

GENERAL TERMS OF PURCHASE - PIAGGIO & C. SPA

(November 2010 Edition)

These General Terms of Purchase (the “**Terms**”) are hereby executed on this day _____,

by and between

Piaggio & C. S.p.A., an Italian company with registered office in Viale Rinaldo Piaggio no. 25, 56025, Pontedera (PI), Italy, VAT registration no. 01551260506, registered with the Pisa Register of Companies, tax identification no. 04773200011 (“**Piaggio**”).

and

..... a company incorporated under the Chinese Law with its registered office at, China (hereinafter referred to as “.....”), in its capacity of manufacturer,

and

..... a company incorporated under the Chinese Law with its registered office at, China (hereinafter referred to as “.....”), in its capacity of trading company,

Hereinafter and are also defined jointly as “**Supplier**”; Piaggio and Supplier are also defined severally as “**Party**” and jointly as “**Parties**”

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);
- “**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;
- “**Authority**”: any Italian or foreign authority (including, without any limitation whatsoever, Community authorities), with judicial, legislative, executive or administrative powers or capacities;
- “**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;
- “**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;

- “Laws”: all statutory, regulatory and administrative provisions, whether Italian or foreign (including, without any limitation whatsoever, Community 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;
- “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;
- “Delivery Schedule”: the delivery schedule for the Products supplied under an Open Order;
- “the Products”: components supplied to Piaggio by 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.

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

- Annex 1: Loan-for-Use Agreement;
- Annex 2.1: (Zero Time) Quality of the Products;
- Annex 2.1 A: Containment Processes for Non-Conforming Supplies;
- Annex 2.2: Warranty Terms;
- Annex 3: Piaggio Supply Logistics;
- Annex 4: Supply of Spare Parts;
- Annex 5: Ethical Code;
- Annex 6: Prototypes and Samples for Approval.

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 and, in their capacity of Supplier, hereby accept to bear joint and several liability in respect to any obligation towards Piaggio arising out of this Agreement.

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 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 17.2 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 18.1 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.
- 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) 30 (thirty) months from the date of delivery of the Products to Piaggio; or b) 24 (twenty-four) 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 “Defects in Products Assembled in Vehicles” 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 arrange and maintain at its own cost an insurance coverage (Product Liability Insurance and Recall Liability Insurance) with a premier insurance company for the entire duration of the supply relationship plus a term of at least 2 (two) years following the delivery date of the last Product delivered to Piaggio, which will cover the Supplier's liability towards Piaggio and towards third parties in accordance with Articles 11.1 and 11.2 hereof, for a maximum limit of liability which in any case is no less than EUR 2,500,000.00 (two million, five

hundred thousand euros). Said insurance policy shall identify Piaggio as an additional beneficiary, and may not be cancelled without the prior express consent of Piaggio. The Supplier undertakes to provide Piaggio with a copy of the insurance policy contract (or insurance certificate) and to ensure that the insurance cover is valid and effective for the entire duration of the supply relationship. Piaggio shall be entitled to assess the suitability of the insurance coverage afforded and demand amendments where the insurance policy is found not to comply with the provisions of Article 11.3. herein. It is hereby agreed that if, prior to the date of execution of these Terms, the Supplier already has insurance cover that satisfies the foregoing terms and conditions, evidence of the insurance policy contract is to be provided to Piaggio, without prejudice to the right of Piaggio to demand amendments thereto.

ARTICLE XII – PRICES; INVOICES; PAYMENTS

- 12.1 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.
- 12.2 For each lot of Products, Spare Parts and/or Accessories delivered to Piaggio, the Supplier will send Piaggio the relative invoice according to the terms and procedures set forth in the Order. Each invoice shall specify: (i) the Order number and number of relative consignments made; (ii) the type and description of the Products, Spare Parts and/or Accessories delivered (providing they are taxable at the same VAT rate); and (iii) the payment terms.
- 12.3 Piaggio will pay to the Supplier all amounts due as agreed by the Parties, in accordance with the terms and procedures set forth in the 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.

