects

The Purchaser must notify the Supplier in writing of any defects in the delivered goods without delay as soon as they are discovered in the course of operation of a properly organized business. To this extent, the Supplier waives the defence of late notice of defects.

V. Confidentiality

1. The contracting parties agree to treat as business secrets all commercial and technical information of which they become aware by reason of their business relationships unless such information is common knowledge.

2. Drawings, models, jigs and templates, sample parts, or similar property may not be provided or otherwise made available to unauthorized third parties. The reproduction of such property is permissible only within the limits of business requirements and copyright law.

3. Analogous obligations must be imposed on sub-suppliers.

4. The contracting parties may only use their business relationship for advertising purposes with prior written consent.

VI. Delivery Deadlines and Periods / Shipping Terms

Agreed delivery dates, deadlines, and time periods are binding. Whether delivery is timely, is determined by the receipt of the goods by the Purchaser The Supplier must make the goods available on a timely basis, allowing the standard time for loading and shipping.

Shipments are to be handled according to the Purchaser's instructions. The INCOTERMS 2000 govern all commercial terms.

VII. Overdue Delivery

The Supplier shall indemnify the Purchaser for damages resulting from failure to make timely delivery.

VIII. Force Majeure

Force majeure, labor disputes, civil disorder, governmental actions, and other unforeseeable and unavoidable events of major significance release the contracting parties from their performance obligations for the duration of the disturbance to the extent of the impact thereof. The same applies if these events take place when performance by the contracting party affected is already overdue. The contracting parties are required to provide the information reasonably necessary without delay and to adjust their mutual obligations to the altered circumstances in accordance with the principle of good faith dealing.

IX. Quality and Documentation

1. For its deliveries, the Supplier shall adhere to accepted engineering standards, relevant safety requirements, and the agreed technical specifications. Modifications of the delivery item require the Purchaser's prior written consent.

For guidance on initial sample testing, see the VDA publication (Quality Assurance of Supplies – Production Process and Product Approval / Quality Assurance Agreements (PPA). The Supplier may not commence series production delivery until the Purchaser has approved the sample parts. Notwithstanding such approval, the Supplier must continuously verify the quality

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of the delivery items. Each contracting party shall inform the other of quality improvement possibilities.

2. If no firm agreements exist between the Supplier and the Purchaser on the nature and scope of testing and inspection and the means and methods thereof, the Purchaser is willing, at the Supplier's request and within the limits of its own knowledge, experience, and resources, to discuss testing and inspection issues with the Supplier in order to determine the level of testing and inspection technology required in each individual situation. If requested, the Purchaser will also inform the Supplier about the relevant safety requirements. For further information, see the VDA publication "Volume 5, Capability of Measurement Processes, Capability of Measuring Systems".

3. With regard to vehicle parts that have been specially marked, e.g. with the letter "D," in the technical documents or designated by separate agreement, the Supplier must in addition keep special records showing when, in what manner, and by whom the delivery items were tested and inspected with respect to features requiring documentation, and recording the results of the required quality testing. The testing and inspection documentation must be retained for ten years and provided to the Purchaser when needed. To the extent legally possible, the supplier must impose corresponding obligations on its sub-suppliers. For document and archiving, see the VDA publication "Volume 1, Document and Archiving – Code of Practice for the Documentation and Archiving of Quality Requirements and Quality Records" as well as the VDA publication "A process description covering special characteristics (SC)."

4. Should any public agency with authority regarding vehicle safety, emissions standards, or the like wish to verify certain requirements by examining the Purchaser's production processes and its testing and inspection documentation, the Supplier agrees that, at the Purchaser's request, it will accord such agencies the same rights with respect to itself as they have with respect to the Purchaser and will give them all reasonable support.

X. Warranty

1. Unless otherwise agreed, the Purchaser may exercise the following rights in the event of delivery of defective goods, provided any preconditions established by applicable law or this section are fulfilled:

a) Before the commencement of manufacturing (processing or installation) the Purchaser must first give the Supplier the opportunity to sort out the defective goods and to correct the defects or to deliver replacements, unless this would unreasonably burden the Purchaser. If the Supplier is unable to accomplish the above or fails to do so without delay, the Purchaser may, without setting any deadline, rescind this portion of the contract and return the goods at the Supplier's risk and expense. In urgent cases, the Purchaser may itself remedy the defects after coordination with the Supplier, or have a third party do so. The resulting costs shall be borne by the Supplier. If the same goods are repeatedly delivered with defects, the Purchaser may, after giving written notice of such breach, rescind the contract with respect to the as yet undelivered part thereof as well if another delivery of defective goods occurs.

