

**GENERAL TERMS OF PURCHASE**  
**(March 2015 Edition)**

These General Terms of Purchase (the “**Terms**”) are hereby executed on this day                     , by and between **PIAGGIO VIETNAM Co., Ltd**, a company incorporated under the law of Vietnam having its registered office at Lot M, Binh Xuyen Industrial Zone, Vinh Phuc, Viet Nam, VAT No. 2500288968 registered with The Board of Management of Vinh Phuc Industrial Zone dated 2th October 2007, Investment Certificate No. 192023000057 (hereinafter referred to as “**Piaggio**” or “**PVN**”)

*- on the one part -*

and                     , a/an                      company with registered office in                     , VAT registration No.                      registered with the                     , Register of Companies No.                      (“**the Supplier**”)

*- on the other part-*

Hereinafter Piaggio and the Supplier shall be referred to severally as the “**Party**” and jointly as the “**Parties**”.

**Whereas**

- (a) Piaggio is engaged, among others, in the business of manufacturing two, three and four wheeled vehicles as well as engines.
- (b) The Supplier is engaged inter alia in the business of manufacturing and supplying the                     <sup>1</sup> (Products).
- (c) Piaggio intends to establish a reliable source for procurement of the Products and the Supplier intends to become a supplier of the Products to Piaggio.
- (d) Piaggio and Supplier now intend to enter into a General Purchase and Supply Agreement whereby, subject to the issuance of relevant purchase orders from Piaggio to Supplier, the Parties hereto will set forth the general terms and conditions for the supply by the Supplier to Piaggio of the Products.

Now therefore in consideration of the premises aforesaid and upon the terms and conditions as set forth herein, the Parties have agreed to as follows:

**ARTICLE I - DEFINITIONS; ANNEXES**

**1.1** In addition to the definitions provided in other clauses of these Terms, the following terms appearing with an initial capital letter shall have the following meanings:

- “Accessories”: components which are not a part of the Products supplied to Piaggio under the Orders it issues (as defined hereunder);
- “Authority”: any Vietnamese authority, with judicial, legislative, executive or administrative powers or capacities;
- “Delivery Schedule”: the delivery schedule for the Products supplied under an Open Order;

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<sup>1</sup> Full and clear description of the products

- “Entity”: any natural person or legal entity, joint-stock company, partnership, company branch, association, joint venture, consortium, incorporated or unincorporated enterprise, public body or local authority, or administrative division thereof;
- “Equipment”: items including, by way of example and not as a limitation, equipment, gauges, moulds and dies, and generally any machinery provided to the Supplier by Piaggio under the terms and conditions specified in the loan-for-use agreement template enclosed in **Annex 1** (the “**Loan-for-Use Agreement**”) for the purposes of designing, testing, developing, manufacturing and/or supplying the Products;
- “Intellectual Property Rights”: all intellectual and industrial property rights, including, without any limitation whatsoever, patent rights for inventions, designs, utility models, know-how, trademarks distinguishing goods or services, proprietary rights to drawings, names, signage, business names, designations and unregistered trademarks, present and future copyright, whether registered or not, and any application or registration connected with the foregoing rights, along with trade secrets, confidentiality rights and any other right or form of protection of a similar nature or affording equivalent protection;
- “Laws”: all Vietnamese statutory, regulatory and administrative provisions, in force at the time, along with any administrative or judicial order issued by any Authority;
- “Materials”: any material and/or component used in the manufacture of the Products;
- “Order”: a request forwarded by Piaggio to the Supplier, in a manner customary at the date of issue, for the purchase of the Products and relative Spare Parts and Accessories. Orders may be “Closed” if referring to volumes and delivery schedules set forth in the Order itself, or “Open” (also known as supply lists) if referring to ongoing supplies of the Products for which volumes and delivery schedules are not set forth in the Order;
- “P&C”: means Piaggio & C. SpA, an Italian corporation having its registered office at Viale Rinaldo Piaggio, 25 – 56025 Pontedera (Pisa), Italy;
- “Products”: components supplied under a Supply Agreement and specified in an Order;
- “Representatives”: with reference to any Entity, each of the managers, directors, partners, employees, agents, legal, accounting, financial and other advisors, financial partners or other Entity associated with or acting on behalf of the former;
- “Spare Parts”: spare parts for the Products that the Supplier is required to supply to Piaggio under the terms and conditions of these Terms;
- “Supply Agreement”: the contractual agreement executed by the Parties before an Order is sent by Piaggio, containing the technical, pricing, qualitative and logistic terms and conditions for the supply of new Products to Piaggio.
- “Technical Information”: all information, technical specifications (including Technical Specifications as defined hereunder), data, documents, reports, worksheets, projects, models, technical and technological know-how, whether patentable or not, of any kind and any format whatsoever, belonging to Piaggio, and disclosed or made available to the Supplier for the purposes of manufacturing, designing, testing, developing and/or supplying the Products and relative prototypes to Piaggio, including, without any limitation whatsoever, Technical Information concerning Equipment;

1.2 The Annexes listed hereunder shall be incorporated into these Terms:

- Annex 1: Free loan Agreement
- Annex 2.1: (Zero Time) Quality of the Products;
- Annex 2.2: Warranty Terms;
- Annex 3: Supply Logistics;
- Annex 4: Supply of Spare Parts;

- Annex 5: Ethical Code;
- Annex 6: Prototypes and Samples for Approval.
- Annex 7 – “CQC”

1.3 Piaggio reserves the right to revise the annexes on a regular basis, notifying the Supplier thereof in writing. Revised Annexes shall be deemed accepted by the Supplier where no written notice of non-acceptance is served by the Supplier within 15 (fifteen) days of receipt of the aforesaid notice.

## ARTICLE II – PURPOSE

- 2.1 These Terms set forth the general terms and conditions for all dealings between Piaggio and the Supplier regarding the supply of the Products and/or Spare Parts and/or Accessories to Piaggio.
- 2.2 These Terms apply to each and every Supply Agreement, also where express reference hereto is not made. The Parties may accept and set forth in writing special conditions for the supply of the Products. In the event that any such special conditions should conflict with the provisions of these Terms, priority shall be given in the following order to the conditions provided in: a) the Order; b) the Supply Agreement; c) these Terms.
- 2.3 It is hereby agreed that the execution of these Terms by the Supplier shall in no way require Piaggio to engage the Supplier for the supply of the Products until specific Supply Agreements are executed by and between the Parties in accordance with Article 3.2 hereunder.
- 2.4 Notwithstanding anything to the contrary contained herein, this Agreement does not constitute a partnership or joint venture between the Parties. The relationship hereunder between the Parties is and shall be on principal to principal basis and this Agreement shall always be construed accordingly.

## ARTICLE III - FORMATION OF THE SUPPLY AGREEMENT

- 3.1 Piaggio will send the Supplier Orders by post, facsimile or electronic mail, containing specific indication of:
- i) the technical, quality and functional characteristics of the Products (“**Technical Specifications**”);
  - ii) the marking, packaging, labelling and identification requirements for the Products;
  - iii) the price of each Product and the terms of payment;
  - iv) any further special conditions of supply, also in departure from these General Terms of Purchase;
  - v) the quantity of the Products requested;
  - vi) the terms of return, terms and method of delivery.

In the case of Open Orders, the information identified in point v) above will not be provided. Piaggio will notify the Supplier of the quantity of the Products requested and the relative Delivery Schedule in accordance with the procedures identified in **Annex 3 (“Supply Logistics”)**.

- 3.2 Acceptance by the Supplier of an Order issued by Piaggio will constitute execution of a Supply Agreement. The Order will be deemed accepted where the Supplier:
- i) notifies Piaggio of its acceptance by post, facsimile or electronic mail or does not notify Piaggio of its non-acceptance within 3 (three) business days from receipt of the Order;
  - ii) commences performance of the Order without requesting, in a form contemplated in point 1 above, the amendment of a part of the Order.

## ARTICLE IV – EXCLUSIVE RIGHTS

- 4.1 The Parties may enter into arrangements as required for the exclusive supply of the Products to Piaggio. Under such arrangements, the Supplier undertakes to manufacture the Products and relative Spare Parts and Accessories exclusively in the interests and on behalf of Piaggio, to supply them exclusively to Piaggio,

and to not manufacture, distribute, market and/or sell the Products covered by the Supply Agreement, on its own behalf or on behalf of others, either directly or indirectly, to any Entity whatsoever.

- 4.2 It is hereby agreed that any exclusive arrangements made in accordance with Article 4.1 will only be made in favour of Piaggio, who will be free to purchase the Products from other suppliers besides the Supplier or to manufacture the Products itself, without incurring any obligation and/or liability towards the Supplier.

#### **ARTICLE V – PRODUCTION; EQUIPMENT**

- 5.1 All Production activities for the manufacture of the Products will be carried out by the Supplier at its own sites and premises or at the sites of any subcontractors engaged for which the Supplier will act as guarantor and be liable and in compliance with the Technical Specifications enclosed with each Supply Agreement or Order, or notified separately by Piaggio.
- 5.2 Piaggio may loan equipment for use to the Supplier under the terms and conditions of Piaggio loan-for-use agreement template enclosed in **Annex 1 (“Loan-for-Use Agreement”)**. The Supplier undertakes henceforth to (i) use the Equipment exclusively for the performance of the Supply Agreement, and (ii) to not make said Equipment available to third parties, including any subcontractors engaged, without the prior written consent of Piaggio. The Supplier is liable for any loss, damage or destruction of the Equipment. The provisions of Article 3.2. hereof also apply, as far as they are compatible, to all semi-finished products and other materials provided by Piaggio to the Supplier.
- 5.3 Piaggio will be entitled to access the sites of the Supplier, giving 2 (two) days' notice thereof, during the normal business hours of the Supplier and in any case without disrupting in any way the business of the Supplier, either directly or via its Representatives, for the purposes of inspecting and checking due compliance with the obligations binding on the Supplier under the Supply Agreement.

#### **ARTICLE VI - LABELLING AND PACKAGING**

- 6.1 The Products are to be marked, packaged, labelled and identified by the Supplier in accordance with the instructions provided by Piaggio and attached to the first Order. Where no such instructions are provided by Piaggio, the Products will be packaged in accordance with market best practices and in such a way as to ensure the protection of the Products, and will be identified by a tag, where possible meeting the ODETTE standard (210x148), attached in a suitable manner to the freight unit and containing the following information: (i) the identification code of the Supplier; (ii) the identification code of the Products; (iii) the quantity of the Products contained in the packaging unit; and (iv) traceability information (normally the lot number and manufacturing date) if the Products are safety Products.
- 6.2 The Products will be accompanied by a consignment note, in the number of copies requested by Piaggio, specifying the following information: (i) the serial or identification number of reference of the Technical Information; (ii) the Supplier's details; (iii) the type, description and identification code of the delivered Products; (iv) the shipping date; (v) the Order number and details; (vi) the quantity of the Products in the lot shipped; (vii) the number of packages shipped; and (viii) any other information or indication specified in the Order. Each consignment note shall only refer to Products ordered under one Order.

#### **ARTICLE VII – SUPPLY LOGISTICS; DELIVERY**

- 7.1 The Products shall be supplied to Piaggio in accordance with the methods, terms and conditions specified in **Annex 3 (“Supply Logistics”)** and in the Order.
- 7.2 The Products shall be delivered by the Supplier in accordance with the methods, terms and conditions of return set forth in the Order. Where no explicit instructions are provided in the Order, the Products will be delivered directly to the Piaggio destination site.
- 7.3 Property in the Products will be transferred upon delivery of the Products to the Piaggio destination site. All risks connected with the damage and/or loss of the Products will be transferred to Piaggio upon delivery of the Products, under the terms and conditions of return applicable.

- 7.4 The Parties hereby agree that any failure by the Supplier to comply with the terms of delivery of the Products set forth in the Order, in the case of a Closed Order, or in the Delivery Schedule, in the case of an Open Order (the “**Delivery Date**”), will be considered serious breach of the Supply Agreement. Without prejudice to the provisions of Article 16.2 hereof, where the Delivery Date of the Products is not met, Piaggio shall be entitled to (i) terminate the Supply Agreement in accordance with Article 17.1 hereof, or (ii) demand performance of the Supply Agreement in any case, without prejudice to claim compensation for damages.
- 7.5 In the event of early delivery, Piaggio may choose to (i) return the Products received to the Supplier at the expense and risk of the latter, and charge the Supplier any storage costs incurred, or (ii) accept delivery of the Products without amendment to the payment terms provided that such acceptance of early delivery will not cause any additional fees for Piaggio for the storing of the Products .
- 7.6 Piaggio will be entitled to inspect all the Products upon delivery to verify their quality and conformity with the Order. Under no circumstances may the taking of delivery of the Products be construed as implicit clearance confirming conformity of the Products, or as an impediment to future claims or the exercise by Piaggio of the rights contemplated in these Terms and/or by law.
- 7.7 Where the Products and/or Accessories and/or Spare Parts are found by Piaggio to not conform to the quantities specified in the Closed Order or in the Delivery Schedule, in the case of an Open Order, Piaggio will notify the Supplier thereof in writing and may, at its own discretion:
- (i) accept the found difference in quantities and amend the Closed Order or Delivery Schedule accordingly;
  - (ii) not accept partial supplies or excess supplies with respect to the supplies agreed on and, where the Supplier does not arrange for immediate collection, return said partial or excess supplies to the Supplier at the expense and risk of the latter, and charge the Supplier any storage costs incurred;
  - (iii) demand that the Supplier remedy the breach of supply terms and conditions by supplying the missing Products and/or Spare Parts and/or Accessories through an additional delivery to be arranged in agreement with Piaggio.