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 - OCCUPATIONAL HEALTH AND SAFETY LAWS

- 14.1 In its performance of the Supply Agreement, the Supplier shall comply with all laws in force governing employment, the environment and occupational health and safety. Specifically, the Supplier hereby warrants that:
 - a) the statutory, remuneration and social security requirements set forth by law and in collective bargaining agreements in force will be fulfilled for all personnel engaged in the performance of the Supply Agreement;
 - b) said personnel will be insured on a workers' compensation scheme in accordance with applicable laws in force;

c) contractual activities will be performed in full compliance with laws in force – including codes of practice issued by standard setters – governing environmental protection, occupational health and safety and accident prevention (including *inter alia* Italian Legislative Decree no. 81/2008), and in any case in conditions of ongoing occupational health and safety.

Upon request by Piaggio, the Supplier shall send Piaggio all information and documentary evidence attesting its compliance with the laws as of Article 14.1 hereof.

- 14.2 Where activities are performed in whole or in part at Piaggio sites, the Supplier will comply with the obligations set forth in Article 26 *et seq.* of Italian Legislative Decree no. 81/2008, and will provide Piaggio with all suitable information and documentary evidence attesting compliance with said obligations, including: i) the technical and professional qualification of the Supplier; (ii) the risks connected with work performed by the Supplier; and (iii) the safety costs. The Supplier also undertakes to comply – and ensure compliance, in accordance with Article 1381 of the Italian Civil Code, on the part of its employees and any other third party involved by the Supplier in the performance of the Supply Agreement – with the instructions contained in the interference risk assessment document prepared by Piaggio in accordance with Article 26 (3) of Italian Legislative Decree no. 81/2008 (“Piaggio Safety Instructions”), to be provided by Piaggio to the Supplier, and in general with all laws, procedures, regulations and rules in force at Piaggio sites where contractual work is performed.
- 14.3 The Supplier will indemnify and hold Piaggio harmless against any claim raised by any party, including the Supplier's employees, in relation to the foregoing warranties.

ARTICLE XV - ENVIRONMENTAL PROTECTION LAWS

- 15.1 The Supplier hereby represents and warrants (i) that all Products comply with the provisions of Regulation (EC) no. 842/2006 on certain fluorinated greenhouse gases, of Regulation (EC) no. 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), and Regulation (EC) no. 1005/2009 on substances that deplete the ozone layer and amendments thereto, and any other applicable environmental protection laws, and (ii) that the Supplier has fulfilled all the obligations required under the regulations herein.
- 15.2 The Supplier undertakes to notify Piaggio without delay of any restrictions ordered on the use or sale of the Products and/or their relative components and, upon request by Piaggio, of any other information concerning (i) the conformity of the Products in accordance with 15.1 hereof, and (ii) the compliance of the Supplier with requirements of applicable laws.
- 15.3 Where restrictions or prohibitions on use are imposed on the Products or their components during the supply relationship, the Supplier shall also propose to Piaggio, within a reasonable amount of time though no later than 1 (one) month following the decision to withdraw the Products, a replacement product to be assessed and approved by Piaggio. Subject to approval by Piaggio, supply of the replacement product will be subject to the same terms and conditions of supply as the Product, unless otherwise agreed in writing by the Parties.
- 15.4 In the event that the representations made by the Supplier in accordance with Article 15.1 hereof are proven false, Piaggio will also be entitled to terminate the supply relationship with immediate effect by serving written notice thereof on the Supplier, without prejudice to its right to seek any other remedy contemplated by law. In any case, the Supplier will indemnify and hold Piaggio harmless against any cost, expense, damage, sanction and/or other adverse effect borne by Piaggio in relation to any third party claims, including claims by judicial and/or administrative authorities, arising from misrepresentations made by the Supplier in accordance with Article 15.1 hereof or from the failure of the Supplier to comply with obligations binding under the cited regulations..

ARTICLE XVI - INTELLECTUAL PROPERTY RIGHTS; CONFIDENTIALITY; TRADEMARKS

- 16.1 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 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.
- 16.2 The Supplier acknowledges that Piaggio 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 Piaggio 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.
- 16.3 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.
- 16.4 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.
- 16.5 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.
- 16.6 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 16.5 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 XVII – PENALTIES

- 17.1 The non-performance by the Supplier of any one of the obligations binding under Articles 4.1, 5.2, 16.2, 16.3, 16.4, 16.5 and 16.6 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.
- 17.2 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”).
- 17.3 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.
- 17.4 Notwithstanding the foregoing, Piaggio is entitled to claim compensation for any greater damages actually sustained.

