

06 December 2013

Association of European Businesses
Automobile Manufacturers Committee
Code of Conduct

Whereas the current Russian legislation does not explicitly regulate certain aspects of relations between original vehicle manufacturers/auto-distributors and official dealers (this notion in the document also implies official service dealers) and independent repairers in the automotive sector.

Whereas the members of the Automobile Manufacturers Committee of the Association of European Businesses (hereinafter referred to as the "Members") would like to establish good business practices in the Russian automotive sector.

Whereas the Members are willing to act in good faith towards their official dealers as well as independent repairers.

The Members having stated that they join this Code of Conduct undertake to adhere to the following good business principles.

1. Authorization of sales and full-size dealers

The decision whether, where and when to appoint a sales or a full-size (sales and service) dealer should lie with the Members (each for itself). The Members should establish transparent, grounded and collegiate processes for the selection of candidates to sales (if any) and/or full-size dealerships. Apart from other criteria, such candidates should meet respective compliance and reputational requirements of the respective Member.

Although Letters of intent and Memorandums of understanding signed with candidates to dealerships are not binding (not preliminary) agreements under Russian law, the Members should stick to their terms and conditions and should not groundlessly terminate them or refuse signing dealer agreements in case the candidate duly and timely fulfils all agreed terms and conditions as well as meets respective requirements (including compliance and reputational ones applied by the respective Member) by the time of the dealer agreement signing.

2. Authorization of service dealers

The Members should envisage a possibility to authorize official service dealers (without sales). This is required in those regions where there is a need for service but no sufficient demand for a (additional) sales point. Those Members, which do not have qualitative selection systems for official service dealers, should publish plans of their official service dealers network expansion based on a realistic evaluation (whether made by the Member itself or by an independent agency) of the market potential (if there is any potential) for official service dealers in the regions and establish competitive selection processes for candidates willing to apply for service dealerships in such regions according to the mentioned plans.

3. Requirements to facilities of official dealers

The requirements to facilities of official dealers (in particular, sizes of land plots, show-rooms and service stations) should have an economic basis and be based on the evaluation of the market potential. The Members shall have the right to demand dealer facility adherence to the corporate style and brand standards.

The Members should not require additional investments into facilities within 5 years of their commissioning, if such investments are not objectively required due to changes in models of vehicles to be sold and/or technologies to be used by official dealers and/or standards of the Member and/or the original vehicle manufacturer.

The Members should, if possible, recommend to the official dealers several manufacturers of recommended corporate identity elements, furniture and finishing materials. If there are alternative suppliers of corporate identity elements, furniture and finishing materials, the quality of which corresponds

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to the "like, kind, quality" requirements of the respective original vehicle manufacturer and/or Member and has been approved by the vehicle manufacturer and/or Member, the Members should not hinder official dealers in purchasing the said goods from such alternative manufacturers. The Members shall inform official dealers of such approval procedure.

4. Dealer appointment policies

The Members (each for itself) should develop a document governing relationship with candidates to official dealers, including requirements to candidates to official dealers, general terms of co-operation, a procedure for documents submission, as well as procedures and timeframes for making decisions on the conclusion of, or refusal to, conclude dealer agreements. The Members should provide such information to candidates to official dealers.

5. Duration of agreements with official dealers

Dealer agreements should be concluded for not less than 5 years or for an unlimited term (hereinafter jointly referred to as "long term dealer agreement"). The dealer agreement could be concluded for a shorter period (less than 5 years) if there are grounded reasons defined by the Member and established in the Member's dealer appointment policy or in a corresponding agreement (hereinafter referred to as "short term dealer agreements"). Short term dealer agreement can be concluded, specifically, in case an official dealer does not possess respective facilities (e.g. rents them) or has not made investments into development of the dealer business according to an agreed business plan. The Member should inform any candidate, which is applying for the dealership, before signing the dealer agreement about conditions, according to which the term of the dealer agreement will be less than 5 years.

6. No discrimination of official dealers

The Members should not establish discriminatory conditions for official dealers within a dealer network (specifically, conditions of vehicles and spare parts distribution and delivery, provision of discounts). In certain cases such conditions may vary depending on economic, technological and other factors, such as the location of official dealers, their purchase volumes, investments made and other objective criteria.

7. Re-selling price and price of labour hours

The Members should not establish any fixed retail prices of automotive products as well as prices for labour hours for non-warranty repairs for official dealers, with exception being made for the establishment of maximum prices.