#### **ARTICLE VIII - CHARACTERISTICS OF THE PRODUCTS;**

- 8.1 The Supplier undertakes to supply the Products in compliance with the Supply Agreement and the Order.
- 8.2 The Supplier may not make changes to the Products or the characteristics agreed with Piaggio without the prior written consent of the latter.

#### **ARTICLE IX - TYPE APPROVAL CERTIFICATES**

- 9.1 Where approval certificates or other authorisations are required in relation to the Products, the foregoing will be obtained by the Supplier at its own expense and responsibility, and in its own name as manufacturer of the Products. The Supplier will therefore be responsible for satisfying all the formalities necessary to obtain the type approval certificates and/or Authorisations required for the Products.
- 9.2 The Supplier undertakes to provide Piaggio with suitable written evidence attesting the details of the type approval certificates and/or Authorisations requested and obtained in relation to the Products to be supplied to Piaggio.

#### **ARTICLE X - WARRANTY OF THE PRODUCTS**

- 10.1 Without prejudice to statutory warranties required by law, the Supplier warrants that the Products/Spare Parts are in proper working order and:
- i) are free of any Material or manufacturing faults or defects;
  - ii) are free of any design flaws;

iii) are manufactured in accordance with best practices and with the Technical Specifications, the Order and/or Supply Agreement.

Accordingly, the Supplier will be required to adopt and maintain production tools and processes able to guarantee the ongoing reliability and quality of the Products/Spare Parts.

- 10.2 Unless otherwise agreed in writing, the warranty as of Article 10.1 (i) and (iii) above will be valid until the lapse of the earliest of the following terms: a) 42 (forty-two) months from the date of delivery of the Products to Piaggio; or b) 36 (thirty-six) months from the date of sale to an end customer of the Piaggio vehicle in which the Products or their relative components are assembled. In relation to design flaws as of Article 10.1 (ii) hereof or “*Safety Products*” as identified by Piaggio (Products classified CF1/CF1D), the warranty will be extended to cover the entire life of the Piaggio vehicle in which the Products are assembled.
- 10.3 Piaggio shall notify the Supplier in writing of any faults and/or defects and/or non-conformities as of Article 10.1 of the Products within 60 (sixty) days from their identification. Without prejudice to any further remedies contemplated by law, Piaggio may at its discretion demand (i) the repair of the faulty and/or non-conforming Products or (ii) the replacement, at the expense and responsibility of the Supplier, of the Products in a timely manner and in any case no later than 15 (fifteen) days following receipt of the notice as above. In any case the Supplier will indemnify Piaggio against any charge, cost, expense and/or damage arising in connection with faults and/or defects and/or non-conformity of the Products, including the costs contemplated in Annex 2.1 and Annex 2.2.
- 10.4 The Supplier will adopt and implement Product traceability systems in compliance with the instructions provided in the Technical Information, specifically for: a) the Products specified in said Technical Information and b) all safety Products classified CF1/CF1D.
- 10.5 For the specific procedures, terms and conditions governing quality standards and warranties during and after the “zero time” period, the provisions of Annex 2.1 “Zero Time Product Quality” and Annex 2.2 “Warranty Terms” apply, both of which shall be incorporated into the Supply Agreement.

## **ARTICLE XI – PRODUCT LIABILITY; RECALL CAMPAIGNS; INSURANCE**

- 11.1 Even after the end of the warranty period as of Article 10.2 hereof, the Supplier, without prejudice to its liability towards third parties for damages sustained and towards Authorities, shall indemnify and hold Piaggio harmless against any cost, expense and/or damage (including sanctions and/or administrative, legal and/or court costs) borne by Piaggio in relation to any third party claims, including any claims by judicial and/or administrative authorities, arising from defects of the Products/Spare Parts connected with their failed reliability or lack of safety or non-compliance with Laws. Piaggio will notify the Supplier without delay of any third party claims connected with defects, non-conformities or failed reliability of the Products/Spare Parts.
- 11.2 The liability contemplated in Article 11.1 above is also extended to cover any recall, withdrawal and/or repair campaign that Piaggio conducts on its end products as a result of the aforesaid defects, failed reliability and/or non-conformity of the Products/Spare Parts. Where the Supplier learns of any potential defects in the Products/Spare Parts that may jeopardise the safety, quality and/or reliability of the Products/Spare Parts, the Supplier will notify Piaggio of said defects without delay, and fully co-operate in every way to identify the faulty Products/Spare Parts and arrange for their replacement and/or repair. The Supplier will be required to provide Piaggio, at its own expense and responsibility, with the replacement of the Products required to conduct the recall, withdrawal and/or repair campaign, and will reimburse Piaggio all costs and charges incurred as a consequence of the defects, failed reliability and/or non-conformity of the Products/Spare Parts or their parts, including disassembly and assembly costs, unless otherwise agreed in writing by the Parties.
- 11.3 The Supplier undertakes to:
- (i) deliver to Piaggio upon the execution of this Agreement copy of the insurance policy contract (or insurance certificate) signed with a premier insurance company which will cover the Supplier's liability towards Piaggio and third parties in accordance with articles 11.1 and 11.2 hereinabove.

- (ii) maintain in force at its own cost the up mentioned insurance coverage (Product Liability Insurance and Recall Liability Insurance) with a premier insurance company for the entire duration of the supply relationship thereafter, for a period of at least 2 (two) years from the date of delivery of the last Product to Piaggio.

The maximum coverage provided by the abovementioned insurance policy shall not be less than the value agreed between the Parties prior to signing these Agreement, taking into account certain parameters such as the Product to be supplied, the potential turnover with Piaggio, as well as the target markets of Vehicles on which the Products are to be assembled.

- 11.4 It is understood that the submission or maintenance of the policy pursuant to article 11.3 constitutes a condition for concluding Supply Agreements, and also that failure to maintain such policy shall authorise Piaggio to terminate any Supply Agreement pursuant to article 17.1 hereunder.

## **ARTICLE XII – PRICES; INVOICES; PAYMENTS**

- 12.1 The Supplier will supply the Products DDP Piaggio Vietnam Plant or any other term as specified in the order.
- 12.2 The Products will be charged at the prices specified in the Order, which are considered fixed and inclusive of all costs, including packaging, labelling, freight and delivery costs. Any variations in the price of the Products due to increases in the cost of raw materials or their production shall be agreed in writing by the Parties.
- 12.3 The terms of payment will be by Telegraphic Transfer (T.T.) and at the time specified in the relevant Order. It is hereby agreed that the payment of amounts due for the Products may not be construed as implicit clearance confirming conformity of the Products to the terms and conditions agreed by the Parties, or as an impediment to future claims or the exercise by Piaggio of the rights contemplated in these Terms and/or by law.
- 12.4 The Supplier shall invoice the supplies to the invoicing address shown in the Order according to the relevant instructions contained therein and/or their amendments. The invoices and shipping notes must indicate all references as shown in the relevant Order in order to allow identification and control of the supplies.
- 12.5 In case the invoiced price and/or other commercial details, such as the quantity and the quality of the supplies, are found to differ from the terms of the Order, Piaggio will have the right to reject the Supplier's invoice or charge the Supplier with the value of the disputed supplies, to be either deducted from subsequent payments or refunded at Piaggio's option.
- 12.6 The price of any tooling ordered by Piaggio will be invoiced according to instructions established in the relevant Order.
- 12.7 In the event of material breach by Supplier of any obligation under this Agreement, Piaggio, until the breach is not remedied, shall have the right to suspend payments of the Products, subject to written notice to Supplier.
- 12.8 PVN shall have the right to set off any amount due at any time by Piaggio to Supplier against any amount due, for whichever reasons, by Supplier to Piaggio.
- 12.9 Any payment made by PVN shall never constitute acceptance or recognition of (i) the Products compliance with the Technical Specifications, and/or (ii) the Supplier correct performance of the relevant obligations under this Agreement.

### **ARTICLE XIII - TERMINATION OF PRODUCTION; SPARE PARTS**

- 13.1 In the event the Supplier decides to discontinue manufacture of the Products, the Supplier shall notify Piaggio thereof in writing without delay, without prejudice to the obligation to supply binding on the Supplier under each Supply Agreement. Piaggio will be entitled in any case to demand that the Supplier continues supplying the Products at the terms and conditions applicable at the time the notice of discontinuation is served, for a period of not less than six months, unless otherwise agreed in writing by the Parties.
- 13.2 For the entire duration of the supply relationship plus a further term of 10 (ten) years following termination of the relationship for any reason whatsoever, the Supplier undertakes to provide Piaggio, upon request of the latter, with Spare Parts according to the terms and procedures set forth in **Annex 4** (“**Supply of Spare Parts**”) and in each individual Order.

### **ARTICLE XIV - COMPLIANCE WITH LAWS AND REGULATIONS**

The Supplier shall be fully responsible for implementing all necessary measures and standards provided for by the laws and regulations in force during the performance period of each Order with regard to labour, safety, environment, pollution, consumer protection, warranty and similar.

### **ARTICLE XV - INTELLECTUAL PROPERTY RIGHTS; CONFIDENTIALITY; TRADEMARKS**

- 15.1 Before any Order may be accepted, the Supplier shall notify Piaggio in writing of any Intellectual Property Rights held by the Supplier. Failure to notify any such rights shall be construed as a waiver by the Supplier of the right to enforce its Intellectual Property Rights against P&C, Piaggio and its suppliers. The Supplier hereby warrants that the manufacture and marketing of the Products do not infringe in any way the Intellectual Property Rights of third parties. In any case, the Supplier will indemnify and hold Piaggio harmless against any third party claim in connection with the alleged infringement of such Intellectual Property Rights.
- 15.2 The Supplier acknowledges that P&C is and will remain the sole owner of all Intellectual Property Rights attaching to (i) the Technical Information provided to the Supplier for the manufacture and supply of the Products; and (ii) the Product developed by the Supplier on the basis of said Technical Information, unless otherwise agreed in writing by the Parties. Accordingly, the Supplier undertakes to not commit any act that may in any way infringe said proprietary rights. The Supplier shall only make use of the intellectual property of P&C for purposes that are strictly necessary for the performance of the Supply Agreement, without such use constituting in any way whatsoever a franchise or licence to the Supplier.
- 15.3 The Parties hereby undertake to maintain the strict confidentiality of all information of a technical, financial or commercial nature concerning each of the Parties and carrying the wording “*Confidential*”, used or acquired in the performance of the Supply Agreement, and to refrain from disclosing said information to third parties, except for purposes strictly necessary for the performance of the Supply Agreement. This duty of confidentiality will not apply to information (i) that is in the public domain, or (ii) whose disclosure is required by law or by order of an Authority.
- 15.4 The Supplier expressly acknowledges and accepts that all information acquired by the Supplier during the supply relationship, including Technical Information carrying the wording “*Confidential. Property of Piaggio & C. SpA. All rights reserved*”, constitutes “**Confidential Information**” and as such will be covered by the duty of confidentiality, and may only be used by the Supplier exclusively for the purposes of the performance of the Supply Agreement. With regard to said Confidential Information, the Supplier undertakes to:
- (i) store all Confidential Information with the utmost care and reserve and immediately return said information to Piaggio upon request of the latter;
  - (ii) not reproduce Confidential Information or any part thereof and refrain from disclosing the content of such information to third parties;



- (iii) not lay claim to any intellectual or industrial property right to Confidential Information;
  - (iv) not manufacture, sell or otherwise market in any way whatsoever, either directly or indirectly, on its own behalf or on behalf of others, any product that exploits Confidential Information or any part thereof.
  - (v) Ensure that its employees and/or its subcontractor comply with the above confidential provisions.
- 15.5 For the purposes of the performance of the Supply Agreement, Piaggio may authorise the Supplier to affix on the Products one or more trademarks, brand names, distinctive signs, designs, copyright symbols or logotypes that are the exclusive property of Piaggio, that will be attached to the Order and/or the Supply Agreement or otherwise notified by Piaggio (the “**Trademarks**”). The Supplier may use the Trademarks exclusively for the purposes of the performance of the Supply Agreement and in accordance with the specific instructions provided in writing by Piaggio. Any other use of the Trademarks shall be approved in advance in writing by Piaggio. It is hereby agreed that said permission shall in no way transfer any right or licence to the Supplier with regard to the Trademarks, which are and will remain the exclusive property of Piaggio.
- 15.6 The Supplier undertakes to refrain from using any brand name or trademark that is identical or similar to the Trademarks without the prior written consent of Piaggio. Under no circumstances may the Supplier in any way alter, conceal, remove or interfere in whatsoever way with the Trademarks affixed on the Products in accordance with Article 15.5 hereof. The Supplier undertakes to refrain from affixing any trademark, service mark, trade name, word mark, figurative mark or other distinctive sign (including, without any limitation whatsoever, the Trademarks) on any Product without the prior written consent of Piaggio.

