

ROLLS-ROYCE SUBMARINES
GENERAL CONDITIONS OF PURCHASE
GOODS AND SERVICES – SECONDARY
SUBS/GCP-S
Issue 2

CONTENTS

Clause	Heading	Page
PART 1 - GENERAL		4
1	INTERPRETATION AND APPLICABILITY OF CONTRACT TERMS	4
2	PURPOSE OF CONTRACT	4
3	REPRESENTATIONS AND WARRANTIES	4
PART 2 – PAYMENT & VARIATIONS		5
4	PRICE AND PAYMENT	5
5	VARIATIONS	6
PART 3 – DELIVERY, VESTING, REJECTION, ACCEPTANCE, & DEFECTS		6
6	DELIVERY AND VESTING	6
7	ACCEPTANCE AND REJECTION	7
8	BUYER PROPERTY	8
9	QUALITY	9
10	REMEDY FOR DEFECTS AND NON-CONFORMANCES	9
11	WARRANTY PERIOD	10
PART 4 – SUPPLIER OBLIGATIONS		10
12	WORKFORCE MATTERS	10
13	SUBCONTRACTING	11
14	INDEMNITY	12
15	INSURANCE	12
16	SUPPLY OF INFORMATION AND RIGHTS OF INSPECTION	12
PART 5 – EXTENSION OF TIME AND TERMINATION		13
17	RELIEF EVENTS	13
18	FORCE MAJEURE	14
19	TERMINATION FOR CONVENIENCE	14
20	TERMINATION FOR DEFAULT	15
21	CONSEQUENCES OF TERMINATION	15
22	CORRUPT GIFTS AND PAYMENTS OF COMMISSION	16
23	TERMINATION FOR DEFAULT BY ROLLS-ROYCE	16
PART 6 - CONFIDENTIALITY		17
24	CONFIDENTIALITY	17
25	DATA PROTECTION	17
PART 7 – INTELLECTUAL PROPERTY		18
26	INTELLECTUAL PROPERTY RIGHTS	18
PART 8 – MISCELLANEOUS		18
27	COMPLIANCE WITH LAW	18
28	REACH	19
29	CHANGES IN LAW	19
30	OFFSET	19
31	ETHICS & EQUALITY	19
32	COMMUNICATIONS	20
33	MISCELLANEOUS	21
34	ONGOING OBLIGATIONS	22
35	PUBLICITY	22
36	LAW AND JURISDICTION	22
37	THIRD PARTY RIGHTS	22
SCHEDULE 1: INTERPRETATION		24
SCHEDULE 2: AUTHORITY MANDATORY STEP DOWN CLAUSES – SECONDARY CONTRACT		28
1	ACCOUNTING FOR PROPERTY OF THE AUTHORITY	28
2	TRANSPARENCY AND OPEN BOOK	29
3	SECURITY AND PROHIBITION ON DISCLOSURE	30
4	OVERSEAS EXPENDITURE AND IMPORT AND EXPORT LICENCES	32
5	MATERIALS	37
6	PACKAGING	37
7	MAINTENANCE AND STORAGE	37
8	CONTINUITY OF SUPPLY	38
9	CYBER SECURITY	38
10	AUDIT AND INSPECTIONS OF WORKS AND ACCESS TO PREMISES	42
11	QUALITY SYSTEM AND CONCESSIONS	42

12	DEFENCE DOCUMENTS	43
	SCHEDULE 3: Pricing and Payment	44
A.	Cost Plus:-	44
B.	Fixed Price	46
C.	Firm Price	47

PART 1 - GENERAL

1 INTERPRETATION AND APPLICABILITY OF CONTRACT TERMS

- 1.1 The definitions and rules of interpretation set out in Schedule 1 (Interpretation) apply to this Agreement and any Contract.
- 1.2 The Parties agree that the terms of this Agreement will apply to the exclusion of any other terms and conditions of business contained or referenced in any acknowledgement or any other form of acceptance by the Supplier (whether written or not), any standard form, quotation, proposal or any other document issued by the Supplier to Rolls-Royce or implied by trade custom, practice or any course of dealings between the Parties unless such terms and conditions are expressly stated in an Order to apply.
- 1.3 The Parties agree that the terms of this Agreement, any applicable Mandatory Step Down Clauses and any Order-Specific Clauses shall be incorporated into any Contract upon the issue by Rolls-Royce of an Order.
- 1.4 The documents are intended to be cumulative and explanatory of one another. In the event of a conflict or inconsistency between the terms, the higher or more stringent obligation shall prevail, save where any Order or an Order-Specific Clauses directly refer to and amend another provision.
- 1.5 If there is a conflict of provisions which cannot be resolved by giving a purposive and common sense interpretation to, the following order of precedence will apply, but only to the extent of such conflict:
- (a) any Order-Specific Clauses that are stated in an Order to derive from a contract with the Authority;
 - (b) any other Order Specific Clauses;
 - (c) any Mandatory Step Down Clauses;
 - (d) these General Conditions;
 - (e) the specification or description of the Deliverables and/or Services as set out, or referred to, in an Order
 - (f) any quality assurance requirements expressly set out in an Order;
 - (g) any other provisions referred to in an Order or this Agreement.

2 PURPOSE OF CONTRACT

- 2.1 The Supplier shall undertake the supply of Deliverables and / or the provision of Services in accordance with this Agreement and any Contract. Without limitation to the generality of the foregoing, the Deliverables and/or Services:
- (a) shall comply with the specifications set out in this clause 2 (Purpose of Contract);
 - (b) shall be delivered or provided for the price as set out at clause 4 (Price and Payment); and,
 - (c) shall be delivered and completed in accordance with clause 6 (Delivery and Vesting).
- 2.2 Deliverables shall be supplied in accordance with the specification or description of the Deliverables as set out or referred to in an Order.
- 2.3 Services shall be supplied
- (a) in accordance with:
 - (i) the specification or description of the Service as set out or referred to in an Order; and
 - (ii) any Specified Service Levels;
 - (b) at the location specified in an Order (where applicable).

3 REPRESENTATIONS AND WARRANTIES

- 3.1 The Supplier represents and warrants to Rolls-Royce that, as at the Effective Date and on an ongoing basis:
- (a) it has the power to enter into and perform and has taken all necessary action to authorise its entry into and performance of this Agreement and any Contract and the transactions contemplated by it;
 - (b) any and all obligations expressed to be assumed by it in this Agreement and any Contract are legal, valid, binding and enforceable obligations;
 - (c) no claim is being assessed and no litigation, arbitration or administrative proceedings are in progress or, to the best of its knowledge, pending or threatened against it or any of its assets which will or might have an adverse effect on its ability to perform its obligations and meet its liabilities under this Agreement and any Contract;
 - (d) it is not the subject of any obligation, compliance with which will, or is likely to, have a material adverse effect on its ability to perform its obligations and meet its liabilities under this Agreement and any Contract;
 - (e) neither it nor any employee or agent of it has given, or offered, agreed or promised to give any financial or other advantage, to or for the benefit of any other person in order to obtain or influence the award of this Agreement and any Contract; and
 - (f) save as disclosed in writing to Rolls-Royce, no one other than a bona fide employee of the Supplier has recommended that Rolls-Royce enter into this Agreement and any Contract or otherwise interceded or negotiated on the Supplier's behalf in

relation to the agreement or negotiation of this Agreement and any Contract.

- (g) it shall take all necessary actions to fully inform itself and shall be deemed to have examined all information and data made available to him with relation to the subject matter of an Order.
- (h) it understands that an Order is being placed in connection with the Head Contract, and shall have reasonable regard to any specific requirements communicated to it by Rolls-Royce.
- (i) it shall diligently and regularly pursue its obligations with a view to complying with the agreed programme in support of the Head Contract.
- (j) it shall promptly and regularly provide Rolls-Royce with such reports and other information pertaining to the Supplier's progress and performance under any Contract. This obligation shall include the provision of facilities to hold progress meetings on the Supplier's or his Subcontractor premises should these be required at reasonable intervals.

3.2 The Supplier represents and warrants to Rolls-Royce that each Deliverable and/ or Service will:

- (a) fully conform and perform in accordance with the requirements of this Agreement and any Contract, including any specification referenced in or attached to an Order and any applicable Law;
- (b) be free from any defects (whether actual or latent) in workmanship and materials;
- (c) where Rolls-Royce is not responsible for the design of the Deliverables, be free from defects (whether actual or latent) in design;
- (d) be carried out with at least the degree of skill and care to be expected of a competent supplier experienced in carrying out, completing and delivering deliverables or services similar in size, scope and complexity to the Deliverables and/ or Services.
- (e) will conform to the specifications, drawings, samples, examples, trials, demonstrations, representations or descriptions furnished under an Order pursuant to this Agreement, and
- (f) be merchantable, be of satisfactory quality, be of good material and workmanship, and be free from defects.

3.3 The Supplier further expressly warrants that it has good title to the Deliverables, including any raw materials and components thereof and that the Deliverables will be free and clear of all liens and security interests and all other encumbrances.

3.4 The representations and warranties in clauses 3.1, 3.2 and 3.3 will:

- (a) survive the expiry of this Agreement and any relevant Contract and the Delivery of the Deliverables and performance of the Services; and
- (b) will be deemed repeated by the Supplier on the Scheduled Delivery Date of each Deliverable and/or Services with reference to the facts and circumstances then existing.

PART 2 – PAYMENT & VARIATIONS

4 PRICE AND PAYMENT

Price

- 4.1 The Total Order Value and the currency for payment will be set out in an Order.
- 4.2 The Total Order Value is exclusive of value added tax or any other similar tax ("VAT") payable in Rolls-Royce's jurisdiction of incorporation but includes all other taxes, duties and levies. If VAT is chargeable in Rolls-Royce's jurisdiction of incorporation, it will be separately identified on the invoice and will be payable by Rolls-Royce subject to the Supplier's compliance with its obligations in clause 4.4 or 4.6 below, as applicable.
- 4.3 Subject to clause 4.2, the Supplier will be responsible for, and will indemnify Rolls-Royce in full, from and against any and all taxes, duties, fines, penalties and interest thereon, imposed on the Supplier, its personnel or any Affiliate of the Supplier, by the government or other lawful taxing authority of any country for or on account of any payment made to or earned by the Supplier in connection with the supply of Deliverables under this Agreement and any Contract.

Payment

- 4.4 The Supplier will submit an invoice to Rolls-Royce's Financial Service Centre after the later of:
 - (a) the Scheduled Delivery Date of the relevant Deliverables and/or Services;
 - (b) the Delivery of all the relevant Deliverables, or completion of all the relevant Services; or,
 - (c) the invoicing date(s) set out in an Order.
- 4.5 The Supplier will agree the format of the invoice in advance with Rolls-Royce's Financial Service Centre and will include the relevant Order number on the invoice.
- 4.6 Provided the Deliverables and/or Services have not been rejected by Rolls-Royce in accordance with clause 6 (Delivery and Vesting) or that payment is not otherwise disputed, then payment of the invoice will be due and payable by Rolls-Royce within thirty (30) days

after the receipt of a valid, complete and accurate invoice from the Supplier. If such date is not a normal banking day in the United Kingdom then payment will be made on the following normal banking day in the United Kingdom. Rolls-Royce will electronically transfer payment to the Supplier.

- 4.7 Rolls-Royce will be entitled to set-off any liability owed by it to the Supplier under this Agreement or any Contract against any liability of the Supplier or any of its Affiliates to Rolls-Royce or any of its Affiliates under this Agreement or any Contract or under any other agreement, whether such liability is present or future or liquidated or unliquidated.
- 4.8 If the Supplier does not receive any amount due from Rolls-Royce under this Agreement or any Contract on its due date (as set out in clause 4.7 above), the Supplier will be entitled to charge interest on all valid overdue amounts at a rate of 2.5% per annum above the Base Rate, accruing on a simple basis from the day the amount became overdue and ending on the day payment is received in full by the Supplier.

5 VARIATIONS

- 5.1 In accordance with this clause 5, Rolls-Royce may require the provision of additional or reduced Services and/ or Deliverables under an Order. Further, Rolls-Royce may require (or the Supplier may request permission for) changes to the Deliverables to be provided or Services to be performed under an Order. (Each "a Variation").
- 5.2 If Rolls-Royce requires a Variation it may serve notice on the Supplier :
- (a) setting out the nature of the Variation required in sufficient detail to enable the Supplier to provide a proposed change to the relevant Order including any impact of the timescales for delivery of the Deliverables and/ or Services and any increase or decrease in the Total Order Value (a "Variation Request"), or .
 - (b) Setting out the basis upon which Rolls-Royce intends to change the relevant Order (a "Variation Instruction")
- 5.3 As soon as is reasonably practicable after receipt of a Variation Request (or if the Supplier wishes to request a Variation where Rolls-Royce has not submitted a Variation Request) the Supplier shall submit a Variation Proposal setting out the detail required by the Variation Request or (as the case may be) the basis upon which the Supplier would like Rolls-Royce to change the Order.
- 5.4 Should the party preparing the document so choose, a Variation Request, a Variation Instruction or a Variation Proposal may set out that party's expectations in respect of the timescale in which it hopes the Variation process to be finalised.
- 5.5 The Supplier shall assess and promptly be prepared to respond to each Variation Instruction, limiting its comments to necessary matters of safety, security, design integrity, manufacturability, cost and programme.
- 5.6 As soon as is practicable (and having due regard to any timescales set out in accordance with clause 5.4):
- (a) after Rolls-Royce receives a Variation Proposal, or
 - (b) after the Supplier receives a Variation Instruction

the parties shall discuss the changes to the Deliverables and/ or Services with a view, to agreeing and finalising the Variation.

- 5.7 Rolls-Royce shall either issue a written amendment to the relevant Order reflecting the agreement reached under 5.6, or withdraw the notice it issued under clause 5.2.
- 5.8 For the avoidance of doubt, Rolls-Royce shall in no circumstances be responsible for any costs associated with the preparation of a Variation Proposal, or any Variation which Rolls-Royce elects to withdraw neither shall Rolls-Royce be under any obligation to agree to a Variation Proposal from the Supplier.
- 5.9 Any Deliverables provided or Services performed by the Supplier in breach of the provisions set out in clause 5.1 to 5.7 will be done at the cost and risk of the Supplier without any entitlement to any additional compensation or extension of time.

PART 3 – DELIVERY, VESTING, REJECTION, ACCEPTANCE, & DEFECTS

6 DELIVERY AND VESTING

- 6.1 The Supplier will Deliver the Deliverables on a DDP basis (Incoterms 2010) to the location specified in an Order and with all documentation required by this Agreement and any Contract. Notwithstanding anything contained in the Incoterms 2010, risk of loss or damage to a Deliverable will pass to Rolls-Royce on Delivery and not before.

Delay by the Supplier

- 6.2 The Supplier will Deliver the Deliverables by the Scheduled Delivery Date.
- 6.3 The Services will be provided to Rolls-Royce:
- (a) from the commencement date (the "Service Commencement Date") specified in an Order:
 - (i) within the Specified Timescales; or
 - (ii) where there are no Specified Timescales in an Order, until the Services have been fully performed in accordance with this Agreement; or
 - (iii) where Services are provided for a stated term or period, until expiration of such term or period

- 6.4 The Supplier will immediately notify Rolls-Royce in writing if it has any reason to believe that it may or will be unable to fulfil or will be delayed in any way from completing its obligations under this Agreement or any Contract, with full details of the reason for such belief, identifying where possible whether it is the fault of the Supplier, a Force Majeure event, or a Relief Event, and identifying any mitigating measures it is taking to manage or reduce the delay.
- 6.5 If the Supplier fails to deliver the Deliverables on or before the Scheduled Delivery Date or fails to perform the Services in accordance with any Specified Timescales then Rolls-Royce will be entitled to recover from the Supplier the liquidated damages set out in an Order or (where no such liquidated damages are specified) 1% of the Total Order Value as liquidated damages for each seven-day period of delay (or any part of such period) subject to a maximum of 10% of the Total Order Value.
- 6.6 In the event that the Supplier incurs the maximum amount of Liquidated Damages specified at clause 6.5 but is continuing to fail to deliver the Deliverables or perform the Services, Rolls-Royce shall be entitled (without prejudice to its other rights and remedies, including without limitation the right to terminate the Agreement or any relevant Contract for the Supplier's default in accordance with clause 20) to recover all further Losses suffered by it as a result of such continuing failure.
- 6.7 Without prejudice to clause 6.5 and 6.6, where
- (a) an Order states that Time Is Of The Essence and the Supplier fails to Deliver the Deliverables or perform the Services on time, or
 - (b) it is apparent that the Supplier's failure to Deliver the Deliverables or perform the Services is inevitable and/or ongoing
- Rolls Royce may treat such failure as a default which is not remediable in accordance with clause 20 (Termination for Default).

Service Levels

- 6.8 If the Supplier fails to perform the Services in accordance with any Specified Service Levels then Rolls-Royce shall be entitled to recover from the Supplier the liquidated damages set out in the relevant Order for such failure or (where no such liquidated damages are specified) 1% of the Total Order Value as liquidated damages for each thirty-day period in which that the Services are not performed in accordance with the Specified Service Levels, subject to a maximum of 10% of the Total Order Value.
- 6.9 The liquidated damages specified at clauses 6.5 and 6.8 are agreed as a reasonable pre-estimate of the loss which Rolls-Royce is likely to suffer as a result of the specified delay, failure or breach by the Supplier and are not a penalty. Liquidated damages (and the right to terminate this Agreement and any Contract) shall be the Supplier's sole liability for failure to deliver Deliverables on the Scheduled Delivery Date or failure to perform Services within the Specified Timescales (as the case may be).

Vesting

- 6.10 Subject to clause 6.11 and clause 7.6:-
- (a) any Deliverable as it is constructed together with its component parts and equipment so far as incorporated therein; and
 - (b) all materials and other things whatsoever which the Supplier shall acquire or allocate for incorporation in any of the Deliverables,
- shall vest in and become the absolute property of Rolls-Royce, from the time the construction of the Deliverable begins or the materials or things are acquired or allocated and shall from this point be in the possession of the Supplier for the sole purpose of completing the Deliverables and delivering them when completed as directed by Rolls-Royce, and shall not be within the ownership, control or disposition of the Supplier.
- 6.11 Neither the Supplier, nor a Subcontractor, nor any other person shall have a lien on any Deliverable, material or thing which has vested in Rolls-Royce under clause 6.10 of this clause for any sum due to the Supplier, Subcontractor or other person, and the Supplier shall take all such steps as may be reasonably necessary to ensure that the title of Rolls-Royce, and the exclusion of any such lien, are brought to the notice of all Subcontractors and other persons dealing with any such Deliverables, materials or things.
- 6.12 Without prejudice to the provisions of clause 6.11 above, the Supplier is to ensure that such a mark is to be placed on each Deliverable as soon as the construction begins or materials or things are acquired or allocated (or as soon as practicable), or where this is not possible, a notice shall be displayed and record made in the books of the Supplier as necessary for the purpose of ensuring that all such Deliverables, materials or things are readily identifiable as being the property of Rolls-Royce. The Supplier shall comply with the direction of Rolls-Royce regarding the identification of the Deliverables, materials or things.

7 ACCEPTANCE AND REJECTION

- 7.1 Where an Order (or any other part of a Contract) stipulates that acceptance tests or inspections will apply to the Deliverables or output of the Services, the Deliverables and/or Services will not be deemed accepted until the completion of such acceptance tests or inspections to the satisfaction of Rolls-Royce.
- 7.2 Where an Order (or any other part of a Contract) does not provide for any acceptance tests or inspections, Rolls-Royce will not be deemed to have accepted the Deliverables and/or Services in whole or in part until ninety (90) days has elapsed since Delivery has occurred or performance of the relevant Services has been completed.
- 7.3 If Rolls-Royce does not accept the Deliverables or the Services, Rolls-Royce may, at its sole discretion:
- (a) send the Supplier a written notice that specifies the reasons for Rolls-Royce's non-acceptance and requires the Supplier to take rectifying action (a "Rectification Notice");
 - (b) send the Supplier a written notice rejecting the relevant Deliverables and/or Services (a "Rejection Notice"); or

(c) send the Supplier a Rejection Notice and such further notice as may be appropriate under clause 20 (Termination for Default).

7.4 Upon receipt of a Rectification Notice, the Supplier will, within the timeframes reasonably required by Rolls-Royce (taking into account in particular the impact on Rolls-Royce’s business resulting from the non-acceptance), remedy or resupply the Deliverables, or remedy or re-perform the relevant Services so as to ensure that the reasons for Rolls-Royce’s non-acceptance of the same are adequately addressed. If Rolls-Royce does not accept any remedied or re-performed Deliverables or Services Rolls-Royce may exercise any of its remedies under clause 7.3. If the Supplier fails to attempt to remedy or re-perform the relevant Deliverables or Services then Rolls-Royce may issue a Rejection Notice and/or consider this a Default incapable of being remedied in accordance with clause 20 (Termination for Default).

7.5 Within ten (10) days of receipt of a Rejection Notice, the Supplier will refund to Rolls-Royce all amounts which have been paid by Rolls-Royce under this Contract in respect of the rejected Deliverables or Services.

7.6 Within thirty (30) days of a Rejection Notice or such shorter period as Rolls-Royce may reasonably specify, the Supplier will collect such Deliverable at its own cost. If the Supplier does not collect the Deliverable within thirty (30) days of the Rejection Notice, Rolls-Royce may scrap or dispose of the Deliverable at the Supplier’s cost. Rejected Deliverables shall be at the Supplier’s risk from the date of the Rejection Notice, and shall (unless scrapped or disposed in accordance with this clause 7.6) re-vest in the Supplier when collected.

7.7 Without prejudice to Rolls-Royce other rights and remedies whether in contract or at law, for every occurrence of Concession or Non-conformance identified at the customer, Rolls-Royce has an exercisable right to charge the Supplier an administrative charge as stated in the table below, which Rolls-Royce may deduct from any payments due to the Supplier. These charges are agreed as a reasonable pre-estimate of the administration cost which Rolls-Royce is likely to suffer as a result of the specified quality issue and are not a penalty.

Quality Issue Cost Description	Charge
Per Concession	£750
Non-conformance identified at receipt of inspection	£1250
Non-conformance identified by the customer	£3000

7.8 Acceptance by Rolls-Royce will not release the Supplier from complying with its other obligations under this Agreement or any Contract (including any warranties or representations given or made by the Supplier under this Contract).

8 BUYER PROPERTY

8.1 All Buyer Property required by the Supplier to fulfil the requirements of any Contract shall be agreed with Rolls-Royce or the Authority (as the case may be) in writing before the relevant Contract is entered into, and confirmed in the relevant Order.

8.2 All Buyer Property shall remain the property of Rolls-Royce or the Authority (as the case may be) whether paid for by or charged against the Supplier or not, and shall be used in the execution of the relevant Contract and for no other purpose whatsoever, without the prior approval in writing of Rolls-Royce or the Authority (as the case may be). If requested, Rolls-Royce or the Authority (as the case may be) will notify the Supplier, within a reasonable time, of the current value of Buyer Property belonging to it.

