

General Purchasing Conditions for Contracts of Sale and Service Contracts of the HiPP Group

(Status September 2012)

§ 1 General - Scope of Validity

- (1) Our Purchasing Conditions apply exclusively; we do not recognise any conditions of the supplier that contradict or deviate from our own Purchasing Conditions, unless we explicitly approved validity of such conditions in writing. Our purchasing conditions also apply, if in the knowledge of the supplier's conditions, which contradict or deviate from our own conditions, we unconditionally accept delivery from said supplier.
- (2) All agreements made between ourselves and the supplier for the purpose of executing this contract are to be made in writing.
- (3) Our Purchasing Conditions also apply for all future transactions with the supplier.
- (4) Priorities:
The following apply in the sequence shown for the type and scope of the reciprocal services:
 - the conditions of the order, including the technical documentation underlying the order (e.g. specifications, bill of quantities),
 - the other terms of contract specified in the order
 - the agreed schedule,
 - special and general technical conditions,
 - the site regulations,
 - these General Purchasing Conditions for Contracts of Sale and Service Contracts

§ 2 Sub-contractors

- (1) Sub-contractors must not be engaged without our prior written approval. Sub-contractors must be named in the offer. Information must be provided about the scope of delivery and services provided by each of the sub-contractors. For the tasks he has undertaken to accept, the supplier must impose upon the sub-contractors the same obligations agreed with ourselves and ensure compliance with same.
- (2) The supplier must not prevent his sub-contractors from arranging contracts with ourselves for other deliverables.

§ 3 Offer - Orders - Order documents

- (1) Offers shall be processed by the supplier free of charge. Offers must be submitted within the deadline specified in the enquiry. The supplier's offer must relate precisely to our specification and the wording in the enquiry. Express reference must be made to any differences.
- (2) Orders must be placed in writing and must be confirmed by the supplier in writing without delay. Verbal orders, changes or amendments to orders shall only be binding if they are confirmed by us in writing. The written form is also observed when if orders are placed by electronic data transfer. If the supplier does not accept an order within 14 calendar days, we shall be entitled to revoke the order before receiving the supplier's declaration of acceptance.
- (3) We retain ownership and copyright to illustrations, drawings, calculations, raw material and product specifications and other documents; such documents may not be disclosed to third parties without our express written agreement. They are to be used exclusively for production on the basis of our order. Confidentiality over such documents must be maintained in respect of third parties.
- (4) Our specifications, drawings, weight, dimension and consumption data, raw material and product specifications are binding and describe the agreed consistency.

§ 4 Prices - Payment Conditions - Assignment Constraint

- (1) The agreed prices are fixed prices and include all rebates, packaging and transportation costs as indicated in the order, unless otherwise agreed in writing.
- (2) The agreed prices are net (excl. VAT). VAT is shown on invoices as a separate item. Invoices that do not fulfil these conditions shall be returned. Notwithstanding our other rights, we shall have a retention right with regard to the purchase price/service fee until presentation of an invoice that fulfils these conditions.
- (3) Invoices must be issued with reference to our order. They will be prepared in either Euro or an alternative currency at our discretion.
- (4) Unless otherwise agreed in writing, we shall pay the purchase price less 3% discount within 21 days, calculated from delivery and receipt of invoice, or the net invoice amount within 45 days of receipt of invoice, in the currency of our choice.
- (5) The supplier may not, without our written, separate agreement, transfer, assign or pledge to a third party, either the obligation to deliver or the claim to payment arising from this contractual relationship.

