

General Conditions of Purchase and Commissioning of Borgward Group AG

I. General Provisions

1. Scope of Application

- 1.1 The general conditions of purchase and commissioning of Borgward Group AG (hereinafter “Borgward”) apply to all contracts on the purchase of goods or the commissioning of works and services. Borgward does not accept deviating or contrary conditions of the contractor or supplier (hereinafter generally referred to as “Contractor”), unless Borgward would have expressly agreed to such terms in writing. The conditions below shall also apply if Borgward accepts the supply or service without reservation in the knowledge of the Contractor’s contrary conditions or conditions deviating herefrom.
- 1.2 The conditions below shall only apply vis-à-vis entrepreneurs within the meaning of section 14 German Civil Code, legal entities under public law and special funds under public law.

2. Conclusion of Contract

- 2.1 If Borgward submits an offer to the Contractor by placing an order pursuant to section 145 German Civil Code, the Contractor may accept this offer within one week after the order has been received in writing. Once this deadline has expired, Borgward will no longer be bound to the offer.
- 2.2 All agreements which are made between Borgward and the Contractor for the purpose of the execution of the contract are fully set out in writing in the contract, including these general conditions of purchase and commissioning. Borgward’s employees are not authorized to enter into verbal commitments which go beyond or deviate from the written contract agreement.

3. Prices and Payment Terms

- 3.1 The contractually agreed price is binding. Prices indicated are including statutory VAT if applicable and unless VAT is separately stated. Insofar as delivery is owed, the price shall include free delivery including packaging, unless there is a deviating written agreement.
- 3.2 Subject to agreements to the contrary, Borgward shall pay the invoice amount within 10 days with a 2% discount following full delivery and receipt of an invoice or net within 30 days following delivery and receipt of the invoice. For the payment periods to start running, a proper invoice indicating the order number stated in the order

placed by Borgward is required. If acceptance is required, the aforementioned deadline shall commence following receipt of the invoice and acceptance.

3.3 Borgward is entitled to the statutory rights to offsetting and retention.

4. Delivery and Delivery Period

4.1 The agreed period of delivery or performance is binding. The Contractor is obliged to inform Borgward in writing without delay if circumstances arise or become apparent to the Contractor from which it follows that the agreed period of delivery or performance cannot be met. Contractor's liability for default remains unaffected.

4.2 If the Contractor is in default with the delivery or performance, Borgward is entitled to request a contractual penalty in the amount of 1% of the net price of the goods delivered with delay or performance provided with delay per complete calendar week, however, in total a maximum 5% of the net price of the goods delivered with delay or performance provided with delay. Borgward is entitled to request the contractual penalty in addition to contract fulfilment and as the minimum amount of damages owed by the Contractor according to the statutory provisions. The right to raise a claim for more extensive damage as well as other claims and rights for default to which Borgward is entitled remain unaffected. The claim for payment of a contractual penalty remains in place despite acceptance of the delayed performance without reservations if such claim is asserted at the latest when the invoice amount is paid - in the event of contractually agreed payment in instalments, by the time the final rate is paid.

5. Non-Disclosure

5.1 Borgward reserves property rights and potential copyrights to figures, drawings, calculations and other documents provided to the Contractor. Once the order has been processed, such figures, drawings, calculations and other documents shall be returned to Borgward without request.

5.2 The Contractor undertakes to keep secret and not to disclose to third parties without Borgward's express written consent the documents mentioned in sec. 5.1 as well as any commercial and technical information concerning Borgward's business operations which are not public knowledge and of which the Contractor gains knowledge as a result of the business relationship. The information and documents must only be used to execute the contract concluded with Borgward. The non-disclosure obligation shall remain in effect also after the contract has been executed or terminated.

There is no non-disclosure obligation if and to the extent that the information received have been public or publicly accessible without violation of a non-disclosure obligation or must be disclosed due to an official or judicial order.

- 5.3 The Contractor must not use the business relationship with Borgward as a reference for advertising purposes without Borgward's prior written consent.

6. Provision of Tools and other Objects

Insofar as Borgward provides to the Contractor tools, templates, shapes, samples or other objects, Borgward reserves ownership to such items. The Contractor is obliged to solely use the objects to execute the contract. Finishings or transformations by the Contractor are made for Borgward. If the reserved goods are processed with other items which Borgward does not own, Borgward will acquire co-ownership to the new item at the ratio of the value of the object provided by Borgward (purchase price plus VAT) to the other processed goods at the time of processing.