ARTICLE XVIII - TERMINATION; WITHDRAWAL; EFFECTS OF TERMINATION OF THE SUPPLY AGREEMENT

- 18.1 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.
- 18.2 In addition to the provisions of Article 15.4 hereof, any breach of the provisions of Article XVI or Article 19.1 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.
- 18.3 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.
- 18.4 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.
- 18.5 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 XIX – MISCELLANEOUS

19.1 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, also in accordance with Article 1381 of the Italian Civil Code, of any subcontractors with the provisions of these Terms.

19.2 In accordance with and for the purposes of Article 1381 of the Italian Civil Code, the Supplier hereby warrants that its Representatives, subcontractors and any other Entity 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.

19.3 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:

Piaggio & C. S.p.A.
 Viale Rinaldo Piaggio no. 25
 56025, Pontedera (Pisa), Italy
 Attn.: _____
 Fax: +39 0587 272659

if to the Supplier:

[the Manufacturer]

 Attn.:
 Fax: (____) _____

[the Trading Company]

 Attn.:
 Fax: (____) _____

19.4 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.

19.5 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.

19.6 The supply relationship will be governed by the laws of Italy.

19.7 Any dispute arising from or in connection with the construal, performance or termination of the Supply Agreement will be referred to the exclusive jurisdiction of the Court of Pisa.

19.8 In performing all activities connected with the Supply Agreement, the Supplier hereby undertakes to comply with the provisions of Piaggio's Ethical Code, enclosed herewith in **Annex 5** (“**Ethical Code**”), and incorporated into these Terms.

Signed, sealed and delivered on [date]: _____

PIAGGIO & C. SpA

The Supplier

[the Manufacturer]

The Supplier

[the Trading Company]

The Supplier hereby confirms its specific approval, in accordance with Articles 1341 and 1342 of the Italian Civil Code, of the following clauses:

Article 1.3; Article 3.2; Article 4; Articles 10.3 and 10.4; Articles 11.1 and 11.2; Article 14.3; Article 15.4; Articles 16.1, 16.2 and 16.6; Article 17.3; Articles 18.2, 18.3 and 18.4; Article 19.1; Article 19.7.

Date: _____

The Supplier

[the Manufacturer]

The Supplier

[the Trading Company]

ANNEX 1 – “LOAN-FOR-USE” AGREEMENT

This Loan-for-use Agreement (the “**Agreement**”) is executed on this day _____,

by and between

Piaggio & C. S.p.A., an Italian Company with registered office in Viale Rinaldo Piaggio no. 25, 56025, Pontedera (PI), Italy, registered with the Pisa Register of Companies no. 04773200011 (hereinafter referred to as “**Piaggio**”).

and

..... a company incorporated under the Chinese Law with its registered office at, China (hereinafter referred to as the “**User**”)

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

WHEREAS on [date] _____ Piaggio issued a supply list accepted by the User (the “**Supply Agreement**”), under which the User will supply Piaggio with products, components or other materials (collectively the “**Products**”) specified in detail in the Supply Agreement.

WHEREAS Piaggio is the proprietor of the equipment identified in **Annex 1** (“Description of the Equipment”) enclosed with this Agreement (collectively the “**Equipment**”).

WHEREAS in accordance with the Supply Agreement and for the performance thereof, Piaggio intends to provide the User, which intends to accept, the Equipment under a loan-for-use agreement at the terms and conditions specified hereunder.

WHEREAS the User represents that it has inspected the Equipment and is informed of the characteristics and conditions of the Equipment, and is therefore fully aware of the risks and liabilities connected with the execution of this Agreement in the event that the Equipment is damaged, lost or stolen.

NOW, THEREFORE, the Parties do hereby agree as follows:

ARTICLE I RECITALS AND ANNEXES

The Recitals and Annexes hereto shall be incorporated into this Agreement.

ARTICLE II PURPOSE AND DELIVERY

Section 2.1. Purpose. In accordance with Article 1803 of the Italian Civil Code, Piaggio hereby provides the Equipment on loan for use to the User, which hereby accepts and represents that it has received said Equipment.

Section 2.2. Delivery. The Equipment will be delivered by Piaggio to the User upon the execution of this Agreement.

Section 2.3. Conditions of the Equipment. Having inspected the Equipment in question, the User expressly represents and agrees that the Equipment is provided in perfect condition, without flaws and/or defects of any kind whatsoever, that the Equipment fully complies with safety regulations in force, and is suitable for the purposes for which it is loaned for use to the User under this Agreement.