§ 5 Inter-group Settlement Proviso

- (1) The supplier agrees that as general creditors, all HiPP Group and associated companies at home and abroad, which are affiliated through participation links of at least 50% shall be entitled to the claims acquired by a single such company against the supplier; these claims may therefore be offset against obligations of any of the HiPP companies.
- (2) All material and procedural rights, to which the supplier is entitled from a HiPP company, may also be claimed from any of the other general creditors within the HiPP Group.
- (3) A supplier's claims against a HiPP company may be offset by this particular company's claims or those of a different HiPP company.
- (4) The above regulations apply also if payment by both cash and bills of exchange are agreed or if the reciprocal claims fall due at different times, in which case the value position is calculated.
- (5) In the case of on-going payments, the entitlement relates to the balance.
- (6) We waive the right, in the event of a majority of claims to contradict the determination of the claims to be offset by the supplier.
- (7) At request we shall provide information of any HiPP company entitled to use the inter-group settlement.

§ 6 Delivery and Service Schedules - Delivery

- (1) The dates for the supply of goods and services stated on the order are binding. If it is contractually agreed that the supplier's performance is to be fulfilled exactly at a specified point in time or within a fixed period of time (absolutely fixed contract), we may - if the performance is not fulfilled at the specified point in time or within the specified period of time - rescind the contract or, if the supplier is in default, demand damages for non-fulfilment in lieu of fulfilment.
- (2) If the supplier fails to meet a delivery deadline defined or definable as a calendar date due to his own fault, he shall be in default of delivery without further reminder or setting of a period of grace; at the end of the day if a fixed calendar date is set as the delivery deadline, at the end of the last working day in the week if a certain calendar week is defined, and at the end of the last working day of the month if a calendar month is defined.
- (3) The supplier is obliged to notify us immediately of any circumstances that occur or of which he becomes aware, which would prevent him from meeting the agreed delivery date.
- (4) In the event of delayed delivery we shall be entitled to the statutory claims, in particular we shall be entitled to demand payment of default interest at a rate of 5% and in the case of companies (natural persons or legal entities or legal partnerships acting within the scope of their commercial or self-employed profession on conclusion of a legal transaction) at a rate of at least 8% over the respective base interest rate of the European Central Bank p.a. We shall also be entitled to demand lump-sum damages amounting to 1% of the value of the delivery for each full week of the delay, the maximum amount however being 10%. The supplier is entitled to prove to us that the delay has resulted in either no or less significant damage.
- (5) Delivery by the supplier or a third party engaged by him must be effected during our normal opening hours.
- (6) The consignment addresses shall be defined in the order and may be changed by us in writing until the time of delivery.
- (7) The delivery must be made to the final destination within our grounds and our buildings. The supplier bears the risk of transport and unloading, and of assembly if applicable.
- (8) The supplier is obliged to remove all packaging material free of charge.

§ 7 Entry to and Movement on the Works premises/Construction Sites:

- (1) Entry to and movement on our works premises/construction sites are effected under the instructions of our technical staff. The locally valid traffic regulations must be observed.
- (2) If services are provided on the works premises/construction sites, the relevant site regulations shall apply. On commencement of the work or by prior request, the supplier's supervisory personnel is provided with a copy of the site regulation, including list of annexes. Familiarity with the content of the site regulations, including list of annexes, must be confirmed by a signed declaration.

§ 8 Transfer of risk - Packaging - Documents

- (1) Risk shall transfer to us only when we are in receipt of and have accepted the goods/services.
- (2) Packaging and transportation materials used for ordered deliverables must be entirely harmless, state of the art and correspond to the recommendations of the relevant local authorities. The supplier shall be responsible for ensuring that the regulations and relevant HiPP specifications existing in this respect are observed, and for any damages resulting from violation of these obligations.
- (3) The supplier shall be obliged to hand over all shipping papers and delivery notes, which should quote our precise order number. Should he fail to do so, we shall not be held responsible for delays incurred during processing.