7. Property Rights

- 7.1 The Contractor shall provide deliveries and works free from third party property rights or other third party rights. If third party property rights are affected by the goods delivered or works provided and/or their respective use, the Contractor shall make all reasonable efforts in order to provide Borgward with an unrestricted right of use.

- 7.2 The Contractor is obliged to release Borgward from all claims raised by third parties against Borgward due to the infringement of industrial property rights stated in sec. 7.1 and to refund to Borgward all necessary expenditures arising in connection with the assertion of such claims.

- 7.3 If the Contractor deems the third party claim to be unjustified, the Contractor shall, on Borgward's request, assume a potential defence against such claims at his own costs. If the Contractor assumes the defence against the claims asserted on behalf of Borgward, the Contractor shall always safeguard Borgward's business interests and keep Borgward informed on all relevant steps. The Contractor is not entitled to enter into a settlement affecting Borgward's rights and interest without express written consent, whereas Borgward will not refuse such consent without justification.

- 7.4 The obligations pursuant to sec. 7.2 and sec. 7.3 shall not affect the Contractor if the Contractor proves that he is not responsible for the infringement of property rights.

- 7.5 Further statutory claims due to legal defects remain unaffected.

8. Code of conduct

The Contractor undertakes to comply with the following code of conduct:

- 8.1 Working conditions

Child labour as defined by the conventions of the ILO and the UN, or any other form of the exploitation of young employees is not tolerated. Compliance with the ban on child labour and the limitations imposed on the employment of young employees must be ensured.

All forms of forced labor are prohibited.

Any form of discrimination in hiring and employment practices due to skin color, gender, age, disability, ethnic, national or social background, religion or sexual orientation is not tolerated.

The Contractor respects the right to form interest groups. The Contractor grants its employees the rights to represent their interest on the basis of national legislation.

The applicable regulations governing working time shall be observed.

The Contractor shall provide a safe and healthy working environment and shall adopt the measures required to prevent such accidents and health hazards as may arise in connection with work.

8.2 Environmental protection

The Contractor shall comply with the applicable legal specifications and standards regarding environmental protection.

8.3 Business relations

The Contractor shall manage the business in accordance with the principles of fair competition. The Contractor shall ensure by appropriate measures that its representatives or employees do not offer, promise or grant inappropriate advantage in order to exert influence on a business decision and do not accept any such advantages either.

The Contractor shall observe the legal provisions to prevent money laundering.

9. Place of Jurisdiction and Governing Law

9.1 Provided that the Contractor is a merchant, the parties agree that the Stuttgart courts shall be the competent courts for all disputes arising from and in connection with the contract concluded between Borgward and the contractor. For the Contractor, this shall be the exclusive place of jurisdiction. Borgward is additionally entitled to bring an action against the Contractor at the Contractor's general place of jurisdiction.

9.2 The contract shall be governed by German law. The CISG is excluded.

II. Special Conditions for Purchase Contracts

10. Delivery Terms

- 10.1 If no delivery period is indicated in the order and has not been otherwise agreed either, it shall be two weeks from the time the contract was concluded.
- 10.2 Subject to a deviating agreement, delivery shall be free. The risk of accidental loss and accidental deterioration shall only pass over to Borgward upon hand-over at the place of destination indicated by Borgward.
- 10.3 For deliveries to be on time, the time when they arrive at the place of destination indicated by Borgward shall be relevant.
- 10.4 The Contractor is obliged to indicate the order number and all relevant article and position numbers on all shipping documents and delivery notes. In the event of missing or incorrect information, Borgward shall not be responsible for delays in the handling and payment of the purchase price resulting herefrom.

11. Warranty

- 11.1 In the event of material defects or defects of title, Borgward shall be entitled to the statutory warranty claims without restriction. In particular, Borgward is entitled to defects remedy or delivery of new goods free from defects upon its own choice. If subsequent performance fails or is unreasonable, impossible or is refused by the Contractor, Borgward is entitled to claim damages in accordance with the statutory requirements and/or to withdraw from the contract or to reduce the purchase price.
- 11.2 The Contractor has to bear all expenses required for subsequent performance, including potential disassembly and assembly costs.
- 11.3 Upon receipt of goods, Borgward is merely obliged to inspect the shipment for obvious defects which are evident from the outside (in particular apparent transport damage, incorrect delivery and quantity deviations) and to notify these to the Contractor immediately after delivery. Borgward will immediately notify other defects as soon as they can be ascertained in the normal course of business.
- 11.4 The period of limitation for warranty claims is 36 months from delivery. By derogation thereof, the statutory warranty period of five years applies to the cases regulated in section 438 para 1 no. 2. German Civil Code. The statutory provisions in the case of supplier regress will remain unaffected.