Where the Equipment has been constructed by the User at the instruction of Piaggio, which remains the proprietor thereof, the User undertakes to deliver to Piaggio upon the execution of this Agreement all the technical documentation specified in the relative order for development of the Equipment, including a statement of compliance with quality and safety requirements. Specifically, as concerns the safety of the Equipment, said documentation will comply with the provisions of Italian Legislative Decree no. 81/2008 and Directive 2006/42/EC (“New Machinery Directive”) implemented by Italian Legislative Decree no. 17/2010.

Section 2.4. Conditions of the Equipment upon Return. The User undertakes to return the Equipment to Piaggio, as provided for in Article IV hereunder, in the same conditions in which it was delivered by Piaggio to the User, excepting normal wear and tear.

ARTICLE III REPRESENTATIONS AND WARRANTIES

Each of the Parties hereby gives to the other the following representations and warranties:

Section 3.1. Incorporation and Powers. (i) The Party is a company/enterprise duly incorporated and existing under the laws of its country of jurisdiction and is entitled to engage in its current business and possess the assets that it currently holds for use, and is not in liquidation or undergoing insolvency proceedings; (ii) the Party is duly vested with the powers, capacities and authorisations required to execute this Agreement, to fulfil the obligations binding on it hereunder, and to effect the transactions contemplated herein; (iii) all corporate deeds and procedures required to authorise the Party to execute this Agreement and effect the transactions contemplated herein have been obtained and performed as required and appropriate; and (iv) this Agreement is duly and legitimately executed by the Party and hence constitutes a legal, valid and binding obligation on the Party, enforceable against the Party in accordance with its terms and conditions.

Section 3.2. Absence of Breach. The execution and performance of this Agreement and the performance of the operations contemplated herein (i) do not constitute a breach of the articles or memorandum of association of the Party currently in force, and (ii) do not constitute breach of contract or give rise to any right to terminate, demand payment, withdraw, accelerate payment, or demand early enforcement of any contractual arrangement to which the Party is a party or require the amendment thereof or approval of any kind thereunder.

ARTICLE IV OBLIGATIONS OF THE USER

Section 4.1. Safekeeping and Maintenance. The User undertakes to diligently safe keep and store the Equipment and arrange, at its own expense, for the ordinary and extraordinary maintenance of the Equipment where required due to circumstances attributable to the User and to use the Equipment exclusively for the performance of the Supply Agreement. As keeper of the Equipment, the User is directly liable to Piaggio and third parties, as applicable, for any damages arising as a result of use of the Equipment.

Section 4.2. Expenses. The User will not be entitled to the reimbursement of any expense incurred in connection with the use of the Equipment.

Section 4.3. Assignment. Under no circumstances may the User grant use of the Equipment to third parties for any reason whatsoever, without the prior written consent of Piaggio which may be given or withheld at its discretion.

Section 4.4. Property in the Equipment and Specific Obligations. (a) The User expressly acknowledges and accepts that property in the Equipment remains fully and exclusively with Piaggio. The User is liable for any loss, damage or destruction of the Equipment.

(b) With regard to the Equipment, commencing from the date of execution of this Agreement and until termination hereof for any reason whatsoever, the User undertakes to:

- (i) register and mark all Equipment as the property of Piaggio, using the plates provided by Piaggio;
- (ii) arrange, upon request by Piaggio, adequate insurance cover for the Equipment against fire, theft, vandalism, natural disaster and any other insurable risk of loss and/or damage, and promptly provide a copy of the relative insurance policy contract to Piaggio;
- (iii) not transfer any of the Equipment off its sites, without the prior express written consent of Piaggio;