§ 9 Quality, Quality Control, Environmental Protection, Social Standards

- (1) The supplier must observe the recognised rules of technology and the relevant legal and official regulations and also our operational rules and regulations. The supplier must in particular observe the accident prevention regulations and the generally recognised functional reliability and medical regulations. Machinery and technical work equipment must be supplied with operating instructions and an EC certificate of conformity in accordance with the industrial health and safety regulations. If not determined otherwise, machinery with CE marking in accordance with Regulation (EC) 765/2008 should be delivered. If an approval mark is not awarded, compliance with the aforementioned regulations must be proved unsolicited. Goods intended for delivery must correspond to all aspects of our specific requirements. Notwithstanding our raw material and product specifications and other specific contractual conditions, foodstuffs must correspond in terms of composition, quality, packing and declaration, with the relevant local foodstuff regulations and unless specified otherwise with the relevant EU regulations.
- (2) We are entitled at any time, particularly in respect of foodstuffs and packing materials, to request from the supplier, at his own cost, samples or patterns. Further we shall be entitled to perform unannounced controls in the supplier's and his pre-suppliers sphere of influence, in particular in fields, stables, production plants and warehouses. The supplier assures to us that the same rights will be granted to us by his pre-suppliers. Any tests conducted in this respect serve orientation purposes only and do not replace the incoming goods check, so that any faults detected during the incoming goods check can be reported in full.
- (3) HiPP has specifically undertaken to protect the environment. The supplier generally undertakes to comply with the environmental protection regulations valid in his respective country. In addition, the supplier is obliged to avoid or reduce environmental pollution in his sphere of influence and to reduce and improve the environment continuously. The supplier further undertakes to give HiPP the best assistance possible in the collection of data for the preparation of eco-balances.
- (4) HiPP welcomes the introduction of national and international standards and norms for quality, environment and social affairs (e.g. ISO 9001, BRC, ISO-14001, EMAS, SA 8000).

- (5) The HiPP Group strictly forbids the use of child labour in the manufacture of goods or the provision of services.
- (6) The supplier also undertakes to comply with the quality, environmental and social standards set out in detail in the following **Code of Conduct for the HiPP Group of Companies**.

§ 10 Liability - Notification of Defects - Claims for Defects - Open and Concealed Defects

- (1) In the case of material and legal defects of the deliverables (including incorrect or incomplete delivery as well as incorrect assembly, defective assembly or operating instructions) and other breaches of duty by the supplier, the statutory provisions shall apply unless regulated otherwise in the following.
- (2) In accordance with the statutory provisions, the supplier shall be liable in particular for ensuring that the deliverable is in the agreed condition upon transfer of risk to us. In any case the product descriptions that are the subject matter of the respective contract - especially by designation or reference in the order - or included in the contract in the same manner as these Terms and Conditions shall apply as the agreement of condition. Thereby it shall make no difference whether the product description was provided by us, the supplier or the manufacturer. The supplier shall guarantee both the agreed condition and the durability of the deliverable. Therefore the supplier guarantees the agreed condition of the deliverable and that the contractually defined condition of the deliverable shall be preserved for the contractually agreed duration (durability guarantee).
- (3) Inasmuch as a durability guarantee has been accepted, it is assumed that any material defect occurring during its term of validity establishes the rights under the warranty.
- (4) Furthermore the supplier shall be liable in accordance with these terms and conditions and the statutory regulations in particular for wilful intent and any form of negligence, also by his representatives, agents or other persons employed by him for assisting. The liability cannot be limited in terms of totals.
- (5) We are entitled to demand either that the supplier rectifies the fault or provides a replacement at our choice. In this case, the supplier shall be obliged to bear all the costs necessary for such rectification or replacement. The right to compensation, specifically for non-fulfilment, remains unaffected.
- (6) We shall also be entitled without restriction to claims for defects if the defect remained unknown to us on conclusion of contract due to gross negligence.
- (7) The following shall apply with regard to the commercial inspection and notification duty:

Our inspection duty shall be limited to defects that are openly identifiable on external examination in the course of incoming goods inspection, including the delivery papers (namely transport damage, mistaken and incomplete delivery). The notification of such obvious defects shall be deemed prompt and timely if received by the supplier within 12 work days of receipt of the deliverable. The notification of hidden defects shall be deemed prompt and timely if received by the supplier within 12 work days of discovery. Hidden defects shall include in particular banned residues/contaminations and foreign bodies in foodstuffs.

