

General Terms and Conditions for the Procurement of work, goods as well as for other procurements by RUAG companies with their place of business in Switzerland (GTC-P)

1. Scope and validity

- 1.1 These GTC-P provide for the conclusion, content and performance of contracts for the procurement of goods, work as well as for similar procurement contracts. Unless otherwise agreed, the General Terms and Conditions for Procurement of services by RUAG companies with their place of business in Switzerland (GTC-P Services) shall apply for the providing of contract law services, the General Terms and Conditions for Procurements of Maintenance and Support by RUAG companies with their place of business in Switzerland (GTC-P Maintenance) for maintenance and support.
- 1.2 These GTC-P shall be considered accepted if supplier submits an offer to RUAG or confirms an order of RUAG. General Terms and Conditions of supplier are explicitly excluded.

2. Offer and order

- 2.1 The offer is free of charge unless provided otherwise in the request for proposal.
- 2.2 The offer is binding during the period mentioned in the request for proposal or in the offer. If there is no respective information, supplier is bound for 4 months from the date of the offer.
- 2.3 If the offer deviates from the request for proposal, supplier shall explicitly point this out.
- 2.4 Orders are only binding if they are placed in writing. Electronic orders are binding if this is foreseen in a written agreement between the parties.

3. Execution

- 3.1 Supplier shall inform RUAG regularly about work progress and in particular shall obtain all required specifications. Supplier shall inform RUAG at once about all circumstances, which might jeopardise the contractual performance. This also includes the change of production sites, subcontractors and subsuppliers.
- 3.2 If for the execution RUAG premises have to be entered, supplier shall comply with RUAG's company regulations, in particular with the safety regulations and house rules, which he will be handed upon request.

4. Enlisting of subcontractors and subsuppliers

- 4.1 Supplier may only enlist subcontractors which, in whole or in part, provide services for him, after previous written approval by RUAG. Supplier shall remain responsible towards RUAG for the performance of the contract.
- 4.2 RUAG may commit supplier to the enlistment of a specific subcontractor. In this case RUAG shall bear the consequences of his inadequate performance, if supplier proves that he used the subcontractor correctly and supervised him properly.
- 4.3 Upon request supplier shall disclose his subsuppliers to RUAG.

5. Remuneration

- 5.1 Supplier provides the services at fixed prices or on a time and material basis with an upper limit of the remuneration (cost ceiling). In his offer he discloses the cost types, quantity structures and cost rates.
- 5.2 The remuneration compensates for all performances required for the proper performance of the contract. In particular it covers installation-, test- and documentation costs, the costs for a possible initial instruction, the expenses (particularly for subsistence, travel and accommodation) the license fees, the costs for transport packaging, equipment, gauges, tools etc., which have to be specially manufactured, as well as public charges such as taxes and customs duties.
- 5.3 Unless otherwise agreed, charges for the rental and use of transport equipment and temporarily installed components as well as repair are included in the remuneration.

6. Terms of payment

- 6.1 Unless otherwise agreed, the payments become due upon acceptance. RUAG pays invoices made out after the due date within 45 calendar days of receipt of the invoice.
- 6.2 RUAG reserves the right to return incorrect, unverifiable invoices for correction. The term of payment starts anew with corrected invoicing.

- 6.3 If partial payments (downpayments and instalments) are agreed upon, RUAG may request securities from supplier at his expense.

7. Changes to contractual specifications

- 7.1 Supplier shall inform RUAG about all developments, which for technical or economic reasons invite for specifications to be modified.
- 7.2 The parties may request changes to the agreed contractual specifications in writing at any time. If RUAG should want a change, supplier shall inform in writing within 20 days, whether the change is possible and what consequences it will have on the goods and services to be provided and for the remuneration including deadlines. RUAG decides within the same period whether the change is to be accomplished. If supplier should want a change, RUAG shall approve or refuse the substantiated application within the same period.
- 7.3 Supplier may not deny the approval of a change request by RUAG if the change is objectively possible and the overall character of the performance to be provided is preserved.
- 7.4 Prior to their realization the change of contractual specifications and possible adjustments of remuneration, deadlines and other points of the contract are laid down in a written amendment to the contract. The adjustment of the remuneration is calculated based on the original cost basis.
- 7.5 Without an agreement to the contrary supplier shall continue his work as planned during the examination of the proposed changes.