#### **ARTICLE XVI – PENALTIES**

- 16.1 The non-performance by the Supplier of any one of the obligations binding under Articles 4.1, 5.2, 15.2, 15.3, 15.4, 15.5 and 15.6 hereof will entitle Piaggio to demand and obtain, where the effective responsibility of the Supplier is proved, the payment of a penalty equal to 8% (eight per cent) of the Supplier's total sales to Piaggio in the year prior to that one of non-performance.
- 16.2 Late deliveries of the Products that cause line stoppages or incomplete vehicles or engines or other criticalities in the Piaggio production cycle (as identified in Article 3.a. of Annex 3 hereof) shall incur the penalties contemplated in Annex 3 (“Supply Logistics”). Failure to comply with service levels envisaged for the supply of Spare Parts shall incur the penalties contemplated in Annex 4 (“Supply of Spare Parts”).
- 16.3 Defects in the Products identified during the zero time period shall incur the charges contemplated in Article 7 of Annex 2.1 hereof. For all other costs and expenses incurred by Piaggio due to defects beyond agreed tolerance limits identified on the network, the specific provisions of Annex 2.2. hereof will apply.
- 16.4 Notwithstanding the foregoing, Piaggio is entitled to claim compensation for any greater damages actually sustained.

#### **ARTICLE XVII - TERMINATION; WITHDRAWAL; EFFECTS OF TERMINATION OF THE SUPPLY AGREEMENT**

- 17.1 Piaggio will be entitled to terminate the Supply Agreement in the event that the Supplier fails to perform any one of the obligations binding thereunder and does not remedy its non-performance by and no later than 15 (fifteen) days following receipt of the notice of non-performance served.
- 17.2 Any breach of the provisions of Article XV or Article 18.1 hereof will entitle Piaggio to terminate the Supply Agreement with immediate effect, by serving written notice thereof on the Supplier sent by registered mail with return receipt requested.
- 17.3 Piaggio will be entitled to withdraw from the Supply Agreement at any time, without incurring any liability and/or obligation towards the Supplier, by serving written notice thereof on the Supplier at least 90 (ninety) days in advance. Any such withdrawal will not prejudice the rights and obligations of the Parties under Supply Agreements already performed or pending performance at the date of receipt of the notice of

withdrawal. It is hereby agreed by the Parties that the right of withdrawal reserved by Piaggio may also be exercised partially, with regard to one or more of the Products.

- 17.4 Piaggio will also be entitled to withdraw with immediate effect from the Supply Agreement by serving written notice thereof on the Supplier in the event that the Supplier commences voluntary or compulsory liquidation procedures, insolvency proceedings or any other procedure that signifies or suggests the insolvency or winding-up of the Supplier.
- 17.5 In the event of termination of the supply relationship for any reason whatsoever, the Supplier will, at its own expense and responsibility, immediately return to Piaggio all Technical Information and Confidential Information and any Equipment held under a loan-for-use agreement.

**ARTICLE XIII – MISCELLANEOUS**

- 18.1 The Supplier may not assign or otherwise transfer the Supply Agreement or any part thereof, or any of the rights or obligations arising thereunder, to third parties, without the prior written consent of Piaggio. The Supplier may not subcontract the performance of the Supply Agreement or any part thereof, without the prior written consent of Piaggio. In any case, the Supplier will not be released from the obligations binding hereunder and will remain liable towards Piaggio for the due performance of said obligations and for the compliance, of any subcontractors with the provisions of these Terms.
- 18.2 The Supplier hereby warrants that its Representatives, subcontractors and any other Entity (including without limitation Supplier’s employees, staffs) involved in any way whatsoever in the performance of the Supply Agreement will duly comply with the provisions set forth in these General Terms of Purchase.
- 18.3 All notices to be given in connection with the supply relationship shall be made in writing and served by registered mail with return receipt requested or by courier, telex or facsimile to the following addresses for service (or any address for service subsequently notified in writing by either Party to the other):

if to Piaggio:

Lot M, Binh Xuyen Industry Zone, Vinh Phuc, Vietnam

Representative: Luca Dalla Vecchia  
Phone no.: +84 211 593 666  
E-mail: Luca.DallaVecchia@piaggio.com  
TeleFax no.: +84 211 3593 466

if to Supplier:

Representative:   
Phone no.:   
E-mail:   
TeleFax no.:

- 18.4 In the event that the timely performance of the obligations binding on each of the Parties under the Supply Agreement is prevented or hindered by proven circumstances of force majeure, the Delivery Date will be replaced by a new Delivery Date set jointly by the Parties, providing that each Party has notified the other in writing without delay of the occurrence of the circumstance constituting force majeure and has taken all steps within its power to minimise prejudicial effects. Force majeure of any kind or nature may not be invoked where circumstances occur after the Delivery Date. Delays caused by subcontractors of the Supplier will not be considered circumstances of force majeure.

- 18.5 The invalidity or unenforceability of any one of the clauses or provisions of these Terms will not prejudice the validity and enforceability of the remaining clauses and provisions, which shall, accordingly, be held valid and enforceable.
- 18.6 This Agreement shall be governed by and interpreted in accordance with the laws of Vietnam
- 18.7 In the event a dispute arises between the parties on matters related to or arising out of or in connection with the Agreement, the Parties shall first attempt to resolve the dispute by negotiation, and if necessary, by referring the dispute to designated representatives of their respective senior management. In case the dispute can still not be resolved within 30 days of being referred to such designated representatives, either party may have the right to refer such dispute to the relevant courts of Vietnam.

Signed, sealed and delivered on [date]: \_\_\_\_\_

PIAGGIO VIETNAM Co., Ltd

\_\_\_\_\_

The Supplier

\_\_\_\_\_

## ANNEX 1 – FREE LOAN AGREEMENT

This agreement (hereinafter referred to also as “**this Agreement**”) dated as of **...(Date)...** is made and entered into

*BY AND BETWEEN*

**PIAGGIO VIETNAM CO., LTD.**, a corporation under the law of Vietnam, with registered office at Lot M, Binh Xuyen Industrial Zone, Vinh Phuc Province – Viet Nam (hereinafter referred to also as “**Lender**”),  
- on one side -

*AND*

**...(Company Name).....**, a **...(Company Type)...** company/enterprise with registered office at **...(Company Address)...** with a Business Registration Certificate issued by **...(Register Agency)...** dated **...(Register Date).....** under number **...(Register Number).....** (hereinafter referred to also as “**Borrower**”)  
- on the other side -

(Lender and Borrower may be hereinafter referred to as a “**Party**” and, collectively, as the “**Parties**”)

WHEREAS

- (a) on ..... the Parties executed a General Purchase-Supply Agreement (hereinafter referred to also as “**Supply Agreement**”) pursuant to which Borrower shall supply Lender with the Products, as defined in article 1.4 of the Supply Agreement
- (b) the Lender is the exclusive owner of the equipment as better described in **Exhibit 1** (hereinafter referred to as the “**Equipment**”);
- (c) according to the Supply Agreement, and for the purpose of its performance therein, the Lender intends to lend to the Borrower the Equipment free of charge or rent; and
- (d) the Borrower represents to have duly examined the Equipment and to be aware of its specifications and conditions and consequently to be also aware of and accept any risk and liability in case of any and all damage, losses or theft of the Equipment.

The Parties agree as follows:

### 1. DEFINITIONS

Unless otherwise provided for in this Agreement, any terms undefined in this Agreement shall have the meaning assigned to them in the Supply Agreement.

## **2. SCOPE**

- 2.1. Scope. The Lender agrees to lend to the Borrower, and the Borrower agrees to borrow the Equipment, free of charge and in accordance with the terms of this Agreement.
- 2.2. Delivery. The Equipment shall be delivered by the Lender to the Borrower upon execution of this Agreement.
- 2.3. State of Equipment. The Borrower represents that, according to the tests it has carried out, the Equipment is in perfect condition, free from any defects and faults of any kind, and the Equipment conforms to the applicable regulations on safety and suitable for the purpose for which it is lent free of charge by the Lender.

## **3. REPRESENTATIONS AND WARRANTIES**

Each of the Parties represents and warrants to the other Party the following:

- 3.1. Organizations and powers. (i) Such Party is duly organized and validly existing under the laws of its jurisdiction of incorporation or establishment, has full power to conduct its business as presently conducted and to own its assets and properties as presently owned, and is not in state of liquidation or subject to insolvency procedures; (ii) Such Party is duly and properly owner of the requisite powers, requirements and licences to enter into this Agreement and to perform the obligations hereunder set by this Agreement, and to make the transactions as set forth by this Agreement; (iii) all corporate actions and other proceedings required to be taken by such Party for authorizing the same to enter into this Agreement and for the performance of the transactions under this Agreement have been duly and properly taken; and (iv) this Agreement has been duly and properly executed by such Party and constitutes valid and binding obligation of such Party enforceable against it in accordance with its terms.
- 3.2. No default. The execution and delivery of this Agreement and the performance of the transactions contemplated herein shall (i) not conflict with or result in a breach of the articles of incorporation or other constitutive documents, where applicable, of such Party; (ii) not constitute a default or give rise to a right of termination, payment, cancellation, acceleration, early performance or amendment to, or require any consents whatsoever according to any contract to which any such Party is a party.

## **4. OBLIGATIONS OF THE BORROWER**

- 4.1. Custody and maintenance. The Borrower agrees to keep and store the Equipment with the greatest care and to procure, at its own cost and expense, the ordinary maintenance and repairs of the Equipment. If necessary, the Borrower shall also procure any extraordinary repairs and maintenance of the Equipment where such repairs and maintenance is required due to circumstances imputable to Borrower. The Borrower shall only make use of the Equipment for the sole purpose of the performance of the Supply Agreement. The Borrower shall be directly responsible to the Lender or to any third parties nominated by the Lender, for any and all damages incurred in connection with the use of the Equipment.
- 4.2. Costs. The Borrower shall not be entitled to any reimbursement for any costs incurred in connection to the use of the Equipment.
- 4.3. Use by third parties of the Equipment. The Borrower shall not, in any manner whatsoever, directly or indirectly grant to any third parties the availability or use of the Equipment for any purpose or reason

without the previous consent in writing of the Lender which the Lender may grant or deny at its sole and absolute discretion.

4.4. Property of the Equipment and specific obligations. (a) The Borrower expressly acknowledges and accepts that all Equipment shall remain the full and exclusive property of the Lender. (b) The Borrower shall be responsible and liable for any loss, damage or destruction of the Equipment. With regard to the Equipment from the date of execution of this Agreement until the date of its termination for any reason Borrower shall:

- (i) record and mark all Equipment as the property of the Lender using an appropriate label as supplied by the Lender;
- (ii) warrant that adequate fire, theft, vandalism, cataclysm insurances and other indemnity insurances concerning risks of loss and/or damages for the Equipment, and promptly delivering a copy of such insurance policy to the Lender upon request;
- (iii) not transfer or remove any of the Equipment from its facilities without authorization in writing from the Lender;
- (iv) allow personnel duly authorized by the Lender to enter, where previous notice is provided and during the normal business hours, its own facilities to control the modality of conservation, the use and the state of use of the Equipment and to verify, if Lender deems it necessary, the Borrower's compliance with the existing relevant provisions of safety measures, as formally declared by the Borrower;
- (v) not assign to third parties for any title or reason, directly or indirectly, the Equipment and not to utilize the Equipment to secure any indebtedness, borrowings, loans or guarantee of the Borrower,;
- (vi) not produce nor assign to third parties for any title or reason, directly or indirectly, for production purposes or as spare parts, details designed or in any way realized by using the Equipment; and
- (vii) not realize or have realized for any title or reason, directly or indirectly, equipment of any kind similar to the Equipment by using specific technical information, data, documents, reports, work papers and information of any kind and format of Lender's property and transmitted or disclosed to Borrower by Lender, or used or obtained by Borrower in order to perform the Supply Agreement and/or to manufacture, project, experiment, develop and/or supply Products (and its relative prototypes) to Lender, including, without any limitation, any information regarding the Equipment connected with manufacturing process of the Products.

4.5 Delivery up to the Lender. The Borrower shall deliver the Equipment up to the Lender upon the termination of the Supply Agreement, this Agreement or the Lender providing reasonable prior written notice to the Borrower, even where the Borrower has not achieved the purpose for which the Equipment was originally lent to the Borrower by the Lender free of charge.

4.6 State of Equipment Upon Delivery Up to the Lender. The Borrower warrants that it shall deliver the Equipment up to the Lender in the state in which the Equipment was originally delivered to the Borrower in accordance with the provisions of this Article 4, save for normal wear and tear. The Borrower further warrants that shall, concurrently with the Equipment, deliver up to the Lender all Technical Documents as specifically described in the Supply Agreement, inclusive of the documents pertaining to the safety of the Equipment.

## 5. INDEMNIFICATION BY THE BORROWER

The Borrower shall indemnify and hold harmless the Lender in respect of any and all kind of present or future, known or unknown, passivity or obligation affecting the Lender as a consequence of (i) misrepresentation byand/or breach of any warranties of the Borrower under this Agreement; (ii) breach by the Borrower of its obligations under this Agreement or (iii) any use of the Equipment by Borrower that is not in accordance with the provisions of this Agreement.

## 6. TERM - TERMINATION

6.1. Term. This Agreement shall remain in full force and effect starting from the date of its execution; it is moreover understood and agreed between the Parties that this Agreement shall be automatically terminated and cease to have any effect, regardless if any oral or written notice is exchanged between the Parties pursuant to this Agreement, upon the termination for any reason of the Supply Agreement.