- (iv) permit delegated Piaggio personnel to access its premises, with prior notice and during normal business hours, for the purposes of inspecting the storage, use and wear and tear conditions of the Equipment, and checking, where deemed necessary by Piaggio, compliance with safety regulations in force, as represented by the User;
 - (v) not assign the Equipment to third parties, for any reason whatsoever, either directly or indirectly, or to grant any kind whatsoever of security interest in the Equipment;
 - (vi) not produce or provide in any way to third parties pieces designed or created using the Equipment, either directly or indirectly, for use in production processes or as spare parts; and
 - (vii) not to construct or have constructed, in any way whatsoever, either directly or indirectly, equipment of any kind that is similar to the Equipment, using information, technical specifications, data, documents, reports, worksheets or other information of any kind or existing in any format whatsoever that is the property of Piaggio and which Piaggio discloses or makes available to the User or which are used or acquired by the User for the purposes of the performance of the Supply Agreement and/or for manufacturing, designing, testing, developing and/or supplying the Products (and relative prototypes) to Piaggio, including, without any limitation whatsoever, information concerning the Equipment connected with the manufacture of the Products;
 - (viii) have the Equipment used, in accordance with Article 72 of Italian Legislative Decree no. 81/2008, exclusively by workers duly trained and skilled and possessing all qualifications necessary for use of said Equipment. The User also undertakes to record and keep a list for Piaggio of the names of workers that use the Equipment.
- (c) Without prejudice to the foregoing, the User will ensure, also for the intents and purposes of Article 1381 of the Italian Civil Code, the compliance of its managers, directors, partners, employees and any other agent acting on behalf of the User with the provisions set forth in Article IV hereof.

ARTICLE V INDEMNITY OBLIGATIONS OF THE USER

The User will indemnify and hold Piaggio harmless against any liability (meaning any liability or obligation of any kind whatsoever, whether known or unknown, owing in the present or in the future) that Piaggio may incur as a consequence of (i) the untruthfulness or inaccuracy of the representations and warranties given by the User in this Agreement, or (ii) a breach by the User of the obligations binding under this Agreement, or (iii) the use by the User of the Equipment under the terms and conditions of this Agreement.

ARTICLE VI TERM, WITHDRAWAL AND TERMINATION

Section 6.1. Term. Without prejudice to the provisions of Article 1810 of the Italian Civil Code and Article IV hereof, this Agreement will be valid and effective commencing from the date of execution. It is hereby agreed and accepted by the Parties that this Agreement will automatically end, without any requirement of notification, in writing or otherwise, between the Parties, upon the date of termination of the Supply Agreement for any reason whatsoever.

Section 6.2. Withdrawal. Piaggio will be entitled to withdraw from this Agreement by serving written notice thereof on the User sent by registered mail with return receipt requested, with immediate effect as of the date of service of said notice to the User, in the following cases:

- (i) Change of control of the User or of the parent controlling the User (as per the definition of control in Article 2359, subsection 1, points 1), 2) and 3) of the Italian Civil Code);
- (ii) The User becomes insolvent or commences or undergoes insolvency proceedings of any kind whatsoever, or is placed in receivership for whatsoever reason; and
- (iii) The User transfers or assigns in any way whatsoever (including, without any limitation whatsoever, through the disposal, contribution or spin-off of the company or one or more

business units of the User or through the merger or demerger of the User) the Supply Agreement or this Agreement to a third party without the prior written consent of Piaggio, which may be given or withheld at its discretion.

Section 6.3. Termination. In accordance with and for the purposes of Article 1456 of the Italian Civil Code, any breach by the User of the provisions of Article IV hereof will entitle Piaggio to terminate the Supply Agreement, by serving written notice thereof on the User sent by registered mail with return receipt requested, with immediate effect as of the date of service of said notice to the User.

Section 6.4. Obligations upon termination of the Agreement. (a) Withdrawal from or termination of this Agreement under the terms and conditions of Sections 6.2 and 6.3 above will not incur any liability towards the User for Piaggio.

(b) Upon termination of this Agreement for any reason whatsoever, without prejudice to Piaggio's right to the immediate return of the Equipment in accordance with Article 1809 (2) of the Italian Civil Code and Section 2.4 above, the User shall follow the instructions provided by Piaggio for the return of the Equipment, unless instructions for scrapping the Equipment are otherwise given by Piaggio.

ARTICLE VII VALUATION

The risk of depreciation of the Equipment during the term of this Agreement will be borne entirely by the User. In this regard, in accordance with and for the purposes of Article 1806 of the Italian Civil Code, the Parties hereby agree that the Equipment will be valued at an amount equal to the cost of restoring the Equipment to its original condition.

ARTICLE VIII MISCELLANEOUS

Section 8.1. Confidentiality. For a term of 5 (five) years following the termination of this Agreement for any reason whatsoever, each Party will maintain, and ensure that their respective representatives maintain, the strict confidentiality of any information concerning the other Party and its Associates, obtained from the Party or any of its Associates, that is used or acquired through the performance of this Agreement or before the date of execution of this Agreement and/or beyond the scope of this Agreement, and will refrain, and ensure that their respective representatives refrain, from disclosing said information to third parties. 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.