8. Property on material furnished by RUAG

- 8.1 Materials, samples, drawings, utilities such as test equipment, gauges and tools, remain the property of RUAG and (until a possible installation or use/consumption) shall be designated as such and separated.
- 8.2 Upon receipt furnished material is to be thoroughly inspected by supplier. It is considered free from defects, if RUAG is not notified in writing within 5 calendar days of damages, defects and missing components.
- 8.3 As long as the furnished material is with supplier, he has to inventory it, keep it in safe custody and maintain it at no additional cost for RUAG, and to insure it at his own expense. At the request of RUAG supplier shall hand over a written proof of insurance and an updated inventory stating the condition of the furnished material.
- 8.4 The furnished material may only be used as agreed. Unless otherwise foreseen, after termination of the contract, they are to be returned to RUAG without being specifically requested and free of charge.

9. Default

- 9.1 If the parties have agreed upon an exact deadline for performance, the supplier, in case he does not meet the deadlines so fixed, comes into default without further ado; in the other cases after reminder by RUAG and granting of a reasonable respite.
- 9.2 Without the written approval of RUAG neither part deliveries nor advance deliveries are permitted.
- 9.3 RUAG shall be notified immediately in writing of each emerging default of the supplier.
- 9.4 **If supplier comes into default, he owes an amount of 1% of the total remuneration per day of delay, with a maximum of 10% of the total remuneration. It is also owed if the items are accepted without reservation. This payment does not relieve supplier from the other contractual obligations; however, it is credited against the compensation for damages to be paid. Personal negligence of RUAG and Force Majeure remain reserved.**

10. Right of withdrawal

- 10.1 RUAG is entitled to withdraw from the order as a whole or in part at any time. RUAG shall notify supplier of such withdrawal in writing.
- 10.2 In such a case supplier is only entitled to be paid for work demonstrably performed or accrued expenditure and a reasonable margin of profit thereon, unless such withdrawal took place due to supplier's non-performance or bad performance.

10.3 RUAG is only under the obligation to pay claims as per para. 10.2 to the extent that supplier transfers the work begun to RUAG free of third-party rights or claims.

11. Place of performance

- 11.1 Unless otherwise agreed, the premises of RUAG are the place of performance.
- 11.2 With each delivery supplier shall enclose a dispatch note with reference to the respective order number and issue the required forwarding documents. If the goods are not transported directly to RUAG, a separate copy of the dispatch note is to be sent to RUAG.
- 11.3 Title and risk are transferred upon inspection or, if applicable, acceptance of the subject-matter of contract by RUAG. If the required accompanying documents are missing, RUAG shall store the subject-matter of contract at supplier's expense and risk.

12. Inspection and acceptance

- 12.1 In case of purchase contracts RUAG shall inspect the goods within 30 days after delivery. In case of installation by supplier the period starts after completed installation.
- 12.2 In case of work contracts supplier shall invite RUAG in due time to the acceptance inspection.
- 12.3 If during the acceptance inspection under work contracts major defects are detected, acceptance is postponed. Supplier remedies detected defects immediately and notifies RUAG of a new acceptance date.
- 12.4 If during acceptance minor defects are detected, acceptance takes place anyway with the completion of the acceptance inspection. Supplier remedies detected defects immediately.
- 12.5 If in case of work contracts RUAG does not request an acceptance inspection, the subject-matter of contract is considered accepted with the successful start of the productive operation.
- 12.6 The delivery of an inspection report with complaints is considered a notification of defects.