8.3 Save as provided below the Supplier shall subject Buyer Property to:

- (i) On receipt, a reasonable visual inspection, and
- (ii) Within fourteen (14) days of receipt (or such longer period as may be specified in an Order) such reasonable additional inspection and testing as may be necessary and practicable to check that Buyer Property is not defective or deficient for the purpose for which it has been provided

Provided that:

- (iii) Where Buyer Property is issued in a 'preserved, identified and packaged' condition they shall not be unpacked earlier than is necessary and for such items the period stated in clause 8.3(ii) above shall commence from the date on which packages are opened.
- (iv) The Supplier shall promptly advise Rolls-Royce or the Authority (as the case may be) if it is unable to carry out its obligations under clause 8.3(ii) above, and thereafter the Supplier shall comply at no additional cost with such alternative arrangements as Rolls Royce or the Authority (as the case may be) may instruct.

8.4 The Supplier shall notify Rolls-Royce or the Authority (as the case may be) as soon as is reasonably practicable of any defects or deficiencies discovered in accordance with 8.3 above.

8.5 Instructions for the return or disposal of defective or deficient Buyer Property shall be issued by Rolls-Royce or the Authority (as the case may be) and such property shall not be at the risk of the Supplier once it has been delivered in accordance with any instructions issued by Rolls-Royce or the Authority (as the case may be).

- 8.6 The Supplier is fully responsible for the safe keeping and due return (whether or not incorporated into any Deliverables) and any loss of, or damage to, any Buyer Property whilst it is in their custody. The Supplier will at all times maintain Buyer Property in good condition, keep it insured with a reputable insurance company (with all Losses payable to Rolls-Royce or the Authority (as the case may be) and ensure that it is clearly identified as belonging to Rolls-Royce or the Authority (as the case may be). The Supplier will maintain comprehensive records of Buyer Property and will keep any logbooks, records (including maintenance or use records) and any other documents relating to Buyer Property, fully up to date.
- 8.7 The Supplier will provide Rolls-Royce or the Authority (as the case may be) with a list and the location of all Buyer Property promptly:
- (a) within 30 days of each anniversary of the Effective Date;
 - (b) on the request of Rolls-Royce or the Authority (as the case may be);
 - (c) on the termination of this Agreement or any Contract; and/or
 - (d) when all of the Deliverables and/or Services have either been cancelled or delivered.
- 8.8 The Supplier will immediately follow any instructions of Rolls-Royce or the Authority (as the case may be) to return to Rolls-Royce or the Authority (as the case may be) any Buyer Property.
- 8.9 Neither the Supplier, nor any Subcontractor, nor any other person, shall have a lien on Buyer Property, whether paid for by or charged against the Supplier or not, for any sum due to the Supplier, Subcontractor or other person, and the Supplier shall take all such steps as may be reasonably necessary to ensure that the title of Rolls-Royce or the Authority (as the case may be), and the exclusion of any such lien, are brought to the notice of all Subcontractors and other persons dealing with any Buyer Property.

9 QUALITY

- 9.1 The Supplier will comply in full with any requirements set out at Rolls-Royce's website for suppliers (<https://suppliers.rolls-royce.com>), as updated from time to time by Rolls-Royce including the requirements of GS3001 and flow down the applicable requirements and expectations of Rolls-Royce to their sub-tier/subcontract suppliers, unless such requirements clearly state that they are not applicable to the type or nature of the Services and/ or Deliverables being supplied by the Supplier under this Agreement and any Contract.
- 9.2 Unless otherwise specified in an Order, the Supplier will ensure that any Deliverables are new and unused on Delivery.

10 REMEDY FOR DEFECTS AND NON-CONFORMANCES

- 10.1 If any Defect or Non-Conformance is identified by the Supplier, the Supplier will immediately report such Defect or Non-Conformance to Rolls-Royce when he becomes aware (or ought to have become aware) of such Defect or Non-Conformance

Defects

- 10.2 If after any Deliverable has been accepted, it has or develops a Defect within the Warranty Period then Rolls-Royce may require the Supplier, on written notice and at the sole discretion of Rolls-Royce to:
- (a) collect, repair or replace and re-Deliver the Deliverable at the Supplier's sole cost (such costs to include any transportation costs, any costs related to the removal or re-installation of the Deliverable from any higher-assembly item or any other costs that Rolls-Royce incurs that it would not have incurred but for the Defect):
 - (i) within thirty (30) days of Rolls-Royce's written notice; and
 - (ii) where Rolls-Royce's written notice states that, for urgent operational reasons, a shorter timescale is required, the Supplier will use its best endeavours to collect, repair or replace and re-Deliver the Deliverable within the timescale stated in Rolls-Royce's written notice;
 - (b) promptly refund the amount paid for the Deliverable to Rolls-Royce in full;
 - (c) promptly refund such lesser amount as Rolls-Royce may agree is appropriate to reflect the extent and impact of the Defect; or,
 - (d) indemnify Rolls-Royce in full for any costs Rolls-Royce incurs over and above those which Rolls-Royce would have been obliged to pay the Supplier under this Agreement in repairing or obtaining the Deliverable (or any equivalent item) from a third party, such costs to be paid within fourteen (14) days of Rolls-Royce sending an invoice to the Supplier.
- 10.3 If Rolls-Royce notifies the Supplier that it intends to exercise its rights under clauses 10.2(b) or 10.2(c) or to obtain a replacement Deliverable under clause 10.2(d) (save as provided below), the Supplier will collect the Deliverable, at the Supplier's sole cost, from Rolls-Royce within thirty (30) days of such a notification and risk in the Deliverable will pass to the Supplier on collection. If it is not safe or practicable for the Deliverable to be returned to the Supplier, or if the Supplier does not collect the Deliverable within thirty (30) days of such notification, Rolls-Royce will be entitled to scrap or dispose of the Deliverable at the Supplier's cost.
- 10.4 If Rolls-Royce exercises its rights under clause 10.2(a), risk in the Deliverable will pass to the Supplier on collection and pass back to Rolls-Royce on re-Delivery.

Non-Conformances

- 10.5 If Rolls-Royce discovers within the Warranty Period that a Service is subject to a Non-Conformance, Rolls-Royce may require the Supplier, on written notice and at the sole discretion of Rolls-Royce to:
- (a) re-perform the Services or remedy the Non-Conformance at the location specified by Rolls-Royce;

- (b) promptly refund such amount as Rolls-Royce may agree is appropriate to reflect the extent and impact of the Non-Conformance;
 - (c) permit Rolls-Royce to rectify or procure the rectification of such Non-Conformance at the Supplier's cost (which the Supplier will reimburse to Rolls-Royce within fourteen (14) days of Rolls-Royce invoicing the Supplier); or
 - (d) permit Rolls-Royce to re-perform or procure the re-performance of the Services at the Supplier's cost (which the Supplier will reimburse to Rolls-Royce within fourteen (14) days of Rolls-Royce invoicing the Supplier for those costs).
 - (e) perform such tests as Rolls-Royce may require, to ensure that such rework or making good complies with the requirements of the relevant Order.
- 10.6 The representations and warranties set out at clause 3.2 will apply in full to any Deliverable repaired or replaced or Service re-performed under this clause 10 (Remedy for Defects and Non-Conformances).
- 10.7 Pursuant to clause 37 (Third Party Rights), Rolls-Royce shall be permitted to extend the benefit of this warranty to its customer under the Head Contract, and/or to the Authority.
- 11 WARRANTY PERIOD**
- 11.1 Without prejudice to Rolls-Royce' other rights and remedies, the warranty period in respect of Defects or Non Conformances shall be twenty-four (24) months from acceptance unless otherwise stated in an Order (the "Warranty Period").

PART 4 – SUPPLIER OBLIGATIONS

12 WORKFORCE MATTERS

- 12.1 The Supplier shall ensure that all Staff:
- (a) are suitably experienced, qualified, skilled and trained to the level expected of a specialist professional providing deliverables or services similar to the Services and/or Deliverables to customers of the same nature as Rolls-Royce or its Affiliates and shall ensure that such Staff shall act at all times in a professional manner;
 - (b) comply with all security and other procedures and other regulations (including health, safety and site policies) in force at any relevant Rolls-Royce or Permitted User premises; and
 - (c) comply with all relevant statutes, statutory provisions and other Law.
- 12.2 **Safecontractor**
- (a) To the extent that the Supplier or its Subcontractors are undertaking work activities on a Rolls-Royce controlled site or area, they are required to be Safecontractor accredited before commencing any work on-site. Safecontractor is a private sector health and safety accreditation scheme. For more information about Safecontractor visit www.safecontractor.com
 - (b) For the purpose of this clause 12.2 only, a Supplier / Subcontractor is defined as a recognised company or individual, not owned or employed directly by Rolls-Royce that has been engaged to:
 - (i) Undertake a maintenance, construction, installation or modification related activity associated with fixed assets and/or physical infrastructure that has the potential to expose ongoing operations, Rolls-Royce personnel and/or contractors to health, safety & environmental risks, whilst working on Rolls-Royce premises, or work on behalf of Rolls-Royce on a customer's premises; and/or
 - (ii) Deliver a direct or support activity relating to ongoing manufacturing, test, assembly, operations.
 - (c) Any costs associated with obtaining Safecontractor accreditation shall be the liability of the Supplier.

Removal of Staff and Employment Obligations

- 12.3 If Rolls-Royce, its Affiliates, or any Permitted User, reasonably believes that any member of Staff is sub-standard or otherwise unsuitable to perform their obligations in connection with the Deliverables or the Services, Rolls-Royce may, in its absolute discretion, give notice requiring the Supplier to remove any such member of Staff from the provision of the Deliverables or the Services. The Supplier shall (at its own cost) promptly arrange for the removal of such Staff from the performance of the Deliverables or the Services and shall replace them with personnel acceptable to Rolls-Royce and, as applicable, its Affiliates and/or the Permitted User.
- 12.4 Staff will at all times remain employed or engaged by the Supplier and the Supplier shall meet all employment costs and liabilities in respect of Staff.

TUPE

- 12.5 No Supplier Personnel are or will be deemed to be employees of Rolls-Royce or any Permitted User and the Supplier will be solely responsible for payment of all salaries, benefits, insurance, pension and entire compensation of the Supplier Personnel and will indemnify Rolls-Royce and any Permitted User against any liabilities in respect of the same. The Services provided by the Supplier Personnel will be solely under the supervision, management and control of the Supplier.
- 12.6 It is the understanding of the Parties (although neither gives any warranty to this effect) that TUPE will not apply to the arrangements made under the Contract or upon the Supplier ceasing to provide the Services (or any part of the Services) or following the termination

of the whole or part of the Contract. The Supplier will indemnify, keep indemnified and hold harmless Rolls-Royce, any Permitted User, Affiliates and any Successor Supplier against all costs and Losses which arise out of or are connected with:

- (a) the employment or the termination of employment of any Relevant Person by the Supplier, Rolls-Royce, any Permitted User, Affiliates or any Successor Supplier, howsoever and whensoever arising (including, for the avoidance of doubt, any contractual or statutory termination or redundancy costs and salaries or wages, accrued holiday pay, expenses, pension benefits, life assurance, health or medical expenses insurance and all other emoluments and any PAYE tax deductions, national insurance contributions, severance payments and attorney fees, court fees and other costs relating thereto);
- (b) any act or omission by any employer or engager of any Relevant Person (including, without limitation, in relation to negligence claims or discrimination);
- (c) any obligations which the Parties may have under TUPE in relation to any Relevant Person (including without limitation regulation 13, 14 and 15 of TUPE); and
- (d) any costs resulting from and in relation to defending or responding to any claims or allegations raised regarding any of the items mentioned above.

12.7 The Supplier agrees that it will not at any time contend for any purpose whatsoever that TUPE applies upon the cessation of the Contract or the Services or any part of the Services.

12.8 For the avoidance of doubt, if any Relevant Person claims that their contract of employment has transferred (or should have) as a result of TUPE on the termination of the Contract or the Services (or any part of the Services), Rolls-Royce, the Affiliate, Permitted User or the Successor Supplier may, if seeking to rely on any of the above indemnities and on becoming aware of such a transfer (or alleged transfer), terminate such contract of employment, provided always that:

- (a) promptly upon becoming aware of any such transfer (whether alleged or otherwise) they notify the Supplier in writing of the matter and state whether or not they wish to employ or terminate the employment of such employee (Notification); and
- (b) (unless they do wish to employ or engage such an employee themselves and the employee accepts such an offer, in accordance with clause 12.8 (c) below) before terminating the employment of any such employee, they give the Supplier fourteen (14) days (from the date of Notification) within which to offer employment to and re-engage any such employee; and
- (c) any such termination takes place or notice to terminate is served and employment is terminated within ninety (90) days of the Notification (unless any such employee is entitled to a longer period of notice in which case such longer period will apply),

and upon any such termination the indemnity relied upon will apply for the benefit of Rolls-Royce, any Affiliate or any Permitted User or Successor Supplier (as applicable) that terminates the employment.

12.9 Should Rolls-Royce, any Affiliate or any Permitted User or a Successor Supplier wish to employ or engage an employee whose employment they may otherwise be entitled to terminate (as contemplated under clause 12.8 above), then if termination is not effected in accordance with clause 12.8, upon the formal commencement of such employment the above indemnities at clause 12.6 will no longer apply in respect of the relevant employee, save to the extent any such indemnities relate to any act, omission or entitlement (or alleged act, omission or entitlement) which arose or accrued prior to or upon the transfer date (or alleged transfer date) including, without limitation, all remuneration of any kind due to the employee and any negligence claims or unlawful discrimination.

12.10 The Parties agree that the Contracts (Rights of Third Parties) Act 1999 will apply to this section to the extent necessary to ensure that any Successor Supplier will have the right to enforce the obligations owed to, and indemnities given to, the Successor Supplier by the Supplier in its own right pursuant to section 1(1) of the Contracts (Rights of Third Parties) Act 1999 (and also the relevant Permitted User may in its discretion assign (either in whole, or in respect of specific employees) the benefit of the indemnities in this section to any such Successor Supplier).

12.11 The Supplier agrees that, in respect of any employees of Rolls-Royce, its Affiliates, or any Permitted User involved in connection with this Agreement and any Contract, the Supplier shall not, during the term of this Agreement and for a period of twelve (12) months after the expiry or termination of this Agreement, directly entice such person away from Rolls-Royce, its Affiliates, or any Permitted User (as applicable) with the intent itself of employing or otherwise engaging such person. This clause 12.11 shall not apply in respect of any personnel who can be shown to have responded to a bona fide published recruitment advertisement without any inducement or encouragement from the Supplier (other than through the advertisement itself).

General

12.12 The Supplier will, and will ensure that its Subcontractors will comply with all relevant statutes, statutory provisions and other Law.

13 SUBCONTRACTING

13.1 The Supplier may subcontract any of its obligation under this Agreement and any Contract in accordance with this clause 13, provided:

- (a) such subcontracting would not conflict with any of its obligations under this Agreement and any Contract or a relevant Law or Regulatory Requirement;
- (b) the Supplier shall not be relieved of any liability under this Agreement and the relevant Contract and shall at all times remain liable to Rolls-Royce for the proper performance of all of its duties and obligations as if they had not been subcontracted.

13.2 The Supplier shall include in each subcontract (and shall ensure that any subcontractor to whom it further sub-contracts shall include in any such sub-sub-contract) the Mandatory Step Down clauses and the following General Conditions:

- (a) Clause 8 – Buyer Property
- (b) Clauses 22.1 to 22.4 - Corrupt Gifts and Payments of Commission
- (c) Clause 24 – Confidentiality

14 INDEMNITY

14.1 The Supplier will indemnify Rolls-Royce in full against all Losses that are incurred by Rolls-Royce as a result of the Supplier's breach of any term of this Contract or as a result of any tortious (including negligent) acts or omissions of the Supplier (or any permitted Subcontractor) in connection with the performance of this Contract

15 INSURANCE

15.1 The Supplier shall at its own cost effect and maintain for duration of this Agreement (or any other period stated in an Order pursuant to this Agreement) the following insurances:

- (a) employers' liability insurance for the sum of not less than £10,000,000 (ten million pounds sterling) or as otherwise required by law and motor insurance cover as required by law;
- (b) public liability insurance to cover injury, death, damage and or loss to Rolls-Royce and or third parties for the sum of not less than £10,000,000 (ten million pounds sterling) per annum;
- (c) product liability insurance for the sum of not less than £10,000,000 (ten million pounds sterling) per annum,
- (d) professional indemnity insurance for the sum of not less than £10,000,000 (ten million sterling) per annum and;
- (e) those insurances which the Supplier is required to effect by law (at any time) and those insurances which a prudent Supplier would effect for undertaking the obligations and accepting the liabilities imposed on it in this Agreement and any Contract..

15.2 Whenever so required and requested by Rolls-Royce, the Supplier shall provide within three (3) Working Days of such request an insurance broker's letter confirming that it holds such policies.

15.3 The Supplier agrees to advise Rolls-Royce of any claims made against any of the insurance policies in clause 15.1 (including without limitation those arising out of the work undertaken under this Agreement and any Contract.)

15.4 The Supplier warrants that nothing has or will be done or be omitted to be done which may result in the insurance policies set out above being or becoming void, voidable or unenforceable.

15.5 The stipulations contained in this clause 15 (Insurance) shall not be deemed to and shall not in any way limit or affect the general liability or responsibility of the Supplier under the provisions of this Agreement and any Contract.

15.6 The Supplier shall obtain and maintain all insurances specified in clause 15.1 along with any additional insurance requirements detailed in an Order.

15.7 The Supplier will ensure that Rolls-Royce is either named as an additional insured party or provided with an indemnity to principal under each the above named policies.

16 SUPPLY OF INFORMATION AND RIGHTS OF INSPECTION

16.1 Rolls-Royce may, at its absolute discretion and at any time before the termination or completion of this Agreement or any Contract or the Delivery, performance or cancellation of all of the Deliverables and/or Services, inspect, or nominate a customer of Rolls-Royce, a regulatory body or an independent third party to inspect:

- (a) the Supplier's premises where any work related to this Agreement and any Contract is, was or will be carried out, including any tooling or equipment used in connection with the supply of the Deliverables or performance of the Services;
- (b) any processes, procedures, policies, systems or plans used by the Supplier in connection with the supply of the Deliverables and/or performance of the Services;
- (c) any materials used, or to be used, by the Supplier in connection with the supply of the Deliverables and/or performance of the Services;
- (d) the Deliverables themselves, regardless of what stage they are at in the manufacturing, assembly or supply process; and
- (e) any financial information of the Supplier, including any annual report, interim accounts or monthly management accounts,

and the Supplier will co-operate to the fullest possible extent with Rolls-Royce (including the provision of reasonable facilities for such inspections) to ensure that Rolls-Royce or, as applicable, a customer of Rolls-Royce, a regulatory body or an independent third party is able to conduct and complete such inspections promptly and to Rolls-Royce's satisfaction.

16.2 Rolls-Royce will usually give the Supplier reasonable written notice of its intention to exercise its rights under clause 16.1, however Rolls-Royce retains, at its sole discretion, the right to conduct inspections without prior notice to the Supplier.

16.3 The Supplier will ensure that Rolls-Royce is able to exercise all its rights set out in clause 16.1 and clause 16.2 against a Supplier or Subcontractor of the Supplier and throughout the supply chain in connection with this Agreement.

16.4 If any inspection is required by Rolls-Royce under clause 16.1 as a result of reasonable concerns relating to the Supplier's ability to perform its obligations in accordance with this Agreement and any Contract, the Supplier will be responsible for the costs of the inspection.

- 16.5 In addition to the foregoing, if Rolls-Royce has reasonable grounds for believing the Supplier may be unable to perform its obligations under this Agreement and any Contract, Rolls-Royce may require the Supplier to provide written evidence, to Rolls-Royce's satisfaction, that the Supplier is able to fulfil its obligations under this Agreement and any Contract, within thirty (30) days of Rolls-Royce's request.
- 16.6 If the Supplier comes under, or believes it is about to come under, the Control directly or indirectly of an entity who does not Control the Supplier at the Effective Date, then subject to confidentiality obligations imposed by Law, the Supplier will immediately notify Rolls-Royce with full details of such an entity.
- 16.7 Any inspections carried out by Rolls-Royce, a customer of Rolls-Royce, a regulatory body or an independent third party in accordance with this clause will not imply an acceptance of the Deliverables and/or Services or any waiver of the Supplier's obligations under this Agreement and any Contract.
- 16.8 The Supplier will, on request, promptly provide Rolls-Royce with any point of origin certifications in relation to any Deliverable or part of any Deliverable.
- 16.9 The Supplier shall provide to Rolls-Royce such reasonable working accommodation for representatives as Rolls-Royce may require. Accommodation provided shall be adequately furnished (including telephone facilities), lighted, heated and ventilated.
- 16.10 The Supplier will immediately follow any instructions of Rolls-Royce to return to Rolls-Royce any information or data belonging to Rolls-Royce.
- 16.11 In respect of any Contract or Subcontract the estimated value of which exceeds £500,000 (five hundred thousand pounds sterling), the Supplier shall provide details of its incurred costs for certification and validation by the Authority's Cost Assurance and Analysis Service (CAAS) in accordance with its standard certification procedures from time to time.

PART 5 – EXTENSION OF TIME AND TERMINATION

17 RELIEF EVENTS

- 17.1 If an event occurs as a direct result of an action or omission by Rolls-Royce which delays, prevents or adversely affects, or is likely to delay, prevent or adversely affect, the Supplier from performing any of its obligations under this Agreement or any Contract (a "Relief Event"), the Supplier shall as soon as reasonably practicable give notice to Rolls-Royce of the matters constituting the Relief Event, such notice to include:
- (a) Details of the Relief Event; and
 - (b) Details of the effects (if any) of the Relief Event on the Supplier's performance of its obligations under this Agreement and any relevant Contract including without limitation:
 - (i) Any impact on the Scheduled Delivery Date or the Specified Timescales;
 - (ii) Any increase in Total Order Value as result of the Relief Event; and,
 - (iii) Any impact on the ability of the Parties to meet their respective obligations under this Agreement and any relevant Contract.
- 17.2 Where the actual effect is not ascertainable at the time of Supplier's notice, it shall give its reasonable opinion of the likely effect (if any) on the same, and shall provide such further information as Rolls-Royce may request.
- 17.3 In the event of the occurrence of any Relief Event the parties shall effect a Variation in accordance with clause 5 (Variations), taking account of the obligations of the Parties under clause 17.4.
- 17.4 Each Party shall take reasonable steps to mitigate the effect of Relief Event on the performance of its obligations under this Agreement and any Contract including acting co-operatively to consider and address the impact (if any) of adopting mitigation strategies, including the costs and liabilities incurred by Rolls-Royce as a result of Relief Event.
- 17.5 Rolls-Royce shall not be entitled to bring a claim against the Supplier for a breach of its obligations under this Agreement or any Contract as a result of a Relief Event
- 17.6 The Supplier shall not incur any liability to Rolls-Royce for any losses or damage incurred by Rolls-Royce as a result of a Relief Event to the extent the Supplier is prevented, hindered or delayed or incurs any additional costs from carrying out its obligations under this Agreement and any Contract as a result of such Relief Event, save to the extent that such losses or damage or additional costs are incurred as a result of a breach by the Supplier of any of its obligations under clause 17.4.
- 17.7 If the Supplier fails to comply with its obligations under this clause 17 (Relief Events) then no relief in respect of the Relief Event shall be available to it until it complies with this clause 17 (Relief Events) and the obligations of each Party shall continue in force until such compliance.
- 17.8 The Supplier shall not be entitled to terminate this Agreement or any Contract as a consequence of any Relief Event.
- 17.9 Rolls-Royce shall have the right to terminate the Agreement or any Contract in accordance with clause 19 (Termination for Convenience) whether or not a Relief Event has occurred.
- 17.10 The Supplier acknowledges and agrees that its rights under this clause 17 (Relief Events) are its sole rights against Rolls-Royce under

or in relation to this Agreement or any Contract in respect of any Relief Event.