6.2. Early Termination. This Agreement may be terminated forthwith by the Lender upon the delivery of a termination notice in writing to the Borrower where any of the following events have occurred:

- (i) change of control of the Borrower or of the parent entity of the Borrower;
- (ii) insolvency or subjection to any kind of insolvency or winding up procedure of the Borrower;
- (iii) transfer or assignment in any manner (including, without any limitation whatsoever, through assignment, contribution or break-up or by one or more divisions of Borrower or by amalgamation or division of Borrower) of the Supply Agreement or this Agreement to any third parties without the previous written consent of Lender, which consent may be granted or refused in the sole and absolute discretion of the Lender.
- (iv) The Lender may terminate forthwith the Supplier Agreement by termination notice, effective upon its receipt, should Borrower commit a material breach of any of the provisions set forth in this Agreement.

6.3. Commitments at the termination of the Agreement. (a) Termination of this Agreement under Article 6.2. above shall imply no liability on the Lender in respect of the Borrower. (b) Pursuant to the right of the Lender to have immediately returned any and all of the Equipment according to the Article 4.5 above, unless otherwise instructed in writing by the Lender with respect to the disposal of the Equipment, the Borrower shall abide by the Lender's instructions concerning the restitution of the Equipment.

## **7. ESTIMATE**

The risk of loss of the Equipment during the term of this Agreement is borne by the Borrower. The Parties agree the estimate value of the Equipment in an amount equivalent to the costs necessary for replacing it, taking into due consideration the fact that, at the date of this Agreement, the relevant value of the Equipment is described in Exhibit 1 attached hereto.

## **8. DISPUTE RESOLUTION AND GOVERNING LAW**

- 8.1. Dispute resolution. In the event a dispute arises between the Parties on matters related to or arising out of or in connection with this Agreement, the Parties shall first attempt to resolve the dispute by negotiation, and if necessary, by referring the dispute to designated representatives of their respective senior management. In case the dispute can still not be resolved within 30 days of being referred to such designated representatives, either Party may refer such dispute to the relevant courts of Vietnam.
- 8.2. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of Vietnam.

## **9. MISCELLANEOUS**

- 9.1. Recitals and exhibits. The recitals and exhibits of this Agreement constitute a material part of this Agreement.
- 9.2. Secrecy. During the term of this Agreement and for a period of 5 (five) years after termination thereof for any reason, the Parties shall strictly keep secret and confidential all information and shall not disclose them to any third party and shall make their representatives respectively maintain secrecy and confidentiality and not disclose to any third party any of the information concerning the other Party which such Party may have received, used or learned because of this Agreement or prior to the date of execution of this Agreement and/or outside the same, except for information (i) of public domain or (ii) where disclosure was required by laws, rules or legitimate order of authority.
- 9.3. Waivers and amendments. No tolerance on the part of the Lender of the Borrower's actions that constitute breach of the provisions of this Agreement shall operate as a waiver to the rights resulting from such provisions or to the right to full performance of all terms and conditions thereof. No modification of or amendment to this Agreement shall be effective without a specific writing approval by a duly-authorized representative of both the Lender and the Borrower. No verbal agreements nor any other agreements resulting in the non-compliance of this provision shall be binding on the Parties.
- 9.4. Entire Agreement. Provisions in conflict with the Supply Agreement. (a) This Agreement sets forth the complete and entire understanding and agreement between the Parties as to the use of the Equipment by the Borrower and supersedes and replaces any prior agreement, document, statement of intent, notice among the Parties, oral or written, with respect thereto. (b) If any term of this Agreement conflicts with or is incongruent with the Supply Agreement, the terms of this Agreement shall prevail.
- 9.5. Costs. All and any kind of expenses resulting from or related to this Agreement shall be borne by the Borrower .
- 9.6. Cooperation. The Borrower shall execute and deliver any document that the Lender deems necessary and suitable in order to evidence that the Lender is the exclusive and legal owner of the Equipment.
- 9.7. Notices. All notices which may or are required to be served in respect of this Agreement, shall be in writing, and, unless otherwise agreed upon by the Parties, shall be sent by recorded delivery, return receipt requested, or by reputable overnight courier or fax to the following addresses and to the



attention of the following people or to the other addresses or to the attention of the other people duly notified by one Party to the other Party pursuant to this Article 9.7 follows:

as to Lender :

c/o: Piaggio Vietnam Co., Ltd.  
Lot M, Binh Xuyen Industrial Zone, Vinh Phuc, Viet Nam  
Tel: +84 211 3593 666  
Fax: + 84 211 3593 466  
To the kind attention of .....

as to Borrower:

[Redacted]  
.....  
.....  
.....  
.....  
.....

Fax: (.....)  
To the kind attention of [Redacted]

Notices given in accordance with the provisions of this Agreement shall be conclusively deemed to have been given if received in the moment of delivery pursuant to this Article 10/7, if served on a business day in Italy (hereinafter referred to also as “**Business Day**”) or on the first following Business Day.

**Lender:**  
Name:  
Title:

**Borrower:**  
Name:  
Title:

**EXHIBIT 1 of Free Loan Agreement**  
**(Business Equipment Description)**

No.	EQUIPMENT DESCRIPTION	N° DRAWING OF EQUIPMENT LENDER	LENDER'S ORDER		VARIANCE OF LENDER'S ORDER		INVOICE (SUPPLIER)		EQUIPMENTS VALUE
			NUMBER	D A T E	NUMBER	D A T E	NUMBER	D A T E	

Date

Seal by

Signature of the duly-authorized representative

## ANNEX 2.1 – (ZERO TIME) QUALITY OF THE PRODUCTS

### 1. (Zero time) Quality

This annex deals with the Product warranty, as provided for in article X, during the “zero time” stage (time T= 0).

“Zero time” means the period covered by the above Product warranty, from the date when Piaggio receives the Products to the date when the Piaggio vehicle on which the Products are assembled is sold.

If Piaggio identifies a defect or fault attributable to the Supplier, during the warranty period, it shall notify the Supplier within 60 (sixty) days and may request it provides for the following, without prejudice to further legal remedies:

- (i) replacement of each faulty and/or non-conforming Product;
- (ii) repair of the faulty and/or non-conforming Product,

at the expense and responsibility of the Supplier, in a timely manner and in any case no later than 15 (fifteen) days from the date when the defect or fault was notified.

In any case Piaggio will be entitled to the reimbursement of documented costs and expenses it has incurred, as a result of the Product defects and/or non-conformity identified.

#### 1.1 Documentation

Piaggio will send the Supplier technical documents on the Product and on all technical Product changes.

If the Product/component is the result of the Supplier's know-how, Piaggio will provide preliminary specifications. These will be further studied and completed by the Supplier, in order to comply with all parameters concerning correct Product use.

The Supplier will provide Piaggio with all documents necessary to ensure Product quality and conformity requirements during initial sampling and throughout the entire standard supply/lot.

Piaggio will inform the Supplier of the conformity or non-conformity of Product quality based on the written outcome of the inspection (hereinafter the “Inspection Outcome”). This outcome will contain information on any non-conformity (concerning size, materials and functions) and on actions Piaggio intends taking in relation to the Product (rejects, departures, additional operations, 100% inspections, etc.).

The Inspection Outcome is issued in relation to:

- 1. The Approval process;
- 2. Non-conformities;
- 3. Returned Products as rejects:

#### 1.2 Sampling for approval

##### (i) Delivery of samples:

1. Products used for sampling, of which quantities are defined in the “Supply Agreement”, shall include the Conformity and Quality Certificate (hereinafter the “CQC”). This certifies that Product conformity to drawings and/or technical specifications previously agreed concerning dimensions, materials and functions and, if required, equipment and the production process, has been verified.

2. Samples shall be produced using equipment and the final process, and delivered on the date agreed on in the Supply Agreement. Costs incurred by Piaggio to inspect provisional samples will be paid in full by the Supplier.

##### (ii) Approval:

The Supplier may deliver the supply of Products for standard supply/lot only after receiving the Inspection Outcome, with Piaggio's approval or written departure.

(iii) Departures:

Departures will be notified to the Supplier in writing in the Inspection Outcome, indicating the quantities or time involved. The Supplier shall submit an improvement plan within 7 (seven) days, indicating actions to take and relative times, in line with the limits of the departure.

### **1.3 Standard supply/lot**

(i) Start-up of mass production.

The first lot of the supply, for the mass production of a CF2 and CF3 Product (not classified by Piaggio as a Safety Product) and the first two lots for CF1 and CF1D components (classified by Piaggio as Safety Products) shall be delivered with the CQC certifying that Product conformity to Piaggio drawings and/or technical specifications previously agreed has been verified.

The Supplier shall provide a CQC, with all parts filled in, for samples and standard lots, attaching the material tests and results of functional tests if required by the technical specifications. In the case of CF1/CF1D Safety Products (defined as such by drawings or tables), all documents relative to the production process shall be suitably retained at the Supplier's site for at least 10 (ten) years.

To fill in the CQC correctly, the Supplier may use the template suggested by Piaggio or its own templates, in the form of hard or soft copies.

The Supplier may use the services of external laboratories for Product verification and certification, provided this is agreed in advance in writing with Piaggio. The use of the services of external laboratories shall be noted in the CQC indicating relative certification.

(ii) “Free-pass supplies”

All supplies will be considered as “Free-pass” supplies, if they pass the Approval procedure (Approval of sampling and subsequent standard supply/lot). Piaggio will be solely responsible for considering or rejecting supplies as Free-pass supplies.

With this certification, the Supplier undertakes to guarantee that all Products of the lot have been manufactured using suitable production materials and equipment that have been inspected and selected to guarantee conformity to requirements and agreements.

The Supplier shall retain and provide Piaggio on request with the following technical documentation:

1. Design data (in the case of co-design);
2. Project FMEA (in the case of co-design);
3. Process diagrams and flows;
4. Process FMEA;
5. Dimensional testing;
6. Materials testing;
7. Functional testing (if required);
8. Initial process capability;
9. Statistical Control status;
10. Measurement system;
11. Product selection system (equipment and controls/inspections);
12. Inspection Grid or Plan.

Piaggio reserves the right to carry out additional controls and request further documents and/or clarification, as well as conduct systematic inspections at the premises of the Supplier and its subcontractors through its own or delegated personnel.

The Supplier shall inform Piaggio in writing of any change in the production process and update documentation (as of point 1.3 letter (i), above).

Piaggio may decide to repeat tests and inspections already carried out by the Supplier, directly collecting Product samples from standard lots.

#### (iii) Manufactured supplies

Unless otherwise agreed in writing by the Parties, the Supplier shall guarantee complete end Product conformity of manufactured supplies.

#### (iv) Conformity assessment of supplies

Piaggio may decide whether or not to carry out statistical controls during the acceptance of incoming Products. This discretionary right may not in any case constitute a condition preliminary to Product quality.

Piaggio may also decide, even in the case of one faulty Product that has been physically (non-conforming) or statistically rejected (values not within limits), to reject the entire lot and/or request 100% inspection of the lot, at the expense and responsibility of the Supplier.

## **2. Management of non-conformities**

### **2.1 Containment processes for non-conforming supplies**

Containment processes to be adopted during Product development and operation stages, if supplies are identified as non-conforming or of a quality which does not meet requirements, have two objectives:

- (i) to guarantee Piaggio supplies that conform to agreements;
- (ii) to help the Supplier solve quality problems causing the non-conforming supply.

These objectives are achieved by adopting containment processes known as “Controlled Shipping” which comprises three levels: CSL1 (Controlled Shipping Level 1), CSL2 (Controlled Shipping Level 2) and CSL3 (Controlled Shipping Level 3). These levels differ depending on the severity and duration of the non-conformity identified in supplies.

In the case of CSL2/CSL3, the Supplier must use the services of an independent accredited certification body, included in a list given to the Supplier and validated by Piaggio.

Reference will be made herein to “CSLs” in general, referring to characteristics shared by all three levels, except for cases in which specific aspects of each level (CSL1, CSL2 or CSL3) are described.

CSLs require the Supplier to deliver Products with the CQC specifically for the characteristics in relation to which non-conformities were identified.

When the CSL is applied, the Supplier must carry out an additional 100% inspection of the characteristics identified as non-conforming at additional, dedicated inspection stations, deploying adequately qualified staff. In the case of destructive tests or tests with long time frames where 100% inspections are not possible, more frequent testing must be agreed on.

Additional measures are required for CSL2 and CSL3.

In the case of CSL2, the Supplier must use the services of an independent accredited certification body for the 100% inspection of lots to deliver to Piaggio. The Supplier must set up an area at its production site for a dedicated inspection station where staff from the certification body may carry out additional testing on 100% of the Products.

In the case of CSL3, after identifying a systematic deficiency in the production and control system and consequent incapacity of the Supplier to solve the root causes of the non-conformities identified, Piaggio may request the Supplier to use the services of an independent accredited certification body. Apart from carrying out all activities required for CSL2, this organisation supports and steers the Supplier in

improving its process and inspection plan, and helps it eliminate the root causes behind the identified non-conformities.

## **2.2 CSL stages**

The CSL1/CSL2/CSL3 process has the following stages:

- evaluating the start of a “CSL”;
- initiating the “CSL” process;
- ending the “CSL” process.

### **2.2.1 Evaluating the start of a CSL**

Piaggio analyses non-conformities reported from production sites and the sales network concerning Products with quality problems attributable to the Supplier.