13. Warranty

- 13.1 Supplier as specialist and in awareness of its purpose warrants that the subject-matter of contract shows the agreed material and legal properties and is suitable for the specified use. Supplier expressly warrants that he is entitled to deliver and/or provide to RUAG the subject-matter of contract and the performances, and that no legally effective third party rights are opposed to the use of the subject-matter of contract.
- 13.2 Defects are to be notified within 60 calendar days after their detection. If not agreed otherwise and in writing, the warranty rights lapse within 2 years after acceptance. After the rectification of notified defects the periods for the repaired component start anew, they are extended by no more than a year beyond the original warranty period. Maliciously concealed defects can be asserted during a period of ten years after acceptance. If the subject-matter of contract is defective, RUAG can demand rectification. Supplier rectifies the defect within the specified period and bears all resulting costs. If the defect can only be rectified through reprogramming or reproduction, the right to rectification also includes the right to reprogramming or reproduction. In case of purchase contracts a free replacement is on par with the free rectification.
- 13.3 If supplier has not provided the requested replacement or rectification or not provided it successfully, RUAG can claim damages and:
- a) deduct an amount corresponding to the reduced value from the remuneration;
or
 - b) withdraw from the contract in whole or in part, but only in case of major defects;
or
 - c) demand the necessary documents (particularly the source code) – as far as no legal or contractual provisions are opposed to this and perform the respective measures at supplier's risk and expense or have them performed by a third party, but only in case of major defects.
- 13.4 Deliveries of spare parts, maintenance and support services by supplier during the warranty period are considered rectifications of defects unless supplier can prove otherwise.

14. Investment protection

- 14.1 Supplier warrants to RUAG for at least 8 years after expiry of the warranty period the compatibility of the subject-matter of contract with supplier's developments. Supplier warrants to RUAG for at least 10 years from acceptance the supply of

spare- and detachable parts. In addition supplier enables RUAG to cover the all-time requirement. Deviating deadlines are to be specified in the contractual document.

14.2 Upon RUAG's request supplier maintains and supports for at least 8 years after expiry of the warranty period the hardware and software according to the GTC-P Maintenance, the applicable General Terms and Conditions of RUAG respectively.

14.3 If supplier (due to garnishment, impending bankruptcy, composition procedures or other reasons) can no longer provide his services or have them provided by third parties at the same conditions or offer an economically equivalent alternative, RUAG can provide the services itself or have them provided by third parties. In this case RUAG is entitled, without further ado, to access the source code or other documents of supplier and use them, as far as this is required for the maintenance and support of the software and hardware.

14.4 To protect the obligations to hand-out based on warranty or software maintenance RUAG may request at any time that supplier's business-critical documents are deposited with a trustworthy company or third party or, protected by technical measures, deposited on a system designated by RUAG and kept up-to-date. This provision does not release supplier from his obligation to provide the services. By analogy the same applies to hardware.

14.5 The delivery of spare parts by supplier after expiry of the warranty period takes place against payment and at the rates of the original cost basis or in their absence, at competitive conditions.

15. Export regulations and authorizations

15.1 Supplier keeps informed at all times about national and international export regulations (e.g. ITAR) and notifies RUAG immediately in writing, if deliverables are subject to these provisions in whole or in part. He complies with all applicable export regulations and, on request, discloses to RUAG all relevant information for this purpose. This obligation applies beyond the duration of the contract.

15.2 Unless expressly otherwise agreed in writing, supplier takes all measures required to obtain further official authorizations or licenses needed for the provision of the performances to RUAG and the use of the deliverables by RUAG as provided in the contract. Where RUAG has to apply for such authorizations or licenses, Supplier provides RUAG with appropriate support, particularly for the procurement of needed information and data.

16. Emerging intellectual property rights

16.1 Intellectual property rights (Copyrights, patent rights etc.) that are created during the performance of the contract, particularly on works, concepts, hardware and individual software including source code, program description in written or machine-readable form, which supplier has developed specially for RUAG, belong to RUAG, unless otherwise agreed in the contract.