Rate of Progress

- 17.11 Without prejudice to any other rights or remedies of Rolls-Royce, if at any time Rolls-Royce believes, that
- (a) the progress of the Deliverables or Services is (or is projected to be) insufficient to achieve the Scheduled Delivery Date or the Specified Timescales, and/or
 - (b) progress of the Deliverables or Services is (or will be) delayed (where such delay in progress is not solely as a consequence of a Relief Event),

then Rolls-Royce may request that the Supplier submits a detailed proposal (including a programme, supporting documentation and such other information as Rolls-Royce may reasonably require) describing the revised methods which the Supplier proposes to adopt in order to expedite progress of the Deliverables or Services. The proposal shall demonstrate to Rolls-Royce's satisfaction how (and through its implementation) the Contractor shall be able to complete the Deliverables by the Scheduled Delivery Date or the Services within the specified timescales.

- 17.12 Unless Rolls-Royce confirms otherwise, the Supplier shall adopt the revised methods referred to in clause 17.11, which may require increases in working hours and/or in numbers of personnel or the taking of other such steps, at the sole cost of the Supplier (with no extension of time or any addition to the Total Order Value). If such revised methods cause Rolls-Royce to incur additional cost and/or suffer any losses, the Supplier shall pay such costs (and/or the amounts of such losses) to Rolls-Royce as a debt or Rolls-Royce may otherwise set-off such amounts from monies otherwise due (in addition to any liquidated damages for delay).
- 17.13 If the circumstances in clauses 17.11 and 17.12 apply in part as a result of a Relief Event and in part from other causes, clauses 17.11 and 17.12 shall apply to the extent of the delay attributable to such other causes.

Suspension And Delay By Rolls-Royce

- 17.14 Rolls-Royce may, at its sole discretion, require the Supplier to delay Delivery of any Deliverables or suspend all or part of the performance of the Services under this Agreement or any Contract for a continuous period of up to six months. Where such suspension is for a reason other than a breach or failure by the Supplier, the Supplier may submit a Variation Proposal in accordance with clause 5 (Variations).

18 FORCE MAJEURE

- 18.1 Subject to the affected Party's compliance with clauses 18.2 and 18.3, the time specified for the performance by a Party of any obligation of that Party in this Agreement and any affected Contract will be extended by a period equal to the period for which such performance is prevented by a Force Majeure Event.
- 18.2 The affected Party will use all reasonable endeavours to mitigate the effect of a Force Majeure Event.
- 18.3 If a Force Majeure Event occurs that will or may prevent the timely performance of a Party's obligations under this Agreement and/or any Contract, the affected Party will notify the other Party as soon as possible and in any event within five (5) days of the start of the Force Majeure Event, providing:
- (a) full details of the Force Majeure Event;
 - (b) its anticipated effect; and
 - (c) the affected Party's proposed measures to mitigate its effect.

- 18.4 If Rolls-Royce receives a notification from the Supplier under clause 18.3 or if Rolls-Royce reasonably believes that a Force Majeure Event has occurred that will or may prevent the timely performance of the Supplier's obligations under this Agreement and/or any Contract, Rolls-Royce may immediately, on written notice to the Supplier, cancel its order under this Agreement and any affected Contract in respect of some or all of the Deliverables and/or Services. In the event of such a cancellation the Supplier will repay to Rolls-Royce any amount paid by Rolls-Royce in respect of the cancelled Deliverables before their cancellation and neither Party will have any other liability to the other in respect of such cancellation.

19 TERMINATION FOR CONVENIENCE

- 19.1 Rolls-Royce shall have power to determine this Agreement and/or any Contract in whole or in part at any time by giving to the Supplier Notice (a "Termination Notice") specifying the date of termination of this Contract (being a date not less than twenty (20) Working Days from the date of such Termination Notice) (the "End Date") and upon the End Date this Agreement and any relevant Contract shall be determined without prejudice to the rights of the Parties accrued to the date of determination but subject to the operation of the following provisions of this clause.
- 19.2 In the event of a Termination Notice being given for convenience in accordance with this clause 19 (Termination for Convenience), Rolls-Royce shall at any time before the End Date, be entitled to exercise and shall, as soon as may be reasonably practicable within that period, exercise such of the following powers as it considers expedient:
- (a) to direct the Supplier, where any part of the Deliverables and/or Services has not been commenced, to refrain from commencing such part;
 - (b) to require the Supplier to deliver to Rolls-Royce all work-in-progress; and any material purchased by the Supplier, in connection with the cancelled Deliverables and/or Services;

- (c) to direct the Supplier to complete (or to commence and complete as the case may be) in accordance with this Agreement and any relevant Contract all or any part of the Deliverables and/or Services and to complete such Deliverables and/or Services at such time or times as may be mutually agreed on, or, in the absence of agreement, at the time or times provided by this Agreement or any Contract;
- (d) to require the Supplier to repay to Rolls-Royce any payment made in respect of the cancelled Deliverables and/or Services in advance of their Delivery and/or performance;
- (e) to direct that the Supplier shall, as soon as may be reasonably practicable after the receipt of such Termination Notice:
 - (i) take such steps as will ensure that the performance of the Deliverables and/or Services is reduced as rapidly as possible;
 - (ii) determine on the best possible terms any subcontracts subject to any direction given under this clause 19.2 as far as may be possible,

in each case the Supplier shall be entitled to payment for performance of its obligations up to the End Date under this clause 19.2 in accordance with the pricing and payment provisions of an Order.

19.3 The Supplier's entitlement to payment pursuant to a Termination Notice shall be limited to:

- (a) any costs of any work-in-progress that the Supplier can prove it has reasonably and properly incurred in respect of the cancelled Deliverables and/or Services up to the date on which Rolls-Royce notified the Supplier of its intention to cancel the Deliverables and/or Services; and
- (b) any costs incurred by the Supplier (which the Supplier has not recovered under sub-clause (a) or through any other payment already made) which Supplier can prove it reasonably and properly incurred as a direct result of Rolls-Royce exercising its power under clause 19.2(c).

19.4 The total amount payable to the Supplier by Rolls-Royce under this clause shall be in full satisfaction of all claims arising out of such cancellation, and will in no circumstances exceed the portion of the Total Order Value attributable to the cancelled Deliverables and/or Services.

19.5 The Supplier must submit its full claim under this clause 19 to Rolls-Royce within thirty (30) days of the End Date. If the Supplier fails to submit its full claim under clause 19 (Termination for Convenience) within such thirty (30) day period, the Supplier's right to make such a claim will lapse and Rolls-Royce will have no further liability to the Supplier arising out of the termination for convenience.

19.6 For the avoidance of doubt, the Supplier shall be obliged to use all reasonable endeavours to mitigate the costs which it claims in the event of termination under this clause 19 (Termination for Convenience).

20 TERMINATION FOR DEFAULT

20.1 Rolls-Royce may terminate this Agreement and/or any Contract in whole or in part immediately on written notice to the Supplier:

- (a) if the Supplier suffers an Insolvency Event;
- (b) if the Supplier breaches clauses 22.1 to 22.2 below;
- (c) if the supplier breaches clauses 22 (Corrupt Gifts and Payments of Commission) or 31 (Ethics & Equality);
- (d) if the Supplier becomes an Affiliate of a Competitor;
- (e) if the Supplier breaches clauses 6.1 to 6.4, 16.1, 28.5, 29, or if any representation or warranty made by the Supplier in clause 3.1 is breached, or is or becomes incorrect;
- (f) if, in respect of any other agreement between Rolls-Royce or any Affiliate of Rolls-Royce and the Supplier or an Affiliate of the Supplier, Rolls-Royce or an Affiliate of Rolls-Royce has a right to terminate such agreement following a breach by the Supplier or an Affiliate of the Supplier of such agreement;
- (g) if the Supplier breaches any other condition of this Agreement or any Contract and (in the case of a breach that is remediable) does not remedy such breach within thirty (30) days of receiving from Rolls-Royce written notice of the breach and a request to remedy the breach; or
- (h) if any Secret Matter is disclosed by the Supplier, any Subcontractor or Affiliate, Staff or consultant of any of them to any person where such disclosure poses a threat to national security.

21 CONSEQUENCES OF TERMINATION

21.1 On termination of this Agreement or any Contract, the Supplier will, if required by Rolls-Royce to do so, promptly provide Rolls-Royce with, and licence Rolls-Royce (and any third party engaged by Rolls-Royce to complete the Deliverables and/or Services) to use, or ensure that Rolls-Royce is promptly provided with and Rolls-Royce (and any third party engaged by Rolls-Royce to complete the Deliverables and/or Services) is (or are) licensed to use, all such designs, documentation and information as may be necessary to enable Rolls-Royce to complete the Deliverables and/or Services itself, or have a third party complete the Deliverables and/or Services. Subject to clause 26 (Intellectual Property Rights), Rolls-Royce will have no right to use such designs, documentation and information provided under this clause 21.1 for any purpose other than completing the Deliverables or having a third party complete the Deliverables and/or Services.

22 CORRUPT GIFTS AND PAYMENTS OF COMMISSION

22.1 The Supplier shall not do, and warrants that in entering this Agreement and any Contract it has not done any of the following (hereafter referred to as “Prohibited Acts”):

- (a) offer, promise or give to give to any Crown servant any gift or financial or other advantage of any kind as an inducement or reward;
 - (i) for doing or not doing (or for having done or not having done) any act in relation to the obtaining or execution of this or any other contract with the Crown; or
 - (ii) for showing or not showing favour or disfavour to any person in relation to this or any other Contract with the Crown.
- (b) enter into this or any other Contract with the Crown in connection with which commission has been paid or has been agreed to be paid by it or on its behalf, or to its knowledge, unless before this Contract is made particulars of any such commission and of the terms and conditions of any such agreement for the payment thereof have been disclosed in writing to the Authority.

22.2 If the Supplier, its employees, agents or any subcontractor (or anyone acting on its behalf or any of its or their employees) does any of the Prohibited Acts or commits any offence under the Prevention of Corruption Acts 1889 -1916 or under sub sections 108 -109 of the Anti-Terrorism, Crime and Security Act 2001 before those Acts or sub sections are revoked, or an offence under the Bribery Act 2010 with or without the knowledge or authority of Rolls-Royce in relation to this Contract or any other contract with the Crown, Rolls-Royce and the Authority shall be entitled:

- (a) To terminate this Agreement and any Contract and recover from the Supplier the amount of any loss resulting from the termination.
- (b) to recover from the Supplier the amount or value of any such gift, consideration or commission; and
- (c) to recover from the Supplier any other loss sustained in consequence of any breach of this clause 22.2, where this Agreement has not been terminated.

22.3 In exercising its rights or remedies under clause 22.2, Rolls-Royce shall:

- (a) act in a reasonable and proportionate manner having regard to such matters as the gravity of, and the identity of the person performing, the prohibited act;
- (b) give all due consideration, where appropriate, to action other than termination of this Agreement or any Contract, including (without being limited to):
 - (i) requiring the Supplier to procure the termination of a subcontract where the prohibited act is that of a Supplier or anyone acting on its or their behalf;
 - (ii) requiring the Supplier to procure the dismissal of an employee (whether its own or that of a Supplier or anyone acting on its behalf) where the prohibited act is that of such employee.

22.4 Recovery action taken against any person in Her Majesty's service shall be without prejudice to any recovery action taken against the Supplier pursuant to clause 22.3.

22.5 The Supplier shall notify Rolls-Royce in writing as soon as it becomes aware of the occurrence of any Prohibited Act or offence under the Bribery Act 2010.

22.6 Each Party undertakes to the other Party that neither it nor its Affiliates, directors, officers, employees, or other persons authorised to act on its behalf, in respect of this Agreement will:

- (a) undertake any action or activity; or
- (b) refrain from any action or activity;

where doing so is or was intended directly or indirectly to facilitate any offence of tax evasion.

22.7 Each Party represents, warrants and undertakes to the other Party that neither it nor its Affiliates, directors, officers, employees, or other persons authorised to act on its behalf, in respect of this Agreement, has:

- (a) (A) undertaken any action or activity; or
- (b) (B) refrained from any action or activity;

where doing so is or was intended directly or indirectly to facilitate any offence of tax evasion.

23 TERMINATION FOR DEFAULT BY ROLLS-ROYCE

23.1 The Supplier may terminate this Agreement in the following circumstances only and any right the Supplier may otherwise have to terminate or cancel this Agreement at common law (including by acceptance of repudiation by Rolls-Royce) is hereby excluded:

- (a) if Rolls-Royce suffers an Insolvency Event; or
- (b) if Rolls-Royce is in breach of any obligation to make any payment under this Agreement or any Contract and such breach continues for a period of 90 days from the date that Rolls-Royce received a written notice from the Supplier notifying Rolls-

Royce that the payment was overdue, provided that the amount of the payment is not in dispute between the Parties.

- 23.2 On termination or completion of this Agreement or any Contractor whatever reason the Supplier shall provide all assistance as Rolls-Royce may reasonably require in order to ensure an orderly transition of the Deliverables and/or the performance of the Services to Rolls-Royce or any Successor Supplier.

PART 6 - CONFIDENTIALITY

24 CONFIDENTIALITY

- 24.1 Subject to clause 24.2, each Party agrees to hold in confidence any Information that it acquires directly or indirectly from the other Party (or the Affiliates of the other Party) and agrees:

- (a) to protect the Information with the same degree of care used to protect its own Information (which will never be less than a reasonable degree of care);
- (b) not to use the Information other than for the purposes of this Agreement and any Contract;
- (c) not to disclose the Information at any time or to any third party without the written approval of the other Party; and
- (d) not to remove, alter or deface any proprietary, confidentiality or security designations denoted on the Information.

- 24.2 The provisions of clause 24.1:

- (a) do not apply to Information which is:
 - (i) already in the public domain;
 - (ii) received from a third party who is without an obligation of non-disclosure;
 - (iii) subject to compliance with clause 24.4 below, required to be produced by a legitimate legal authority; or
 - (iv) already known by the receiving Party at the time of receipt;
- (b) will not prevent either Party from disclosing this Agreement and any Contract and financial information concerning the business between the Parties to appointed auditors, legal advisers, insurers and accountants;
- (c) will not prevent either Party from disclosing Information to Suppliers and Subcontractors solely to the extent necessary for the purposes of supplying the Deliverables and/or performance of the Services; and
- (d) will not prevent Rolls-Royce disclosing Information to its Affiliates.

- 24.3 Each Party will be responsible for the observance of the provisions of this clause 24 (Confidentiality) by its employees or any other third parties to whom Information is disclosed in accordance with this clause 24 (Confidentiality).

- 24.4 If the Party receiving the Information (the "Receiving Party") believes it is required by Law to disclose any Information to any third party:

- (a) such Party will provide the Party disclosing the Information (the "Disclosing Party") with immediate written notice of such requirement or obligation (together with a copy of any relevant access request, court order, or other evidence giving rise to such belief or obligation) to enable the Disclosing Party to seek appropriate protective relief and/or to take steps to resist or narrow the scope of any required disclosure; and
- (b) the Receiving Party must co-operate with the Disclosing Party with respect to such matters and will in any event disclose only such Information as it has ascertained, after taking legal advice, it is compelled by Law to disclose, and will use all reasonable endeavours to ensure that all Information so disclosed is accorded confidential treatment in the terms of this Contract. The Receiving Party will always notify the Disclosing Party in writing of the means, content and timing of such a disclosure before such a disclosure is made.

- 24.5 Rolls-Royce may release to the Authority any of those parts of this Agreement and any Contract documentation as is necessary to demonstrate Rolls-Royce's and the Supplier's compliance with the provisions of this Agreement and any Contract. Any such release shall not amount to a breach of any provision of confidentiality contained within this Agreement.

25 DATA PROTECTION

- 25.1 In this clause 25 (Data Protection), the expressions "Data Controller" and "Personal Data" shall have the same meanings as in the Data Protection Laws.

- 25.2 In the performance of this Agreement and any Contract, both Parties shall comply with and discharge their obligations as a Data Controller under the Data Protection Laws and comply with and discharge all obligations relevant to this Contract under the Data Protection Laws.

- 25.3 To the extent the Supplier is Processing Personal Data on behalf of Rolls-Royce, the Supplier shall:

- (a) put in place technical and organisational measures to ensure that Personal Data is protected against loss, destruction and damage, and against unauthorised access, use, modification, disclosure or other misuse;

- (b) use any Personal Data obtained as a result of this Agreement and any Contract only for the purposes of fulfilling its obligations under this Agreement and any Contract;
- (c) comply with the instructions of Rolls-Royce from time to time in connection with the use of such Personal Data (including without limitation to the generality of the foregoing complying at the Supplier's own cost with such additional measures as Rolls-Royce may direct pursuant to the parties respective obligations under the GDPR;
- (d) not transfer Personal Data which has been obtained by or made available to the Supplier to any country outside the United Kingdom without obtaining the prior written consent of Rolls-Royce; and
- (e) upon termination of this Agreement, for whatever reason, cease Processing the Personal Data.

PART 7 – INTELLECTUAL PROPERTY

26 INTELLECTUAL PROPERTY RIGHTS

- 26.1 Where any Foreground Intellectual Property Rights are created as a result of the work undertaken by the Supplier, its agents or Subcontractors pursuant to a Contract, the Supplier agrees that such Intellectual Property Rights shall vest in and be the absolute property of Rolls-Royce. Consequently, the Supplier assigns or shall procure the assignment to Rolls-Royce, with full title guarantee and free from all third party rights, the Foreground Intellectual Property Rights and all other rights created as a result of each Order and the Supplier shall (at its own cost) do all necessary acts to vest such Foreground Intellectual Property Rights in the name of Rolls-Royce or its nominee, such acts to include (without limitation) the execution of documents in respect of any invention arising from the performance of the work under this Contract.
- 26.2 Any Background Intellectual Property Rights created by the Supplier prior to the commencement of work under a Contract and/or outside of the Deliverables or Services provided to Rolls-Royce under a Contract shall remain vested in and be the absolute property of the Supplier provided that if they are included in any Deliverables they must be clearly and legibly marked by the Supplier and the Supplier hereby grants to Rolls-Royce for use as necessary with the Foreground Intellectual Property Rights an irrevocable, perpetual, non-exclusive, worldwide, royalty-free licence (with the ability to sub-licence) in respect of them.
- 26.3 Where the Supplier is the owner or licensee of any Intellectual Property Rights which are necessary or desirable in connection with this Agreement and any Contract, it will make use of those Intellectual Property Rights at no additional cost to Rolls-Royce.
- 26.4 The Supplier shall indemnify Rolls-Royce against any and all liability, loss, claims, costs, expenses or damages, payments and royalties of any kind whatsoever incurred by Rolls-Royce as a result of or in connection with the infringement or alleged infringement of any Intellectual Property Rights owned or controlled by a third party in respect of the Deliverables, and shall promptly notify Rolls-Royce if any claim or demand is made or action brought against the Supplier for infringement or alleged infringement of any Intellectual Property Rights in the delivery of any Deliverables under this Agreement and any Contract.
- 26.5 The Supplier shall promptly provide Rolls-Royce with written details regarding the Deliverables which Rolls-Royce may request from time to time for inclusion in operating instructions and hereby grants Rolls-Royce a non-exclusive royalty free licence in perpetuity to use any copyright which the Supplier owns or controls in respect of such information. Rolls-Royce undertakes that such information shall be used solely for such purpose.

PART 8 – MISCELLANEOUS

27 COMPLIANCE WITH LAW

- 27.1 The Supplier will, at all times:
- (a) obtain, maintain and observe all regulatory approvals applicable in connection with the supply of the Deliverables and/ or performance of the Services;
 - (b) comply with and observe all applicable Laws, including any export control Laws (including in particular the United States International Traffic in Arms Regulations ("ITAR") and the Export Administration Regulations ("EAR")), health and safety Laws, environmental protection Laws, Laws governing the disposal of any waste, employment Laws, Laws governing any materials, chemicals or processes used in connection with the supply of the Deliverables and/or performance of Services (including in particular Regulation (EC) No. 1907/2006 of the European Parliament concerning the registration, evaluation, authorisation and restriction of chemicals ("REACH")), Data Protection Laws and the Ethical Legislation;
 - (c) notify Rolls-Royce of any restrictions or provisos:
 - (i) that exist in respect of any regulatory approvals granted in connection with the supply of the Deliverables and/or performance of the Services; or
 - (ii) that exist under any Law,
 - (iii) or confirm in writing that no such restrictions apply; and
 - (d) provide Rolls-Royce with any Information reasonably requested by Rolls-Royce and any Information which it knows or should know that Rolls-Royce will or may need in order to comply with or manage its obligations under any Laws.

27.2 If a Deliverable, Service or any Information provided, or to be provided, by the Supplier to Rolls-Royce under this Agreement or any Contract is subject to export control, including in particular, ITAR or EAR, the Supplier must clearly mark such Deliverable or Information as being restricted and must, as soon as possible after the Effective Date, provide Rolls-Royce with all relevant details, including: whether the Deliverable is of a military or dual-use, which export control regime(s) the Deliverable is restricted under, full details of the Deliverable or Information concerned, full details of any applicable export licence or technical assistance agreement, details of any authorised end-users and full details of any applicable restriction or proviso and any other information requested by Rolls-Royce.

27.3 The Supplier agrees that Rolls-Royce will be under no duty to reimburse or compensate the Supplier for any increased costs incurred by the Supplier as a result of any changes in Law that occur.

28 REACH

28.1 The Supplier warrants that where it sells, delivers or transfers Deliverables to Rolls-Royce in Europe, it has complied with Regulation (EC) No. 1907/2006 of the European Parliament concerning the registration, evaluation, authorisation and restriction of chemicals ("REACH"). The Supplier will ensure that each chemical substance contained in or used in the manufacture of deliverables sold, supplied or transferred to Rolls-Royce is, where required, registered; registered for Rolls-Royce's particular use; supplied with a safety data sheet, and is not restricted under Annex XIV of REACH. In any circumstance where the chemical does appear on Annex XIV of REACH, the Supplier must ensure that it is authorised for Rolls-Royce's use.