Non-conformities that may initiate a CSL include but are not limited to:

- (i) Quality problems with supplies, identified at Piaggio's production site;
- (ii) Quality problems with supplies, identified on the sales network;
- (iii) Serious deficiencies that may affect product quality, identified by Piaggio at the supplier's production site;
- (iv) Unsatisfactory outgoing quality parameters, or “vehicles on yard hold”, attributable to non-conforming supplies;
- (v) Evidence of one and/or more key Product characteristics outside tolerance values attributable to the Supplier's process and lack of capability.

If characteristics already in CSL1 are identified as non-conforming by Piaggio, CSL2/CSL3 is initiated for these characteristics, depending on the severity.

In cases of proven failure to comply with quality procedures and inspection plans for key characteristics of the Supplier's production process, CSL2 or CSL3 is assigned, depending on the severity of the case.

If the Supplier is not able to remedy the root causes of the non-conformities, CSL3 is applied.

Renewals of repeat departures for causes attributable to the Supplier will initiate a CSL weighted to the severity of the problem.

### **2.2.2 Initiating a CSL**

Initiating a CSL will differ depending on the actual level.

The Supplier will receive written notice from Piaggio, in the case of all levels.

#### **(i) Initiating CSL1**

Piaggio will send the Supplier written request to initiate CSL1.

This is considered as starting from the date when the request is sent.

#### **(ii) Initiating CSL2 / CSL3**

Piaggio will send the Supplier written notice that CSL2 and/or CSL3 has been initiated, attaching the list of certification bodies validated and/or authorised by Piaggio.

The certification body chosen must indicate within 5 (five) calendar days the date, place and time for the kick-off meeting which will define the control process in detail and initiate the CSL.

The Supplier, independent accredited certification body and if necessary a representative from Piaggio, must attend this meeting.

The following are usually on the agenda of the kick-off meeting:

- (i) a description of the anomalies leading to the CSL;
- (ii) identification of corrective actions to prevent the problem recurring;
- (iii) review of the Supplier's production/logistics flow diagram, as applicable;
- (iv) definition of the roles and responsibilities of all entities involved;
- (v) definition of details of procedures for taking containment actions;
- (vi) definition of containment action exit criteria;
- (vii) definition of procedures for notifying results;
- (viii) definition of information to report and the forms to use. As minimum information, corrective actions and the result of corrective actions must be reported.

### **2.2.3 Ending the CSL**

A CSL lasts a minimum of 5 (five) weeks. This time may be changed depending on the severity of the reasons initiating the CSL and effectiveness of corrective actions taken by the Supplier.

The CSL may end only if the Supplier can prove it has put in place the actions agreed on during the kick-off meeting, or when, without prejudice to Piaggio being responsible for ending a CSL, the following criteria are met:

- (i) the Quality Department of the Piaggio Production Site confirms the results obtained by the Products in controlled shipping. In particular the Piaggio site must have zero rejects for the components under control.
- (ii) according to the times agreed on during the kick-off meeting, the Supplier (CSL1) or certification body (CSL2 /CSL3) shall send Piaggio results of inspections carried out in writing.

## **2.3 NEW BUSINESS HOLD — NBH**

In more serious cases related to the quality of supplies, Piaggio may decide to put the Supplier on NEW BUSINESS HOLD (“NBH”). This status means that no new business is assigned to the Supplier for the entire duration of the process.

### **2.3.1 Evaluating the start of a NBH**

Piaggio reserves the right to have a Supplier put on NBH whenever conditions that are considered very serious occur. These include but are not limited to the following:

1. Escalation of CSL1 - CSL2 - CSL3 (the NBH may be due to a failure to comply with the times for ending CSLs).
2. The production site of the Supplier or its subcontractor changes, without written approval from Piaggio.
3. Quality problems in the field that justify a recall campaign to remedy the problem (particularly important for problems concerning Product user safety) or vehicles on hold in the warehouse.
4. For Products under development: action plans not complied with by the supplier, in relation to taking corrective measures and time frames.
5. Widespread quality problems, with frequent supplier quality instability. This instability is measurable based on indicator trends.
6. False statements from the Supplier.

### 2.3.2 Initiating a NBH

A representative from the Supplier's Management is convened, notified of the NBH and given a letter stating that the procedure has been initiated.

A NBH is initiated for a Product which is being supplied.

If the Product being supplied corresponds to several Piaggio production facilities, the site for which the NBH is to be initiated must be indicated.

Before the end of the NBH period, Piaggio will verify the process for improvements.

If exit criteria have not been met, the NBH period may be extended.

### 3. Indicators and non-conformities in relation to agreements made

The Quality of supplies (at 0 time) is measured using two fundamental indicators:

- (i) Zero time returns;
- (ii) Disturbance

#### Indicators, definitions, measurement and algorithms

##### (i) Returns

“Returns” are considered as all items returned because they are identified as wholly or partially faulty during the acceptance of incoming materials or during processing and/or assembly and on the end product not yet distributed on the Piaggio network.

The indicator, concerning the expected objective of the commodity category, is expressed in ppm (parts per million).

$$\text{Returns (ppm)} = (\text{returns (period)}/\text{supplied (period)}) \times 10^6$$

##### (ii) Disturbance

Products identified as non-conforming for any reason (returns + altered + sorted + departures for any reasons), and declared as non-conforming, generate what is termed as a *disturbance*.

The indicator, concerning the expected objective of the commodity category, is expressed in ppm (parts per million).

$$\text{Disturbance (ppm)} = [(\text{returns} + \text{altered} + \text{sorted} + \text{departures})_{\text{period}}/\text{supplied}_{\text{period}}] \times 10^6$$

### 4. Objectives by commodity categories

Quality objectives will be agreed on with the Supplier for various types of Product and their commodity categories, at the start of the standard supply/lot.

Criteria for selecting objectives are based on the commodity category and on the Supplier considered to offer best-quality for the type of product.

If the supply concerns Products from different commodity categories, Piaggio will agree with the Supplier on the possibility of giving the Supplier one representative Objective or different Objectives for each category or only for certain categories.

At the end of each year, Piaggio will verify results achieved and any deviations from agreed objectives, with the Supplier, if considered necessary.

### 5. Safety products

5.1 If the Supply Agreement, without prejudice to articles 10 and 11 of these General Terms, concerns Products that, because of their nature or the classification given by Piaggio, require special care and



measures for safety, pollution or similar reasons and as such come under categories CF1 and/or CF1D (“Safety Products”), the Supplier undertakes to:

(i) observe laws or standards relative to the specific type of Safety Products. If the Product is faulty, the Supplier will: 1. identify the cause of the defect; 2. indicate the product lots affected by the defect; 3. assist Piaggio in replacing/repairing the faulty components.

(ii) produce and retain for at least 10 (ten) years all documents relative to production processes used, inspection procedures, names of inspectors and the inspection outcome concerning Safety Products and allow Piaggio, at any time and on written request, to verify that the above documents exist, are consistent and complete, and provide a copy on request.

## 5.2 Audits and process conformity

Piaggio may conduct audits at the site of the Supplier or its subcontractors to assess product/process conformity and relative documents;

## 6. Product/process changes

### 6.1 Product changes

In the case of any Product change requested by Piaggio, the Supplier shall repeat sampling according to the procedure in article 1.2. above. Any changes requested by the Supplier shall be discussed and approved in advance in writing by Piaggio.

All changes to the approved Product shall be notified to Piaggio and approved in advance in writing.

### 6.2 Process changes

Important process and/or production site changes that may affect Product quality and approval capability must be notified to Piaggio before they are introduced for supplies for mass production, and documents must be submitted (capability studies, laboratory analyses, etc.) demonstrating compliance with quality standards requested. Piaggio reserves the right to conduct process verification to assess the suitability of the change.

## 7. Charging of related costs

7.1 If a Product quality defect or non-conformity is identified during the T = 0 stage, Piaggio will inform the Supplier (by email or fax) in the times indicated in article 1, so that the Supplier may act directly to (i) sort; (ii) replace and/or (iii) repair the entire faulty lot. If the Supplier is not able to take action in the times and following the procedures requested by Piaggio, Piaggio may carry out or appoint other parties to carry out all inspection, sorting and/or repair activities for the faulty Products, considered necessary to guarantee the normal continuity of production flows.

7.2 Piaggio will send the Supplier a written notice, with a list of actions taken and the costs incurred (quantified as man/hours), as a result of the Product quality defect and/or non-conformity. The Supplier may send possible remarks in writing, no later than 5 (five) business days from receiving the above notice.

7.3 Piaggio will send the Supplier written notice on a monthly basis, with a summary of all charges made during the previous month in accordance with article 7.2.:

(i) if the total of monthly charges is less than Usd 3,000.00 and is not contested by the Supplier, Piaggio will issue an invoice for relative amounts.

(ii) if the total of monthly charges is more than Usd 3,000.00, Piaggio will charge and issue the invoice only after agreement with the Supplier concerning the charges.

The foregoing is without prejudice to legal rights and remedies in the event that the Parties fail to reach an agreement concerning the charges.

## ANNEX 2.2 – WARRANTY TERMS

### 1. Scope

This annex deals with the Product warranty, as provided for in article X, in the stage following the sale of Piaggio vehicles on which the Products have been assembled.

For this purpose, “**Failures during the warranty period**” mean malfunctions of components that have caused a failure in the vehicle sold to the Client, during the warranty period in accordance with article X above.

**2. Quality Assurance Objectives:** Piaggio and the Supplier will agree on expected quality levels for component(s), using a “quality record” in the case of new components, or a specific agreement for types of products already supplied.

This level, expressed in ppm, will be determined based on market analysis (products of competitors or rival suppliers) or consolidated practices in similar production contexts.

**3. Calculating costs incurred during the warranty period:** Costs incurred during the warranty period will be charged to the Supplier if the average monthly ppm on an annual level are higher than the expected objective. The ppm value will be calculated based on the responsibility percentage defined with Piaggio. Costs will be calculated referring to the unit purchase cost of the component incurred by Piaggio, increased by 10% for operating costs, as well as labour calculated based on the expected time of the operation, indicated in Piaggio's time schedule, and the average hourly labour cost in Europe.

**4. Charging for costs incurred during the warranty period:** Costs will be charged for failures during the warranty period caused by the difference in the expected quality objective and final ppm value, as defined in point 2. The costs incurred by Piaggio in the reference year will be charged to the Supplier according to the calculation procedures defined in point 3.

**5. Quality incidents, epidemic defects, recall campaigns:** If epidemic defects occur causing the recurrent malfunctioning of the Products, or a serious quality defect in the Products is identified, with an anomalous increase in faulty Products in relation to final figures normally recorded and/or expected objectives, Piaggio will open a quality incident, promptly informing the Supplier, as well as a specific job order, to which all internal and external costs incurred by Piaggio will be allocated.

When final, these costs will be charged to the Supplier in proportion to the level of responsibility indicated by analyses that are conducted jointly and in a timely manner.

If Piaggio launches a campaign to recall and/or remedy its vehicles, as a result of epidemic defects identified in the Products, the Supplier will provide assistance to identify, replace and/or repair the Products identified as faulty, unreliable and/or not conforming to legal requirements. During the technical assessment of Supplier responsibility for the defects identified in the Products, Piaggio will involve the Supplier so that it may make observations and discuss proposals with Piaggio.

The Supplier will reimburse Piaggio all costs, expenses and/or charges incurred as a result of the aforesaid campaigns to recall and/or remedy vehicles, without prejudice to Piaggio's right to claim compensation for further damages.

## ANNEX 3 - SUPPLY LOGISTICS

### 1. Scope

This Annex deals with the logistic conditions for supplying Piaggio with items, components or other materials intended directly for the production of two- (2), three- (3) and four- (4) wheeled vehicles and by-products or the production of engines and/or parts of engines and/or for sale as loose or spare parts.

### 2. Ordering procedure

#### 2.a. Orders

The Supply Agreement is executed with the issue of two types of purchase orders: closed orders and open orders.

Piaggio notifies the Supplier of the quantities to be produced and delivery times of Products in open orders, via its competent Units according to the procedure set out in section 2.b.2. below and in accordance with agreements made with the Supplier.

#### 2.b Planning for open orders

##### 2.b.1. Annual forecasts

Before the end of each year, Piaggio will send the Supplier an Annual Forecast. Based on open orders issued, this summarises the monthly forecast for the following year for quantities to supply (for mass production and spare parts).

The purpose of the Annual Forecast is to give the Supplier an outline of the quantities required for the following year, but it does not constitute an undertaking by Piaggio to receive such quantities.

The Supplier must promptly notify Piaggio if its production capacity is not sufficient to handle the monthly expected quantities.

##### 2.b.2. Planning cycle

The delivery schedules (hereinafter the "Delivery Schedules") will be issued by Piaggio within the 25<sup>th</sup> of each month (m-1 for deliveries to be performed in the coming month(s), according to the following procedure:

- (i) Every Delivery Schedule will indicate the fixed quantities for the subsequent one month (month m and the forecast quantities of the subsequent six months
- (ii) When month m+1 becomes month m the quantity in the Delivery Schedule for the new month m may have a maximum allowed tolerance of +/- 20% of the quantity indicated as "m+1" in the previous month's Delivery Schedule.
- (iii) When month m+2 becomes month m+1 the quantity in the Delivery Schedule for the new month m+1 may have a maximum allowed tolerance of +/- 30% of the quantity indicated as "m+2" in the previous month's Delivery Schedule.
- (iv) When month m+3 becomes month m+2 the quantity in the Delivery Schedule for the new month m+2 may have a maximum allowed tolerance of +/- 50% of the quantity indicated as "m+3" in the previous month's Delivery Schedule.
- (v) Within 5 (five) days after receiving the Delivery Schedule, the Supplier must send to Piaggio a written confirmation of all the quantities and time limits indicated in the said Delivery Schedule for all months up to and including month m+2.