16.2 Intellectual property rights (Copyrights etc.) that are created during the performance of the contract, but are not part of the subject-matter of contract, belong to

- a) RUAG, if they were created by its employees;
- b) supplier, if they were created by his employees or by subcontractors enlisted by him;
- c) RUAG and supplier, if they were created jointly by employees of RUAG and supplier, or by third parties enlisted by them. The parties refrain from mutually raising license fees and can transfer their rights to third parties or grant rights of use to third parties without the approval of the other party.

16.3 Both parties are entitled to use and dispose of ideas, procedures and methods which are not protected by law, but without being under the obligation to disclose them.

17. Pre-Existing intellectual property rights

17.1 The Supplier or any third party shall retain any pre-existing intellectual property rights (Copyrights, patent rights etc.). Where third-party rights are involved, the Supplier warrants that he owns the relevant distribution rights and rights of use.

17.2 On existing intellectual property rights RUAG is given a temporally, spatially and factually unlimited, non-exclusive, transferable right of use within the purpose of the contract. Supplier undertakes not to base any rights on these existing intellectual property rights, which could be opposed to the foreseen rights of use and distribution regarding the subject-matter of contract.

17.3 In case of standard software this right includes the use of the hardware and its successor systems as foreseen in the contractual document. In case of a changed

operating system or higher performance class the change and extension of the rights of use requires the approval of supplier. He may only deny the approval for important reasons. The changes and extensions of the rights of use are calculated according to the original cost rate.

17.4 For data backup and storage purposes RUAG may make copies of the standard software. In case of a failure of the contractually specified hardware it is entitled to use the standard software on replacement hardware without any additional compensation.

17.5 Both parties are entitled to use and dispose of ideas, procedures and methods which are not protected by law, but without being under the obligation to disclose them.

18. Infringement of intellectual property rights

18.1 Supplier shall contest at his own cost and risk any third party claims arising from infringement of intellectual property rights. If a third party initiates a lawsuit against supplier, he shall inform RUAG immediately in writing. If the third party raises direct claims against RUAG, supplier shall participate, upon RUAG's first request, in the lawsuit according to the possibilities of the respective legal procedure. Supplier undertakes to bear all costs (including damages) accruing to RUAG from the lawsuit and its possible settlement out of court. In case of a settlement out of court supplier shall only assume the payment to the third party, if he has previously agreed to it.

18.2 If due to raised claims from intellectual property rights it is made impossible for RUAG to use the contractually owed performances in whole or in part, supplier has to either change his performances in such a way, that they do not infringe on third party rights and still correspond to the contractually owed supply of performances, or obtain at his expense a license from the third party. If supplier does not realise one of these possibilities in due course, RUAG may rescind the contract at once and return the services performances concerned to the supplier against full refund and indemnification.

19. Confidentiality

19.1 Both parties shall treat in strict confidence all information which is neither generally known nor generally accessible, and shall use it only for the purpose of fulfilling the concluded contract. Moreover the parties shall ensure the confidential treatment by their personnel and enlisted specialists. In case of doubt, all information is to be treated confidentially.

19.2 Confidential information of a party does not include information which:

- was already known to the other party, before it was made accessible by the disclosing party;
- is or becomes generally known without the other party's responsibility;
- was disclosed to the other party by a third party without any transfer restrictions;
- was developed by the other party without using or referring to the confidential information of the protected party;
- has to be disclosed based on a legally binding decision of a law court, administrative or other authority. In this case the party under the obligation to disclose has to inform the other party immediately about the decision and support protective measures the other party may want to take.

19.3 This obligation of confidentiality already exists prior to the conclusion of the contract and remains valid for a period of 5 years after termination of the contractual relationship.

19.4 Without the approval of the other party the disclosure of information to third parties is not permitted. The companies of the RUAG Group, particularly the RUAG Holding AG as well as its subsidiaries and enlisted specialists (lawyers, auditors, experts) are not third parties in terms of this agreement. If the approval is given, the obligations of confidentiality are to be transferred to the receiving third party.