b) If, despite compliance with the obligation under Section IV (Notice of Defects), the defect is not discovered until after manufacturing has commenced, the Purchaser may either

- require substitute performance together with reimbursement for all costs it incurs for purposes thereof, including without limitation transportation costs and the cost of dismantling and reinstallation (cost of labor, materials, etc.), or
- reduce the purchase price.

c) In the event of the culpable breach of an obligation over and above the delivery of defective goods (e.g. breach of a duty to inform, advise, or inspect), the Purchaser may, in accordance with Section XI, claim compensation for the consequential damages flowing therefrom including the consequential damages paid by the Purchaser to its customer by law. "Consequential damages" refers to damage suffered by the Purchaser, by reason of delivery of defective goods, to legal interests other than those pertaining to the goods themselves.

The above is without prejudice to any additional claims for reimbursement of expenses and damages by reason of the delivery of defective goods.

2. Upon request, the Purchaser shall without delay, and at the Supplier's expense, place the parts which the Supplier must replace at its disposal.

3. Warranty claims become time-barred 24 months from the time of first vehicle registration or installation as a spare part, as the case may be, or 30 months after delivery to the Purchaser, whichever occurs first.

4. If a longer term of warranty is required in any of the Volkswagen documents pertaining to the quotation / offer process, this term shall apply.

5. No warranty claim arises if the fault is attributable to the violation of operating, maintenance, and installation instructions, unsuitable or improper usage, improper or negligent handling, natural wear and tear, or alteration of the delivery item by the Purchaser or third parties.

6. Where defective goods are delivered, the provisions of this Section X are without prejudice to any claims that the Purchaser may have under product liability or tort law or under the theory of conduct of business on another's behalf without his authority. Guarantees as to specific characteristics and durability must be expressly designated as such in writing.

XI. Liability

Subject to other liability provisions contained elsewhere herein, the following terms define the limits of the Supplier's liability for damages suffered directly or indirectly by the Purchaser by reason of the delivery of defective products, the violation of statutory provisions such as registration, safety, and environmental requirements, or any other legal grounds of Supplier liability.

1. As a general matter, the Supplier is only liable for damages with regard to

harm it has caused if it is at fault.

2. If claims are raised against the Purchaser based on no-fault liability which cannot be disclaimed with respect to third parties, the Supplier shall be liable to the Purchaser to the extent to which it would also be directly liable.

3. Liability for damages is excluded to the extent the Purchaser has in turn limited its liability to its customer with legal effect.

4. Claims by the Purchaser are precluded to the extent the damage is due to circumstances attributable to the Purchaser involving violations of operating, maintenance, and installation instructions, unsuitable or improper usage, improper or negligent handling, natural wear and tear, or faulty repair. The previous sentence shall, however, not apply to the extent the Supplier is aware of special requirements regarding operation, maintenance, or installation and has failed to inform the Purchaser thereof in writing.

5. The Supplier is liable without fail for measures (such as recall campaigns) taken by the Purchaser to avert damages or to satisfy legal requirements, to the extent the cause of these measures is within the Supplier's sphere of responsibility.

6. As the manufacturer, the Purchaser will conduct an independent defense against claims based on potentially defective products. The Supplier must support the Purchaser if so requested.

XII. Industrial Property Rights

1. The Supplier is liable for claims arising from the contractual use of the delivery items that are based on the infringement of industrial property rights and applications pending for such rights (industrial property rights), provided at least one of the rights in the family of related rights has been published by the European Patent Office or in the Supplier's home country, the Federal Republic of Germany, China, France, Great Britain, Italy, Austria, India or the United States.

2. The Supplier shall release and hold the Purchaser and its customers harmless from all claims from the use of such industrial property rights.

3. The above does not apply to the extent the Supplier manufactured the delivery items according to drawings, models, or other equivalent descriptions or specifications provided by the Purchaser and neither knows nor should have known with respect to the products it developed that industrial property rights were thereby infringed.

4. To the extent the Supplier is not liable by reason of subsection 3, the Purchaser shall release and hold it harmless from all third party claims.

5. The contracting parties agree to inform each other without delay of potential infringement risks and alleged infringements that come to their attention and to afford each other the opportunity to cooperate in countering such claims.

6. The Supplier is required to inform the Purchaser if, with regard to the delivery item, it uses any industrial property rights, whether published or unpublished, self-owned or licensed, registered, un-registered or pending.