Any amendment in the Delivery Schedule shall be communicated expressly in writing by Piaggio.

The Delivery Schedules shall be deemed accepted by the Supplier unless the Supplier otherwise notifies

Piaggio in writing by fax and/or e-mail within 7 (seven) days of receipt of the above monthly Delivery Schedules. Delivery details and time limit for month m, as specified in the Delivery Schedule, shall be binding on the Supplier.

The time and method of delivery shall be those determined in accordance with the relevant Incoterm 2010, as set forth in the Piaggio Order and/or in the Delivery Schedule.

Any costs caused by delay in delivery from the Supplier including freight costs (by sea or by air) shall be borne by the Supplier.

### **3. Charges for delays leading to criticalities, line stops or incomplete vehicles**

#### **3.a. Definitions**

- (i) "Incomplete vehicle" means a vehicle which "has come off the line", i.e. which has reached the end of the production process, but has one or more supply components missing, as these are not available at the time of assembly.
- (ii) "Lost vehicle (stop of the assembly line)" means a vehicle that has not been manufactured due to a significant number of missing supply components, on a scale that makes production impossible and consequently assembly stops.
- (iii) "Criticality" means event(s) under the Supplier's responsibility the occurrence of which causes the generation and build up of Incomplete and/or Lost Vehicles (stop of the assembly line).

#### **3.b. Procedure for charging costs**

Charges are calculated by reference to the number of Incomplete and/or Lost Vehicles (line stoppage) due to the non-delivery and/or incomplete delivery of supplies under the Supplier's responsibility.

The following procedure is adopted for manufacturing criticalities:

- (i) The Criticality on assembly lines is identified.
- (ii) Piaggio Manufacturing promptly informs the Supplier by fax or email of the start of the Criticality and its characteristics.
- (iii) The Supplier will act promptly, taking suitable actions to remedy the Criticality it is responsible for.
- (iv) At a given time on each business day (for example nine o'clock in the morning), Incomplete vehicles left over from the previous day and/or vehicles not manufactured will be counted. The Supplier may check the count. The count is considered as unconditionally accepted if the Supplier does not check it.
- (v) Piaggio will send the Supplier written notice with a list of costs incurred (quantified as man-hours), as a result of the Criticality. The Supplier may request in writing clarification on the costs no later than 5 (five) days from receiving the notice from Piaggio.
- (vi) Piaggio will send the Supplier written notice on a monthly basis, with a summary of all charges applied during the previous month in accordance with point v above:
  - (i) if the total monthly charges are less than Usd 3,000.00 and are not contested by the Supplier, Piaggio will issue an invoice for such amounts.
  - (ii) if the total monthly charges are more than Usd 3,000/00, Piaggio will charge and issue the invoice only after agreement with the Supplier concerning the charges. The foregoing is without prejudice to legal rights and remedies in the event that the Parties fail to reach an agreement concerning the charges.

### **4. Supplier flexibility and potential; safety stocks**

To enable Piaggio to effectively respond to market dynamics, the Supplier undertakes to guarantee the utmost flexibility in supplying products and to use all means necessary for this purpose. In particular, the Supplier undertakes to:

- guarantee the maximum production capacity for its organisation, declared to Piaggio, if confirmed in operational Delivery Schedules;

- guarantee, if agreed with Piaggio, adequate safety stocks, managed on a FIFO basis. These stocks will consist of supplies that have passed scheduled quality controls and are ready for dispatch, as well as raw materials and semi-finished products;
- guarantee Piaggio, as part of the planning defined in the previous section, maximum production capacity in the operational month, starting from any ongoing Delivery Schedule, except for cases in which a written agreement has been made with Piaggio on supplies of a particularly critical nature;
- immediately inform Piaggio and help develop joint recovery plans if Piaggio planning for the product mix from the Supplier is inconsistent with the maximum declared capacities;
- observe the delivery times indicated in the received Delivery Schedules;
- if Spare Parts are supplied, the Supplier shall guarantee, on request of Piaggio, the dispatch of Spare Parts directly to the Piaggio sales network, according to the terms agreed by the parties.

#### **5. Obligations of Piaggio in the event of Delivery Schedule's cancellation**

If Piaggio cancels the Delivery Schedule, it undertakes to collect supplies only for the operational month or operational weeks of the last issued Delivery Schedule.

If the cancellation is not revoked in the following six months, with the Delivery Schedule becoming operative again, Piaggio's contribution to the cost of unused semi-finished Products (only for the month M+2) and raw materials (only for the month M+3) will be regulated by a specific agreement. If technical changes are made to supplies, Piaggio will inform the Supplier in the Delivery Schedule. The Supplier is required to limit production and stock so that the technical change may be introduced as early as possible. Piaggio undertakes to guarantee receipt of finished Products under issued Delivery Schedules for month m and of semi-finished Products and raw materials for month m+1.

If materials of the Supplier requested under a cancelled Delivery Schedule are obsolete for more than 2 calendar years, Piaggio undertakes solely to suggest to the Supplier possible alternative uses for such materials.

## ANNEX 4 – SUPPLY OF SPARE PARTS

### 1 – Duration

The Supplier undertakes to guarantee the supply of Spare Parts for at least 10 (ten) years from the date when production of the vehicle or engine is stopped.

### 2 – Aligning supply data and relative logistics parameters

2.1. Piaggio will send Suppliers a list of supply data each year, usually in October/November, if data has changed during the year. This data concerns pending supplies at the time (i.e. which may potentially still be purchased), as well as relative supply logistics parameters stored in the Piaggio planning system and additional information required, and is sent so that the Supplier may check/update it.

2.2. The Supplier is required to check/supplement the parameters and information sent by Piaggio. Data which is revised and corrected must be sent to Piaggio Spare Parts Logistics. This unit confirms the data and enters it in the planning system to update/supplement existing data.

### 3 – Rules for managing Delivery schedules/variations

3.1. Piaggio undertakes to:

(i) Send monthly delivery schedules by the 20th of each month and no later than the 25th.

(ii) Suggest variations during the month.

3.2. Within 5 (five) days from receiving the programme, the Supplier will confirm its acceptance of new schedules in writing to the Spare Parts Logistics Unit, and notify this Unit (the Contract Manager) as well as Purchasing in writing of any criticalities, so that they may assess their acceptability.

3.3. Within the same time, the Supplier shall confirm in writing its acceptance or rejection of changes to the programme, specifically indicating the quantities accepted and relative delivery dates.

### 4 – Expected service level

The expected service level, obtained from dividing the sum of service level percentages achieved by each code and the number of total codes, is 98% for quantities and rows of the order (delivery schedules/variations accepted).

The calculation is done at the start of each month with reference to all deliveries/orders due at the end of the previous month.

### 6 – Penalties

If the final service level at the end of the month is 98% or higher, no charges will be applied. If the service level as per point 5 above is lower than 98%, Piaggio may apply a penalty equal to 0.5% the price of order lines affected by the delay, for each calendar day in relation to the delivery date, up to a maximum of 5%.

For Piaggio : .....

For the Supplier : .....

Date: .....

**ANNEX 5 – ETHICAL CODE**



**PIAGGIO & C. S.p.A.**

**Ethical Code**

**(March 2014)**

**SUMMARY**

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# 1. CODE OF ETHICS

## **Article 1 – Code of Ethics**

Piaggio & C. S.p.A. (the “Company” or “Piaggio”) bases its activity, both internal and external, on the respect of the principles contained in this Code of Ethics (the “Code of Ethics”), with the conviction that the ethics of its business management is to be pursued in conjunction with the success of the enterprise.

## **Article 2 – Objectives and values**

The primary goal of the company is to create value for its customers, shareholders and employees, respecting the environment and working conditions. The Company’s industrial and financial strategies, and its resulting operative conduct, aiming at efficiency in the use of resources, are targeted to this goal.

Pursuing this objective, the Company abides by the following general guidelines in its conduct:

- as an active and responsible component of the communities in which it operates, the Company commits itself to the respect, both in its internal affairs and external relationships, of the laws in force in the States where it operates, as well as of those ethical principles which are commonly accepted in business management (transparency, fairness, loyalty and good faith) and to act in compliance with the rules for the protection of competition;
- the Company rejects and condemns any recourse to unlawful or unfair conduct (towards the community, Public Authorities, clients, workers, investors and competitors) aimed at reaching its own economic objectives, which are reached exclusively through the excellence of its performance in terms of quality and convenience of its products and services, on the basis of its professionalism, experience, innovation and attention to its clients;
- the Company enforces its organisational strategies aimed at preventing any violation of the principles of lawfulness, transparency, correctness and loyalty, good faith and competition rules among its workers and partners and ensures that such strategies are respected and updated;
- ensures, through the adoption of appropriate tools, including organisational tools, compliance with the absolute prohibition of any practice of corruption, request for and/or provision of preferential treatment, of any collusive behaviour, solicitation, whether direct/indirect and/or through third parties, of personal benefits of any kind for oneself or for others, of material benefits and/or any other advantage of any entity in favour of third parties, whether they be private or public entities or government representatives, both Italian and foreign;
- the Company guarantees full transparency as regards its actions to all investors and the community in general, in the respect of the principles of competition;
- it undertakes to promote fair competition, functional to the interests of the Company, and to the interests of all market operators, customers and investors in general;
- it pursues excellence and competitiveness on the market, offering its customers quality services, that efficiently meet their needs;
- the Company protects and empowers its human resources;
- it promotes activities and processes as environmentally compatible as possible through the use of advanced policies and technologies in the field of environmental protection, energy efficiency and sustainable use of resources;
- it pursues environmental protection standards through the implementation of adequate management and monitoring systems;
- the Company makes a responsible use of its resources, aiming at sustainable development, in the respect of the environment and the rights of future generations.

### **Article 3 – Shareholders**

The Company guarantees equal treatment for all shareholders, avoiding any preferential dealing.

### **Article 4 – Clients**

The Company aims at reaching excellency in the products and services that it offers, taking its clients' needs into account, and undertakes to do its utmost to meet their demands. Its objective is to guarantee a prompt, qualified and competent response as regards the needs of its clients, behaving in a correct, courteous and cooperating manner.

### **Article 5 – Community**

The Company intends to contribute to the economic welfare and growth of the communities in which it operates, through its activity, both in selling its products and in providing efficient and technologically advanced services.

In accordance with such objectives, and considering its responsibility towards shareholders and investors, the Company views research and development as primary conditions for growth and success.

The Company relates to local, national and international authorities with full and active cooperation and transparency, in observance of the laws in force, the mutual autonomies, the economic objectives and the values which are contained in this Code of Ethics.

The Company appreciates and may support social, cultural and educational initiatives aimed at promoting the individual and improving the quality of his/her lifestyle.

The Company does not give out contributions, profits or other benefits either to political parties, workers' trade unions or their representatives or candidates, in obedience to the applicable regulations.

### **Article 6 – Human Resources**

The Company acknowledges the primary role of human resources, in the conviction that the main factor of success of any enterprise consists in the professional contribution of the people working there, in the context of mutual trust and respect.

The Company protects health and safety in the workplace, in carrying out its economic activity, it believes that the respect of the workers' rights is fundamental. The management of working relations is aimed at guaranteeing equal opportunities and at promoting everyone's professional growth.

### **Article 7 – Conflict of interest**

Within the trustworthy relationship with the Company, the employees and external partners must use the resources of the Company and their working capabilities in the Company's interest, pursuant to the principles of the Code of Ethics.

In this respect, all employees and partners must avoid situations in which their personal and/or familiar interests may influence their professional conduct, abstaining from any activity which could set a personal interest against the Company's interest or which could interfere with and encumber the decisions to be adopted in the Company's interest.

Employees and partners must promptly report any conflict of interest, even indirect or potential, to their managers and to the supervisory body ("Supervisory Body") set forth by the Organisation, Management

and Control Model (“Organisational Model”) and, in any case, the involved subject should abstain from the relevant operative/decisional process.

### **Article 8 – Environment**

The Company is convinced that global growth must be sustainable in the common interest of all shareholders, both present and future. Investments and industrial and commercial initiatives are therefore aimed at respecting the environment and public health.

Without prejudice to compliance with the specific applicable regulation, the Company pays attention to environmental issues in its decisions, also adopting - where operationally and economically feasible and compatible - environmentally friendly production technologies and methods, with the aim of reducing the environmental impact of its activities.

### **Article 9 – Health and Safety at work**

The Company undertakes to guarantee a safe, healthy and productive working environment for the employees, even by a safety culture, awareness of the risks and by improving responsible conducts to be held by all employees.

All employees and external partners are liable towards the colleagues and the Company for the maintaining high quality standards of the working environment.

The employees should prevent and limit all the situations which may interfere with the working environment. Pursuant to the values of the Code of Ethics, the Company must guarantee the safety and the health of its employees and of the social communities.

All the decisions having a direct or indirect impact to the health and safety of the working environment must be adopted in compliance with the following principles:

- a) avoid risks;
- b) value the avoidable risks;
- c) remove the risks originally;
- d) adjust the work to the human being and, in particular, as concerns the concept of the working place, the choice of the facilities and the working and producing methods in order to limit the monotony and the repetitiveness of the work and also in order to reduce the effects of these works on the health;
- e) take into account the technology progress;
- f) replace what is dangerous with what is less or no dangerous;
- g) plan the prevention, the working organization, the working conditions, the social relationships and the influence of the working environment;
- h) give the priority to the collective safety compared to the individual one;
- i) train the employees suitably.