28.2 The Supplier confirms that if a chemical substance used in the provision of the Services appears under Annex XIV of REACH and:

- (a) the Services are being provided at a location in the European Economic Area; or
- (b) either Party is an entity incorporated in a European Economic Area member state,

then such chemical substance is authorised for Rolls-Royce's particular use in accordance with the provisions of REACH.

28.3 Regardless of REACH, the Supplier will immediately notify Rolls-Royce if any Deliverable sold, supplied or transferred to Rolls-Royce is manufactured using or contains a substance listed on "*the Candidate List of Substances of Very High Concern for Authorisation*", published by the European Chemical Agency. This clause 28 applies to all deliverables sold, supplied or transferred to Rolls-Royce inside or outside of Europe.

28.4 Whether or not REACH applies to any Deliverables sold, supplied or transferred to Rolls-Royce, on request by Rolls-Royce, the Supplier will answer all reasonable questions raised by Rolls-Royce, and provide all data sheets and other information required to enable Rolls-Royce to fulfil its own obligations under REACH, its own quality processes, or its contractual obligations under the Head Contract. This clause 28.4 applies to all Deliverables sold, supplied or transferred to Rolls-Royce inside or outside of Europe.

28.5 Clause 20 (Termination for Default) will apply if Deliverables do not conform to the requirements set out in clause 28 (REACH). The Supplier will indemnify Rolls-Royce against any and all damages, losses, costs, actions, claims, liabilities or expenses suffered or incurred by Rolls-Royce whether in contract, tort (including negligence) breach of statutory duty or otherwise, arising out of or in connection with any breach by the Supplier relating to this clause 28 (REACH).

29 CHANGES IN LAW

29.1 The Supplier shall be responsible at his own cost and risk for managing the effects of any general change in Law and/or Regulatory Requirements applying to any part of this Agreement and any Contract.

30 OFFSET

30.1 If appropriate and at Rolls-Royce's written request, the Supplier will use its best endeavours to help Rolls-Royce:

- (a) meet any Offset commitments that Rolls-Royce or any Affiliate of Rolls-Royce may have; and
- (b) realise any Offset benefits that may be available to Rolls-Royce or any Affiliate of Rolls-Royce in connection with this Contract (or any Subcontracts resulting from this Contract).

30.2 The Supplier will seek Rolls-Royce's written permission before claiming any Offset credits for itself or for any third party, arising in connection with any Subcontracts agreed by the Supplier in connection with this Agreement and any Contract.

31 ETHICS & EQUALITY

31.1 The Supplier undertakes that neither it nor any person acting on its behalf will give, agree or promise any financial or other advantage to or for the benefit of any person for the purpose of influencing or rewarding any act or decision of any representatives of Rolls-Royce in relation to the award or negotiation of this Agreement and any Contract.

31.2 The Supplier will comply in full with and acknowledges receipt of the 'Rolls-Royce Supplier Code of Conduct' as set out at Rolls-Royce's website for suppliers (<https://suppliers.rolls-royce.com>), as amended or replaced from time to time by Rolls-Royce and any other policy specified in an Order as being applicable.

31.3 The Supplier represents, warrants and undertakes that it has not, and none of its Affiliates, directors, officers, employees or Associated Persons or, to the extent it is aware, its former Affiliates, directors, officers, employees or Associated Persons, have:

- (a) authorised, offered, promised paid or otherwise given any financial or other advantage (including, without limitation any payment, loan, gift or transfer of anything of value), directly or indirectly, to or for the use or benefit of any Government Official (or to another person at the request or with the assent or acquiescence of such Government Official), or any other natural or legal person, in order to influence or assist any member of its group in improperly obtaining or retaining business for or with any person, in improperly directing business to any person, or in securing any improper advantage, or obtaining

any licence, permit, approval, certificate or clearance; or

(b) engaged in any other conduct which would constitute an offence under the Ethical Legislation,

and the Supplier undertakes that for the duration of this Agreement and any Contract it will not, and will, to the extent it is legally able, procure that none of its Associated Persons will, engage in any of the conduct described in clauses 31.3(a) and 31.3(b) above.

31.4 The Supplier warrants and undertakes to Rolls-Royce that:

- (a) it has in place, and for the duration of the term of this Agreement and any Contract will maintain, adequate policies, systems, controls and procedures:
 - (i) to prevent it and its Associated Persons from violating the Ethical Legislation; and
 - (ii) for reporting a violation or suspected violation of the Ethical Legislation and/or generally accepted standards of business ethics and conduct, and for ensuring that all such reports are fully investigated and acted upon appropriately;
- (b) it will promptly report to Rolls-Royce any request or demand for any undue financial or other advantage of any kind received by the Supplier in connection with the performance of this Agreement and any Contract;
- (c) upon receipt of a written request from Rolls-Royce, it will provide Rolls-Royce with any reasonable assistance to enable Rolls-Royce to perform any activity required by any relevant Governmental Authority for the purpose of compliance with the Ethical Legislation;
- (d) it will keep at its normal place of business detailed, accurate and up to date records and books of account showing all payments made by the Supplier in connection with this Agreement and any Contract and the steps taken by the Supplier to comply with the Ethical Legislation. The Supplier will ensure that such records and books of accounts are sufficient to enable Rolls-Royce to verify the Supplier's compliance with its obligations under this clause 31 (Ethics & Equality).

31.5 The Supplier warrants to Rolls-Royce that each of its Associated Persons that is a legal person has in place adequate policies, systems, controls and procedures to prevent it from violating the Ethical Legislation, and the Supplier undertakes that for the duration of the term of this Agreement and any Contract it will, to the extent it is legally able, procure that its Associated Persons that are legal persons will maintain such policies, systems, controls and procedures and will operate a programme of regular assessments to verify that they are complying with their obligations as set out in clause 31 (Ethics & Equality).

31.6 The Supplier will keep, and will ensure that each of its Associated Persons will keep, accurate and up to date records and accounts sufficient to demonstrate its full compliance with this clause 31 (Ethics & Equality) and will permit Rolls-Royce, or any independent third party nominated by Rolls-Royce, to inspect and take copies of such records and accounts and to meet with the Supplier's or the Associated Persons' personnel, in order to audit the Supplier's and Associated Persons' compliance with this clause 31 (Ethics & Equality). Such rights of inspection and audit shall continue for three years after the expiry or termination of this Agreement and any Contract. The Supplier will fully co-operate and assist in any audit carried out under this clause 31 (Ethics & Equality).

31.7 Notwithstanding any other provision of this Agreement and any Contract, any money due from Rolls-Royce to the Supplier under this Contract, or in relation to its subject matter, will not be payable if the Supplier has committed any actual or alleged breach of clause 31 (Ethics & Equality). In the event of an alleged breach, payment will only be payable once Rolls-Royce has concluded that there has been no actual breach of clause 31 (Ethics & Equality).

31.8 The Supplier shall not unlawfully discriminate either directly or indirectly on the grounds of age, disability, gender (including re-assignment), sex or sexual orientation, marital status (including civil partnerships), pregnancy and maternity, race, or religion or belief.

31.9 Without prejudice to the generality of the obligation in clause 31.8 above, the Supplier shall not unlawfully discriminate within the meaning and scope of the Equality Act 2010 (or any statutory modification or re-enactment thereof) or other relevant or equivalent legislation in the country where this Contract is being performed.

31.10 The Supplier agrees to take reasonable efforts to secure the observance of the provisions of clauses 31.8 to 31.11 by any of its employees, agents or other persons acting under its direction or control who are engaged in the performance of this Contract.

31.11 The Supplier agrees to take reasonable efforts to reflect this Condition in any Sub-Contract that it enters into to satisfy the requirements of this Agreement and any Contract and to require its Sub-Contractors to reflect this Condition in their Sub-Contracts that they enter into to satisfy the requirements of this Agreement and any Contract.

32 COMMUNICATIONS

32.1 All communications under this Agreement must be in writing and in English.

32.2 All notices under this Agreement must be delivered by hand, by commercial courier or by registered or certified post to the address of the relevant Party listed in an Order for the attention of the person or office specified in an Order or, in the absence of any person or office being specified in an Order, for the attention of the company secretary or equivalent person in charge of legal compliance.

Notices may be delivered by e-mail or fax where agreed between Rolls-Royce and the Supplier and recorded in an Order.

32.3 Any notice will be deemed received:

- (a) if delivered by hand, at the time of delivery;
- (b) if delivered by commercial courier or registered or certified post, at the date and time of signature provided that if delivery occurs after 6 p.m. or on a day which is not a business day at the recipient's location, the notice will be deemed received at 9

a.m. on the following business day; or,

(c) If sent by fax or e-mail:

(i) If transmitted between 09:00 and 16:00 hours on a Business Day (recipient's time) on completion of receipt by the sender of verification of the transmission from the receiving instrument; or

(ii) If transmitted at any other time, at 09:00 on the first Business Day (recipient's time) following the completion of receipt by the sender of verification of the transmission from the receiving instrument.

32.4 Either Party may change its notice details by giving at least seven (7) days' notice to the other Party.

33 MISCELLANEOUS

33.1 Each Party agrees from time to time to promptly do and perform such other and further acts and execute and deliver any and all such other instruments as may be required by Law to carry out and effect the intent and purpose of this Agreement and any Contract.

33.2 The rights of each Party may be exercised as often as needed, are cumulative and apply in addition to its rights under Law and may be waived only in writing and specifically. Not exercising, or a delay in exercising, any right that is not (and will not be deemed to be) a waiver of that right.

33.3 If any provision of this Agreement or any Contract is or becomes illegal, invalid or unenforceable in any jurisdiction in relation to any Party, that will not invalidate the remaining provisions or affect the legality, validity or enforceability of that or any other provision in any other jurisdiction.

33.4 The provisions of this Agreement may only be varied in accordance with clauses 5.1 to 5.9 of this Contract.

33.5 Each Affiliate of Rolls-Royce and Permitted User of Rolls-Royce shall have the benefit of all rights provided for in this Agreement and any Contract and shall be entitled to enforce this Contract subject to and in accordance with its terms.

33.6 Nothing in this Agreement or any Contract will: constitute a partnership or joint venture between the Parties or either of the Parties and the Authority; constitute any Party the agent of any other Party or of the Authority; or create any fiduciary obligations between the Parties or either of the Parties and the Authority and neither Party will: represent itself as the agent or partner of the other Party or of the Authority; or do anything (or omit to do anything) which might result in any person believing that such Party has the authority to contract or enter into commitments on behalf of, or in the name of, the other Party or of the Authority.

33.7 The Parties each irrevocably and generally consent to the issue of any process or the giving of any relief in connection with any claim brought against it, including the making, enforcement or execution of any order or judgment against any of its property or assets (regardless of their use or intended use).

33.8 If a Party or any of its property or assets is or are entitled in any jurisdiction to any immunity from service of process or of other documents relating to any proceedings or to immunity from jurisdiction, suit, judgment, execution, attachment (whether before judgment, in aid of enforcement, or otherwise) or other legal process, that Party irrevocably waives such immunity to the fullest extent permissible under the law of that jurisdiction. Each Party also irrevocably agrees not to claim any such immunity for itself or its property or assets.

33.9 This Agreement and any Contract made under this Agreement constitutes the entire agreement between the Parties with respect to the Deliverables and/or Services. Neither Party has placed any reliance on any representations made before the signature of this Agreement, whether orally or in writing, relating to the provision of the Deliverables and/or performance of the Services other than those expressly incorporated or set out in this Agreement and any Contract, which has been negotiated on the basis that its provisions represent their entire agreement relating to the Deliverables and/or Services and supersede all such representations. This clause does not apply to any representation made fraudulently.

33.10 The Supplier will not assign, delegate responsibility for or otherwise transfer its rights or obligations under this Agreement or any Contract.

33.11 All rights and remedies exercisable by Rolls-Royce in accordance with this Agreement and any Contract will, unless otherwise expressly specified in this Agreement and the relevant Contract, be without prejudice to any other rights and remedies of Rolls-Royce, whether contained in, or deriving from, this Agreement and any Contract or not.

33.12 The rights and remedies of either Party in respect of this Agreement and any Contract shall not be diminished, waived or extinguished by the granting of any indulgence, forbearance or extension of time granted by such Party to the other or by any failure of, or delay by the said Party in ascertaining or exercising any such rights or remedies. Any waiver of any breach of this Agreement or any Contract shall be by Notice in writing. The waiver by either Party of any breach of this Agreement or any Contract shall not prevent the subsequent enforcement of that provision and shall not be deemed to be a waiver of any subsequent breach of that or any other provision.

33.13 This Agreement may be entered into in the form of counterparts each executed by one or both of the Parties but, taken together and, provided that each Party duly executes such a counterpart, each of the executed counterparts, when duly exchanged or delivered, shall be deemed to be an original, and taken together, they shall constitute one instrument.

33.14 All property of the Supplier and its Representatives shall be at the risk of the Supplier whilst it is on any Government Establishment or the premises of Rolls-Royce or Other Industry Parties, and neither the Authority nor Rolls-Royce or Other Industry Parties shall accept any liability for any loss or damage howsoever occurring thereto or caused thereby, except as follows:

(a) where any such loss or damage was caused or contributed to by any act, neglect or default of any Government Servant, Rolls-Royce employee or agent or contractor of any of them then the Authority or Rolls-Royce as the case may be shall

accept liability therefor to the extent to which such loss or damage is so caused or contributed to as aforesaid; and

- (b) where any property of the Supplier has been taken on charge by the Officer in Charge, and a proper receipt has been given therefor, then the Authority or Rolls-Royce as the case may be shall be liable for any loss or damage occurring to that property while held on such charge as aforesaid.

33.15 The Supplier shall report any injury, disease or dangerous occurrence at any Government Establishment or premises of Rolls-Royce or Other Industry Parties arising out of the performance of this Contract, which is required to be reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR) to, in the former case the Officer in Charge of the relevant Government Establishment and in the latter case to the Head of Site Security. This would be in addition to any report, which the Supplier may be required to submit under RIDDOR to the relevant enforcing authority (e.g. Health and Safety Executive or Local Authority).

33.16 Each Party shall at all times take all reasonable steps to minimise and mitigate any Loss or Losses for which it is entitled to bring a Claim against the other Party pursuant to this Agreement and any Contract.

33.17 If the Supplier is entitled under this Agreement and any Contract to recover any Loss, Losses, costs and/or compensation from Rolls-Royce as a result of any act or omission of Rolls-Royce, the Supplier shall take all reasonable steps and act in accordance with Good Industry Practice to minimise and mitigate such Loss, Losses and/or compensation including by procuring (where applicable) that each Subcontractor and all Supplier personnel take all reasonable steps to mitigate and minimise such Loss, Losses and/or compensation.

33.18 If Rolls-Royce is entitled under this Agreement and any Contract to recover any Loss, Losses or additional costs and expenses from the Supplier as a result of any act or omission of the Supplier and/or any Subcontractor, Rolls-Royce shall take all reasonable steps to minimise and mitigate such Loss, Losses or additional costs and expenses.

34 ONGOING OBLIGATIONS

Clauses 1, 2, 3, 4.7, 7.8, 8.2, 9.1 (in relation to record-keeping and traceability requirements), 10, 11, 12, 13, 14, 24, 25, 26, 28, 29, 31, 32, 33, 34, 35 and 36 of this Agreement (along with such of the Mandatory Step Down Clauses and other provisions as context may require) will survive the termination of this Agreement and any Contract and such provisions will continue in full force and effect.

35 PUBLICITY

Neither Party will use the other Party's name or trademarks in any publicity without the other Party's written permission.

36 LAW AND JURISDICTION

36.1 This Agreement and any Contract and any non-contractual obligations arising out of or in relation to this Agreement and any Contract, will be governed by and construed in accordance with English Law.

36.2 The English courts have jurisdiction to settle any dispute arising out of or in connection with this Agreement and any Contract, the legal relationships created by them, and any non-contractual obligations arising out of or in relation to them, and the Supplier submits to the exclusive jurisdiction of the English courts with respect to such disputes.

36.3 If the Supplier is not incorporated in the United Kingdom, the Supplier will provide the name and contact details of its process agent under this Agreement for service of process in any proceedings before the English courts. If any person appointed as process agent is unable for any reason to act as agent for service of process, the Supplier will immediately appoint another agent on terms acceptable to Rolls-Royce. Failing this, Rolls-Royce may appoint another agent for this purpose. The Supplier agrees that failure by a process agent to notify it of any process will not invalidate the relevant proceedings. This clause 36.3 does not affect any other method of service allowed by Law.

36.4 Nothing in this clause 36 (Law and Jurisdiction) limits the right of Rolls-Royce to take legal action under this Agreement or any Contract in any other courts with jurisdiction. To the extent allowed by Law, Rolls-Royce may take:

- (a) proceedings in any other court; and
- (b) concurrent proceedings in any number of jurisdictions.

36.5 Each Party:

- (a) waives any objection to the courts of England on grounds of inconvenient forum or otherwise as regards proceedings in connection with this Agreement and any Contract; and
- (b) agrees that a judgment or order of a court of England in connection with this Agreement or any Contract will be binding on it and may be enforced against it in the courts of any other jurisdiction.

37 THIRD PARTY RIGHTS

37.1 No person who is not a Party to this Agreement (including any employee, officer, agent, representative of either Party) shall have any right under the Contracts (Rights of Third Parties) Act 1999 or otherwise to enforce any term of this Agreement or any Contract, except as follows:

- (a) any person with the express prior written agreement of the Parties which agreement must refer to this clause 37 (Third Party Rights);
- (b) the Authority;
 - (i) In the event of Intervention, during which the Authority may instruct the Supplier to take such steps and/or actions

and/or to stop taking certain steps and/or actions as the Authority may direct including without limitation:

- (A) accelerating to early completion or suspending the provision of any Deliverable or Service;
- (B) providing instructions to the Supplier and any Subcontractor and its Staff in accordance with the Authority's directions in relation to the performance of the obligations of the Supplier or any Subcontractor under this Agreement and any Contract or its Subcontract and any amendment to this Agreement and any Contract or any Subcontract required by the Authority;
- (C) requiring the Supplier to terminate any Subcontract;
- (D) and, the Supplier shall promptly comply, and procure compliance by all relevant Subcontractors with, any instruction issued by the Authority pursuant to this clause 37.1 (b).

(ii) to the extent required and referred to in Schedule 3 of this Agreement (Mandatory Step Down clauses).

37.2 The Parties' rights to alter the terms of this Agreement and any Contract are not subject to the consent of any person who is not a Party to this Agreement.

37.3 Where, and only where, this Agreement or any Contract expressly states that a third party shall be entitled to enforce a term of this Agreement or any Contract:

- (a) The Supplier shall inform the said third party as soon as is reasonably practicable of the existence of the relevant right together with any other terms (including the terms of this clause 37 (Third Party Rights)) relevant to the exercise of that right; and,
- (b) the third party's rights shall be subject to any provision in this Agreement and any Contract:
 - (i) that provides for the submission of disputes under this Contract generally; and
 - (ii) that stipulates the law and jurisdiction that will govern this Contract (clause 36 (Law and Jurisdiction)).

SCHEDULE 1: INTERPRETATION

1. INTERPRETATION

1.1 Definitions

“**1958 UK/US Agreement**” means the agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United States of America for cooperation on the uses of atomic energy for mutual defence purposes, dated 3 July 1958, as amended from time to time;

“**Affiliates**” means as to any person, any other person that is in Control of, is Controlled by, or is under common Control with, such person;

“**Agreement**” means these terms and conditions, which are intended to be incorporated into Contracts;

“**Allowable Costs**” has the meaning given in the Mandatory Step Down Clauses;

“**Associated Person**” means in relation to a company, a person (including any director, officer, employee, agent or other intermediary) who performs services for or on behalf of that company (in each case when performing such services or acting in such capacity);

“**the Authority**” means the Secretary of State for Defence;

“**Background IPR**” means IPR brought by either Party for use under this Contract which is owned by or licensed to a Party before the Effective Date, or later developed or otherwise acquired by a Party other than through participation in this Contract, and the term ‘Background Intellectual Property’ shall be construed accordingly;

“**Base Rate**” means for the period 1st January to 30th June, the Bank of England base rate at the close of business on 31st December of the previous year and, for the period 1st July to 31st December, the Bank of England base rate at the close of business on 30th June the same year;

“**Buyer Property**” means any property of Rolls-Royce or the Authority that Rolls-Royce or the Authority has loaned, bailed, consigned or supplied to the Supplier in connection with this Contract, to be utilized in the manufacture or incorporated into the Deliverables;

“**CAAS**” means the Authority’s Cost Accountancy and Analysis Service;

“**Competitor**” means any entity, or any Affiliate of an entity, that offers deliverables, goods or services in competition with any deliverables, goods or services offered or supplied by Rolls-Royce or any Affiliate of Rolls-Royce;

“**Contract**” means the binding contract which comes into force upon Rolls-Royce issuing an Order, and which incorporates the terms of this Agreement, the Mandatory Step Down Clauses and any Order-Specific Clauses as set out in clause 1 (Interpretation and Applicability of Contract Terms);

“**Control**” means the power, directly or indirectly, either to: (a) vote 50% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such person; or, (b) direct or cause the direction of the management and policies of such person, whether by contract or otherwise;

“**Cyber Essentials Accreditation**” means the possession of either a Cyber Essentials Certificate or Cyber Essentials Certificate Plus issued by an Accreditation Body as set out in the Cyber Essentials Scheme;

“**Cyber Essentials Scheme**” means the assurance framework dated January 2015, which can be found at the following address:- <https://www.cyberaware.gov.uk/cyberessentials/files/assurance-framework.pdf>;

“**Data**” has the meaning given to that term in the Data Protection Laws;

“**Data Processor**” has the meaning given to that term in the Data Protection Laws;

“**Data Protection Laws**” means the Data Protection Act 1998 (the “DPA”), the General Data Protection Regulation (“GDPR”), any regulations made under the foregoing, and/or any successor legislation dealing with the control and processing of personal data and any regulations made thereunder;

“**Defect**” means a Deliverable that does not conform to the warranties and representations in clause 3.2;

“**Deliverables**” means those products or goods that the Supplier has agreed to supply to Rolls-Royce as specified in an Order, and shall include without limitation any report or drawings which are required to be delivered upon completion of any Services;

“**Delivery**” means the delivery of a Deliverable to Rolls-Royce or the performance of the Services pursuant to clause 6.1 and “Deliver” shall be construed accordingly;

“**Disallowed Cost**” has the meaning given in the Mandatory Step Down Clauses;

“**Effective Date**” means the date this Contract was entered into by the Parties;

“**End Date**” has the meaning given in clause 19.1;

“**Ethical Legislation**” means (a) any legislation enacted in Rolls-Royce or Supplier’s jurisdiction of incorporation, or in any other jurisdiction where the Deliverable is delivered or Services performed, to enforce or implement either the United Nations Convention against Corruption (being the subject of General Resolution 58/4 of 31 October 2003 of the General Assembly of the United Nations)

or the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions adopted on 21 November 1997; and (b) the United Kingdom Anti-Terrorism, Crime and Security Act 2001, the United Kingdom Proceeds of Crime Act 2002, the United Kingdom Bribery Act 2010 and the United States Foreign Corrupt Practices Act (15 U.S.C. Section 78dd-1, et. seq.) (c) any other laws relating to anti-bribery and corruption matters applicable to the subject matter of the Contract (d) any of the above as amended from time to time;

"Force Majeure Event" means, subject to such events being (a) unforeseeable at the time the Parties entered into this Contract and; (b) beyond the reasonable control of the Supplier: acts of God; the refusal of any government to grant a necessary export licence or the withdrawal or suspension of such licence; any other government or other legal or regulatory authority action or inaction; fires; floods; wars or threats of war; riots; national labour disputes; acts of terrorism; disruption to essential services such as electrical power; extreme weather; quarantine or any government or regulatory authority mandated precautions against contagious disease epidemics or pandemics, other than those in each case caused directly or indirectly by the Supplier;

"Foreground IPR" means any IPR other than a Background IPR, and the term 'Foreground Intellectual Property' shall be construed accordingly;

"Governmental Authority" means:

- a) the government of any jurisdiction (or any political or administrative subdivision thereof) and any department, ministry, agency, instrumentality, court, central bank or other authority thereof, including without limitation any entity directly or indirectly owned or controlled thereby;
- b) any public international organisation or supranational body (including without limitation the European Union) and its institutions, departments, agencies and instrumentalities; or
- c) any quasi-governmental or private body or agency lawfully exercising, or entitled to exercise, any administrative, executive, judicial, legislative, regulatory, licensing, competition, tax or other governmental or quasi-governmental authority.

