Appendix to

Standard Terms and Conditions for Digital Projects

- part of the Supply Agreement
for digital projects

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The Standard Terms and Conditions have been prepared by IT-Branchen (the Danish IT Industry Association), Dansk Erhverv (the Danish Chamber of Commerce), Kreativitet & Kommunikation (Creativity & Communication) and Dansk Annoncørforening (the Association of Danish Advertisers) and are updated regularly. The organisations exclude liability for any errors and omissions in the Agreement.

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APPENDIX 1: PRICE MODELS

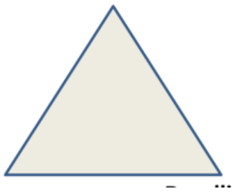
This Appendix describes the various price models often used for digital projects.

INTRODUCTION

A project is defined by three variables: delivery, deadline and price[1]. You may choose to let all three variables be flexible, let all three be fixed – or any combination in between.

This produces the following three primary price models. It applies to all three models that details are specified in the Supply Agreement or in a separate appendix.

[1] In compliance with the "Project Triangle" or "Triple Constraint" model consisting of Cost, Scope and Schedule (from Project Management Body of Knowledge, PMBOK.)



1. Fixed price, fixed delivery (the "Fixed-Price Model")

In this model the main purpose, price and delivery are fixed from the start. The deadline may be agreed as a fixed date or as a variable.

All projects for which the price is a fixed price for a fixed delivery must necessarily include a detailed and complete description of the solution. All deviations from the description, even minor adjustments, must be agreed in writing.

Unless otherwise appears from an appendix (budget), all prices are fixed and are consequently not subject to adjustment.

This model is typically used for small deliveries.

2. Fixed price, variable delivery (the "Timeboxing Model")

In this model the main purpose and the price are fixed, while the individual functionalities and priorities of the delivery are defined as the project progresses. The deadline may be agreed as a fixed date or as a variable.

The description of the solution only includes a general description of the solution, while the details are decided as the project progresses in an agile development process within the agreed time frame. The parties prioritise the tasks on an ongoing basis, several times, while the work is being performed. Therefore, the final delivery is not known until the agreed number of hours has been spent on the project. That is also the reason why this method is called "Timeboxing" – you allocate a certain number of working hours and when they have been used, the project is completed.

Unless otherwise appears from an appendix (budget), all prices are fixed and are consequently not subject to adjustment.

This model is typically used for large deliveries.

3. Variable price, variable delivery (the "Estimate Model")

In this model the main purpose is fixed, while both price and delivery are flexible, allowing ongoing and agreed adjustments. The deadline may be agreed as a fixed date or as a variable.

The description of the solution only includes a general description of the solution, while the details are decided as the project progresses in an agile development process. The final price can be estimated before the project is launched, but the exact price is not known until the delivery has been completed.

The project is invoiced on a time basis and the price is in accordance with the Agency's applicable hourly rates from time to time for the consultants in question.

This model is typically used for large deliveries.

The Estimate Model may be extended by either of the two forms described below where the risk is shared by the parties in order to fulfil the customer's need to balance security and economy in the delivery:

3.1 Shared Risk (the "Target Cost Model")

This model builds on the Estimate Model where the main purpose is fixed, while both price and delivery are flexible.

Here a realistic estimate is made of the delivery based on an assessment of risk and complexity. A high risk may be due to the technology being unknown, the organisational complexity being high or other factors that make it difficult to assess the scope of the delivery.

The complexity of the project is a function of the business needs that must be supported and the requirements in terms of quality, device and browser support etc.

Against this background a Target Cost is fixed, which is used as an indicator for the delivery by both customer and agency.

If the Target Cost is exceeded, the customer will only be invoiced 50 percent of the hours by which the estimate is exceeded until the delivery has been completed or the customer chooses to stop the project.

The Target Cost Model ensures that both the customer and the agency retain focus on the value throughout the project, while still respecting that it may be difficult to predict the overall scope and that it is not always profitable to try to fix all details in advance.

Example: A delivery that is estimated at 100 hours is invoiced at the full hourly rate for the first 100 hours, any subsequent hours being invoiced at 50 percent of the agreed hourly rate. If it only takes 70 hours to complete the delivery, only 70 hours are invoiced.

3.2 Shared Risk (the "Max Price Model")

Like the Target Cost Model, the Max Price Model is based on a realistic estimate based on risk and complexity. If the target cost is exceeded, the full hourly rate will be invoiced to the customer up to a percentage agreed by the parties. The percentage is in the interval 40-60 percent, unless special conditions apply.

If the estimate is exceeded by more than the agreed percentage, the agency will cover this additional cost until the delivery has been completed or the customer chooses to stop the project.

The Max Price Model ensures that both the customer and the agency retain focus on the value throughout the project, while still respecting the customer's need of financial security and recognising that it is not always profitable to try to fix all details in advance in such projects.

In situations where the need for special financial security is particularly important in relation to the allocated budgets, this model may be preferable.

Example: At a percentage of 50, a delivery estimated at 100 hours is invoiced at the full hourly rate for the first 150 hours and any additional hours will not be invoiced. If it only takes 70 hours to complete the delivery, only 70 hours are invoiced.

3.3 Exceeding the estimate

The estimate is exceeded when the number of hours used by the agency in addition to the estimate cannot be attributed to the customer's extension of the scope of the delivery or failure of delivery.

3.4 Changing the estimate

If the customer extends the scope of the delivery beyond what must be considered to be a natural part of solving the task within the agreed framework, or if failure of delivery from the customer repeatedly prevents progress, the agency will re-estimate the delivery.