

CONTENTS

CONDITIONS

1. OUR CONTRACT – **P3**
2. DELIVERY – **P3**
3. RISK AND TITLE – **P3**
4. DELAY – **P3**
5. REPRESENTATIONS AND WARRANTIES – **P4**
6. WARRANTIES RELATING TO DELIVERABLES – **P4**
7. WARRANTIES RELATING TO SERVICES – **P4**
8. PAYMENT TERMS – **P5**
9. INSPECTIONS, TESTING AND ACCEPTANCE – **P5**
10. ENFORCEMENT OF WARRANTIES – **P6**
11. NON-CONFORMANCE – **P6**
12. CONCESSIONS – **P8**
13. QUALITY – **P8**
14. SUPPLY CHAIN ISSUES – **P8**
15. RELIEF EVENTS – **P9**
16. LIABILITY – **P9**
17. SUPPLIER PERSONNEL – **P10**
18. SUBCONTRACTING – **P11**
19. SUPPLY OF INFORMATION AND RIGHTS OF INSPECTION – **P12**
20. FORCE MAJEURE – **P13**
21. SUSPENSION AND DELAY BY ROLLS-ROYCE – **P13**
22. TERMINATION – **P13**
23. CONFIDENTIAL INFORMATION – **P15**
24. DATA PRIVACY – **P16**
25. OFFSET – **P16**
26. COMPLIANCE WITH LAW AND ETHICAL STANDARDS – **P16**
27. NOTICES – **P17**
28. MISCELLANEOUS – **P17**
29. ONGOING OBLIGATIONS – **P18**
30. GOVERNING LAW – **P18**
31. THIRD PARTY RIGHTS – **P18**

SCHEDULES

- SCHEDULE 1 – INTERPRETATION – **P20**
- SCHEDULE 2 – MANDATORY FLOWDOWN TERMS – **P28**
- SCHEDULE 3 – PRICING – **P42**
- SCHEDULE 4 – PAYMENT – **P46**
- APPENDIX 1 – VALID INVOICES – **P50**
- SCHEDULE 5 – CHANGE MANAGEMENT – **P52**
- SCHEDULE 6 – LAW AND DISPUTE RESOLUTION – **P54**
- SCHEDULE 7 – INSURANCE – **P55**
- SCHEDULE 7 – INSURANCE – P55

CONDITIONS

1. OUR CONTRACT

- 1.1 The definitions and rules of interpretation set out in Schedule 1 (Interpretation) apply to this Contract.
- 1.2 The Parties agree that the terms of this Contract are the only terms and conditions on which Rolls-Royce will purchase the Services and any Deliverables from the Supplier, to the full exclusion of the Supplier's standard terms of business, back of order terms or any other terms and conditions referenced in any document that the Supplier seeks to impose or incorporate, including but not limited to terms implied by Law, trade custom, practice or course of dealings.
- 1.3 This Contract will take effect on the Effective Date and will continue until the Expiry Date ("**Term**"), unless terminated earlier in accordance with its terms.

2. DELIVERY

- 2.1 The Supplier will Deliver the Deliverables:
 - 2.1.1 by the Delivery Date;
 - 2.1.2 during Working Hours;
 - 2.1.3 to the Delivery Location;
 - 2.1.4 in accordance with any requirements for Delivery as set out in the Order; and
 - 2.1.5 on a DAP (Incoterms 2020) basis.
- 2.2 The Supplier will perform the Services to Rolls-Royce from the Effective Date within the Specified Timescales.

3. RISK AND TITLE

- 3.1 Title to the Deliverables will pass to Rolls-Royce at the earliest of the inception, formation, construction or development of the Deliverables or any other manner of creating the Deliverables in any physical, tangible form or medium.
- 3.2 Risk in the Deliverable(s) will pass to Rolls-Royce on Delivery.

- 3.3 Where Rolls-Royce exercises its rights under Clause 11.3 (Non-Conformance), risk in the Deliverable(s) will pass to the Supplier on collection and revert to Rolls-Royce upon re-Delivery. Title to the Deliverable(s) will remain with Rolls-Royce notwithstanding the collection of the Deliverable(s) by the Supplier in accordance with such Clause.