"Government Official" means any person who would constitute either:

- a) a "foreign public official" as defined in the UK Bribery Act 2010; or
- b) a "foreign official" as defined in the United States Foreign Corrupt Practices Act, including, but not limited to:
 - (i) an individual who holds a legislative, administrative or judicial position, including a government minister, elected representative of a national or regional assembly, official of a political party, civil servant, magistrate or judge; or
 - (ii) an employee, officer, agent or other person acting in an official capacity for a Governmental Authority.

"Head Contract" – the contract which Rolls-Royce has entered into with the respective customer, Governmental Authority or other end-user or beneficiary of the Deliverables or Services;

"Information" means any commercial, financial, technical or operational information, know-how, trade secrets or other information of or in the possession of a Party in any form or medium (including all data, know-how, calculations, designs, drawings, methods, processes, systems, explanations and demonstrations) which has been or may be disclosed or otherwise made available to the other Party, whether orally or in written, electronic or other form, including any copies or reproductions of such information in any form or medium, and any part or parts of the same, including the provisions and subject matter of this Contract and any other agreements or documents executed by the Parties in connection with this Contract;

"Insolvency Event" means an event where a person (a) is deemed to be or states in writing that it is insolvent, (b) is subject to any types of insolvency or collective judicial or administrative proceedings, including interim proceedings, in which its assets are subject to control or supervision by any court or other governmental entity for purposes of dissolving, liquidating or reorganising that person or its assets, (c) proposes to enter or enters into any composition or arrangement with its creditors generally or any class of creditors, (d) suspends or declares in writing its intention to suspend payments to creditors generally or any class thereof, or suspends or ceases all or substantially all of its business, (e) any other steps are taken to enforce any encumbrance over all or part of that persons assets and/or undertaking, or (f) takes steps, or is subject to actions, analogous to the items specified in (a) to (e) above;

"Intervention" means the period between issue by the Authority to Rolls-Royce of an Intervention Notice stating that the Authority intends to exercise its rights of intervention and the serving by the Authority to Rolls-Royce of the relevant Intervention Termination Notice;

"IPR" means patents, registered designs, trademarks, service marks (in each case, whether registered or not), domain names, copyright, design rights, database rights, moral rights, trade secrets, know-how, metatags, petty patents, utility models and all similar or equivalent property rights including those subsisting in any part of the world in inventions, designs, drawings, computer programs, semiconductor topographies, business names, IP addresses, goodwill, 'get-up' and the style and presentation of goods or services and in applications for protection of the same and any continuations, re-issues or divisions relating to them in any part of the world;

"Law" means all applicable statutes, regulations, Regulatory Requirements, by laws, ordinances, subordinate legislation and other laws or instrument (regardless of their source), including any judicial or administrative interpretation of them, in force from time to time (including any directive or order promulgated by any competent national or supra national body);

"Losses" means all losses, liabilities, damages, costs, claims, suits, judgments, orders, taxes and expenses (including legal fees on a full indemnity basis and other professional advisers' fees, and disbursements and costs of investigation, litigation, settlement, judgment, interest, penalties and remedial actions) (however described, characterised or classified and whether direct or indirect), including loss of profits or revenues, costs of unwinding funding arrangements, liability for professional fees and expenses;

"Mandatory Step-Down Clauses" means the clauses which the Authority has mandated (i) are to be included within this Contract and (ii) to the extent specified and subject to any limitation specified are to be included in all subcontracts placed by the Supplier or its Subcontractors pursuant to this Contract;

"NNPP" means the UK Naval Nuclear Propulsion Programme;

"Non-Conformance" means an apparent or discovered failure, defect or shortcoming in Services, by which they do not conform to (or do not continue to conform to) the requirements set out in the Contract;

"Offset" means the trade practice by which a Government or a Government entity buying goods and/or services requires an investment to be made in that Government's jurisdiction in return for agreeing to buy such goods and/or services;

"Open Literature" means publicly available literature (including where access is via a fee or subscription), access to which is outside the control of the Supplier or Rolls-Royce. This may include but is not limited to media articles, journal articles, scientific papers, conference papers, dissertations and theses;

"Order" means a purchase order, scheduling agreement or any other form of purchase document issued by Rolls-Royce that incorporates these General Conditions by reference;

"Order-Specific Clauses" any additional or amended clauses set out on the face of an Order;

"Other Industrial Parties" or "Other IPs" means BAE Systems Marine Limited, registered with company number 00229770, Devonport Royal Dockyard Limited, registered with company number 02077752 or Babcock Marine (Clyde) Limited registered with company number SC220243;

"Parties" means Rolls-Royce and the Supplier; and a **"Party"** means one of them;

"Permitted User" means any Affiliate or customer of Rolls-Royce, notified to the Supplier from time to time as being authorised by Rolls-Royce to receive the benefit of the Services under this Contract;

"Personal Data" has the meaning given to that term in the Data Protection Laws;

"Processing" has the meaning given to that term in the Data Protection Laws, the terms "Process" and "Processed" shall be construed accordingly;

"Rectification Notice" has the meaning given in clause 7.3(a);

"Regulatory Bodies" means those Government departments and regulatory, statutory and other entities, committees, ombudsmen and bodies which, whether under statute, rules, regulations, codes of practice or otherwise, are entitled to regulate, investigate, or influence the matters dealt with in this Contract and "Regulatory Body" shall be construed accordingly;

"Regulatory Requirement" means any legally enforceable requirement of a Regulatory Body;

"Rejection Notice" has the meaning given in clause 7.3(c);

"Relevant Person" means any person who was previously involved to any extent in the Services or who is engaged from time to time in the provision of such Services (whether employees, workers, agency workers or consultants of Supplier or any sub-contractor or agent of Supplier) and who transfers, or is alleged to have transferred, to Rolls-Royce, a Successor Supplier or any other new provider of any service equivalent to, or substantially the same as, or which replaces, the Services (or any part thereof) as a result of TUPE;

"Secret Matter" means any matter connected with this Contract, or its performance which Rolls-Royce informs the Supplier in writing has been designated by the Authority as 'Top Secret', 'Secret' or 'Confidential', and shall include any information concerning the content of such matter and anything which contains or may reveal that matter;

"Service Commencement Date" has the meaning given in clause 6.3(a);

"Services" means those services that the Supplier has agreed to provide to Rolls-Royce as specified in an Order;

"Specified Service Levels" means those service levels set out in an Order, to include any reporting obligations of the Supplier in respect of those service levels;

"Specified Timescales" means any timescales for the provision of the Services specified in an Order or, if no timescales are specified in an Order, any reasonable timescales notified by Rolls-Royce to the Supplier from time to time;

"Staff" means any employees, officers and individuals contracted to the Supplier and involved to any extent in the performance of the Services and/or the performance of this Contract;

"Scheduled Delivery Date" means the date or dates for Delivery of each Deliverable or the whole of the Deliverables as specified in an Order;

"Single Source Regulations Office (SSRO)" has the meaning given to it in the Defence Reform Act 2014;

"Statutory Guidance on Allowable Costs" means the guidance issued by the SSRO from time to time pursuant to section 20(1) of the Defence Reform Act 2014 about determining whether costs are Allowable Costs;

"Subcontract" means:

- (a) any contract or arrangement (whether or not reduced to writing) between the Supplier and any person for the performance by such third party of any part of the Suppliers obligations under this Contract or for the provision by such third party of any goods,

equipment or services required for or in relation to the performance by the Supplier of any of its obligations under this Contract;
or

- (b) any other contract or arrangement (whether or not in writing) for the performance by any person, other than the Supplier, of any part of the Supplier's obligations under this Contract or for the provision by any such person of any goods, equipment or services supplied for or in relation to the performance by the Supplier of any of its obligations under this Contract;

"Subcontractor" means any subcontractor of any tier to the Supplier and the word "Subcontractors" shall be construed accordingly;

"Successor Supplier" means each and any supplier who Rolls-Royce, or any of its Affiliates, or any Permitted User, appoints to provide any service equivalent to, or substantially the same as, or which replaces, the Services (or any part thereof) immediately after the termination or expiry of the Contract (whether in whole or in part);

"Supplier" means the entity accepting an Order;

"Technical Information" means information concerning the design, arrangement, development, manufacture, testing, operation, administration, training, maintenance, and repair of the propulsion plants of UK naval nuclear powered submarines and prototypes, including the associated onboard and shore based nuclear support facilities;

"Total Order Value" means the price for the Services and/ or Deliverables and the basis upon which it is calculated as set out in an Order or (where relevant) Orders, and as amended from time to time which has the same or similar effect;

"Termination Notice" has the meaning given in clause 19 (Termination for Convenience);

"TUPE" means the Transfer of Undertakings (Protection of Employment) Regulations 2006, as amended, consolidated or replaced from time to time;

"Working Day" means Monday to Friday from 9am to 5pm excluding any public holidays.

1.2 Construction

(a) In these General Conditions unless the context otherwise requires any reference to:

- (i) an "amendment" includes an amendment, supplement, novation, re-enactment, replacement, restatement or variation and "amend" will be construed accordingly;
- (ii) a "clause", "sub-clause" or a "schedule" is a reference to a clause or sub-clause of these General Conditions;
- (iii) a "paragraph" or "sub-paragraph" is a reference to a paragraph or sub-paragraph of a schedule to these General Conditions;
- (iv) a currency is a reference to the lawful currency for the time being of the relevant country;
- (v) "include", "includes", "including" or similar terms will not be construed as exclusive or limiting examples of the matters in question and will mean "including, without limitation";
- (vi) a "person" includes any individual, partnership, consortium, joint venture, trust, company, corporation, government, state, agency, committee, department, authority and other bodies, corporate or unincorporated whether having distinct legal personality or not;
- (vii) a "regulation" includes any regulation, rule, official directive, request or guideline in each case whether or not having the force of law but, if not having the force of law, being of a type the compliance with which is in accordance with the general practice of the persons to whom it is addressed of any governmental, intergovernmental or supranational body, agency, department or regulatory, self regulatory or other authority or organisation;
- (viii) a provision of any Law is a reference to that provision as extended, applied or amended and includes any subordinate legislation;
- (ix) words imparting the singular include the plural and vice versa;
- (x) unless the context otherwise requires, a reference to one gender will include a reference to the other genders; and
- (xi) "days" is a reference to calendar days.

(b) The headings in the General Conditions do not affect its interpretation.

SCHEDULE 2: AUTHORITY MANDATORY STEP DOWN CLAUSES – SECONDARY CONTRACT

The following terms are incorporated into this Contract pursuant to clause 1.3 of the General Conditions and subject to the following applicability requirements and constraints. They are also required to be flowed-down mutatis mutandis to the Supplier's Subcontractors pursuant to clause 13.2 of the General Conditions.

Interpretation

Rolls-Royce's Head Contract for the purposes of this Contract is with a commercial organisation (the "Head Contractor"), who in turn are acting under a contract with the Authority. References to the Authority in clause **Error! Reference source not found.** of the General Conditions and in this Schedule 2 shall, where the context requires, be interpreted to include the Head Contractor.

Without limitation to the other provisions relating to the security and confidentiality requirements of this Contract, the Supplier's attention is drawn to the requirement to maintain the confidentiality of the project name and subject matter of this Contract.

Applicability Constraint - Relevance

The provisions of the following paragraphs 12 of this Schedule 2 are to apply only to the extent that they are relevant to the Deliverables or Services. Any ambiguity or dispute about the relevance of such provision shall be determined by Rolls-Royce acting reasonably.

- Paragraph 8 – Continuity of Supply
- Paragraph 9 – Cyber Essentials Accreditation
- Paragraph 12 – Defence Documents

1 ACCOUNTING FOR PROPERTY OF THE AUTHORITY

1.1 The Supplier shall:

- (a) maintain a Public Store Account (PSA), as defined in DEFSTAN 05-99, which shall include a complete list of all property of the Authority, as defined in clause 10.2 of DEFSTAN 05-99 and record for that property all transactions or other accounting information specified at Annex A to DEFCON 694;
- (b) supply to the Authority quarterly reports on the current PSA holdings. At least one report in any twelve-month accounting period or part thereof shall be a reconciled report. This shall be submitted with the "Annual Certificate Form AAC 32" as required in DEFSTAN 05-99. The other three reports submitted in the period may be un-reconciled advisory reports. The submission by the Supplier and receipt by the Authority of these reports shall not prejudice any rights or obligations of Rolls-Royce or the Supplier under this Contract;
- (c) ensure that the PSA is available for inspection by the Authority at any reasonable time;
- (d) on being given three (3) weeks' notice or such other period as the Parties may agree permit, and co-operate with, Rolls-Royce and the Authority to conduct audits of the PSA in a manner to be determined by the Authority; where the Authority has reasonable grounds to doubt the integrity of the PSA to the extent that the Authority is not satisfied of the proper use of property of the Authority, an audit may be conducted without notice;
- (e) retain the PSA for a period of three (3) years after disposal of the last item of the property of the Authority, or for such other period, if any, as may be required pursuant to the provisions of this Contract; and
- (f) manage the Government Furnished Assets (GFA) component of the PSA in accordance with the provisions of DEFSTAN 05-99; and implement any new edition of or amendment to DEFSTAN 05-99 subject to clause 16 (Specifications) of DEFCON 502 (Specifications) within three (3) months of the publication date of the new edition. These amendments shall not have retrospective effect.

1.2 For the purposes of this paragraph "Property of the Authority" means GFA and fixed assets and property of the Authority issued to the Supplier under this Contract or any other authorising document but excluding Buyer Property or property vested in the Authority or clause 1 of DEFCON 649 or any provision in any such contract or document equivalent to such clause 1 of DEFCON 649.

1.3 For the avoidance of doubt, it is a condition of this Contract that this paragraph shall apply to all property issued to the Supplier from the date of this Contract, whether in aid of this Contract, any other contract or other agreement with Rolls-Royce or the Authority, subject to any express provisions to the contrary in any such contract. Property of the Authority issued prior to the date of this Contract may be subject to separate contractual arrangements.

1.4 The obligations of the Supplier arising under this paragraph in respect of property of the Authority issued in aid of this Contract shall survive termination or expiry of this Contract and shall not be completed until all such obligations are fulfilled including the provisions of paragraph 1.1(e).

1.5 The obligations of the Supplier arising under this paragraph 1 (Accounting for Property of the Authority) in respect of Property of the Authority unconnected with this Contract shall survive completion of this Contract and shall not be completed until all those obligations are fulfilled including the provisions of paragraph 1.1(e) unless and until a subsequent contract containing this paragraph 1 (Accounting for Property of the Authority) is placed with Rolls-Royce or the Authority at which time obligations in respect of any remaining Property of the Authority unconnected with this Contract shall be subsumed in the subsequent contract.

1.6 If, after expiry or the earlier termination of this Contract, no subsequent contract is placed containing this paragraph 1 (Accounting for Property of the Authority) within the period detailed at paragraph 1.1(e), then the obligations of the Supplier arising under this paragraph 1 (Accounting for Property of the Authority) in respect of Property of the Authority unconnected with this Contract shall cease on expiry of the period detailed at paragraph 1.1(e)

- 1.7 The Authority reserves the right to amend Annex A to DEFCON 694 by Notice without further consultation where the amendments arise from the proper accounting for Property of the Authority and reasonable accounting requirements. If the Authority exercises this right:
- (a) the Supplier shall implement the amendment to Annex A to DEFCON 694 at the commencement of the Authority's next accounting year provided that Notice of six (6) months or such other period as may expressly be agreed between the Authority and Supplier is given to the Supplier. These amendments shall not have retrospective effect; and
 - (b) the Supplier shall inform the Authority as soon as practicable, but in any event within three (3) months of Notice having been given, if the Supplier cannot comply with the amendment to Annex A to DEFCON 694.
- 1.8 The Supplier shall return to the Rolls-Royce or the Authority, at a date to be agreed, any Buyer Property or Property of the Authority which has not been incorporated into the Deliverables. Such property shall be returned in the same condition (save for fair wear and tear) as they were issued to the Supplier. Should any of the property be required to undergo any repair or refurbishment activity to return it to the issued condition (save for fair wear and tear) then the Supplier shall carry out or procure such repair or refurbishment, at no cost to Rolls-Royce or the Authority.

2 TRANSPARENCY AND OPEN BOOK

Transparency and Open Book Disclosure Obligations

- 2.1 The Supplier shall provide full transparency across the Supplier's Business to the extent that it relates to this Contract. Transparency shall include the provision of data in data in the Rolls-Royce CCW (Cost Component Worksheet) format and, where necessary, additional explanation, justification and benchmarking information shall be provided.
- 2.2 The Parties agree that Transparency and Open Book extends to the provision of the right information at the right time and in a suitable format agreed by both parties, to enable efficient decision making and monitoring.
- 2.3 The Parties agree that Transparency and Open Book requires not merely data but details of assumptions, supporting evidence to provide justification of amounts and/or explanations from the people who prepared them.
- 2.4 Any disclosure of Open Book Data shall be subject to the provisions of clause 24 (Confidentiality) and clause 25 (Data Protection) of the General Conditions.
- 2.5 The Authority, CAAS, the Comptroller and Auditor General, the National Audit Office, any other authorised representative of the Authority, and any other approved bodies e.g. Single Source Regulatory Office and their respective staff may require and shall be given access to any Supplier sites, where access has been permitted, in accordance with the relevant contract used in connection with Rolls-Royce's NNPP Business, and any other Supplier site relevant to Rolls-Royce's cost base where access has been permitted in accordance with a contract in relation to Rolls-Royce's cost base. The Authority retains the responsibility for ensuring appropriate security clearance is in place for these representatives.

Allowable costs

- 2.6 In accordance with Section 20(2) of the Defence Reform Act 2014, the Supplier agrees that the costs that the Supplier is entitled to be paid under this Contract are only those which are appropriate, attributable to this Contract and reasonable in the circumstances, having regard to the Statutory Guidance on Allowable Costs ("Allowable Costs").

Compliant costs

- 2.7 If at any time the Authority or the SSRO makes a determination that any cost which forms part of the price payable by the Authority under the Head Contract and which also forms part of this Total Order Value is not allowable under Section 20 of the Defence Reform 2014 (a "Disallowed Cost"), and Rolls-Royce is either:
- (a) required to repay any Disallowed Cost to the Authority; or
 - (b) required not to invoice the Authority for such Disallowed Cost,
- then Rolls-Royce shall notify the Supplier of such Disallowed Costs and paragraph 2.8 shall apply.
- 2.8 Following a notification made under paragraph 2.7, the Supplier shall either:
- (a) promptly repay any Disallowed Costs to Rolls-Royce within three (3) Business Days of receipt of the notice under paragraph 2.7; or
 - (b) where the Disallowed Costs relate to part of the Total Order Value which Rolls-Royce has not yet paid, not invoice Rolls-Royce for such Disallowed Costs,
- and the Total Order Value shall, in each case, be amended accordingly.
- 2.9 For the avoidance of doubt, any repayments made by the Supplier to Rolls-Royce under paragraph (a) (and any other payments that the Supplier may make directly to the Authority) in connection with any Disallowed Costs shall not be subject to any of the limitations or exclusions on the Supplier's liability set out in this Contract and any such amounts shall not be taken into account in calculating whether any of the financial limitations on the Supplier's liability set out in this Contract have been reached or exceeded.

Variations – Qualifying Sub-Contracts

- 2.10 If this Contract is a Qualifying Sub-Contract for the purposes of the Defence Reform Act 2014 and the Single Source Contract Regulations 2014 ("SSCR") then, to the extent that a Variation entails a change to the Total Order Value, such Variation shall be priced in accordance with Regulation 14 (re-determination of contract price) of the SSCR.

3 SECURITY AND PROHIBITION ON DISCLOSURE

3.1 The Supplier undertakes to Rolls-Royce that it shall comply with the requirements set out in the Security Aspects Letter including but not limited to agreeing to such amendments to this Contract as Rolls-Royce deems is required by the Authority to impose on any of its subcontractors.

3.2 The Supplier shall:

- (a) take all reasonable steps to ensure that all Employees engaged on any work in connection with the Contract have notice that the Official Secrets Act 1911-1989 apply to them and will continue so to apply after the completion or termination of the Contract; and
- (b) if directed by Rolls-Royce or BAE Systems or the Authority, ensure that any Employee shall sign a statement acknowledging that, both during the term of the Contract and after its completion or termination, they are bound by the Official Secrets Acts 1911-1989 (and where applicable any other Legislation).

3.3 Unless they have written authorisation of Rolls-Royce to do otherwise, neither the Supplier nor any of their Employees shall, either before or after the completion or termination of this Contract, do or permit to be done anything which they know or ought reasonably to know may result in Secret Matter being disclosed to or acquired by a person in any of the following categories:

- (a) who is not a British citizen;
- (b) who does not hold the appropriate authority for access to the protected matter;
- (c) in respect of whom Rolls-Royce or the Head Contractor or the Authority has notified the Supplier in writing that the Secret Matter shall not be disclosed to or acquired by that person;
- (d) who is not an Employee of the Supplier; or
- (e) who is an Employee of the Supplier and has no need to know the information for the proper performance of this Contract.