XIII. Use of Purchaser's Production Aids/Equipment and Confidential Information

Intellectual Property in a form of Models, molds and dies, jigs and templates, sample parts, tools, and other production aids and equipment including confidential information that the Purchaser provides to the Supplier or pays for in full may only be used for deliveries to third parties with the Purchaser's prior written consent.

XIV. Retention of Title

The Supplier retains title to all goods it delivers until completely paid for. For this purpose, all deliveries shall be deemed to constitute one continuous supply transaction. For current account deliveries, the retention of title shall be considered to secure payment of the account balance owing.

If the Purchaser so joins the goods with other property that they form a whole, and if the other property constitutes the principal object, the Purchaser is required to transfer proportionate joint ownership to the Supplier, to the extent it has title to the principal object. If the Purchaser sells the delivered goods as contemplated by the parties, it hereby assigns in advance to the Supplier its accounts receivable from its customer by reason of sale together with all ancillary rights until complete satisfaction of the Supplier's claims.

Where the circumstances so justify, the Purchaser is upon request by the Supplier required to notify the third party buyers of the assignment and to furnish the Supplier with the information and documents it requires to enforce its rights.

The Supplier must relinquish and release its interest in collateral to the extent the total value thereof exceeds that of the claims to be secured by more than 20 %.

XV. Anti - Profiteering Clause:

Any reduction in rate of tax on the supply of goods or services or the benefit of input tax credit or any other benefit accrued in consequence of provisions under Goods and Services Tax or any other applicable laws shall be passed on to the ŠKODA AUTO VOLKSWAGEN by way of commensurate reduction in prices.

XVI. General Terms

1. While determining the amount of the supplier's liability for damages under section VII,X,XI and XII due account shall be taken of any extra ordinary circumstances impending installation of the purchase part in question. In particular, a reasonable relationship must exist between the damages, costs and expenses to be borne by the supplier and the value off the purchase part.

2. If a contracting party ceases paying its debts as they fall due or a petition is filed for commencement of an insolvency proceeding with regard to its assets or for an out-of-court arrangement or composition proceeding, the other party is entitled to rescind the as yet unperformed portion of the contract.

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3. Should any provision of these Terms and the other agreements entered into or become invalid, this shall not affect the validity of the other provisions of the contract. The contracting parties are required to replace the invalid provision with a provision that approximates the economic effect of the invalid provision as closely as possible.

4. Unless otherwise agreed, the contract shall be governed exclusively by the law of the land of India.

5. The place of performance is the Purchaser's corporate office. A varying term may be agreed with respect to delivery.

6. Action may be brought only in the judicial district of the plaintiff's corporate office or in exclusively in Mumbai alone.