8. Sale of special equipment and special tools to official dealers

If there are several suppliers of recommended special equipment and special tools for service stations required for preliminary treatment, maintenance and repairs of the vehicles of the given brand or there are alternative suppliers of these goods, the quality of which corresponds to the "like, kind, quality" requirements of the vehicle manufacturer and has been approved by the vehicle manufacturer and/or the respective Member, the Members shall provide official dealers the possibility to choose between those suppliers themselves. If possible, official dealers may import the mentioned goods themselves unless it violates IP rights of the original vehicle manufacturer and/or the Member and/or the customs legislation of the Russian Federation. The Member has the right to establish a list of special tools and equipment which directly or indirectly allow interference in anti-theft, active and passive security systems of a vehicle, specifically, alarm and tracking systems, immobilisers, locking and entry systems, electronic control units, airbags, safety belts and similar (hereinafter jointly referred to as "vehicle security systems"), which can be purchased only from the Member or suppliers approved by the Member and/or the original vehicle manufacturer. The Members, which sell special equipment and special tools directly to official dealers themselves, should refrain from setting forth unmotivated high prices for such special equipment and special tools.

9. "Original spare part", "identical spare part" and "spare part of matching quality"

"Original spare parts" – spare parts produced by the original vehicle manufacturer or for the original vehicle manufacturer under its instruction/order by an original spare parts manufacturer, as well as those distributed by the Members or any other official distributors of the original vehicle manufacturer and marked with the trademark of the original vehicle manufacturer.

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"Identical spare parts" – parts produced by the original vehicle manufacturer or for the original vehicle manufacturer under its instruction/order by an original spare parts manufacturer, fully equivalent to the original spare parts, but not marked with the trademark of the original vehicle manufacturer, as well as those distributed by the Members or any other official distributors of the original vehicle manufacturer.

"Spare parts of matching quality" – spare parts which are of the same quality as original spare parts but not distributed by the Members or any other official distributors of the original vehicle manufacturer, not marked with its trademark and produced either by the manufacturer of original spare parts or by any other manufacturer according to the standards of the original vehicle manufacturer, as well as those for which documents confirming their approval for use by the respective original vehicle manufacturer are available. The obligation to prove the matching quality of such spare parts should lie with the respective spare parts supplier or the dealer.

10. Warranty repairs

Warranty repairs and other repairs paid by the Members and/or original vehicle manufacturers should be conducted only by official dealers.

The Members may require using only original and/or identical spare parts for warranty repairs and other repairs paid by the Members and/or original vehicle manufacturers.

11. Spare parts of matching quality for maintenance and non-warranty repairs

The Members should not forbid the official dealers to use spare parts of matching quality for maintenance and non-warranty repairs after the expiration of the warranty period.

The Members shall have the right to demand that official dealers use only original and/or identical spare parts for maintenance and non-warranty repairs during the warranty period, if prices for such original and/or identical spare parts are at the market level (compared with prices for spare parts of matching quality supplied by official distributors of manufacturers of such spare parts of respective quality in Russia and officially imported by those distributors into Russia).

The Members shall have the right to demand that official dealers do not use any other (than original spare parts, identical spare parts or spare parts of matching quality) spare parts for maintenance and non-warranty repairs.

In case official dealers wish to offer spare parts of matching quality for maintenance and repairs as well as sell them to the customers, the Members may require from official dealers

- to provide sufficient proofs that such spare parts are of matching quality;
- to provide proofs that such spare parts have been officially imported into Russia and customs cleared in accordance with the legislation;
- to offer such spare parts only as alternatives to original and/or identical spare parts.

The Members shall have the right to demand that official dealers inform customers (specifically, by including such information into price lists or in any other way provided for by law) in writing before handing over spare parts of matching quality and before using them for maintenance and repair purposes that the Members and/or original vehicle manufacturers do not bear any liability for the quality of these spare parts and for possible consequences arising from their installation in the vehicle.

In any case, the Members may require a clear physical separation of zones, where spare parts of matching quality are kept for storage and sold from those, where original and/or identical spare parts and other original products are stored and sold. Each Member may require from official dealers not to display spare parts of matching quality in showrooms of the respective brand. The conditions of this paragraph are necessary to preclude any confusion (in particular, in respect of the trademarks) and to prevent the transfer of the original vehicle manufacturer's goodwill (clients, reputation, image etc.) to other brands, and preclude any other unjustified commercial exploitation the original vehicle manufacturer's brand.