3.4 Unless they have the written permission of Rolls-Royce to do otherwise, the Supplier and their Employees shall, both before and after the completion or termination of this Contract, take all reasonable steps to ensure that:

- (a) no photograph of, or pertaining to, any Secret Matter shall be taken and no copy of or extract from any Secret Matter shall be made except to the extent necessary for the proper performance of this Contract;
- (b) any Secret Matter is at all times strictly safeguarded in accordance with the Cabinet Office Security Policy Framework (April 2014) (as amended from time to time) and upon request is delivered up to Rolls-Royce who shall be entitled to retain it.

A decision of Rolls-Royce on a question of whether the Supplier has taken or is taking reasonable steps as required by this paragraph 3.4 shall be final and conclusive.

3.5 The Supplier shall:

- (a) provide to Rolls-Royce and/or the Head Contractor and/or the Authority:
 - (i) upon request, such records giving particulars of those Employees who have had at any time, access to any Secret Matter that is required to be kept in accordance with paragraph 3.4(b);
 - (ii) upon request, such information as Rolls-Royce and/or the Head Contractor and/or the Authority may from time to time require so as to be satisfied that the Supplier and their Employees are complying with their obligations under paragraphs 3.2 to 3.7(inclusive), including the measures or proposed measures by the Supplier so as to comply with their obligations and to prevent any breach of them; and
 - (iii) full particulars of any failure by the Supplier and their Employees to comply with any obligations to comply with Secret Matter arising under paragraphs 3.2 to 3.7 (inclusive), immediately upon such failure becoming apparent;
- (b) ensure that, for the purpose of checking the Supplier's compliance with the obligation in paragraph 3.4(b), a representative of Rolls-Royce, the Head Contractor or the Authority shall be entitled at any time to enter and inspect any premises used by the Contractor which are in any way connected with this Contract and inspect any documents or thing in any such premises, which is being used or made for the purposes of this Contract. Such representative shall be entitled to all such information as they may reasonably require.

3.6 If at any time either before or after the completion or termination of this Contract, the Supplier or any of their Employees discovers or suspects that an unauthorised person is seeking or has sought to obtain information directly or indirectly concerning any Secret Matter, the Supplier shall forthwith inform Rolls-Royce of the matter with full particulars thereof.

3.7 If the Supplier proposes to make a sub-contract which will involve the disclosure of Secret Matter to the Subcontractor, the Supplier shall:

- (a) submit for approval of Rolls-Royce the name of the proposed Subcontractor, a statement of the work to be carried out and any other details known to the Supplier which Rolls-Royce shall reasonably require;
- (b) incorporate into the Subcontract the terms of paragraphs 3.2 to 3.7 (inclusive) and such secret and security obligations as Rolls-Royce shall direct;
- (c) inform Rolls-Royce immediately if they become aware of any breach by the Subcontractor of any secrecy or security obligation and, if requested to do so by Rolls-Royce, terminate the Subcontract.

- 3.8 The Supplier shall confirm in writing that the definition of "Secret Matter" has been brought to the attention of the person directly responsible for the security of this Contract, that the definition is understood, and that measures can and will be taken to safeguard the Secret Matter and it shall immediately refer any difficulties in these respects to Rolls-Royce.
- 3.9 Rolls-Royce shall be entitled to terminate this Contract immediately if:
- (a) the Supplier is in breach of any obligations under paragraphs 3.2 to 3.7 (inclusive); or
 - (b) the Supplier is in breach of any secrecy or security obligation imposed by any other contract with the Crown;
- where Rolls-Royce, the Head Contractor or the Authority consider the circumstances of the breach jeopardise the secrecy or security of the Secret Matter and notifies the Supplier accordingly.
- 3.10 Subject to clause 26 (Intellectual Property Rights) of the General Conditions, each Party shall treat all Confidential Information disclosed to it by the other Party as confidential. The receiving party shall:
- (a) only disclose any Confidential Information to its own employees, sub-contractors and the Authority, to the extent that it is required to facilitate the performance of this Contract, or in the case of Rolls-Royce to the extent that it is required to facilitate the performance of a contract with the Authority;
 - (b) ensure the employees and sub-contractors are made aware of the obligations of confidentiality before they receive Confidential Information and undertake to be bound by equivalent provisions;
 - (c) on the reasonable request by the disclosing party, make reasonable endeavours to procure that any such sub-contractor enters into a confidentiality agreement with the disclosing party with terms no less stringent than those contained in this Contract; and
 - (d) not disclose any Confidential Information to any other third party without the disclosing party's prior written consent. Such consent may be subject to conditions, including without limitation those contained in paragraphs 3.10(a) and 3.10(b).
- 3.11 Notwithstanding any other term of this Contract, the Supplier hereby grants to Rolls-Royce, the Head Contractor, subcontractors or agents acting on behalf of the Head Contractor in relation to this Contract, and the Authority the right to access, use and have used the Supplier's Confidential Information provided by the Supplier for the Purpose, in whatever form and whether such material is held by such parties on an IT system, central data repository or otherwise.
- 3.12 Should either Rolls-Royce, the Head Contractor or the Authority wish to provide the Confidential Information to other departments and agencies of HM Government, and its and their sub-contractors (including Subcontractors), agents and advisers, any such request is to be provided to the Supplier in writing for consideration. Any such request shall not be unreasonably withheld.
- 3.13 In the event of a breach of confidentiality and/or an impending breach of confidentiality, either Party shall promptly advise the other Party and provide all necessary assistance and take all reasonable steps to prevent or rectify the breach or to obtain compensation for the breach.
- 3.14 The Supplier shall require acceptance of obligations by Subcontractors that are no less stringent than the obligations in this paragraph **Error! Reference source not found.** (Security and Prohibition on Disclosure).
- 3.15 The Supplier shall (and shall procure that Subcontractors shall) reproduce any proprietary, security and/or confidentiality markings on any copy, reproduction or reduction to writing or other material form of any Confidential Information of Rolls-Royce and ensure that both it and any of its Subcontractor(s) may only make sufficient copies as necessary to supply the Deliverables and/or perform the Services.
- 3.16 The obligations of confidentiality shall not apply in respect of information which is:
- (a) in the receiving Party's unrestricted possession at the date of disclosure under this Contract; or
 - (b) in or enters into the public domain without breach of this paragraph **Error! Reference source not found.** (Security and Prohibition on Disclosure) by the receiving Party; or
 - (c) proven by the receiving Party to have been developed by it independently of the Intellectual Property Rights and/or Confidential Information of the other Party disclosed under this Contract.
- 3.17 If the receiving Party receives a requirement for disclosure of the Confidential Information of the disclosing Party from any court, tribunal, government department or agency or other official body of competent jurisdiction ("Official Request"), the receiving Party shall provide the disclosing Party with prompt written notice of the Official Request so that the disclosing Party may seek a protective order or other appropriate remedy or waive compliance with this paragraph **Error! Reference source not found.** (Security and Prohibition on Disclosure) in respect of the Official Request. If the receiving Party is legally compelled to disclose the Confidential Information of the disclosing Party pursuant to an Official Request, the receiving Party may only disclose that portion of the Confidential Information which it is legally obliged to disclose.
- 3.18 The Supplier shall in no circumstances disclose the existence or subject matter of this Contract, Rolls-Royce's name, the Head Contractor's name, the identity of the Authority, or any Intellectual Property or Confidential Information acquired through its dealings with Rolls-Royce for any reason whatsoever. In addition to any other rights and remedies, breach of this provision shall be deemed to be a default incapable of being remedied for the purposes of clause 20 (Termination for Default) of the General Conditions.
- 3.19 Any information given to the Supplier by Rolls-Royce shall remain the absolute property of Rolls-Royce and shall be returned (along with any copies of the same) to Rolls-Royce or, at Rolls-Royce's election, be destroyed by the Supplier on completion, termination or cancellation of this Contract and/or at the request of Rolls-Royce. In such events, the Supplier shall make no further use of Rolls-Royce's information.

- 3.20 Save as set out in paragraph 3.11, this paragraph **Error! Reference source not found.** (Security and Prohibition on Disclosure) shall not be construed as granting either expressly or implied any rights or licences under patents, copyright or under any other form of proprietary rights belonging to or at the disposal of the disclosing Party.
- 3.21 The Freedom of Information Act 2000 (the "FOI Act") and the Environmental Information Regulations 2004 (the "Environmental Regulations") could require the Authority or any applicable public body to make available to the public information that it holds. The Supplier acknowledges and agrees that information provided to the Authority or any other applicable public body by Rolls-Royce (including Confidential Information belonging to or provided by the Supplier) may be required to be disclosed to the public further to a request under the FOI Act or the Environmental Regulations. In such event the following shall apply:
- (a) Rolls-Royce shall provide notification to the Supplier as soon as it becomes aware of any request or decision to disclose any information provided to the Authority or any other applicable public body by Rolls-Royce belonging to or provided by the Supplier;
 - (b) to the extent permitted by the time for compliance under the FOI Act or the Environmental Regulations, and where the Authority has consulted with Rolls-Royce in advance of disclosure, Rolls-Royce shall consult the Supplier where the Authority is considering the disclosure of Information belonging to or provided by the Supplier under the FOI Act or the Environmental Regulations; and,
 - (c) the Supplier acknowledges and accepts that its representations on disclosure during consultation may not be determinative and that the decision whether to disclose Information in order to comply with the FOI Act or the Environmental Regulations is a matter in which the Authority shall exercise its own discretion, subject always to the provisions of the FOI Act or the Environmental Regulations.
 - (d) Rolls-Royce shall not be considered in breach of this Contract in the event that such a disclosure is made.
- 3.22 Without prejudice to any rights of action existing under any confidentiality agreement or undertaking or non-disclosure agreement entered into between the Parties before the Commencement Date, the provisions of this paragraph **Error! Reference source not found.** (Security and Prohibition on Disclosure) supersede any such existing agreement or undertaking in place in relation to the subject matter of this Contract with effect from the Commencement Date.

Security Requirements

- 3.23 The Supplier shall protect all Information relating to the aspects designated as OFFICIAL-SENSITIVE or SECRET UK EYES ONLY as identified in the Security Aspects Letter, in accordance with the official security conditions annexed to the Security Aspects Letter.
- 3.24 The Supplier shall include the requirements and obligations set out in paragraph 3.23 in any Subcontract which requires disclosure of OFFICIAL-SENSITIVE or SECRET UK EYES ONLY Information to the Subcontractor or under which any Information relating to aspects designated as OFFICIAL-SENSITIVE or SECRET UK EYES ONLY is created by the Subcontractor. The Supplier shall also include in the Subcontract a requirement for the Subcontractor to flow the requirements of this clause to its sub-contractors and through all levels of the supply chain to the lowest level where any OFFICIAL-SENSITIVE or SECRET UK EYES ONLY Information is handled.

4 OVERSEAS EXPENDITURE AND IMPORT AND EXPORT LICENCES

- 4.1 The Supplier shall report, in writing to Rolls-Royce, details of any direct expenditure outside of the United Kingdom of Great Britain and Northern Ireland under an individual sub-contract with a Subcontractor valued at over £1,000,000 (one million pounds sterling) (excluding any taxes) ("Overseas Expenditure") likely to be incurred in the performance of this Contract immediately once the possibility is known (if such details were not furnished by the Supplier to Rolls-Royce at the time of tendering the contract). The details to be provided by the Supplier are as follows:
- (a) contract number;
 - (b) country in which the sub-contract is placed/to be placed;
 - (c) name, division and full postal address of the Subcontractor;
 - (d) value of the subcontract as applicable to this Contract; and
 - (e) the date the subcontract is placed/to be placed.
- 4.2 For the purpose of this paragraph **Error! Reference source not found.** (Overseas Expenditure and Import and Export Licences), direct Overseas Expenditure comprises only those direct payments over £1,000,000 (one million pounds sterling) made by the Supplier to non-UK Subcontractors for the supply of finished or semi-finished manufactured products imported directly into the UK by the Subcontractor or by such UK firms/branches.
- 4.3 The Supplier shall submit any information required by paragraph 4.2 to Rolls-Royce's Representative.
- #### **Import Licence**
- 4.4 If, in the performance of this Contract, the Supplier needs to import material into the UK for which an import licence is required, the responsibility for applying for the licence shall rest with the Supplier. Rolls-Royce shall provide the Supplier with reasonable assistance with regard to any defence or security issue that may arise in obtaining any necessary import licence.

Import Duty

- 4.5 If requested to do so by the Supplier, Rolls-Royce shall use reasonable endeavours to procure that the Authority issues, in favour of the Supplier, an Import Duty Waiver Certificate (Certificate of Competent Authority) covering material as permitted by Council Regulation (EC No.150/2003) imported for the purposes of this Contract which suspends the Supplier from the requirement to pay all such duty.

Export Control Laws and Regulations

- 4.6 The Supplier shall comply with all applicable export control laws and regulations, including but not limited to the Export Control Act 2002 (UK) the requirements of the Arms Export Control Act (US), 22 USC 2751-2794, including the International Traffic in Arms Regulations (ITAR); and the Export Administration Act (US), 50 USC app 2401-2420, including the Export Administration Regulations, all of the foregoing as amended (whether before or after the date of this Contract), (together the "Export Regulations"). Without limiting the foregoing, the Supplier agrees that it will not export, re-export or re-transfer any export controlled item, data, software, services or assistance ("Material"), including data incorporated within a document and items incorporated within larger assemblies, without the authority of an export licence, agreement, approval or applicable exemption or exception. For the purposes of this Contract, the phrase "export licence, agreement and/or approval" shall be deemed to include written confirmation from the relevant authorities of any applicable exemption and/or exception).
- 4.7 The Supplier shall, prior to providing Material to Rolls-Royce, notify Rolls-Royce, in writing if any Material, including constituent parts thereof, to be provided under or in connection with this Contract is:

- (a) restricted by any of the Export Regulations;
- (b) subject to a non-UK export licence, authorisation or exemption; or
- (c) restricted by any other related transfer control that imposes end use, end user, re-export or re-transfer or re-export restrictions or restrictions on disclosure to individuals based upon nationality.

- 4.8 The notification referred to in paragraph 4.7 shall include;

- (a) full and complete details of the nature of such Material;
- (b) the nation which is responsible for licensing such Material, and the applicable licence regime (including the licence number);
- (c) the Material affected;
- (d) the nature of the restriction and obligation;
- (e) the authorised end use and end users;
- (f) any specific restrictions on access by third parties, or by individuals, based on their nationality to any Material;
- (g) any special restrictions on the end user or on re-transfer or re-export to third parties of any Material; and
- (h) a copy of the relevant licence(s), agreement(s), approval(s) and/or other authorisations (any commercially sensitive information may be deleted, provided that such deletion does not prevent identification of any relevant export restriction).

- 4.9 If the information required under paragraphs 4.7 and 4.8 has been provided previously to Rolls-Royce by the Supplier, the Supplier may satisfy the notification requirements under that paragraph by giving details of the previous notification and confirming they remain valid and satisfy the requirements of paragraphs 4.7 and 4.8.

- 4.10 If the Supplier becomes aware of any changes in the information notified previously under paragraphs 4.7 and 4.8 that would affect Rolls-Royce, the Head Contractor' or the Authority's ability to use, disclose, re-transfer or re-export Material (or part of it) as is referred to in such clause, the Supplier shall notify Rolls-Royce promptly of the change.

- 4.11 If the Supplier is unable to disclose all of the provisos of a licence solely due to a specific restriction on that disclosure imposed by the foreign government concerned, the Supplier shall upon becoming aware of such restrictions state to Rolls-Royce in writing that provisos exist and that the Supplier is not able to disclose them because of the restrictions.

Export Licences, Agreements and Approvals

- 4.12 The Supplier shall:

- (a) reasonably co-operate with Rolls-Royce and (where applicable) the Authority to ensure that the Supplier has the relevant information pertaining to Rolls-Royce, the Head Contractor and the Authority required for any and all export licences, agreements and/or approvals to be accurate;
- (b) reasonably co-operate with all other relevant third parties, as required, as part of the process to ensure any and all export licence(s), agreement(s) and/or approval(s) are accurate; and
- (c) use the information it receives pursuant to paragraphs 4.12(a) and 4.12(b) to ensure any and all export licence(s), agreement(s) and/or approval(s) obtained are accurate.

- 4.13 When an export licence, agreement, or other approval is required from a foreign government for the performance of this Contract, the Supplier shall promptly apply for such licence, agreement or other approval.

- 4.14 The Supplier shall also ensure that when end use or end user restrictions, or both, apply to all or part of any Material, the Supplier, unless otherwise agreed with Rolls-Royce, identify in the licence application that the Material will be used "by the UK MoD Submarine Programme":

4.15 Rolls-Royce shall, and shall use reasonable endeavours to procure that the Authority shall, provide all reasonable assistance as the Supplier may require in obtaining and/or maintaining the Foreign export licence or other approval including executing any and all valid certifications required by a Foreign government or its agents as to the end use, end users or authorised parties of a Foreign export licence, other related technology transfer control or other export authorisation agreement, or shall otherwise satisfy the reasonable requirements of the Foreign government or its agents in respect of the same.

4.16 The Supplier must immediately process any changes to licence information or additional requirements which are communicated to them by Rolls-Royce in order to ensure that the licence, agreement or other authorisation is updated to reflect such requirements or amendments.

ITAR

4.17 For all ITAR-controlled Material, (the "ITAR Material") the Supplier shall, in addition to the information to be provided pursuant to paragraphs 4.7 and 4.8 and prior to any disclosure of such ITAR Material to Rolls-Royce, provide the following information to Rolls-Royce:

- (a) category of the US Munitions List within which the ITAR Material is classed specifically highlighting if any ITAR Material is Significant Military Equipment, Major Defence Equipment or US Classified; and
- (b) the original US supplier of the ITAR Material.

The Supplier shall ensure that when describing the ITAR Material in accordance with this paragraph 4.17, such a description shall not in itself constitute an unauthorised export, re-export or re-transfer of such ITAR Material.

4.18 In the event that the Supplier is unable to conclusively determine whether any specific article, service and/or data is ITAR Material ("Potential ITAR Material"), the Supplier shall, as soon as reasonably practicable, obtain written determination from the appropriate US authorities, in accordance with the Commodity Jurisdiction process as described in Section 120.4 of the ITAR. Pending such a determination by the appropriate US authorities, the Supplier shall be wholly responsible for the accuracy of any interim classification of the Potential ITAR Material and shall take into account the considerations and views of Rolls-Royce, if any.

4.19 If ITAR Material is not eligible for the Foreign Military Sales exemption under Section 126.6(c) or another applicable exemption under the ITAR and/or in the event that the Supplier requires information directly from a supplier within the United States for the purpose of this Contract, the Supplier shall:

- (a) if required, enter into a Technical Assistance Agreement (as that expression is defined in the ITAR) or other appropriate form of agreement under part 124 of the ITAR (collectively "**ITAR Agreement**") and fulfil all associated concurrent and subsequent requirements of such ITAR Agreements;
- (b) use reasonable endeavours to procure that such ITAR Agreements and export licences are applied for obtained, renewed and maintained in such a manner as to not materially hinder the performance of its obligations in respect of this Contract;
- (c) consult with Rolls-Royce's Representative to determine which Parties are required to be Foreign signatories or Foreign consignees to each relevant ITAR Agreement and the required duration of such agreement;
- (d) use reasonable endeavours to procure that the duration of any ITAR Agreement is or will be (if required) sufficient to allow the exchange and use of ITAR Material by the Parties for the required period of time; and
- (e) use commercially reasonable endeavours to procure that any Subcontractor appointed by it comply with:
 - (i) the provisions of paragraphs 4.19(a) to 4.19(d) as if they were the Supplier; and
 - (ii) the Appendix to DEFCON 528 (Edn 05/12) (Overseas Expenditure, Import and Export Licences).

Where it is not practicable to include the terms set out in the Appendix to DEFCON 528, the Supplier shall report that fact and the circumstances to Rolls-Royce.

Polaris Sales Agreement

4.20 For all Material which is subject to the restrictions contained in the Polaris Sales Agreement 1963 between the Governments of the United Kingdom and the United States ("PSA Technical Data"), the Supplier shall, in addition to the information to be provided pursuant to paragraphs 4.7 and 4.8, prior to any disclosure of such Material to Rolls-Royce, notify Rolls-Royce that such Material is classed as PSA Technical Data.

4.21 For all Material which is subject to the restrictions contained in the Mutual Defence Agreement 1958 between the Governments of the United Kingdom and the United States ("1958 Data"), the Supplier shall, in addition to the information to be provided pursuant to paragraphs 4.7 and 4.8, prior to any disclosure of such Material to Rolls-Royce, provide the following information to Rolls-Royce:

- (a) the country of production of the 1958 Data (i.e. USA or UK);
- (b) whether the 1958 Data is US sovereign information;
- (c) (if produced in the UK) whether the 1958 Data contains any US-produced information or US sovereign information or contains material classified as ATOMIC in accordance with UK Government policies ACO117 ((Rev 2001) – Classification Guide for British Naval Nuclear Propulsion Plants) ("ACO 117") or ACO130 ((revised 2007) – Rules for the handling, protection and release of information marked 'ATOMIC') ("ACO 130").

Documentation and Marking Requirements

4.22 All delivery documentation and Material packaging shall clearly state the applicable licence, agreement and/or authorisation reference(s) relevant to the Material being delivered. Material should be marked as follows (completed as appropriate):

(a) in the case of ITAR Material:

(i) ITAR Hardware

US ITAR controlled. These commodities are authorised by the US Government for export only to (country/countries of ultimate destination) for use by (end-user(s)) under (licence or other approval number or exemption citation). They may not be resold, diverted, transferred, transhipped on a non-continuous voyage, or otherwise be disposed of in any other country or to any person other than the authorised end-user or consignee(s) either in their original form or after being incorporated into other end-items, without the prior written approval of the US Department of State or use of an applicable exemption.

Licence Number(s): (xxxxxx)

US Exporter:

End Use:

End User:

Access Restrictions:

(ii) ITAR Technical Data

“US EXPORT CONTROLLED DATA: This document contains technical information, the export of which is governed by the U.S. International Traffic in Arms Regulations (ITAR and authorised for export only to (country of ultimate destination) for use by (end-user) under (licence or other approval number or exemption citation)). This information must not be resold, diverted, transferred or otherwise be disposed of to any other country or any person other than the authorised end-user or consignee(s), either in their original form or after being incorporated into other items without the proper authorisation of the U.S. Department of State or use of an applicable exemption. Violations may result in administrative, civil and/or criminal penalties.

Agreement / Licence Number(s): (xxxxxx)

US Exporter:

End Use:

End User:

Access Restrictions:

(iii) EAR Hardware or Data

Unless the applicable regulations (i.e. 15 C.F.R. 758.6) have been revised to require otherwise, for each EAR controlled item or document being delivered the following Destination Control Statement shall be included as an integral part of the invoice and bill of lading, air waybill, or other export control document that accompanies the shipment, and the document itself in the case of EAR Technology:

“These commodities, technology, or software were exported from the United States in accordance with the Export Administration Regulations. Diversion contrary to U.S. law is prohibited.”

In addition, the licence number(s) for each applicable EAR or ITAR licence and the ECCN for each “600 Series” item being exported must be included.