Section 8.2. Severability. The invalidity or unenforceability of any one of the clauses or provisions of this Agreement will not prejudice the validity and enforceability of the remaining clauses and provisions, which shall, accordingly, be held valid and enforceable.

Section 8.3. Waivers and Amendments. Any tolerance shown by Piaggio of actions by the User that breach the provisions of this Agreement will not constitute waiver of the rights arising under the breached provisions, or of Piaggio's right to demand full performance of all terms and conditions of said provisions. Amendments or changes to this Agreement will not be valid and effective unless specific written approval thereof is given in advance by a delegated representative of Piaggio and of the User. Under no circumstances will any verbal arrangements or other arrangements not complying with the provisions of this section be binding.

Section 8.4. Full Agreement; Provisions in Conflict with the Supply Agreement. (a) This Agreement contains all arrangements made by and between Piaggio and the User in relation to use of the Equipment by the User. Accordingly, this Agreement cancels and replaces any previous document, understanding or verbal or written arrangement by and between the Parties in relation to the right of the User to use the Equipment.

(b) In the event of any conflict or contradiction between this Agreement and the Supply Agreement, the provisions of this Agreement will prevail.

Section 8.5. Expenses. Any expense arising from or in connection with this Agreement will be borne exclusively by the User.

Section. 8.6. Co-operation. The User will be required to sign and deliver any document deemed fit and necessary by Piaggio for the purposes of demonstrating the full and exclusive ownership of the Equipment by Piaggio.

Section. 8.7. Governing Law. This Agreement will be governed by the laws of Italy.

Section. 8.8. Exclusive Jurisdiction. Any dispute or litigation of any kind whatsoever arising from or in connection with this Agreement will be referred to the exclusive jurisdiction of the Court of Pisa.

Section 8.9. Notices. All notices to be given in accordance with the terms and conditions of this Agreement shall be made in writing and, unless otherwise agreed, 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:	if to the User:
Piaggio & C. S.p.A.	_____
Viale Rinaldo Piaggio no. 25	_____
56025, Pontedera (Pisa), Italy	_____ (___)
Attn.:	Attn.: _____
Fax: +39 0587 272796	Fax: (___) _____

Any notice served in accordance with the terms and conditions of this Agreement will be deemed received:

- (i) at the time of transmission to the address for service specified above, providing transmission is on a Business Day, for notices served by telex;
- (ii) at the time of receipt by the sender of confirmation of receipt returned by the addressee, for notices served by facsimile; and
- (iii) at the time of receipt by the sender of the return delivery receipt, for notices served by registered mail with return receipt requested or by courier.

This Agreement is executed in _____, on this day _____.

Piaggio & C. S.p.A.	the User
_____	_____
Name:	Name:
Title:	Title:

The User hereby confirms its specific approval, in accordance with Articles 1341 and 1342 of the Italian Civil Code, of the following clauses: Article IV (“Obligations of the User”), Article V (“Indemnity Obligations”), Article VI (“Term, Withdrawal and Termination”), Section 8.9 (“Exclusive Jurisdiction”).

Date: _____	The User

	Name:
	Title:

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 (see Italian Legislative Decree no. 172/04 which implements the European Directive 2001/95/EC on the general safety of 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 (Italian Presidential Decree no. 224/88 implementing the European Directive EEC 85/374) 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 € 2,500.00 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 € 2,500.00, 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 (Piaggio Pontedera, Aprilia Scorzé, Moto Guzzi, Mandello del Lario) 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. Open and closed 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 produce and delivery times of Products indicated in open orders, via its competent Units (GEMAP), according to the procedure set out in section 2.b.2. herebelow, 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 collect the supplies.