12. Non-warranty repairs and maintenance of vehicles of other brands by official dealers

The Members should not prohibit official dealers from carrying out maintenance and making non-warranty repairs of cars of other brands provided that the dealers meet certain conditions and standards set forth by the Members. In particular, in such cases official dealers should clearly physically separate respective clients' receptions, direct dialogue bays and other specific zones where interaction with clients of the brand represented by the official dealer take place in order to preclude any confusion with other brands (in particular, their trademarks) and their clients, prevent the transfer of original vehicle manufacturer's goodwill (clients, reputation, image etc.) to other brands. In any case, clients of the brand represented by the official dealer should have priority. The Members (each for itself) have the right to stipulate additional requirements to official dealers which want to carry out maintenance and non-warranty repairs of cars of other brands.

13. Termination of dealer agreements

In case of termination of a dealer agreement based on its breach, the Member should detail reasons for such termination in writing.

The Member should have the right to immediately terminate the dealer agreement in case of its material breach, provided that the grounds for such immediate termination are clearly envisaged in the agreement and known to the official dealer. In case of a non-material breach of the dealer agreement, the Member should give the official dealer a reasonable time period to eliminate such a breach before terminating the agreement.

14. Sale of corporate identity elements, special equipment and special tools to independent repairers

Corporate identity elements, especially those which bear trademarks of the original vehicle manufacturer, should be sold/leased to official dealers only.

Independent repairers should have a possibility of purchasing/leasing special equipment and special tools, provided that they meet respective compliance and reputational requirements of the Members. The Members may refuse selling/leasing special equipment and special tools to independent repairers if there are other similar solutions available for the latter on the market (for instance, if other suppliers of such goods or analogous goods are available on the market), of which the Members should notify independent repairers when contacted on this matter.

The Members/the original vehicle manufacturers may refuse selling/leasing (may prohibit their agents and partners, which are engaged in supply of their special equipment and special tools to sell/lease) to independent repairers those special equipment and special tools which directly or indirectly allow interference in vehicle security systems.

15. Sale of original and identical spare parts to independent repairers

The Members should not prohibit their official dealers from selling original and/or identical spare parts to independent repairers for their maintenance and repair purposes.

The Members should decide themselves whether to sell original and/or identical spare parts directly or to establish small-batch sales programs for independent repairers through the existing official dealers or to create other programmes to secure sale of original and/or identical spare parts to independent repairers on non-discriminatory conditions. Those Members and official dealers, which sell original and/or identical spare parts to independent repairers, could establish conditions for independent repairers wishing to participate in such wholesale and small-batch sales programs, such as the necessity to conclude an agreement, requiring certain purchase volumes, usage of special IT soft and hardware, provision of certain documents, meeting reputational and compliance requirements etc. In any case official dealers of the Members should have a priority.

The Members may prohibit selling original and/or identical spare parts, which are linked to the vehicle security systems, to independent repairers. The Members should (each for itself) approve internal documents defining such spare parts.

16. Access of independent repairers to databases with spare parts catalogues and repair technologies

Independent repairers may receive access to databases with spare parts catalogues and repair technologies, however not automatically upon application (by default) but subject to the fulfilment of conditions defined by the Members (each for itself). Such conditions could include obligations (non-discriminatory towards official dealers) to conclude respective agreements (including licence agreements), to pay fees and royalties, to use special IT soft and hardware, to provide certain documents etc. Also, the Members could require submission of adequate proofs confirming that the independent repairer meets respective compliance and reputational requirements of the Members.

The Members may refuse granting the mentioned access to independent repairers if there are other similar solutions available for the latter on the market (for instance, if other providers rendering similar services on similar conditions are available on the market) and/or if there is no permission of respective rightholders (in case the Members use these tools on the bases of licence agreements), of which the Members should notify independent repairers when contacted on this matter. The Members may limit the said access only to information that contains no data on vehicle security systems.

Providing access to databases with spare parts catalogues and repair technologies should not imply automatic provision of services on spare parts selection or implementation of repair technologies. In case the Member decides to render such services to independent repairers, it can provide them for a fee.

17. Trainings

Each Member should make independent decisions on providing trainings (especially, technical trainings) either to official dealers only or for other parties as well (specifically, for independent repairers).

Understanding the necessity to start following the aforementioned principles, the Members see the possibility of implementing the principles mentioned in Points 1, 4, 6-10, 13 and 17 above already by the end of 2013, whereas the other principles could be implemented by the end of 2014.