(iv) PSA Technical Data

Warning - This document contains export-controlled technical data whose export is restricted by the Arms Export Control Act (Title 22, U.S.C., Sec 2751, et seq.). Violations of these export laws are subject to severe criminal penalties. Disseminate in accordance with provisions of DoD Directive 5230.25.

Or

This information is furnished upon the condition that it or knowledge of its possession will not be released to another nation without specific authority of the Department of the Navy of the United States; that it will not be used for other than military purposes; that individual or corporate rights originating in the information, whether patented or not, will be respected; that the information will be provided the same degree of security afforded it by the Department of Defense of the United States.

(v) 1958 Data

If required by ACO 117, the descriptor "ATOMIC" shall be displayed on the document containing 1958 Data after the government protective marking, and before any applicable nationality caveat.

If required by ACO 117, the descriptor "NNPPI" shall be displayed on the document containing 1958 Data after the government protective marking and before any applicable nationality event.

Brokering and Political Contributions

4.23 If engaged in brokering activities within the meaning of the ITAR (22 C.F.R. 129), the Supplier represents and warrants that it is registered with the US Department of State as required by the ITAR and has obtained any necessary approval with respect to the Deliverables to be provided under this Contract.

4.24 If US defense articles or defense services subject to ITAR are to be provided under this Contract, the Supplier recognises and accepts that the Supplier and Rolls-Royce have disclosure requirements when making applications for the export or re-export of US defense articles or defense services valued in an amount of US\$500,000 or more, which disclosure requirements relate to the payment of any political contribution, fee or commission, directly or indirectly, whether in cash or in kind, to or at the direction of any person in order to solicit, promote or otherwise to secure the order under this Contract or any related orders. In this context, when requested to do so by Rolls-Royce, the Supplier shall make a written certification to Rolls-Royce in a timely manner and not later than fifteen (15) Working Days after receipt of such request regarding:

- (a) whether in relation to the order under this Contract or any related orders the Supplier or its vendors (as defined in 22 C.F.R. 130.8) have made, or offered or agreed to make:
 - (i) any political contribution, including any loan, gift, donation or other payment of US\$1,000 or more to or for the benefit of, or at the direction of, any foreign candidate, committee, political party, political faction, or government or governmental subdivision, or any individual elected, appointed or otherwise designated as an employee or officer thereof; or
 - (ii) any fee or commission, including any loan, gift, donation or other payment of US\$1,000 or more; and
- (b) if so, the Supplier shall identify, as provided in 22 C.F.R. 130.12:
 - (i) the amount of each political contribution paid, or offered or agreed to be paid, or the amount of each Fee or Commission paid, or offered or agreed to be paid;
 - (ii) whether each reported payment was in cash or in kind;
 - (iii) the date or dates on which each reported amount was paid, or offered or agreed to be paid;
 - (iv) the recipient of each such amount paid, or intended recipient if not yet paid, including name, nationality, address and principal place of business, employer and title, and relationship, if any, to the Supplier and to any purchaser or end-user; and
 - (v) the person who paid, or offered or agreed to pay such amount; and
- (c) the Supplier shall notify Rolls-Royce immediately if the circumstances described in paragraphs 4.24(a) or 4.24(b) change, and shall respond promptly to any written inquiry made by Rolls-Royce seeking to confirm or update the Supplier's certification as provided in this paragraph 4.24.

Rolls-Royce's Obligations

4.25 Where Rolls-Royce provides Material to enable the Supplier to perform the Contract, and that Material is subject to a non-UK export licence or other related technology transfer control:

- (a) Rolls-Royce may, or at the request of the Supplier undertakes to, give the Supplier a summary of every non-UK export licence or other related technology transfer control of which it is aware that would affect the Supplier's ability to perform this Contract, including, to the extent applicable to the Supplier's performance of this Contract:
 - (i) the exporting nation, including the export licence number (where known);
 - (ii) the items or information affected and confirmation that such items or information have been correctly identified and marked in accordance with US ITAR regulations;
 - (iii) the nature of the restriction and obligation;
 - (iv) the authorised end use and end users;
 - (v) any specific restrictions on access or use by third parties, or by individuals based upon their nationality, to the items or information affected;
 - (vi) any specific restrictions on re-transfer or re-export to third parties of the items or information affected.
- (b) The Supplier shall, and shall procure that its Subcontractors shall, where access by these restrictions is also authorised, abide by the lawful restrictions so notified by Rolls-Royce.

4.26 The Supplier shall notify Rolls-Royce immediately if it or any of the Subcontractors is unable, for whatever reason, to abide by any restriction advised by Rolls-Royce to the Supplier under paragraph 4.25.

5 MATERIALS

- 5.1 Notwithstanding any other provision of this Contract, if the Deliverables contain, or is, a substance (on its own, or in a mixture) falling within the scope of the REACH Regulation the Supplier shall confirm to Rolls-Royce at least one (1) month prior to the Delivery Date that the materials to be supplied are compliant with the REACH Regulation.
- 5.2 If the Supplier is required under, or in connection with, this Contract to supply Deliverables or components of Deliverables that, in the course of their use, maintenance or disposal, or in the event of an accident, may release hazardous materials or substances (excluding substances present in the product as a result of chemical transformation during use and/or maintenance), (including materials or substances controlled under the Montreal Protocol), it shall provide to Rolls-Royce based on knowledge at the time of such declaration:
- (a) a list of those hazardous materials or substances; and
 - (b) for each hazardous material or substance listed, Substance or Mixture supplied, a safety data sheet.
- and shall, within a reasonable period of time, provide an update upon any such request of BAE Systems to do so.
- 5.3 If the Deliverables, materials or substances are ordnance, munitions or explosives, in addition to the requirements of CHIP Regulations, the CLP Regulations and REACH Regulation the Supplier shall comply with hazard reporting requirements of DEF STAN 07-85 (Design Requirements for Weapons and Associated Systems).
- 5.4 If the Deliverables, materials or substances are or contain or embody a radioactive substance as defined in the Ionising Radiation Regulations SI 1999/3232, the Supplier shall additionally provide details of:
- (a) the activity;
 - (b) the substance and form (including any isotope); and
 - (c) whether the item is a radiation generator, and, if so, the type of radiation.
- 5.5 If the Deliverables, materials or substances have magnetic properties, the Supplier shall additionally provide details of the magnetic flux density at a defined distance, for the condition in which it is packed.
- 5.6 Information provided in accordance with this paragraph **Error! Reference source not found.** (Materials) (including any information to be supplied in compliance with the Sub-Contractor's statutory duties), shall be sent directly to Rolls-Royce's Representative as soon as practicable and not less than one (1) month prior to the Delivery Date for each Deliverable, unless otherwise stated in this Contract.
- 5.7 Without prejudice to Rolls-Royce's other remedies, failure by the Supplier to comply with the requirements of this paragraph **Error! Reference source not found.** (Materials) shall be grounds for rejecting the affected Deliverables. Any withholding of information concerning hazardous Deliverables, materials or substances shall be regarded as a breach of Contract for which Rolls-Royce reserves the right to require the Supplier to rectify the breach immediately at no additional cost to Rolls-Royce or to terminate this Contract without compensation.

6 PACKAGING

- 6.1 Without prejudice to any other clause or to the Specification, the Supplier shall:
- (a) apply all markings to the Deliverables as required by the applicable export and security Legislation, including relevant export licences and appropriate legends and including the provisions of paragraph 4.22; and
 - (b) identify, mark and label the Deliverables in accordance with DEFCON 644 (Edn 06/13) (Marking of Articles), which shall apply to this Contract. For the purpose of DEFCON 644, the expression "the Contractor" shall be replaced with "the Sub-Contractor" and the expression "the Contract Schedule" shall be replaced with "the deliverable number from the Data Deliverables Index or the Materials Deliverables Index (as applicable) and the Purchase Order Number".
- 6.2 All packaging and protection materials are included within the Total Order Value, will be the property of Rolls-Royce, and are non-returnable unless otherwise provided in the Specification or elsewhere in the Contract.
- 6.3 The Supplier shall take the packing and preservation measures that an experienced contractor in the Supplier's industry would reasonably specify, having regard to the nature of each item of Equipment, its method of transportation and storage, so as to minimise the risk of damage, corrosion or deterioration to the Equipment and the packaging.
- 6.4 In addition to any packaging requirements detailed in the Specification, such packaging shall where possible and applicable be re-useable, stackable and enable access to perform any required receipt inspection and/or maintenance of the Equipment while in storage.

7 MAINTENANCE AND STORAGE

- 7.1 Prior to Delivery, the Supplier shall store, and maintain the Deliverables.
- 7.2 NOT USED
- 7.3 If any of the Deliverables are removed from their packaging by the Supplier for any reason the Supplier shall re-package the Deliverables in accordance with the Specification and paragraph **Error! Reference source not found.** (Packaging) before delivery to Rolls-Royce.
- 7.4 The Supplier shall provide Rolls-Royce with all relevant instructions for the maintenance and storage of the Deliverables no less than sixty (60) Working Days prior to Delivery

7.5 If the delivery of the deliverables is directly to the Head Contractor then the Supplier will also need to complete the Head Contractor's standard form, which is available upon request.

8 CONTINUITY OF SUPPLY

Notification of Supply Chain Issues

8.1 For the duration of this Contract, the Supplier shall have a continuous obligation to:

- (a) develop and maintain proactive supplier risk management and obsolescence management processes;
- (b) monitor and manage Subcontractors in accordance with the proactive supplier risk management process and managing obsolescence in accordance with the obsolescence management process;
- (c) comply with its obligations in paragraph 8.2 below;
- (d) enforce the terms of any relevant Subcontracts; and
- (e) within thirty (30) Working Days of the Commencement Date, and on each anniversary of the Commencement Date for the duration of the Term, provide Rolls-Royce with a copy of its Obsolescence Management Plan as defined in the Specification.

8.2 At any time during the term of the Contract the Supplier shall immediately notify Rolls-Royce as soon as it becomes aware of any supplier fragility or obsolescence issues at any level within its supply chain and provide the following information:

- (a) part number and description of the affected component/s;
- (b) date of expected product discontinuity;
- (c) proposed solution;
- (d) life time buy options.

The Parties shall review and agree within thirty (30) Working Days, or such longer period as the Parties may agree, on the most appropriate solution.

8.3 Where possible, in addition to the above, the Supplier shall offer Rolls-Royce the opportunity to procure a non-exclusive licence on fair and reasonable terms to enable them to procure or manufacture any Equipment the subject of paragraph 8.2 above where it is able to do so.

9 CYBER SECURITY

Cyber Risk Level

9.1 For the purposes of this paragraph 9 (Cyber Security) the Cyber Risk Level applicable to this Contract will be stated in an Order and will be as defined in DEFSTAN 05-138.

9.2 Rolls-Royce shall on an annual basis review the Cyber Risk Level applicable to this Contract and DEFSTAN 05-138. In the event of a change to either the Cyber Risk Level or DEFSTAN 05-138 Rolls-Royce shall notify the Supplier accordingly and any associated impact will be dealt with as a Variation in accordance with clause 5 (Variations) of the General Conditions.

Definitions

9.3 In this paragraph 9 (Cyber Security) the following words and expressions shall have the meanings given to them, except where the context requires a different meaning:

- (a) **"Associated Company"** means:
 - (i) any associated company of the Supplier from time to time within the meaning of Section 449 of the Corporate Tax Act 2010 or any subordinate legislation;
- (b) **"Supplier Deliverables"** shall have the meaning set out in DEFCON 501;
- (c) **"Cyber Risk Level"** means the level of Cyber Risk relating to this Contract assessed in accordance with the Cyber Security Model;
- (d) **"Cyber Security Implementation Plan"** means the plan referred to in paragraph 9.5 of this paragraph 9 (Cyber Security) including but not limited to any risk-balance case and mitigation measures required by Rolls-Royce and/or the Authority;
- (e) **"Cyber Security Incident"** means an event, act or omission which gives rise or may give rise to:
 - (i) unauthorised access to an information system or electronic communications network;
 - (ii) disruption or change of the operation (including but not limited to takeover of control) of an information system or electronic communications network;
 - (iii) destruction, damage, deletion or the change of MOD Identifiable Information residing in an information system or electronic communications network;
 - (iv) removal or limiting the possibility to use MOD Identifiable Information residing in an information system or electronic communications network; or,
 - (v) the appropriation, publication, dissemination or any other use of non-public MOD Identifiable Information by persons unauthorised to do so.

- (f) **“Cyber Security Instructions”** means DEFSTAN 05-138, together with any relevant ISN and specific security instructions relating to this Contract issued by or on behalf of the Authority to the Supplier;
- (g) **“Cyber Security Model”** and **“CSM”** mean the process by which the Authority ensures that MOD Identifiable Information is adequately protected from Cyber Incident and includes the CSM Risk Assessment Process, DEFSTAN 05-138 and the CSM Supplier Assurance Questionnaire;
- (h) **“CSM Risk Assessment Process”** means the risk assessment process which forms part of the Cyber Security Model and is used to measure the Cyber Risk Level for this Contract and any Sub-contract;
- (i) **“CSM Supplier Assurance Questionnaire”** means the supplier assessment questionnaire which forms part of the Cyber Security Model and is to be used by the Supplier to demonstrate compliance with this paragraph 9 (Cyber Security);
- (j) **“Data”** means any data, text, drawings, diagrams, images or sounds (together with any database made up of any of these) which are embodied in any electronic, magnetic, optical or tangible media;
- (k) **“DEFSTAN 05-138”** means the Defence Standard 05-138 Issue 02 dated 28 September 2017;
- (l) **“Electronic Information”** means all information generated, processed, transferred or otherwise dealt with under or in connection with this Contract, including but not limited to Data, recorded or preserved on any information system or electronic communications network;
- (m) **“ISN”** means Industry Security Notices issued by Rolls-Royce and/or the Authority to the Supplier whether directly or by issue on the gov.uk website at: <https://www.gov.uk/government/publications/industry-security-notices-isns>;
- (n) **“JSyCC WARP”** means the Joint Security Co-ordination Centre MOD Defence Industry Warning, Advice and Reporting Point or any successor body notified by way of ISN;
- (o) **“MOD Identifiable Information”** means all Electronic Information which is attributed to or could identify an existing or proposed MOD capability, defence activities or personnel and which the MOD requires to be protected against loss, misuse, corruption, alteration and unauthorised disclosure;
- (p) **“NSA/DSA”** means, as appropriate, the National or Designated Security Authority of the Supplier that is responsible for the oversight of the security requirements to be applied by the Supplier and for ensuring compliance with applicable national security regulations;
- (q) **“Sites”** means any premises from which Articles and/or Services are provided in connection with this Contract or from which the Supplier or any relevant Sub-contractor manages, organises or otherwise directs the provision or the use of the Articles and/or Services or any part thereof and/or any sites from which the Supplier or any relevant Sub-contractor generates, processes, stores or transmits MOD Identifiable Information in relation to this Contract;
- (r) **“Supplier Cyber Protection Service”** means the CSM Risk Assessment Process and CSM Supplier Assurance Questionnaire.

Rolls-Royce Obligations

9.4 Rolls-Royce shall:

- (a) determine the Cyber Risk Level appropriate to this Contract. Where the Supplier has not already been notified of the Cyber Risk Level prior to the commencement of this Contract, Rolls-Royce shall provide notification of the relevant Cyber Risk Level and the appropriate Cyber Security Instructions to the Supplier as soon as is reasonably practicable. In the event that such a change to the Cyber Risk Level has an impact on this Contract this will be dealt with as a Variation in accordance with clause 5 (Variations) of the General Conditions; and,
- (b) notify the Supplier as soon as reasonably practicable where Rolls-Royce reassesses the Cyber Risk Level relating to this Contract, in the event that such a change to the Cyber Risk Level has an impact on this Contract this will be dealt with as a Variation in accordance with clause 5 (Variations) of the General Conditions.

Supplier Obligations

9.5 The Supplier shall, and shall procure that its Sub-contractors shall:

- (a) comply with DEFSTAN 05-138;
- (b) complete the CSM Risk Assessment Process in accordance with Rolls-Royce and/or the Authority's instructions, ensuring that any change in the Cyber Risk Level is notified to any affected Sub-contractor, and complete a further CSM Risk Assessment or CSM Supplier Assurance Questionnaire where a change is proposed to the Supplier's supply chain which has or may have an impact on the Cyber Risk Level of this Contract or on receipt of any reasonable request by Rolls-Royce and/or the Authority;
- (c) carry out the CSM Supplier Assurance Questionnaire no less than once in each year of this Contract commencing on the first anniversary of completion of the CSM Supplier Assurance Questionnaire;
- (d) having regard to the state of technological development, implement and maintain all appropriate technical and organisational security measures to discharge its obligations under this Condition in accordance with Good Industry Practice provided always that where there is a conflict between the Supplier's obligations under paragraph 9.5(a) above and this paragraph 9.5(d) the Supplier shall notify Rolls-Royce and the Authority in accordance with the notification provisions in DEFSTAN 05-138 as soon as it becomes aware of the conflict and the Authority shall determine which standard or measure shall take precedence;

- (e) comply with all Cyber Security Instructions notified to it by Rolls-Royce as soon as reasonably practicable;
- (f) notify Rolls-Royce and the JSyCC WARP in accordance with ISN 2014/02 as amended or updated from time to time and the Suppliers NSA/DSA, and in the case of a Sub-contractor also notify the Supplier, immediately in writing as soon as they know or believe that a Cyber Security Incident has or may have taken place providing full details of the circumstances of the incident and any mitigation measures already taken or intended to be taken;
- (g) in coordination with its NSA/DSA, investigate any Cyber Security Incidents fully and promptly and co-operate with Rolls-Royce and its agents and representatives, and/or the Authority and its agents and representatives and its NSA/DSA to take all steps to mitigate the impact of the Cyber Security Incident and minimise the likelihood of any further similar Cyber Security Incidents. For the avoidance of doubt, this shall include complying with any reasonable technical or organisational security measures deemed appropriate by the Suppliers NSA/DSA in the circumstances and taking into account the Cyber Risk Level; and,
- (h) consent to Rolls-Royce and/or the Authority recording and using information obtained in relation to the Contract for the purposes of the Cyber Security Model whether on the Supplier Cyber Protection Service or elsewhere. For the avoidance of doubt such information shall include the cyber security accreditation of the Supplier and / or Sub-contractor as appropriate; and,
- (i) include provisions equivalent to paragraph 9.16 of this paragraph 9 (Cyber Security) in all Sub-contracts imposing provisions equivalent to this paragraph 9.5 (the “equivalent provisions”) and, where a Sub-contractor breaches terms implementing this paragraph in a Sub-contract, the Supplier shall, and shall procure that its Sub-contractors shall, in exercising their rights or remedies under the relevant Sub-contract:
 - (i) notify Rolls-Royce and/or the Authority of any such breach and consult with Rolls-Royce and/or the Authority regarding any remedial or other measures which are proposed as a consequence of such breach, taking Rolls-Royce and the Authority’s views into consideration; and,
 - (ii) have regard to the equivalent provisions.

PROVIDED ALWAYS THAT where the Supplier has notified Rolls-Royce and the Authority that it or one or more of its Sub-contractors cannot comply with paragraphs 9.5 (a) to (i) above Rolls-Royce, the Authority and the Supplier will seek to agree a Cyber Security Implementation Plan and where a Cyber Security Implementation Plan has been agreed with the Supplier, the Supplier shall, and shall procure that its Sub-contractors shall, comply with such Cyber Security Implementation Plan until implementation is agreed to have been achieved whereupon paragraphs 9.5 (a) to (i) above shall apply in full. In the event that a Cyber Security Implementation Plan cannot be agreed the provisions of clause 36.2 of the General Conditions shall apply.

Management of Sub-Contractors

- 9.6 Rolls-Royce agrees that the Supplier shall be entitled to rely upon the self-certification by a Sub-contractor of its compliance with its obligations pursuant to paragraph 9.5. In the event that a Sub-Contractor is found to be in breach of its obligations in paragraph 9.5 and where the Supplier has relied upon the Sub-contractor’s self-certification, the Supplier shall not be held to be in breach of this paragraph 9 (Cyber Security).
- 9.7 Where the Supplier becomes aware that a Sub-contractor is not complying with its obligations, the Supplier shall notify Rolls-Royce and the Authority and provide full details of the Sub-contractor’s non-compliance as soon as reasonably practicable and shall consult with Rolls-Royce and the Authority as to the appropriate course of action which may include but not be limited to the agreement of a remedial plan or termination of the Sub-contract having regard to paragraph 9.5(i).
- 9.8 Having regard to Rolls-Royce and the Authority’s views, the Supplier shall take reasonable measures to address any non-compliance of a Sub-contractor in accordance with the reasonable timescales required by Rolls-Royce and the Authority. Where the Supplier fails to take such reasonable measures this shall amount to a breach of this paragraph 6 and the provisions of paragraph 9.17 shall apply.
- 9.9 The Supplier shall, and shall procure that its Sub-contractors shall, include provisions equivalent to those set out in paragraphs 9.5 to 9.7 in all Sub-contracts which flow down the obligations set out in paragraph 9.5 of this Schedule 2.

Records

- 9.10 The Supplier shall, and shall ensure that any Subcontractor shall, in accordance with clause 26 (Intellectual Property Rights) of the General Conditions keep and maintain full and accurate records, including but not limited to:
 - (a) details of all MOD Identifiable Information relating to the Supplier Deliverables provided under this Contract; and,
 - (b) copies of all documents required to demonstrate compliance with DEFSTAN 05-138 and this paragraph 9 (Cyber Security), including but not limited to any information used to inform the CSM Risk Assessment Process and to carry out the CSM Supplier Assurance Questionnaire, together with any certificates issued to the Supplier and/or Subcontractor.
- 9.11 The Supplier shall, and shall ensure that any Subcontractor shall, on request provide Rolls-Royce and its agents and representatives, the Authority, the Authority’s representatives and/or the Supplier’s NSA/DSA such access to those records required under paragraph 9.10 above as may be required in connection with this Contract.

Audit

- 9.12 Except where an audit is imposed on Rolls-Royce and/or the Authority by a regulatory body or there is a Cyber Security Incident in which case the Supplier agrees, and shall procure that its Sub-contractors agree, that Rolls-Royce and its agents and representatives, and/or the Authority and its representatives, in coordination with the Supplier’s NSA/DSA or the NSA/DSA on behalf of Rolls-Royce and/or the Authority, may conduct such audits as it considers in its absolute opinion necessary, the Supplier agrees that Rolls-Royce, its representatives, and/or the Authority, its representatives and/or the Supplier’s NSA/DSA may, not more than twice in any calendar

year and for a period of six (6) years following the termination or expiry of this Contract, whichever is the later, conduct an audit for the following purposes:

- (a) to review and verify the integrity, confidentiality and security of any MOD Identifiable Information; and,
- (b) to review the Supplier's and/or any Sub-contractor's compliance with its obligations under this paragraph 9 (Cyber Security), or its equivalent in the relevant Sub-contract;
- (c) to review any records created during the provision of the Articles and or Services, including but not limited to any documents, reports and minutes which refer or relate to the Articles and/or Services for the purposes of paragraphs 9.10 (a) and (b) above.