The Supplier shall 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 25th of each month (m-1/November) for deliveries to be performed in the coming following months, according to the following procedure:

- i) Every Delivery Schedule shall indicate the fixed quantities of the subsequent three months (month m/Dec., month m+1/Jan., month m+2/Febr.);
- ii) Each Delivery Schedule will also indicate the non binding forecasts for months m+3 (March) and m+4 (April).
- iii) When month m+3 becomes month m+2 the quantity referred to the new month m+2 will have a maximum allowed tolerance of +/- 25% on the quantity previously indicated as per month m+3.
- iv) When month m+4 becomes month m+3 the quantity referred to the new month m+3 will have a maximum allowed tolerance of +/- 50% on the quantity previously indicated as per month m+4.
- v) In this way, with the issue of month m-1, it is given the indication of the quantity requested to be available on the 5th of month m+2 CIF Italian (agreed) port.
- vi) The deliveries foreseen for each month may be one or two in accordance with the quantities requested, in any case the date/dates requested shall indicate the date in which the Products must be

made available according to the Incoterm indicated in the Purchase Order or in the Delivery Schedule

- vii) Before the end of the month (month m-1) the Supplier shall send to Piaggio a written confirmation of all the quantities and time limits indicated in the said Delivery Schedule for 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 on the receipt of the above monthly Delivery Schedules. Delivery details and time limit, as specified in the Delivery Schedule, shall be binding on the Supplier.

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

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 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 which result in productivity losses on Piaggio production lines.

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 observations to be sent in writing, 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 made during the previous month in accordance with point v above:
 - (i) if the total of monthly charges is less than € 2,500.00 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 € 2,500/00, 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 making all means necessary for this purpose operative. 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;
- confirm the feasibility of the Delivery Schedule and forecasts in writing to Piaggio, within two business days of receipt. If the Supplier does not make observations and/or reports criticalities, the operational Delivery Schedule sent is considered as tacitly accepted;
- 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 recovered 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 N+4) and raw materials (only for the month N+5) will be regulated by a specific agreement.

If technical changes are made to supplies, Piaggio will inform the Supplier by written letter, requesting it to limit the supply 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 the collection of released Delivery Schedules for definitive Products and the first forecast month for semi-finished Products and raw materials.

If material is obsolete by more than 2 calendar years, Piaggio undertakes solely to verify possible alternative uses.

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/variatio

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/variatio

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%.

ANNEX 5 – ETHICAL CODE



PIAGGIO & C. S.p.A.

Ethical Code

(April 2010)

1. ETHICAL CODE

Article 1

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 ethical code (the “**Ethical Code**”), 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 objective of the Company is the creation of value, so as to protect the expectations of its customers and shareholders, as well as the work of its employees. 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, correctness and loyalty;
- 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 among its workers and partners, and it ensures that such strategies are respected and updated
- 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;
- 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
- the Company pursues excellency and competitiveness in the market, offering quality services to its clients and answering their needs in an efficient manner;
- the Company protects and empowers its human resources;
- 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, keeping its clients’ needs into account, and it commits itself to the greatest availability 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 Ethical Code.

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.

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 Ethical Code.

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 Organisational Model of the Company ("Organisational Model") and, in any case, the involved subject should abstain from the relevant operative/decisional process.

Article 8 – The environment

The Company is convinced that global growth must be sustainable in the common interest of all shareholders, both present and future. The choices of investment and of industrial and commercial initiatives are therefore based on the respect of the environment and of public health.

The choices of investment and of industrial and commercial initiatives are therefore based on the respect of the environment and of public health.

In compliance with applicable regulations, the Company has respect for environmental issues in determining its choices, also adopting – where operationally and economically compatible and possible – eco-compatible technologies and methods of production, with the purpose of reducing the environmental impact of its own activities

Article 9 – Health and Safety

The Company undertakes to guarantee a safe, healthy and productive working environment for the employees, even by a safety culture, an 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.

Employees should prevent and limit all situations which may negatively affect the working environment Pursuant to the values of the Ethical Code, 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 organisation, 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 guarantying employees' health and safety, included the prevention of professional risks, the information and training activities, as well as an adequate organisation and the necessary instruments.

Article 10 – Intellectual property

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.

Article 11 – 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 this objective to the market and its investors through its respect of criteria of correctness, clarity and equal access to information.

Article 12 – Respect of Ethical Code

The present Ethical Code must be respected by the Company's social bodies, 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 social bodies, executives, employees and partners is respectful of the values mentioned here, providing for appropriate sanctions in case of violations.

2. GENERAL PRINCIPLES OF INTERNAL CONTROL

The Internal Control System is a set of "tools" intended to provide reasonable certainty of achieving objectives of operating efficiency and effectiveness, reliability of financial and management information and compliance with laws and regulations, as well as the protection of assets against possible fraud.

The Internal Control System consists of general principles, applied at all levels of the organisation (hereinafter referred to as operating units).