7. The following set of conditions are applicable if the supplier is a nonresident supplier :

- The Supplier undertakes to provide to ŠKODA AUTO VOLKSWAGEN the order of Indian Income Tax Authority under section 195 of the Income Tax Act, 1961 of India for determination of the appropriate withholding tax before ŠKODA AUTO VOLKSWAGEN makes the remittance to Supplier . The remittance will be effected only after Supplier provides ŠKODA AUTO VOLKSWAGEN with the order. No interest will be payable by ŠKODA AUTO VOLKSWAGEN to Supplier for delay in remittance on this account.
- Supplier shall file an application for each year in a manner so as to obtain the withholding tax order within 60 days from the date of execution of the agreement with ŠKODA AUTO VOLKSWAGEN. In case there is a delay on part of Supplier to obtain the withholding tax order for any year and should there be any interest or penal implications or any other coercive implications on ŠKODA AUTO VOLKSWAGEN on account of crediting Supplier account in ŠKODA AUTO VOLKSWAGEN's books at a lower rate than that mentioned in the withholding tax order, then Supplier will immediately reimburse ŠKODA AUTO VOLKSWAGEN for the tax / interest / penalty / litigation costs (including fees of advisors) or any other costs borne by ŠKODA AUTO VOLKSWAGEN (including any interest, penalties or income-tax impact on account of any disallowance of the remittance amount) and that Supplier would not wait for the order of the appellate authorities to reimburse the tax/ interest / penal / other aforesaid costs. ŠKODA AUTO VOLKSWAGEN would refund the interest and penalty to Supplier in case there is a favorable order from the appellate authorities.
- Further, it would be the obligation of Supplier to immediately inform ŠKODA AUTO VOLKSWAGEN on account of any subsequent order(s) passed by the tax authorities amending the withholding tax order referred above. In case there is a delay or default on part of Supplier to inform ŠKODA AUTO VOLKSWAGEN of such amendment(s) to the withholding tax order, then Supplier will immediately reimburse ŠKODA AUTO VOLKSWAGEN for the tax/ interest / penalty / litigation costs (including fees of advisors) or any other costs borne by ŠKODA AUTO VOLKSWAGEN (including any interest, penalties or income-tax impact on account of any remittance amount) and that Supplier would not wait for the order of the appellate authorities to reimburse the tax/ interest / penal / other aforesaid costs. ŠKODA AUTO VOLKSWAGEN would refund the interest and penalty to Supplier in case there is a favorable order from the appellate authorities.
- There may be situations where Supplier informs ŠKODA AUTO VOLKSWAGEN that it would prefer remittance on the basis of a certificate of Chartered Account in terms of Circular 10 dated October 9, 2002 issued by Central Board of Direct Taxes of India determining the rate and amount of withholding tax instead of an order u/s 195 of the Income-tax Act, 1961. In this situation, the Supplier will provide to ŠKODA AUTO VOLKSWAGEN a certificate from one of the multinational accounting firms within 7 working days from receipt of requisition from ŠKODA AUTO VOLKSWAGEN and the remittance will be effected only after Supplier provides ŠKODA AUTO VOLKSWAGEN with the certificate from the aforesaid Chartered Accountant. No interest will be payable by ŠKODA AUTO VOLKSWAGEN to Supplier for delay in effecting remittance which arises on account of delay in obtaining the Chartered Accountant's Certificate.
- If any order is received from tax authorities of India which determines the tax rate higher than that determined by the Chartered Accountant, Supplier will immediately reimburse ŠKODA AUTO VOLKSWAGEN for the tax / interest / penalty / litigation costs (including fees of advisors) or any other costs borne by ŠKODA AUTO VOLKSWAGEN (including any interest, penalties or income-tax impact on account of any disallowance of the remittance amount) and that Supplier would not wait for the order of the appellate authorities to reimburse the tax / interest / penal / other aforesaid costs. ŠKODA AUTO VOLKSWAGEN would refund the interest and penalty to Supplier in case there is a favorable order from the appellate authorities.
- The revenue authorities may regard ŠKODA AUTO VOLKSWAGEN as an agent of Supplier under section 163 of the Income-tax Act, 1961. In this situation, in case any sums are regarded as payable by ŠKODA AUTO VOLKSWAGEN as an agent of Supplier, Supplier will immediately reimburse ŠKODA AUTO VOLKSWAGEN for the tax/ interest / penalty / litigation costs (including fees of advisors) or any other costs borne by ŠKODA AUTO VOLKSWAGEN and that Supplier would not wait for the order of the appellate authorities to reimburse the tax / interest / penal / other aforesaid costs. ŠKODA AUTO VOLKSWAGEN would refund the interest and penalty to Supplier in case there is a favorable order from the appellate authorities.
- Any new tax (whether direct or indirect) imposed by any State or Central Government in India in connection with the arrangement with Supplier, shall be

the sole liability of Supplier and in case such taxes are paid by ŠKODA AUTO VOLKSWAGEN to the Government, they would be immediately reimbursed by Supplier.

- On expiry or termination of the agreement, Supplier would furnish an indemnity bond / guarantee to ŠKODA AUTO VOLKSWAGEN to provide for the tax / interest / penalty / other costs (even if contingent), if any, determined by the tax authorities.
- All taxes, duties and fees imposed on the Supplier outside India in connection with and in the execution of the Contract shall be borne by the Supplier.
- Where ŠKODA AUTO VOLKSWAGEN deducts Withholding Tax, ŠKODA AUTO VOLKSWAGEN shall forward to the Supplier the Withholding Tax deduction certificate (as applicable, in accordance with the provisions of the Income-tax Act, 1961) in favour of the Supplier for the amount of tax deducted.

XVII : Energy and Environment Management System related :

1. Volkswagen and it's Group companies believes in Green Environment and Energy Efficient Plant. Hence, request all it's Business Associates / Suppliers in fulfilling this mission. Kindly contact your respective buyer / ŠKODA AUTO VOLKSWAGEN representative for getting a copy of our "Energy and Environment Policy".
2. If you are delivering the Goods at our premises using your own transporter, kindly ensure they are fulfilling all CMVR / EMS related requirements (eg. PUC Certificate, MSDS, Insurance etc.) else they may not be allowed to enter.