The above mentioned principles are used by the Company in order to adopt all the necessary measures for guaranteeing employees’ health and safety, included the prevention of professional risks, the information and training activities, as well as an adequate organization and the necessary instruments.

### **Article 10 – Industrial and intellectual property and copyright**

The Company undertakes to guarantee the protection of its trademarks, patents and industrial design rights as well as to avoid the use of ideas, models and other forms of intellectual property of third parties not recognised by the law.

Therefore, the Company does not permit the use, under any circumstances and for whatever reason, of products with counterfeit trademarks and signs as well as the manufacture, marketing or any activity relating to products already patented by third parties or works covered by copyright and with regard to which it has no rights.

#### **Article 11 – Anti-Money Laundering**

The Company endeavours to prevent the use of its economic and financial system for the purpose of money laundering and financing terrorism by its customers and suppliers, verifying with utmost diligence the respectability of its commercial partners prior to establishing business relationships with the same.

#### **Article 12 – Corporate information**

The Company is firmly convinced of the importance of correct information as regards its own activities for the market, its investors and for the community in general.

Respecting the need for confidentiality, which is required for the management of its activity, the Company's objective in its relationship with all investors is transparency. In particular, the Company conveys to the market and its investors through its respect of criteria of correctness, clarity and equal access to information.

#### **Article 13 – Compliance with the Code of Ethics**

The present Code of Ethics must be respected by the Company boards, management and employers, as well as all external partners, such as consultants, agents, suppliers, etc.

The Company commits itself to maintain, update and if necessary integrate procedures, regulations or instructions aimed at guaranteeing that the conduct of its Company boards, executives, employees and partners is respectful of the values mentioned here, providing for appropriate sanctions in case of violations.

## **2. GENERAL INTERNAL CONTROL PRINCIPLES**

The Internal Control System is the set of "tools" designed to provide reasonable assurance on the achievement of objectives of operational efficiency and effectiveness, reliability of financial and management information, compliance with laws and regulations, as well as safeguarding its assets also against possible fraud.

The Internal Control System consists of general principles which are applied to all the various organisational levels however denominated (in the following reference will be made to the term *operating unit*).

### **2.1 Scope of control**

Powers of representation must be conferred defining limits concerning the normal size of inherent transactions and according to operating areas strictly related to the assigned duties and organisational structure.

Responsibilities must be defined and duly distributed, avoiding functional overlapping or operational allocations which concentrate critical activities on a single subject:

- No significant transaction of the *operating unit* can be originated/activated without adequate authorisation.

Operating systems<sup>2</sup> must be consistent with Company policies and the Code of Ethics:

- In particular, financial information must be prepared:
  - a) in compliance with laws and regulations, applicable accounting standards and international best practice;
  - b) in accordance with established administrative procedures;
  - c) as part of a complete and updated chart of accounts.

### **2.2 Risk assessment**

The objectives of the *operating unit* must be adequately defined and communicated to all relevant levels, in order to clarify and share the general approach of the same.

Risks associated with achievement of the objectives must be identified, periodically providing for adequate monitoring and updating:

- negative events, potentially capable of threatening business continuity as well as protection of the environment, must be subject to specific risk assessment and alignment of protection and control systems;
- innovation processes concerning products/services, organisations and systems must provide for adequate implementation risk assessment.

### **2.3 Control activities**

Operational processes must be defined providing for adequate documentary or system support to allow constant traceability in terms of consistency, coherency and responsibility:

- operational processes must constantly ensure Company compliance with applicable laws, rules and, in general, regulations in force in Italy and in all countries in which it operates, as well as with internal procedures and provisions adopted;

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<sup>2</sup> Procedures, organisation, processes, information systems, etc.

- operational decisions must be traceable in terms of characteristics and justification and those having authorised, executed and verified individual activities must be identifiable;
- the exchange of information between contiguous phases/processes must provide for mechanisms (reconciliations, balancing, etc.) to ensure integrity and completeness of the data managed;
- human resources must be selected, recruited and managed in a transparent manner and in accordance with ethical values and Company defined objectives;
- know-how and skills available in the *operating unit* in terms of consistency with assigned objectives must be periodically verified;
- personnel must be educated and trained to perform the assigned duties;
- acquisition of goods and services for Company operations must take place according to a requirements analysis and from adequately selected and controlled sources;
- working conditions and environment must be periodically verified in order to ensure the safety and health of workers;
- the certified environmental management system must be constantly monitored in order to comply with the requirements of environmental legislation.

## **2.4 Information and Communication**

An adequate system of indicators by process/activity must be provided for with corresponding periodic flow of information to the management.

Administrative and management Information Systems must be oriented towards integration and standardisation.

Security mechanisms must ensure adequate protection/access to data and assets of the *operating unit*

## **2.5 Control**

The control system is subject to continuous supervision for periodic assessment and constant alignment.

# **3. CONDUCT GUIDELINES**

This document presents the guidelines (“Guidelines”) in order to prevent the creation of favourable contexts for the perpetrating of crimes in general and, among these, in particular those included in the Italian Legislative Decree no. 231 of 8 June 2001 (“**Decree**” or “**Legislative Decree no. 231/2001**”).

The Guidelines identify, albeit by way of example, conduct related to the “do's” and “don'ts”, specifying in operational terms that are expressed by the principles of the Corporate Code of Ethics.

## **3.1 “Do's”**

All employees must commit themselves to respect the laws and the regulations in force in all the countries in which the Company operates.

The functional managers must make sure that:

- *all employees are aware of the laws and of the resulting conduct to follow; when in doubt about the conduct to follow, they should be adequately advised;*

- *an adequate program of constant training and awareness on the issues related to the Company's Code of Ethics should be carried out.*

When participating in public tenders or competitions called by Public Administration as well as in any negotiations or contracts entered into with both Public Administration and private entities, all those involved must behave according to good faith and in accordance with the law, correct commercial practice and current regulations, as well as with the corresponding company procedures, avoiding any situation from which violation of laws and/or principles of fairness and transparency in the conduct of negotiations may arise.

Such negotiations must be conducted only by those previously and expressly authorised to do so, respecting roles and in accordance with corporate procedures; adequate mechanisms for traceability of information flows towards the contracting party must also be put in place.

Any request for advantages, any intimidating and/or constrictive or oppressive behaviour on the part of Public Administration officials or third contracting parties or which one has merely become aware of, must be immediately reported.

The functional managers who are commonly in touch with the Public Administration must:

- *provide their partners with guidelines regarding which operative conduct to follow in formal and informal contacts with the various public subjects, according to the characteristics of each individual area of activity, sharing their knowledge of regulations and their awareness of situations liable to offence;*
- *provide for adequate tracing mechanisms as regards official information channels with the Public Administration;*
- maintain and request on the part of those having relations with Public Administration conduct characterised by fairness, transparency, traceability and in good faith, respecting the roles and responsibilities attributed; strictly observe and enforce therefore, also with specific reference to relations with Public Administration, company procedures aimed at abstractly identifying and tracing the functions and positions responsible and appointed for relations with Public Administration, in compliance therefore with corporate roles;
- make clear, truthful, complete and traceable statements to public authorities and exhibit complete, truthful and unaltered documents and data;
- maintain correct and clear conduct such as to avoid inducing the counterparty into even potential error.

All consultants, suppliers, customers, and whoever is related to the Company, are committed to the observance of the laws and regulations in force in all the countries where the Company operates; no relation will be initiated or continued with those who do not intend to comply with such principles. When appointing these subjects to operate as representatives and/or in the interest of the Company towards the Public Administration, the mandate must be given in written form, with a specific binding clause to act in observance of the ethical-conduct principles adopted by the Company.

Identical conduct guidelines to those indicated for relations with Public Administration must also be adopted with regard to relations with any private third party, such as suppliers, customers, competitors, partners and/or any contractual counterparty.

When contributions, grants or financial support are requested from the State, the public corporations or the European Union, all the employees involved in such procedures must:

- *be correct and truthful when using and presenting documents and declarations that are complete and pertinent to the activities for which such benefits can be legitimately requested and obtained;*
- *once the requested out payment has been granted, the sum should be employed for the goals to which it was originally requested and obtained.*

The people in charge of administrative/accounting functions must verify that each operation and transaction is:

- *legitimate, consistent, congruous, authorised, verifiable;*
- *correctly and adequately registered, so that the process of decision, authorisation and implementation can be verified;*
- *supported by correct, authentic and appropriate documentation, so that careful inspections can be carried out at any time regarding the characteristics and the motivations of the operation, and the identification of those who have authorised, carried out, registered and verified the operation itself.*

All the employees involved in the activities of budgeting or of similar documentations must behave correctly; fully cooperate; guarantee the completeness and the clarity of the information provided, and the accuracy of data and of formulations; notify conflicts of interests, etc.

Directors and their partners:

- *when drawing the budget, communicating to the market, or drafting similar documents, they must represent the Company's economic, patrimonial or financial situation truthfully, clearly and completely;*
- *they must duly respect the requests of information on the part of the board of the statutory auditors and facilitate as much as possible the activities of control or revision which are legally attributed to partners, other Company or auditing boards;*
- *they must present the shareholders' meeting with complete acts and documents that match the accounting entries;*
- *they must provide the supervisory boards with correct and complete information regarding the Company's economic, patrimonial or financial situation;*

Only specifically authorised employees may have relations with the press and the same must disseminate information about the Company corresponding to the truth in compliance with the laws, current regulations and internal procedures adopted by the Company concerning the management of confidential information.

Employers, senior managers and persons in charge, all employees and external service providers are required to apply and observe regulations on the protection of health and safety at work. In particular, in order to minimise potential risk of injury in the workplace, compliance with accident prevention regulations, as well as individual and collective preventive measures established and communicated by the Company through specific instructions, equipment and training programmes is required. In this context, employees must consider themselves responsible for adequate management of safety and, therefore, must avoid exposing themselves or other workers to hazards which might cause injury or harm.



With regard to receiving stolen goods and money laundering, the Company:

- verifies the commercial and professional reliability of suppliers and commercial/financial partners, based on a number of significant indices (e.g. public prejudicial data, protests, bankruptcy proceedings) or acquisition of commercial information on the Company, its shareholders and directors via specialised companies; verifies the magnitude of the price if excessive with respect to average market values; the involvement of “politically exposed persons”;
- verifies the regularity of payments, with reference to the full correspondence between beneficiaries/payers of payments and counterparties actually involved in the transaction;
- carries out formal and substantial verification of corporate cash flows with reference to payments to third parties and intercompany payments/transactions. These controls must take account of the registered office of the counterparty (e.g. tax havens, countries with risk of terrorism, etc.);
- verifies treasury activities (compliance with thresholds for cash payments, any use of bearer or anonymous passbooks for liquidity management, etc.);
- determines minimum requirements for bidders and establishes criteria for evaluating bids in standard contracts;
- identifies a function responsible for defining technical specifications and evaluating bids in standard contracts;
- identifies the body/unit responsible for executing the contract, with an indication of duties, roles and responsibilities;
- determines criteria for the selection, stipulation and execution of agreements/joint ventures with other companies for investment purposes ensuring transparency and traceability of the agreements/joint ventures with other companies for investment purposes;
- verifies the appropriateness of any financial investments in joint ventures (compared to average market prices, use of trusted professionals for due diligence);
- verifies the level of compliance of subsidiaries with anti-money laundering measures and controls;
- adopts adequate information programmes for personnel considered to be exposed to the risk of money laundering.

All employees are required to comply with Company procedures for the correct use of assigned information technology equipment. Employees must comply with the physical/logical security configurations adopted by the Company, in particular for activities which:

- require the processing of data and information, the misuse of which can result in fraud against natural or legal persons (private organisations and, in particular, if the counterparty belongs to Public Administration);
- require access to infrastructures and/or software, the use of which may give rise to fraudulent use.

With particular reference to the control/organisational aspects of offences concerning the environment, the Company ensures:

- periodic monitoring of authorisations/licenses and in particular the scheduling of steps necessary to obtain and/or renew the same;
- clear definition of roles, duties and responsibilities to ensure the necessary technical skills and powers for verifying, evaluating, managing, controlling and monitoring environmental risks;
- monitoring of compliance with legal and corporate regulatory requirements through the planning and execution of internal audits;
- precise compilation of compulsory registers and forms for waste management;

- monitoring of submission, by the transport company, of the waste identification form within the legal deadlines.

Moreover, with specific reference to the Company activities in question, for the management of which the Company relies on third parties, personnel of entities involved are required, each within the scope of their powers and responsibilities, to:

- ensure that suppliers and other third parties (e.g. consultants), if required by rules and regulations, depending on the nature of the goods and services, provide evidence of compliance - on their part - with regulations concerning waste water discharges and waste management and environmental protection, in accordance with Company procedures and contractual provisions;
- periodically update the file of authorisations, registrations and disclosures acquired from third party suppliers and promptly report to the competent function any deviations found;
- ascertain, prior to initiating the relationship, the respectability and reliability of service providers involved in waste management, also by acquisition and verification of environmental disclosures, certifications and authorisations made by the same or acquired in accordance with law, also requesting the commitment - by the same - to maintain said authorisation certificates valid and effective for the entire duration of the contract.