2.1 Control environment

Powers of representation must be granted and limits defined in relation to the normal scale of relative operations and according to operational areas strictly related to the duties assigned and the organisational structure.

Responsibilities must be defined and duly distributed, avoiding overlapping functions or operative allocations where critical activities are handled by one entity:

- No operation that is significant for an operating unit may be initiated without adequate authorisation.

Operating systems¹ must be in line with the Company's policies and Ethical Code:

- In particular, financial information must be prepared:
 - a) in compliance with laws and regulations, accounting standards in force and international best practices;
 - b) in line with defined 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 notified to all levels concerned, in order to clarify and share the general approach of the unit.

Risks connected with achieving objectives must be identified, periodically providing for adequate control and updating:

¹ *Procedures, organisation, processes, information systems, etc.*

- a risk assessment must be conducted for negative events that are potentially capable of threatening operating continuity and protection measures must be taken;
- an adequate risk assessment of the development risks of innovation processes relative to products/services, organisations and systems must be conducted.

2.3 Control activities

Operating processes must be defined with adequate documents or a system that allows for suitability, consistency and responsibility to be constantly verified:

- it must be possible to trace operating choices in terms of characteristics and reasons and identify entities authorising, carrying out and verifying individual activities;
- the interchange of information between adjacent stages/processes must have mechanisms (reconciliation, balancing, etc.) guaranteeing the integrity and completeness of processed data;
- human resources must be selected, employed and managed according to criteria based on transparency and consistency with the ethics and objectives defined by the company;
- the adequacy of the professional expertise and competencies of an operating unit for assigned objectives must be periodically analysed;
- staff must be trained for the duties assigned to them;
- goods and services for company operations must be purchased based on needs analysis and from adequately selected and controlled sources.

2.4 Information and Communication

An adequate system of process/activity indicators and relative periodic flow of information to management must be provided for.

Administrative and management information systems must be geared towards integration and standardisation.

Security mechanisms must guarantee adequate protection of/access to the data and assets of the operating unit.

2.5 Control

The control system is continually supervised with periodic assessments, and is constantly updated.

3. RULES OF CONDUCT

This document presents rules of conduct (“Rules of Conduct”) to prevent situations being created that are favourable for the commission of offences in general, and in particular of the crimes set out in Italian Legislative Decree no. 231 of 8 June 2001 (“Decree” or “Italian Legislative Decree no. 231/2001”).

The rules of conduct mentioned here illustrate, in operative terms, what has been ruled, in deontological terms, by the Ethical Code.

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 programme of constant formation and sensitisation on the issues related to the Company’s Ethical Code should be carried out.

When tendering for, or dealing with the Public Administration, all employees must act in observance of the law and of the correct commercial practice.

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.

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 principles of conduct adopted by the Company².

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

- When contributions, grants or financial support are requested from the State, the public corporations or the European Communities, all the employees involved in such procedures 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;

² Standard clause: “The consultant, in performing the activities indicated in the appointment, undertakes to observe and therefore signs for acceptance, the regulations in the Ethical Code and Rules of Conduct, attached to this agreement, and which are an integral and substantial part thereof”.

- once the requested outpayment has been obtained, 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 individuation 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 depict 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 social agencies or auditing board;
- 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 keep in contact with the press; the news about the Company that they circulate must be truthful and in observance of the laws and of the regulation in force;

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.

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.

Before starting commercial relations with clients and suppliers, the Company and the employees must obtain adequate information concerning the fair conduct of these subjects.

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.

In the course of civil, penal or administrative court cases, it is forbidden to take (directly or indirectly) any unlawful action that may favour or damage one of the parties involved.

In using computer or electronic systems, it is forbidden to get access without proper authorisation to the information systems used by the Public Administration, or to alter their functioning in any way, or to get access without authorisation to data, information or programmes belonging or related to a computerised or telematic system, in order to obtain and/or unduly modify information for the benefit of the Company or other parties, or in order to obtain any kind of advantage for the Company or other parties.

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 capital stock, and reduce the capital stock 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 controlling company, when prohibited by the law;
- fictitiously set up or augment the Company's capital by means of illegal operations.

3.3 Sanctions

Conducts that do not comply with the dispositions of the Ethical Code and of these guidelines, independently from any other type of penal action undertaken against the violator(s), will lead to the enforcement of disciplinary sanctions in accordance with the laws and/or the norms of collective trading that are currently in force.

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, applicable from 2005 onwards, 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.