9.13 Rolls-Royce shall and shall take reasonable steps to procure that the Authority shall use its reasonable endeavours to ensure that the conduct of each audit does not unreasonably disrupt the Supplier or delay the provision of the Articles and/or Services and supplier information received by Rolls-Royce and/or the Authority in connection with the audit shall be treated as confidential information.

9.14 The Supplier shall and shall ensure that any Sub-contractor shall on demand provide Rolls-Royce and/or the Authority and any relevant regulatory body, including the Supplier's NSA/DSA, (and/or their agents or representatives), together "the Auditors", with reasonable co-operation and assistance in relation to each audit, including but not limited to:

- (a) all information requested by Rolls-Royce and/or the Authority within the permitted scope of the audit;
- (b) reasonable access to any sites controlled by the Supplier or any Associated Company and any Sub-contractor and to any equipment used (whether exclusively or non-exclusively) in the performance of this Contract and, where such sites and/or equipment are outwith the control of the Supplier, shall secure sufficient rights of access for the Auditors as shall be necessary to allow audits to take place; and,
- (c) access to any relevant staff.

9.15 Rolls-Royce shall and shall take reasonable steps to procure that the Authority shall endeavour (but not be obliged) to provide at least fifteen (15) calendar days' notice of their respective intentions to conduct an audit but in any event shall provide reasonable prior notice.

9.16 The Parties agree that they shall bear their own respective costs and expenses incurred in respect of compliance with their obligations under this paragraph 9 (Cyber Security), unless the audit identifies a material breach of the terms of this paragraph 9 (Cyber Security) by the Contractor and/or Sub-Contractor in which case the Contractor shall reimburse the Authority for all the Authority's reasonable costs incurred in the course of the audit.

Breach of Obligations

9.17 In exercising its rights or remedies under this paragraph 9 (Cyber Security), Rolls-Royce shall:

- (a) act in a reasonable and proportionate manner having regard to such matters as the gravity of any breach or potential breach and the Cyber Risk Level of this Contract; and,
- (b) give all due consideration, where appropriate, to action other than termination of this Contract, including but not limited to a remedial period if this is appropriate in all the circumstances.

9.18 Where the Supplier breaches the terms of this paragraph 9 (Cyber Security), or commits an act of fraud, gross negligence or wilful misconduct in respect of its obligations under this paragraph 9 (Cyber Security), Rolls-Royce shall be entitled:

- (a) to terminate this Contract (whether in whole or in part) in accordance with clause 20 (Termination for Default) of the General Conditions as though such breach is a Material Breach; and,
- (b) where this Contract has not been terminated, to recover from the Supplier any loss sustained in consequence of any breach of this paragraph 9 (Cyber Security).

9.19 Where the Supplier is unable to procure (or is unable to procure that any Sub-contractor procures) in any Sub-contract the inclusion of requirements of this paragraph 9 (Cyber Security) the Supplier shall give Notice to Rolls-Royce.

General

9.20 On termination or expiry of this Contract the provisions of this Condition excepting paragraph 9.5 (b) and (c) above, or the equivalent conditions in any relevant Sub-contract, shall continue in force so long as the Supplier and/or any Sub-contractor holds any MOD Identifiable Information relating to this Contract.

9.21 The Supplier agrees that the Authority has absolute discretion to determine changes to DEFSTAN 05-138 and/or the Cyber Risk Level. In the event that there is such a change to DEFSTAN 05-138 or the Cyber Risk Level, then either Party may seek an adjustment to the Total Order Value for any associated increase or decrease in costs and the Supplier may request an extension of time for compliance with such revised or amended DEFSTAN 05-138 or Cyber Risk Level provided always that the Supplier shall seek to mitigate the impact on time and cost to the extent which it is reasonably practicable to do so.

9.22 Subject to paragraph 9.20 above, where either Party is entitled to a Variation in respect of a change to the Cyber Security Instructions and / or the Cyber Risk Level the Party so entitled must notify the other Party of a request for a Variation in accordance with clause 5 (Variations) of the General Conditions within eight (8) weeks of the occurrence of the change in DEFSTAN 05-138 or Cyber Risk Level or such longer period as may be agreed by the Parties, identifying the impact of that change and accompanied by full details of the request for adjustment. For the avoidance of doubt, the Authority shall not be required to withdraw any Authority Notice of Change which may have been issued insofar as it relates to DEFSTAN 05-138 or the Cyber Risk Level whether or not the Suppliers change proposal is rejected. In the event that the Supplier does not agree with the Authority's determination, then the provisions of clause 36.2 of the General Conditions shall apply.

9.23 The Supplier shall not recover any costs and/or other losses under or in connection with this paragraph 9 (Cyber Security) where such costs and/or other losses are recoverable or have been recovered by the Supplier elsewhere in this Contract or otherwise. For the avoidance of doubt this shall include but not be limited to the cost of implementing any upgrades or changes to any information system or electronic communications network whether in response to a Cyber Security Incident or otherwise, where the Supplier is able to or has recovered such sums in any other provision of this Contract or has recovered such costs and/or losses in other Contracts between the Supplier, Rolls-Royce and/or the Authority or contracts with other bodies.

10 AUDIT AND INSPECTIONS OF WORKS AND ACCESS TO PREMISES

10.1 The Authority, the Head Contractor and Rolls-Royce shall have the right to monitor the Supplier's progress and quality standards and plan in performing this Contract. The Authority, the Head Contractor and Rolls-Royce shall have the right, without derogating from the Supplier's overall responsibilities and liabilities and subject to compliance with Contract Site security requirements and procedures, to carry out audits or inspections, subject to the provisions of this paragraph **Error! Reference source not found.** (Audit and Inspections of Works and Access to Premises), of any elements of the work being performed under this Contract in such detail and frequency as Rolls-Royce, the Head Contractor, or the Authority, might reasonably require in order to satisfy itself of the Supplier's compliance with all or any of its obligations under this Contract.

10.2 Such audits or inspections may be carried out by Rolls-Royce, the Head Contractor or, where the Authority so desires, such audits or inspections may be carried out in whole or in part by the Authority's representatives or their staff, or by the Authority or the Head Contractor placing specific contracts for this work with a third party or by the Authority utilising individuals already employed under general technical consultancy or manpower assistance contracts to work alongside and under the control of Authority and/or the Head Contractor or Rolls-Royce personnel. In such instances, the Authority, the Head Contractor or Rolls-Royce (as applicable) shall ensure suitable confidentiality arrangements are in place.

10.3 When Rolls-Royce, the Head Contractor or the Authority wishes to exercise its right of audit or inspection under this Contract, the Supplier shall subject to compliance with Contract Site security requirements and procedures and during normal working hours on any Working Day, give to the representatives of the Authority and/or the Head Contractor and/or Rolls-Royce full and free access with reasonable prior notice in writing (save in the case of emergency or other exceptional circumstances when no notice shall be required) to all premises, information, personnel, Subcontractors and other facilities as and when reasonably required for that purpose and shall provide at no direct cost to the Authority, the Head Contractor or Rolls-Royce all such accommodation and facilities in connection with the audits and inspections as the Authority, the Head Contractor, or Rolls-Royce may reasonably require, and all appliances, materials and labour required for inspection purposes. Audits of any Subcontractor shall be arranged via the Supplier and the Supplier shall be present, where appropriate.

10.4 Any shortcomings or failings identified by such audits and inspections shall be reported to the Supplier by the audit or inspection team and the Supplier shall take action to rectify such shortcomings or failings to the extent that they are not in accordance with the requirements of this Contract. There shall be no obligation on the Authority or the Head Contractor if it fails to identify problems or defects in work carried out under the Contract regardless of whether or not such work was audited or inspected by the Authority and/or the Head Contractor and/or Rolls-Royce.

10.5 The Supplier agrees that the Authority and/or the Head Contractor and/or Rolls-Royce shall have the right to conduct audits in accordance with this paragraph **Error! Reference source not found.** (Audit and Inspections of Works and Access to Premises) of any elements of any quality management system operated by the Supplier in order to ensure compliance with the terms of this Contract.

10.6 In addition to the rights of audit and inspection under this paragraph **Error! Reference source not found.** (Audit and Inspections of Works and Access to Premises), Rolls-Royce, the Head Contractor and the Authority shall subject to compliance with Contract Site security requirements and procedures, have free and unrestricted access to the Contract Site in order to recover any item or Deliverable that is the property of Rolls-Royce, the Head Contractor or the Authority, or to exercise any other right or remedy.

10.7 The Supplier shall clearly identify and shall ensure that its Subcontractors clearly identify management interfaces and the Supplier's requirements for its Subcontractors' Quality Management System arrangements. If the Supplier requires quality plans from its Subcontractors, it shall be the responsibility of the Supplier to review and accept such quality plans.

11 QUALITY SYSTEM AND CONCESSIONS

Head Contractor's Quality System

11.1 For the purposes of clause 1.5 (f) of the General Conditions, the Supplier shall comply with the additional quality assurance requirements of the Head Contractor. Where these are not specified in the Order they shall be made available on request.

Technical Queries and Concessions

11.2 For contractual requirements in respect of which Rolls-Royce is not the technical authority, the Supplier acknowledges that any requirements relating to technical queries and/or concessions will be referred to the Head Contractor, the Authority or another third party as the case may be, and will be handled in accordance with such third party's procedures and timescales.

12 DEFENCE DOCUMENTS

12.1 The following conditions (“DEFCONS”), standards (“DEFSTANS”) and forms (“DEFFORMS”) published and promulgated by the UK Ministry of Defence and NATO Quality Assurance Procedural Requirements (“AQAPS”) (collectively the “Defence Documents”) shall apply to this Contract to the extent that they are relevant to the Deliverable or Services. The Defence Documents shall generally be construed to have such amendments as are necessary for them to function as between the Supplier and Rolls-Royce. Without limitation to the generality of the foregoing, references in the Defence Documents to the Contractor shall be construed to mean the Supplier. References to the Authority shall be construed to mean Rolls-Royce, the Head Contractor and/or the Authority as the context requires.

Ref / Subject
DEFCONS
21 (10/04) – Retention of records – Subject to the following amendments: <ul style="list-style-type: none"> - Paragraph 2(b) shall be amended to read “‘Information’ means technical data relating to Deliverables, processes or materials whether in human readable form or in machine readable form, or in any other form, including software” - The second sentence of paragraph 3(b) shall be amended to read “The Control Copy shall be deemed to be the property of the Authority, and the Authority and/or the Head Contractor and/or Rolls-Royce may take possession of it notwithstanding any administration, receivership, winding-up or liquidation of the Sub-Contractor or any transfer of its assets to any third party.” - The period of retention referred to in paragraph 3 of DEFCON 21 shall be not less than thirty (30) years from the Commencement Date. - The word ‘deliverable’ shall be deleted
23 (08/09) – Special Jigs, Tooling and Test Equipment
515 (10/14) – Bankruptcy and Insolvency
528 – 05/12 – Overseas Expenditure and Export Licences
601 (10/04) – Redundant Materiel
624 (05/15) – Use of asbestos in arms, munitions or war materials.
637 (08/99) - – Defect Investigation
644 – (06/13) – Marking of Articles.
649 (07/99) - Vesting
653 (12/14) – Pricing on ascertained costs
656 –(08/16) - Termination For Convenience
691 (03/15) – Timber and Wood Derived Products – Subject to the following amendments: <ul style="list-style-type: none"> - Paragraph 7 shall not apply - Paragraphs 9 to 11 (inclusive) shall be deleted and replaced with “Where requested by Rolls-Royce, the Supplier shall provide Rolls-Royce with a completed DEFFORM 691A setting out the relevant data and information as required by DEFFOM 691A in respect of the Timber and Wood Derived Products delivered to Rolls-Royce under the Contract.
694 (03/16) – Accounting For Property of the Authority
DEFFORMS
177 – Design Rights and Patents (Subcontractor’s) Agreement
691A - Timber and Wood-Containing Products Supplied under the Contract :- Data Requirements
812 (12/14) – Contract Cost Statement
DEFSTANS
05-61 Iss 6 – Quality Assurance Procedural Requirements –Part No 1: Concessions Dated 31/03/2016
05-99 Iss 4 -Managing Government Furnished Assets in Industry + Amdt 2 dated 31 October 2011 – Managing Government Furnished Assets in Industry
07-85 – Design requirements for Weapons and Associated Systems

SCHEDULE 3: Pricing and Payment

The clauses in this Schedule 3 shall apply as identified in the Order:-

A. Cost Plus:-

A.1. Price on Cost Plus Basis:-

- A.1.1. Subject to the provisions of Clause 4 (Price and Payment) and the following provisions of this Condition, Rolls-Royce shall pay all Allowable Costs plus Profit to the Supplier.
- A.1.2. Rolls-Royce shall pay the Suppliers Allowable Costs and Profit up to the maximum amount specified in the Order and shall have no liability to the Supplier to the extent that the Allowable Costs and Profit incurred by the Supplier exceed the limit of liability stated.
- A.1.3. The Supplier shall immediately inform Rolls-Royce in writing as soon as sums payable to the Supplier under this Order in respect of Costs and Profit (including all payments to, or commitments to pay, Subcontractors) reach an amount equal to x% of the limit of liability figure stated for the Deliverable or group of Deliverables or Services.
- A.1.4. If the Supplier considers that it will exceed such limit of liability, the Supplier shall write to Rolls-Royce' Representative requesting that the relevant limit of liability be raised. This letter will advise the reasons as to why the limit will be exceeded and the level to which the relevant limit of liability is required to be raised.

A.2. Flow downs

- A.2.1. The Appendix to DEFCON 653 (Edition 10/04) shall apply with the following amendment:
 - references to the "subcontractor" and the "subcontract" shall be read as references to the Supplier and this Order respectively;

A.3. Invoicing

- A.3.1. Costs shall be paid monthly in arrears, the Supplier shall be entitled to invoice Rolls-Royce in respect of those Allowable Costs [on the final day of each month], subject to paragraph A.1.2 above. All invoices shall contain a detailed breakdown of its Allowable Costs.
- A.3.2. Rolls-Royce shall be entitled to review the invoices to ensure costs identified are "Allowable" in accordance with Single Source Contract Regulations prior to their approval.
- A.3.3. Profit shall be paid at the completion of all Deliverables or Services under the Order upon the validation by Rolls-Royce of the Final Cost Certificate in accordance with paragraph A.5 (Cost Certificates) below.

A.4. Cost verification and audit requirements

- A.4.1. The Supplier shall provide Rolls-Royce, the Authority and its or their sub-contractors, agents and employees with free and unrestricted access to the following information throughout the Term and for three (3) years after the final delivery or completion of performance under this Order, whichever is the later, during normal working hours on any Working Day and on reasonable prior notice:
 - a) the number of man-hours actually recorded for the work performed on the Supplier's systems/records;
 - b) evidence confirming that the agreed overhead, labour and profit rates has been applied;
 - c) the invoices of all Subcontractors.
- A.4.2. The requirement to give prior notice shall not apply where Rolls-Royce or the Authority require to take access to enforce any rights.

A.5. Cost certificates

- A.5.1. The Supplier shall provide, to Rolls-Royce, an Annual Cost Certificate, in the form set out in DEFFORM 812 (Contractor Cost Statement) (Edition 12/14) by 31st March of each year during the Term for the previous Calendar Year. Upon receipt of each Annual Cost Certificate, Rolls-Royce and/or the Authority may audit the Allowable Costs referenced on such Annual Cost Certificate in accordance with the provisions of DEFCON 653 (Pricing on Ascertained Costs) (Edition 10/04) (save that references to 'the Authority' shall be interpreted as 'the Authority and/or Rolls-Royce').
- A.5.2. If applicable, following agreement and promulgation by the Authority's Cost Assurance and Analysis Service ("CAAS") of the Supplier's overhead and profit rates which apply to any Allowable Costs for which the Supplier has previously submitted a Cost Certificate, the Supplier shall submit, to Rolls-Royce, an updated Annual Cost Certificate which reflects the information agreed and promulgated by CAAS.

A.5.3. In addition to the Cost Certificates to be provided under paragraph A.5.1 above, the Supplier shall provide, to Rolls-Royce, a Final Cost Certificate, in the form set out in DEFFORM 812 (Contractor Cost Statement) (Edition 12/14) within six (6) months of the end of the Term, showing all Allowable Costs incurred between the last Annual Cost Certificate and the end of the Term. Upon receipt of the Supplier's Final Cost Certificate, Rolls-Royce and/or the Authority may audit the Allowable Costs referenced on such Cost Certificates in accordance with the provisions of DEFCON 653 (Pricing on Ascertained Costs) (Edition 10/04) (save that references to 'the Authority' shall be interpreted as 'the Authority and Rolls-Royce').

B. Fixed Price

B.1. Pricing basis – Fixed Price

B.1.1. Subject to the provisions of Clause 4 (Price and Payment) and the following provisions of this Condition, Rolls-Royce shall pay the Supplier the price as specified in the Order, which is a Fixed Price.

B.1.2. The Fixed Price shall be in respect of the Deliverables and/or Services defined in the Order:

B.2. Escalation

B.2.1. The fixed prices as stated in the Order shall be reviewed on an annual basis (on the anniversary of the Order placement) and is subject to escalation in accordance with the following calculation.

Escalation calculations and indexes to apply to be defined at the Order placement and identified in the Order.

B.3. Flow downs

B.3.1. Part II of the Appendix to DEFCON 643 (Edition 07/04) (Price Fixing) shall apply to this Contract but be amended so that:

“Articles” shall be amended to read “Deliverables”;

references to “the main contract” shall be read as referring to the Head Contract;

sub-contractor” shall mean “Supplier”;

references to the “subcontractor’s premises” shall be read as referring to the Supplier’s premises;

references to “this subcontract” shall be read as referring to this Contract; and

the word “estimating” in the first line shall be deleted and replaced by the word “determining”.

If the Firm Price is equal to or less than five million pounds sterling (£5,000,000) the following provisions shall apply:

the Appendix to DEFCON 648 (Edition 10/02) (Availability of Information), subject to the following amendments:

references to the “subcontractor” and the “subcontract” shall be read as references to the Supplier and this Contract respectively; and

references to “articles” shall be read as Deliverables.

B.3.2. The Appendix to DEFCON 651 (Edition 08/09) (Reference to the Review Board of Questions Arising In Relation To Relevant Subcontracts Including Those With A Subsidiary Company Or Firm), provided that references to the “Contractor”, the “subcontractor” and the “subcontract” shall be read as references to Rolls-Royce, the Supplier and this Contract respectively.

B.3.3. If the Firm Price is more than five million pounds sterling (£5,000,000) the following provisions shall apply:

a) the Appendix to DEFCON 648 (Edition 10/02) (Availability of Information), subject to the following amendments:

references to the “Contractor”, the “subcontractor” and the “subcontract” shall be read as references to Rolls-Royce, the Supplier and this Contract respectively; and

references to “articles” shall be read as Deliverables.

b) the Appendix to DEFCON 651 (Edition 08/09) (Reference to The review Board of Questions Arising in Relation To Relevant Subcontracts Including Those With A Subsidiary Company or Firm), subject to references to the “Contractor”, the “subcontractor” and the “subcontract” shall be read as references to Rolls-Royce, the Supplier and this Contract respectively.

B.4. Entitlement to invoice

B.4.1. The Supplier shall be entitled to invoice Rolls-Royce:

a) following the achievement of the particular Milestone to which that invoice relates;

b) once the relevant evidence of achievement of the Milestone has been submitted to and countersigned by Rolls-Royce, this will be demonstrated via the provision of an SES number; and,

c) providing all previous Milestones (where relevant) have been achieved.

B.4.2. All invoices shall contain a summary of the amounts claimed supported by such documentation as Rolls-Royce shall reasonably require as a condition precedent to the Supplier’s entitlement to payment.

B.5. Milestone(s) and retention payment(s)

B.5.1. The Milestones and their corresponding payment and retention amounts are set out in the Order

C. Firm Price

C.1. Pricing basis – Firm Price

C.1.1. Subject to the provisions of Clause 4 (Price and Payment) and the following provisions of this Condition, Rolls-Royce shall pay the Supplier a price as specified in the Order, which is a Firm Price.

C.1.2. The Firm Price shall be in respect of the Deliverables and/or Services defined in the Order.

C.2. Flow downs

C.2.1. Part II of the Appendix to DEFCON 643 (Edition 07/04) (Price Fixing) shall apply to this Contract but be amended so that:

“Articles” shall be amended to read “Deliverables”;

references to “the main contract” shall be read as referring to the Head Contract;

sub-contractor” shall mean “Supplier”;

references to the “subcontractor’s premises” shall be read as referring to the Supplier’s premises;

references to “this subcontract” shall be read as referring to this Contract; and

the word “estimating” in the first line shall be deleted and replaced by the word “determining”.

C.2.2. If the Firm Price is equal to or less than five million pounds sterling (£5,000,000) the following provisions shall apply:

(a) the Appendix to DEFCON 648 (Edition 10/02) (Availability of Information), subject to the following amendments:

(i) references to the “subcontractor” and the “subcontract” shall be read as references to the Supplier and this Contract respectively; and

(ii) references to “articles” shall be read as Deliverables.

(b) the Appendix to DEFCON 651 (Edition 08/09) (Reference to the Review Board of Questions Arising In Relation To Relevant Subcontracts Including Those With A Subsidiary Company Or Firm), provided that references to the “Contractor”, the “subcontractor” and the “subcontract” shall be read as references to Rolls-Royce, the Supplier and this Contract respectively.

C.2.3. If the Firm Price is more than five million pounds sterling (£5,000,000) the following provisions shall apply:

(a) the Appendix to DEFCON 648 (Edition 10/02) (Availability of Information), subject to the following amendments:

(i) references to the “Contractor”, the “subcontractor” and the “subcontract” shall be read as references to Rolls-Royce, the Supplier and this Contract respectively; and

(ii) references to “articles” shall be read as Deliverables.

(b) the Appendix to DEFCON 651 (Edition 08/09) (Reference to The review Board of Questions Arising in Relation To Relevant Subcontracts Including Those With A Subsidiary Company or Firm), subject to references to the “Contractor”, the “subcontractor” and the “subcontract” shall be read as references to Rolls-Royce, the Supplier and this Contract respectively.

C.3. Entitlement to invoice

C.3.1. The Supplier shall be entitled to invoice Rolls-Royce:

(a) following the achievement of the particular Milestone to which that invoice relates;

(b) once the relevant evidence of achievement of the Milestone has been submitted to and countersigned by Rolls-Royce, this will be demonstrated via the provision of an SES number; and

(c) providing all previous Milestones (where relevant) have been achieved.

C.3.2. All invoices shall contain a summary of the amounts claimed supported by such documentation as Rolls-Royce shall reasonably require as a condition precedent to the Supplier’s entitlement to payment.

C.4. Milestone(s) and retention payment(s)

C.4.1. The Milestones and their corresponding payment and retention amounts are defined in the Order.