4. DELAY

- 4.1 If the Supplier fails to Deliver the Deliverables and/or the Services (as applicable) on or before the Delivery Date or within the Specified Timescales, Rolls-Royce may claim (at its discretion) as liquidated damages the amount of 1% of the Price for each week of delay (prorated for part-weeks), subject to a maximum of 10% of the Price (**the "Liquidated Damages Cap"**).
- 4.2 The Supplier acknowledges and agrees that the liquidated damages set out in Clause 4.1:
 - 4.2.1 are a fair, reasonable and proportionate pre-estimate of the loss Rolls-Royce may face from delay in Delivery by the Supplier; and
 - 4.2.2 are not, and are not intended to be, penalties and the Supplier waives any right to dispute this whether pursuant to this Contract or otherwise.
- 4.3 Any liquidated damages owing to Rolls-Royce by the Supplier will be deducted from any payments due from Rolls-Royce to the Supplier. Where any payment(s) due to the Supplier is less than the value of the liquidated damages owing to Rolls-Royce, Rolls-Royce will invoice the Supplier for any surplus and the Supplier will pay such invoice within thirty (30) days.
- 4.4 If Rolls-Royce claims liquidated damages up to the Liquidated Damages Cap and delivery of the Deliverables and/or Services has still not occurred, this will be regarded as an irremediable breach and Rolls-Royce may terminate this Contract in accordance with Clause 22.8.2 (Termination).

Early Warning Process

- 4.5 If a Party identifies a breach or potential breach of this Contract by the other Party (“Early Warning Event”) it will promptly notify the other Party in writing of the Early Warning Event. On receipt of any such notice and without prejudice to the rights and remedies of either Party under this Contract, the Parties:
 - 4.5.1 will negotiate in good faith to resolve the breach or potential breach;
 - 4.5.2 may require a meeting between senior representatives of the Parties as soon as possible to discuss the Early Warning Event, any available remedies and the allocation of liability between the Parties.
- 4.6 Any action taken in relation to an Early Warning Event does not waive any of Rolls-Royce’s rights or change the Supplier’s obligations under this Contract unless a Change is entered into by the Parties in accordance with Schedule 5 (Change Management).

5. REPRESENTATIONS AND WARRANTIES

- 5.1 The Supplier represents and warrants to Rolls-Royce that:
 - 5.1.1 it will perform its obligations under this Contract in accordance with Good Industry Practice;
 - 5.1.2 it is not engaged in any claim, litigation, arbitration or administrative proceedings (and to the best of its knowledge, there are no such claims pending or threatened) against it or any of its assets which may have an adverse effect on its ability to perform its obligations under this Contract;
 - 5.1.3 it will promptly and regularly provide Rolls-Royce with reports and other information on its progress and performance under this Contract. This obligation includes making available its premises to hold progress meetings if reasonably required by Rolls-Royce.

6. WARRANTIES RELATING TO DELIVERABLES

- 6.1 The Supplier represents and warrants to Rolls-Royce that each Deliverable will:
 - 6.1.1 fully conform with the requirements of this Contract, any Specification and all applicable Law;
 - 6.1.2 be fit for any purpose held out by the Supplier or made known to the Supplier by Rolls-Royce expressly or by implication and in this respect, Rolls-Royce relies on the Supplier’s skill and judgement;
 - 6.1.3 be free from any defects (whether actual or latent) in workmanship and materials, or in design (where the Supplier or a Subcontractor is responsible for designing the Deliverables);
 - 6.1.4 be merchantable, of satisfactory quality, and be produced in accordance with Good Industry Practice.
- 6.2 The Supplier further warrants that it has good title to the Deliverables, including any raw materials and components thereof and that the Deliverables will be provided free and clear of all liens, security interests and all other encumbrances.

7. WARRANTIES RELATING TO SERVICES

- 7.1 The Supplier represents and warrants to Rolls-Royce that each Service will:
 - 7.1.1 fully conform and perform in accordance with the requirements of this Contract, any Specification, any Service Level Agreement and all applicable Law;
 - 7.1.2 be fit for any purpose held out by the Supplier or made known to the Supplier by Rolls-Royce expressly or by implication and in this respect, Rolls-Royce relies on the Supplier’s skill and judgement;
 - 7.1.3 be free from any defects (whether actual or latent) in workmanship and materials, or in design (where the Supplier or a Subcontractor is responsible for designing the Services);
 - 7.1.4 be provided in accordance with Good Industry Practice and otherwise in accordance with this Contract.

- 7.2 The Supplier will provide all skills, labour, supervision, equipment, goods, materials, supplies, transport and storage required for the performance of the Services.