19.5 Advertising and publications about specific services in connection with the contractual relationship require the written approval of the other party. Without the written approval of RUAG the supplier may not advertise the fact that a cooperation with the supplier exists or existed, and may not give RUAG as a reference.

19.6 If a party violates the above-mentioned obligations of confidentiality, it owes, unless otherwise agreed, a payment to the other party, unless it can prove that it was not at fault. For each case the payment amounts to 10% of the total remuneration for purchase-, service- and similar contracts respectively 10% of the annual remuneration for continuing obligations, but no more than CHF 50'000.00 per case. This payment does not relieve the violating party from the obligation of

confidentiality; but it is credited against the damages to be paid. Possible penal consequences remain reserved.

24.2 For all disputes arising out of or in connection with the contractual relationship only the law courts at the domicile of RUAG shall be competent.

20. Data protection

20.1 The parties commit themselves to adequate data protection, corresponding with Swiss legislation. In particular they undertake to take economically, technically and organisationally reasonable measures to protect the data affected by contract performance effectively against unauthorised knowledge by third parties.

20.2 Personal data may only be processed for the purpose and to the extent required for the fulfillment of the contract and for safeguarding a high service and security standard. To this extent and for this purpose personal data may also be passed on to another company of the RUAG Group and to domestic and foreign business partners, as far as legally admissible.

20.3 The parties transfer these obligations to their subcontractors, suppliers and other third parties enlisted for the fulfillment of the contract.

21. Compliance

21.1 Supplier complies with applicable legal standards, particularly with the competition- and antitrust laws, industrial safety and child protection provisions (e.g. regarding conflict commodities), the prohibition of trafficking in women and with the core conventions of the International Labor Organisation, as well as with the provisions against counterfeits or for the protection of the environment and of health (e.g. guidelines like REACH and RoHS).

21.2 Supplier commits himself not to accept financial or other favours, if in return the giving party expects an unjustified advantage or is rewarded. He also commits himself to observe the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions concluded within the OECD on 17 December 1997 also in private business transactions.

21.3 Supplier shall commit his personnel, subcontractors, suppliers and other third parties enlisted for the fulfillment of the contract contractually to compliance with this article.

21.4 If supplier violates the above-mentioned compliance commitments, he shall owe a contractual penalty, unless he can prove that he was not at fault. For each case of violation this penalty amounts to 10% of the total remuneration or 10% of an annual remuneration in case of a recurring remuneration, but no more than CHF 50'000.00. This payment does not relieve supplier from his contractual obligations.

22. Assignment and pledging

The contractual relationship or rights and duties therefrom can only be assigned or pledged after previous written approval of the other party. Apart from that RUAG may assign rights and duties from the contract to another company from the RUAG Group at any time.

23. Verification

23.1 After written advance notification of at least 15 days and during normal working hours at suppliers place of business, supplier shall at this place put at the disposal of RUAG or of an auditing company commissioned by RUAG, which for supplier's protection acts in strict secrecy, all documents which are needed to examine the compliance with the provisions of the present contract, particularly of the development and production of the contractual products of supplier.

23.2 All costs and expenses in connection with the verification shall be borne by RUAG. Should the verification show that supplier did not comply with the provisions of the present contract, he has to assume all costs and expenses.

23.3 To perform inspections and audits, authorized representatives of RUAG, after due identification, shall have free access to all premises, in which the subject-matter of contract is manufactured, tested or stored. This also applies to representatives/quality inspectors of RUAG's customers or official quality inspectors commissioned by them (as per Standard AQAP 2110 or other standards mentioned by RUAG in its requirements).

23.4 Upon request any desired information is to be given to this personnel and the requested documents are to be presented.

24. Applicable law and jurisdiction

24.1 For the rest material Swiss Law shall apply, excluding its rules on conflicts of legal systems (in particular Federal Law on International Private Law of 18.12.1987). The United Nations Convention on Contracts for the International Sale of Goods shall be expressly excluded.