With specific reference to plant, those involved are required to plan and/or carry out plant maintenance in line with the corresponding maintenance plans, verifying correct operation of the same and reporting any anomalies to the appropriate persons in charge.

In order to protect intellectual and industrial property, the Company requires that all research, design and development activities relating to new products is carried out in full compliance with current applicable national/international regulations, as well as with contractual commitments in place; in particular, it is necessary to verify in advance the pre-existence of industrial property rights on the part of third parties (registration of trademarks or other hallmarks, inventions, industrial ornamental models, patents). Similarly, the Company requires appropriate controls on the origin of materials, components and products purchased in order to monitor and verify the absence of counterfeiting or alteration of trademarks and/or hallmarks.

All information provided in connection with any commercial, advertising and promotional activities for the presentation of Group products and services must be truthful and correspond to the characteristics and technical features of the products themselves.

Employees are expressly recommended to use only software, databases or intellectual property of others only after obtaining the relevant user licence or in any case in compliance with copyright legislation. It is also necessary to adopt preventive measures to protect and hold the Company harmless from any prejudicial consequences arising from claims by third parties concerning the alleged violation of intellectual property rights.

In the event of recruitment of third-countries nationals, the Company requires possession of a residence permit.

Employees and external partners are strongly encouraged to inform the Supervisory Body of any violation (or suspected violation) of the Organisational Model. Such notifications must not be given anonymously.

The Supervisory Body protects all employees and external partners from any detrimental effect that may derive from their notification. The Supervisory Body ensures confidentiality as regards the identity of such people, in observance

of the laws in force.

The appropriate means of notification will be made available.

The function managers must notify the Supervisory Body of the conducts that add to all offences, concerning operative processes in their jurisdiction, that have come to their notice either directly or through notification from their partners.

In particular, in the case of attempted extortion from a public officer towards an employee (or other partners) the following guidelines must be followed:

- *the request must be ignored;*
- *the person in charge must be promptly notified;*
- *the person in charge must duly and formally notify the Supervisory Body.*

### **3.2 “Don’ts”**

When relating to Public Administrators, as executives, managers or employees of the Public Administration, (“Public Administration employees”), as well as to private commercial representatives of public service concessionaires (either Italian or foreign), it is forbidden to:

- *promise or offer (to them or to their relations, in-laws, friends, etc.) money, gifts or premiums, unless their value is moderate (trips, holidays and memberships in clubs, for example, are not considered of moderate value);*
- *examine or propose employment opportunities for Public Administration employees (or their relations, in-laws, friends, etc.), and/or commercial opportunities (or of any other kind) that may be advantageous to them;*
- *promise or offer them counselling of any kind and for any reason;*
- *make unjustified entertainment expenses or whose objectives are different from the mere promotion of the Company’s image;*
- *promise or offer, also through other companies, jobs/services of personal utility (e.g. reconstruction works of buildings owned or used by them – or by relations, in-laws, friends, etc.);*
- *provide (or promise to provide), request or obtain information and/or classified documents, or data that may compromise the integrity or the reputation of either, or both parties;*
- *favour, in purchasing processes, suppliers and sub-suppliers that are recommended by the Public Administration employees themselves as a condition for the subsequent execution of activities (e.g. entrusting commissions, granting soft financing, or franchising).*

Such actions and conducts are forbidden, both if they are carried out directly by the Company through its own employees, and if they are carried out indirectly through non-employees who act on behalf of the Company itself.

Towards the Public Administration it is also forbidden to:

- *exhibit false or forged documents/data;*
- *subtract or omit to present authentic documents;*
- *behave deceptively, so as to lead the Public Administration astray in the technical/economic assessment of the products and the services that are offered/supplied;*

- *omit due information, so as to unduly orientate the decisions of the Public Administration to one's advantage;*
- *behave so as to unduly influence the decisions of the Public Administration;*
- *be represented by consultants or 'third parties' when such a situation can create conflicts of interest;*
- *abuse one's position as civil servant in order to obtain benefits and advantages for oneself or for the Company.*

In general, it is forbidden to employ in the Company former employees of the Public Administration (or their relations, in-laws, friends, etc.) who have personally and actively taken part in business transactions with the Company, or who have endorsed the requests made by the Company to the Public Administration.

During civil, criminal or administrative proceedings, it is prohibited to undertake (directly or indirectly) any unlawful action that may favour or damage one of the parties in the proceedings.

When using computer or telematic systems, it is prohibited, unless authorised, to access computer systems used by the Public Administration sector or to change in any way their functioning, or carry out operations in any way on data, information or programs contained in a computer or telematic system or relevant to said, in order to unduly obtain and/or modify information to the benefit of the Company or third parties, or in any case to obtain undue benefits for the Company or for third parties.

It is also expressly forbidden to use assigned Company information technology equipment for purposes contrary to the law, public order and morality; to engage in any conduct that may damage, alter or impair Company information and communication equipment, as it is also forbidden to abusively enter information systems protected by security measures.

*The Directors are forbidden to:*

- *return contributions to their shareholders, or release them from the obligation to carry them through, except in cases of legitimate reduction of the share capital, and reduce the share capital or merge with other Companies (or separate from them), in violation of the laws in defence of creditors;*
- *distribute profits, or advances on profits that have not been made, or that have been destined for reserve; or distribute reserve funds that cannot be legally distributed;*
- *acquire or underwrite stocks or capital share issued by the Company or by the parent company, when prohibited by the law;*
- *fictitiously set up or augment the Company's capital by means of illegal operations.*

*It is expressly forbidden to:*

- allow access to confidential information to persons other than those who need the same in order to exercise their functions or normal business activity;*
- allow access to such information by interested parties without the same having been informed of the consequent duties and obligations, as well as the sanctions resulting from violation of such duties and obligations;*
- buy, sell or perform other transactions on securities of the issuer, directly or indirectly, on one's own behalf or on that of third parties, using confidential information (insider*

- trading);*
- d) disclose confidential information outside the normal course of business (tipping);*
  - e) recommend or induce others, on the basis of confidential information, to perform transactions on securities (tuyautage);*
  - f) disseminate, via the media, including the Internet or any other means, data rumours or false or misleading information regarding financial instruments of the issuer (market information manipulation);*
  - g) put in place buying/selling transactions or orders which:*
    - provide, or are susceptible to provide, false or misleading indications concerning the supply, demand or price of financial instruments;*
    - allow, through the action of one or more persons acting in concert, fixing of the price of financial instruments at an abnormal or artificial level;*
    - use artifices or any other form of deception or expedient;*
  - h) put in place artifices capable of providing false or misleading signals concerning the supply, demand or price of financial instruments of the issuer;*
  - i) operate on treasury shares except within the scope of authorised programmes (e.g. treasury share repurchase transactions).*

It is expressly forbidden for recipients of the Organisational Model to put in place situations and conduct which might jeopardise the safety and quality of the workplace, organised according to the ISO 9001, ISO 14001 and OHSAS 18001 certified integrated quality, environment and safety management system adopted by the Company.

The Company and the employees must avoid conducts which may incur in the commission of handling stolen goods, laundering and use of money, assets or benefits whose origin is illegal.

The Company expressly forbids improper disclosure or violation of industrial and intellectual property rights and copyright, as well as its own and third-party trade secrets.

With reference to the principles of conduct regarding the environment, it is forbidden for Recipients of the Organisational Model to:

- put in place conduct intended to violate the provisions concerning waste management, emission sources and discharges of industrial wastewater containing hazardous substances;
- falsify or alter the environmental disclosures to the Public Administration, including data and information relating to emissions into the atmosphere to be disclosed to the monitoring Authorities (e.g. ARPA, Provincial Administration);
- abandon or store waste in an uncontrolled manner and discharge the same, in solid or liquid state, in surface and underwater;
- conduct waste management activities in the absence of specific authorisation for disposal and recovery of the same, or in the event of revoked or suspended authorisation;
- mix different categories of hazardous waste (or hazardous with non-hazardous waste);
- violate the disclosure requirements, keeping of compulsory registers and forms for waste management;
- falsify/alter, and/or compile waste analysis certificates with incorrect and/or untruthful information concerning the nature, composition and physical-chemical characteristics of said waste, also with reference to the SISTRI - Handling Area;
- perform or participate in organised activities directed at illegal waste trafficking;
- prevent access to sites by control authorities;
- discharge industrial wastewater containing hazardous substances without authorisation or after the same has been suspended or revoked;

- violate the obligation to provide for, upon occurrence of a potential event which could contaminate the site, implementation of necessary preventive and remediation measures, providing timely notification to the competent authorities;
- violate the emission limit values or the provisions established by the authorisation in operating a plant as well as the air quality limit values provided for by current legislation.

### **3.3 Offences committed abroad**

The Company, pursuant to art. 4 of the Decree, may be called upon to respond in Italy in relation to certain offences committed abroad in the case in which:

- a) the offence is committed abroad by a person functionally linked to the entity;
- b) the entity has its registered office in Italy.

Where the offences are committed partly abroad and partly in Italy, pursuant to art. 6, paragraph 2 of the Italian Criminal Code, the liability provided for in the Decree may also apply when only part of the conduct or the event occurred in Italy.

With regard to offences committed entirely abroad by persons, top management or subordinates, attributable to the Company, the latter is liable in the cases provided for in articles 7, 8, 9 and 10 of the Italian Criminal Code and provided that with regard to the same the Country of the place in which the offence was committed does not take action.

### **3.4 Sanctions**

Conduct not compliant with the provisions of the Code of Ethics and of these Guidelines, regardless of any other type of criminal action taken against the transgressor(s), will lead to the enforcement of disciplinary measures in accordance with the current legislation and/or collective bargaining agreements.

### **3.5 Communications to the Supervisory Body**

In order to facilitate communication to the Supervisory body of any fact or circumstance concerning the

Organisational Model, Piaggio has put in place the following e-mail address: [organismodivigilanza@piaggio.com](mailto:organismodivigilanza@piaggio.com)

## ANNEX 6 – PROTOTYPES AND SAMPLES FOR TYPE APPROVAL

### 1. Introduction

The approval of samples for type approval and qualification is seldom obtained on first dispatch nowadays, thus increasing development costs. Failure to obtain approval is often due to non-conformities concerning dimensional drawings and/or materials, perhaps related to an absence of process capability. In other more infrequent but possible circumstances, this is due to inadequate design. In this case, the supplier is responsible, only if it is the designer or involved in co-design.

### 2. Purpose

This Annex informs suppliers of the rules, for sampling intended as prototypes, samples for type approval and samples for qualification. This letter shall be disclosed to and accepted by the supplier so that it is legitimate in the event of any claims.

### 3. Prototype/type approval stage

A certificate of conformity shall be provided for the prototype, with the following information:

- the numerical values recorded for all dimensions on drawings (these are marked by flags on important prototypes);
- a description of the process used to obtain the prototype;
- a description of the assumed final process and how far it deviates from the prototype process;
- a description of materials used and a list of alternative materials that could probably be used in mass production;
- the level of significance of the prototype;
- evidence of testing results, if tests are conducted by the supplier, also on the prototype;
- Gantt charts for the delivery schedule of the prototype, with various steps.

If the prototype does not comply with the certificate of conformity and the drawing, the supplier of the prototype will be charged for its costs and for the costs of all controls on any type approval tests already started and/or carried out.

### 4. Qualification stage

A computerised certificate of conformity shall be provided for the prototype, with the following information:

- the numerical values recorded for all dimensions, to be kept on capability;
- a flow diagram of the process, indicating the check points;
- certification of final materials;
- a report on functional testing, if carried out;
- delivery schedules for samples for qualification, with various steps;
- the delivery of rubber test bars or wire sections or other items required by standards indicated in the drawing, through other standards incorporating them.

If the supplier is a consolidated vendor of the commodity and inspections of sampling identify deviations from the drawings (dimensional, material and functional) which are not reported in the certificate, the cost of sampling and relative inspections will be charged to the supplier, from the first sampling stage. If the Supplier is not consolidated, the above applies starting from the second sampling stage.


If approval is obtained after the first sampling stage, all relative costs will be charged to the supplier.

Costs charged to the supplier will also include costs for functional tests if carried out on items that are subsequently identified as having non-conforming materials and/or dimensions. This practice applies because functional tests are carried out at the same time as tests on dimensions and materials, for development reasons, in compliance with indications in the CQC provided by the Supplier.

Functional testing may be charged to the supplier, even if the dimensions and materials of the item conform, if the defect is a process fault and not a design anomaly.



## ANNEX 7 – CONTROL QUALITY CERTIFICATE

		Code: PVQC-FO-14													
<h3 style="margin: 0;">Control quality certificate</h3>		N° _____	Date checked _____												
Supplier _____		Date _____ Q.ty _____													
Part number _____		Rev _____	Functional code _____ CL _____												
Part name _____		Vehicle _____													
Purpose: _____		CQC: _____													
No	DIMENSION	NOMINAL VALUE	MIN. VALUE	MAX. VALUE	MEASURED VALUE					Middle	Min	Max	Range		
					SAMPLE 1	SAMPLE 2	SAMPLE 3	SAMPLE 4	SAMPLE 5						
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36															
Characteristic no good for reference.....can be accepted temporary															
<b>Conclusion:</b>		Accept: <input type="checkbox"/>				Reject: <input type="checkbox"/>									
<b>Note</b> _____															
Made by _____					Checked by _____					Approved by _____					