8. PAYMENT TERMS

- 8.1 In consideration for the Delivery of the Deliverables and/or the Services (as applicable), Rolls-Royce will pay to the Supplier the Price in accordance with the Pricing Method. The detailed provisions relating to the Pricing Method under this Contract are set out in Schedule 3 (Pricing).
- 8.2 Prices for the Deliverables include the costs of packaging, insurance and carriage of the Deliverables. No extra charges of any kind will be effective unless set out in the Order or agreed in writing via Rolls-Royce as a Change to this Contract.
- 8.3 Prices for the Services include every cost and expense of the Supplier incurred directly or indirectly in connection with the Services, and the Supplier will maintain (and on Rolls-Royce's reasonable request, provide to Rolls-Royce) complete and accurate records of such costs incurred in providing the Services.
- 8.4 The detailed procedures of Rolls-Royce for invoicing and payment of the Price are set out in Schedule 4 (Payment).

9. INSPECTIONS, TESTING AND ACCEPTANCE

- 9.1 Acceptance of Deliverables by Rolls-Royce will occur when each of the following has been completed:
- 9.1.1 all relevant tests relating to the Deliverables and as specified in the Order have been passed;
 - 9.1.2 the Deliverables have been fully Delivered in accordance with this Contract;
 - 9.1.3 all Documentation relating to the Deliverables which is reasonably required by Rolls-Royce has been provided to Rolls-Royce;
 - 9.1.4 rectification of any Non-Conformance (to the extent required) in accordance with Clause 11 (Non-Conformance); and
 - 9.1.5 payment of any Administration Charges (if applicable) which are payable to Rolls-Royce in accordance with Clause 12 (Concessions).



GENERAL CONDITIONS OF PURCHASE

9.2 Acceptance of Services will occur at the point at which all of the applicable criteria as detailed in the Order have been achieved.

10. ENFORCEMENT OF WARRANTIES

10.1 Without prejudice to Rolls-Royce's other rights and remedies, the "Warranty Period" in respect of the warranties provided by the Supplier regarding the Deliverables (as set out in Clause 6 (Warranties relating to Deliverables)) and Services (as set out in Clause 7 (Warranties relating to Services)) will in each case be twenty four (24) months following Acceptance. Where a Non-Conformance is identified within six (6) months of Acceptance, the Warranty Period will be twenty four (24) months following rectification of the non-conformance.

10.2 Pursuant to Clause 31 (Third Party Rights). Rolls-Royce may extend the benefit of the warranties provided by the Supplier in Clauses 6 (Warranties relating to Deliverables) and 7 (Warranties relating to Services) during the applicable Warranty Period to its Permitted Users under the Head Contract. The Supplier acknowledges and agrees that the Permitted Users will have the right to enforce these warranties directly against the Supplier, as if such warranties had been given directly to the Permitted Users.

11. NON-CONFORMANCE

11.1 If at any point during the Term and/or an applicable **Warranty Period**, any Non-Conformance is identified by the Supplier, the Supplier will immediately report such Non-Conformance to Rolls-Royce.

11.2 If any Non-Conformance in Deliverables is identified by either Party, Rolls-Royce may, at its sole discretion, direct that:

- 11.2.1 the Supplier will (at no additional cost to Rolls-Royce) promptly collect and repair or replace the relevant Deliverable(s); or
- 11.2.2 the Supplier will refund the amount paid for the Deliverable to Rolls-Royce in full (and Rolls-Royce may direct that the Supplier collects the Non-Conforming Deliverables); or
- 11.2.3 in accordance with Clause 12 (Concessions), that Rolls-Royce may accept such Non-Conformance as a Concession; or

11.2.4 Rolls-Royce will rectify or procure the rectification of such Non-Conformance itself at the Supplier's cost (which the Supplier will reimburse to Rolls-Royce within fourteen (14) days following Rolls-Royce invoicing the Supplier for such costs); or

11.2.5 If, in Rolls-Royce's reasonable opinion, the Non-Conformance cannot be rectified within a reasonable period of time, this will be regarded as an irremediable breach and Rolls-Royce may terminate this Contract in accordance with Clause 22.8.2 (Termination).

11.3 If Rolls-Royce notifies the Supplier that it intends to exercise its rights to require the Supplier to repair or replace any Deliverable under Clause 11.2.1, the Supplier will collect the Deliverable(s), at the Supplier's cost, from the address notified by Rolls-Royce, within thirty (30) days following such notification.