In the case of weight deviations, the weight ascertained during our incoming goods check shall apply, unless the supplier proves that the weight he calculated was ascertained correctly by a generally accepted method. This shall also apply accordingly deviating quantities.

- (8) The statutory periods of limitation shall apply to claims for faults. They commence on delivery to the point of use.

§ 11 Product Liability - Exemption - Indemnity Insurance Cover

- (1) If the supplier is responsible for product damage, he is obliged to indemnify us, at our first request, from any third-party compensation claims.
- (2) Within this scope, the supplier shall also be obliged to reimburse any expenditure in accordance with contract law and also in accordance with penal law arising from or in connection with a recall action effected by ourselves. We shall provide the suppliers - where possible and feasible - with information regarding the content and scope of the recall measures to be carried out and give him the opportunity to make a statement. Other statutory claims remain unaffected.
- (3) The supplier undertakes to arrange a product liability insurance with cover of Euro 2.5 million per personal / property claim - lump sum cover to be a maximum of double per annum; lower amounts of cover have to be agreed with us individually. Any further-reaching compensation claims to which we are entitled shall remain unaffected.

§ 12 Industrial Property Rights

(Patents, Licences, Utility Patents etc.), Copyrights

- (1) The supplier shall be liable for ensuring that supply and use of the deliverables and/or the manufactured work/performance does not result in the infringement of a patent or other third-party property right.
- (2) In the event that third-party claims are nevertheless raised against us, the supplier shall be obliged, at our first request, to exempt us from any liability, indemnify us and hold us harmless from these claims.
- (3) The supplier's duty to indemnify us and hold us harmless shall relate to all expenditure which we are forced to incur from or in connection with such a third-party claim.

§ 13 Retention of Ownership - Provision - Confidentiality

- (1) We retain ownership of any parts we provide to the supplier. The supplier shall be obliged to clearly mark material provided by us as such, and to store it separately, specifically so that a combination/mixing cannot occur. The supplier undertakes to use the material provided only within the scope of the intended contractual production. Parts shall be processed or remodelled only for us by the supplier. If the deliverables of which we retain ownership are processed or mixed with other objects owned by third parties, we acquire co-ownership of the new product/mixture in the ratio of the value of our part (purchase price plus VAT) to the other processed part at the time of processing.
- (2) We reserve the right of ownership to tools; the supplier shall be obliged to utilise the tools exclusively to produce the goods which we have ordered.
- (3) Unless the protection rights to which we are entitled in accordance with subsection (1) exceed the purchase price of all the unpaid goods of which we retain ownership

by more than 20%, we are obliged at the request of the supplier to release protection rights at our choice.

- (4) The supplier shall be obliged to maintain strict confidentiality over all information, specifically illustrations, drawings, calculations and other documents and information - even in the event of erroneous transmission; these remain our property. They and any goods produced in accordance with them may only be disclosed to third parties with our express consent. We shall be entitled to demand that the supplier returns them to us at any time. They must be returned to us on termination of the contract at the latest. The confidentiality obligation shall continue to remain in force on completion of the contract. If the supplier infringes these obligations, we are entitled to damages.