11.5 The limitation periods for the warranty claims will be suspended by a notice of defects given by Borgward in writing as long as the Contractor has not rejected the claim. Otherwise, the statutory regulations on the suspension of limitation will remain unaffected.

12. Product Liability and Producer Liability - Release - Third-party Liability Insurance

12.1 The Contractor is obliged to release Borgward from third party damage claims arising from personal injury or material damage which are due to a defect of the product delivered by the Contractor which is attributable to the Contractor's sphere of organization and control and for which the Contractor himself is liable in the external relationship.

12.2 Within the scope of his liability within the meaning of sec. 12.1, the Contractor is also obliged to refund potential expenditures resulting from or in connection with a product recall carried out by Borgward. Borgward will inform the Contractor on the content and scope of the recall measures to be performed - to the extent this is possible and reasonable - and will give him the opportunity to comment. Further statutory claims remain unaffected.

12.3 The Contractor undertakes to take out product liability insurance with a cover of EUR 10 million per personal injury/material damage including recall costs. If Borgward is entitled to further damage claims, these will remain unaffected. The Contractor is obliged to provide proof of the insurance cover to Borgward.

III. Special Conditions for Works and Services

13. Changes of Performance

Borgward is entitled to request changes to the scope of performance insofar as these are not unreasonable for the Contractor. If the change results in additional costs, the Contractor has to inform Borgward in this regard immediately and prior to the execution of the changed order in writing.

14. Remuneration and Reimbursement of Expenses

14.1 If remuneration on the basis of time required has been agreed, the Contractor shall record the billable time indicating the date, the duration of the respective activity, the person who performed the activity and a substantiated description of the subject-matter of the performance and provide respective proof to the principal.

14.2 Borgward will only reimburse expenses in addition to the agreed remuneration if this has been expressly agreed and only in exchange for respective receipts provided by the Contractor.

15. Obligation to inform and cooperate

The Contractor has to inform Borgward upon request on the status of the works to be carried out. If the order includes the preparation of concepts or other planning services, these services have to be coordinated with Borgward on a continuing basis.

16. Use of Employees and Sub-contractors; Minimum Wage

16.1 The Contractor shall use competent staff to carry out the performance owed by the contractor. The Contractor undertakes to ensure that potential required work permits are available for the staff used.

16.2 The Contractor is only allowed to commission sub-contracts to sub-contractors with Borgward's prior written consent.

16.3 The Contractor undertakes to comply with the German minimum wage law in his business and to ensure respective compliance of potential sub-contractors used. Upon request, the Contractor will offer proof of such respective compliance to Borgward by surrendering suitable documentation and in particular disclose the hourly wages paid to the workers used by the Contractor.

In the event of a violation of the obligations pursuant to section 20 German minimum wage law, the Contractor will assume the sole and unlimited liability and will release Borgward with regard to third party claims resulting herefrom, unless the contractor is not responsible for the violation. The same applies if a subcontractor acts in breach of section 20 German minimum wage law.

17. Acceptance of Work Performed and Warranty

17.1 Work performed will be subject to an acceptance test as soon as it has been provided by the contractor. Borgward will declare acceptance of the performance if the performance is free of defects.

17.2 If the services owed are defective, Borgward shall be entitled to the statutory warranty rights without limitations subject to the following conditions:

Borgward shall have the right to choose between repair and a newly manufactured product. The limitation period for warranty claims is 36 months upon acceptance. By derogation therefrom, the statutory warranty period of five years applies in the cases regulated in section 634a para 1 no. 2 German Civil Code. The regulation contained in sec. 11.5 of these conditions of purchase and contract shall apply respectively.

18. Poor performance of service agreements

If the Contractor does not render the services owed under a service agreement in an orderly and correct manner, Borgward shall be entitled to reduce the agreed remuneration by an appropriate amount. Borgward shall also be entitled to claim compensation for any damages resulting from such poor performance unless the Contractor is not responsible for the latter. Any further statutory claims and rights remain unaffected.

effective: August 2017