11.4 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 following such notification as described in Clause 11.3, Rolls-Royce will be entitled to scrap or dispose of the Deliverable at the Supplier's cost.

11.5 For the avoidance of doubt, any costs relating to the removal or re-installation of Deliverables which are incurred in the performance of the Supplier's obligations under this Clause 11 will be borne in full by the Supplier.

11.6 If any Non-Conformance in Services is identified by either Party, Rolls-Royce may require the Supplier to re-perform the relevant Services and/or take any such actions as may be required to remedy the failure at no additional cost to Rolls-Royce.

11.7 If the Supplier does not re-perform the Services and rectify the Non-Conformance within a reasonable timescale, at Rolls-Royce's sole discretion:

11.7.1 Rolls-Royce may 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 following Rolls-Royce invoicing the Supplier for those costs); and/or



GENERAL CONDITIONS OF PURCHASE

11.7.2 Rolls-Royce may regard such non-performance or failure to rectify as an irremediable breach and Rolls-Royce may terminate this Contract in accordance with Clause 22.8.2 (Termination).

12. CONCESSIONS

- 12.1 Where Rolls-Royce expresses to the Supplier that it may consider a Concession in accordance with Clause 11.2.3 (Non-Conformance), the Supplier will provide all necessary information and/or support to Rolls-Royce in assessing whether such Concession will be made. Any costs incurred by the Supplier in providing any such information or support will be at the Supplier’s sole cost.
- 12.2 Without prejudice to any other rights and remedies available to Rolls-Royce (whether under this Contract or any Law), where Rolls-Royce agrees to make a Concession, it will deduct from any invoice payable to the Supplier the applicable administrative charge as stated in the table below (the “Administration Charge”). The Supplier acknowledges and agrees that the Administration Charges are a reasonable pre-estimate of the administration costs which Rolls-Royce is likely to suffer as a result of the and Concession and are not a penalty.

Quality Issue Cost Description	Administration Charge
Non-Conformance identified by Supplier prior to Delivery	£750
Non-Conformance identified by Rolls-Royce following Delivery	£1,250
Non-Conformance identified by Permitted User	£3,000

- 12.3 In addition to payment by the Supplier of the Administration Charge, the Supplier will reduce the relevant Price by an amount as Rolls-Royce may determine is appropriate to reflect the extent and impact of the Non-Conformance.
- 12.4 Any payment required to be made by the Supplier in accordance with this Clause 12 will be deducted from any payments due to the Supplier by Rolls-Royce. Where the payment due from Rolls-Royce to the Supplier is less than the payment required to be made by the Supplier, Rolls-Royce will invoice the Supplier for the surplus and the Supplier will pay such invoice within thirty (30) days.

12.5 A Concession will not release the Supplier from complying with its other obligations under this Contract (including any warranties or representations given or made by the Supplier under this Contract).

13. QUALITY

- 13.1 The Supplier will comply with the requirements of GS3001 at the issue identified in the Order, and flow down the applicable requirements to its Subcontractors. GS3001 can be accessed at Rolls-Royce’s website for suppliers (<https://suppliers.rolls-royce.com>).
- 13.2 Unless otherwise specified, the Supplier will ensure that any Deliverables are new and unused on Delivery.

14.SUPPLY CHAIN ISSUES

- 14.1 During the Term, the Supplier will immediately notify Rolls-Royce as soon as it becomes aware of any Supplier Fragility Event or an Obsolescence Event and provide the following information:
 - 14.1.1 part number and description of the affected component(s);
 - 14.1.2 date of expected component discontinuity;
 - 14.1.3 proposed solution; and
 - 14.1.4 purchase options (which may include bulk buy for any lifetime buys).
- 14.2 The Parties will review and agree within sixty (60) Working Days, or any other period as the Parties may agree, the most appropriate solution.
- 14.3 Following a Supplier Fragility Event or an Obsolescence Event, and subject to Paragraph 10 (Intellectual Property Rights) of Schedule 2 (Mandatory Flowdown Terms), the Supplier will offer Rolls-Royce the opportunity to procure a non-exclusive licence on fair and reasonable terms to enable it to procure or manufacture any component which is the subject of Clause 14.1 above.
- 14.4 If the Supplier incurs additional costs or delay as a result of a Supplier Fragility Event or an Obsolescence Event, the Parties will discuss in good faith (with final determination to be at Rolls-Royce’s discretion) whether it is necessary to agree a Change in accordance with Schedule 5 (Change Management) to reflect the impact of any such costs or delay in this Contract, provided always that the Supplier has undertaken the activities described at Clause 14.1.