§ 14 Cancellation

- (1) The contract for works/performances or for can be cancelled by us at any time prior to completion of the work or supply of labour and materials. Contrary to the legally specified cancellation consequences, the following shall apply: Should cancellation be effected by ourselves for any good reason attributable to the supplier, the supplier shall be remunerated only for the individual services we have used and which he provided before the time of cancellation. We reserve the right to claim damages from the supplier. In particular the supplier must reimburse any additional expenditure.
- (2) Should cancellation be effected by ourselves for any good reason not attributable to the supplier, the supplier shall receive only the agreed remuneration for the individual services provided before the time of cancellation. Further-reaching claims by the supplier are excluded.
- (3) For other respects, the supplier must accept the offset of anything that he saves in terms of costs or effort as a result of the cancellation of contract, or acquires or maliciously fails to acquire through other use of his labour.
- (4) We may cancel the order for deliverables for good reasons at any time before hand-over of such deliverable. In this case, the aforementioned sections (1) till (3) apply accordingly in respect of the supplier's claim for remuneration; we acquire ownership of the part services for which payment has been received.
- (5) Good reason as defined by this regulation is given specifically, if, as a result of official decisions, our interest in the provision of the contractual services should lapse, an application for insolvency or comparison proceedings is made against the supplier, the conditions for an insolvency or scheme of settlement application exist, or the supplier fails to meet his obligation for the replacement/repair of sub-standard services within an appropriate period set in writing.

§ 15 Court of Arbitration – Venue – Place of Fulfilment – Choice of Governing Law

- (1) The contractual parties shall endeavour to come to amicable agreements on any differences of opinion. The parties may also agree that any disputes arising in connection with or concerning the validity of this contract may be finally decided in accordance with the arbitration code of the local Chamber of Industry and Commerce at the seat of our company or a similar organisation under the exclusion of the normal judicial recourse.
- (2) The parties are free to execute claims of any nature through the normal judicial recourse. In this case, the competent courts are defined as follows:
 - a) As far as the place of business of the contracting HiPP Company is **Germany**, which is the case in particular with regard to Hipp GmbH & Co. Produktion KG, Hipp GmbH & Co. Vertrieb KG and Hipp-Werk Georg Hipp OHG, the courts having jurisdiction over **Pfaffenhofen/Ilm** are competent.
 - b) As far as the place of business of the contracting HiPP Company is **Austria**, which is the case in particular with regard to Hipp GmbH & Co. Export KG and Hipp Produktion Gmunden GmbH & Co. KG, the courts having jurisdiction over **Gmunden/Oberösterreich** are competent.
 - c) As far as the place of business of the contracting HiPP Company is **Hungary**, which is the case in particular with regard to Hipp Kft. the courts having jurisdiction over **Hanságliget** are competent.
 - d) As far as the place of business of the contracting HiPP Company is **Croatia**, which is the case in particular with regard to Vivera d.o.o. and Hipp d.o.o. the courts having jurisdiction over **Zagreb** are competent.
- (3) Notwithstanding the aforementioned the contracting HiPP Company remains entitled to sue the supplier also in front of the courts that are competent for supplier's place of business.
- (4) Unless otherwise specified in the order, our principle place of business shall be the place of fulfilment.
- (5) All transactions carried out with the supplier shall be governed both materially and procedurally by the national and European law valid at the aforementioned place of jurisdiction (§15 (2) and (3)). The UN Convention on Contracts for the International Sale of Goods (CISG) shall not be applicable.
- (6) The contractual language is the official language at the aforementioned place of jurisdiction (§15 (2) and (3)).
- (7) Standard commercial clauses should be formulated in line with the relevant Incoterms -ICC, Paris.

§ 16 Data Protection

The supplier consents to us that we are allowed to save and process the supplier's personal data and to transferring such data to other entities provided this is necessary to handle the order.

§ 17 Publications/Advertising

Evaluation or disclosure of the business relationship existing with ourselves in publications or for advertising purposes is acceptable only with our express prior written approval.

§ 18 Severability Clause

- (1) Should these Purchasing Conditions be or become ineffective either in whole or in part, the remainder of the contract shall remain unaffected.
- (2) As far as individual conditions are or become ineffective, such content of the contract shall be based on the statutory provisions.

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Code of Conduct for the Hipp Group

IV. Miscellaneous

I. Quality standards:

1. The supplier undertakes to observe the recognized state of the art and the valid statutory and official regulations and our company rules and regulations. Specifically, the supplier must observe the rules for prevention of accidents and generally recognized occupational health and safety rules. Machinery and technical equipment must be supplied in accordance with regulations governing occupational health and safety and must include operating instructions and EC certification of conformity. In supplying equipment, preference must be given to equipment with the CE marking as per Regulation EC 765/2008. In cases where the requisite marking or certification is lacking, proof of compliance with the above-specified regulations must be furnished on request. Goods supplied must meet our specific requirements in all aspects. Foodstuffs must comply with the applicable statutory requirements in terms of composition, quality, packaging and declaration, notwithstanding our specifications governing raw materials and products and other specific contractual provisions.
2. We are entitled at all times, particularly with respect to foods and packaging materials, to request samples or specimens from the supplier at the latter's expense. In addition, we are entitled to conduct inspections of the supplier's fields, animal sheds, production and storage facilities. The supplier will ensure that we are accorded the corresponding rights to do so, where necessary also with respect to its pre-suppliers. These inspections and investigations are aimed solely at providing orientation and do not represent any substitute for or preemption of incoming goods inspections, so that any faults or defects discovered during incoming goods inspections may be asserted in full.

Suppliers and service providers and their subcontractors and sub-suppliers agree that compliance with this Code of Conduct may be monitored and inspected by the Hipp Group itself or by independent organizations commissioned by Hipp. All breaches of this Code of Conduct which come to the attention of the Hipp Group may result in termination of the business relationship.

Suppliers and service providers undertake to report all breaches of the above regulations on the part of themselves, their subcontractors and sub-suppliers immediately to their client Hipp Company and to propose suitable methods of remedying the situation without further specific call to do so.

To achieve maximum compliance with Hipp's requirements, the company regularly trains and informs its employees using suitable methods.

Hipp welcomes the introduction of national and international standards and regulations governing quality, environmental and social concerns (e.g. ISO 9001, BRC, ISO 14001, EMAS, SA 8000)

II. Environmental Standards:

Hipp has a particular commitment to environmental protection. The supplier undertakes to comply with overall environmental protection regulations applicable in its country.

This compliance particularly includes:

- a. Adoption of a precautionary approach in the avoidance of potential environmental problems (e.g. risk analysis, environmental risk assessment)
- b. Efforts to develop and propagate environmentally compatible technologies and products.

The supplier further undertakes to support Hipp to the best of its abilities in collecting data for the production of ecological balance sheets.

III. Social Standards:

1. Observance of human rights is a fundamental principle of human coexistence. Degrading working relations and conditions represent violations of this principle.
2. In developing our working relations, we pay attention to compliance with social standards. As a prerequisite for every working relationship, our suppliers and service providers agree on their own behalf and on that of their subcontractors and sub-suppliers to observe the following conditions as elementary rights for their employees:
 - a) Child labour is prohibited in the production of goods or provision of services for the Hipp Group. The definition of child labour is in accordance with the rules of the United Nations or the national regulations applying in each case, whichever are the stricter.
 - b) Employees must receive living wages and other benefits in compliance with applicable laws and/or appropriate standards in the local manufacturing sector, whichever are the higher. The maximum regular number of working hours per week is 48. All additional hours must be paid as overtime based on applicable regulations and/or appropriate standards for the industry in the region, whichever is the higher. Weekly working hours including overtime must not exceed 60 hours on a regular basis. Employees are entitled to at least one free day per week.
3. The statutory rights of employees to found labour unions of their choice, become members of same and conduct wage negotiations must not be limited or restricted in any way by the suppliers and service providers that are their employers.
4. Discrimination based on personal characteristics or convictions of the employees is prohibited.
5. Forced labour, physical punishment and physical or mental coercion are prohibited.
6. Working conditions that are safe, secure and as healthy as possible must be guaranteed. Corresponding principles apply to any accommodation provided for the employees where applicable.
7. International human rights must be respected. Suppliers and service providers must ensure on their own behalf and on behalf of their subcontractors and sub-suppliers that no violations of the employees' human rights take place either directly or indirectly (in upstream / downstream operations).