15. RELIEF EVENTS

- 15.1 Where relevant and as applicable, Rolls-Royce will perform the Rolls-Royce Obligations.
- 15.2 If, as a direct result of a failure by Rolls-Royce to perform the Rolls-Royce Obligations, the Supplier is delayed, prevented or adversely affected in performing any of its obligations under this Contract (a **“Relief Event”**) the Supplier will as soon as possible give notice to Rolls-Royce of the matters constituting the Relief Event, including:
- 15.2.1 details of the Relief Event and any effects on the Supplier’s performance of its obligations, including any impacts on the Delivery Date, the Specified Timescales and the Price;
 - 15.2.2 the steps it has taken or proposes to take to mitigate the effect of the Relief Event and the outcome or anticipated outcome of those steps; and
 - 15.2.3 any impact on the ability of the Parties to meet their respective obligations under this Contract.
- 15.3 The relief available to the Supplier in respect of a Relief Event under this Clause 15 will only apply if the Supplier:
- 15.3.1 gives notice to Rolls-Royce in accordance with Clause 15.2 within ten (10) Working Days of becoming aware of the Relief Event;
 - 15.3.2 demonstrates to Rolls-Royce’s reasonable satisfaction (including through the provision of sufficient evidence) that the Relief Event was solely and directly caused by Rolls-Royce’s failure to perform the Rolls-Royce Obligations; and
 - 15.3.3 takes all reasonable steps to mitigate the effect of the Relief Event on the performance of its obligations under this Contract.
- 15.4 Following the receipt of a notice of a Relief Event from the Supplier, Rolls-Royce will consider the details of the Relief Event and any corresponding impact on the Supplier in good faith. If Rolls-Royce agrees with the Supplier that a Relief Event has occurred, the Parties will seek to negotiate and agree a Necessary Change to this Contract in accordance with Schedule 5 (Change Management). If Rolls-Royce does not agree with the Supplier’s notification of a Relief Event, either Party may

refer the matter for resolution in accordance with Schedule 6 (Law and Dispute Resolution).

- 15.5 Rolls-Royce will not be entitled to bring a claim against the Supplier for a breach of its obligations under this Contract to the extent caused directly by a Relief Event.
- 15.6 If the Supplier fails to comply with its obligations under this Clause 15, Rolls-Royce will have no liability to the Supplier for the circumstances giving rise to the Relief Event and will be under no obligation to agree any Change with the Supplier as a result of the Relief Event.
- 15.7 The Supplier acknowledges and agrees that the remedies in this Clause 15 are the Supplier’s sole rights against Rolls-Royce in relation to any failure by Rolls-Royce to perform the Rolls-Royce Obligations. The Supplier will not be entitled to terminate this Contract as a consequence of a Relief Event.

16. LIABILITY

- 16.1 If either Party is entitled under this Contract to recover any Losses from the other Party, they will take all reasonable steps and act in accordance with Good Industry Practice to minimise and mitigate such Losses.
- 16.2 The Supplier will compensate Rolls-Royce in full against all Direct Losses of Rolls-Royce as a result of the Supplier’s breach of any term of this Contract, or any tortious (including negligent) acts or omissions of the Supplier (or any Subcontractor) in connection with the performance of this Contract.
- 16.3 Subject to Clause 16.4, where the Supplier’s liability to Rolls-Royce under this Contract is subject to a cap, this will be set out in the Cover Sheet and will apply to limit the liability of the Supplier under this Contract.
- 16.4 Nothing in this Contract will operate to exclude or restrict any liability of a Party to this Contract:
- 16.4.1 under the indemnities contained in Clauses 17.3, 17.5 and 17.6 (Supplier Personnel), Paragraphs 5.3 (Import and Export Control), 10.9 (Intellectual Property Rights) and 12.5 (REACH and UK REACH) of Schedule 2 (Mandatory Flowdown Terms) and Paragraph 2.2 (Tax) of Schedule 4 (Payment);
 - 16.4.2 any statutory, regulatory, or other liability imposed by law;

GENERAL CONDITIONS OF PURCHASE

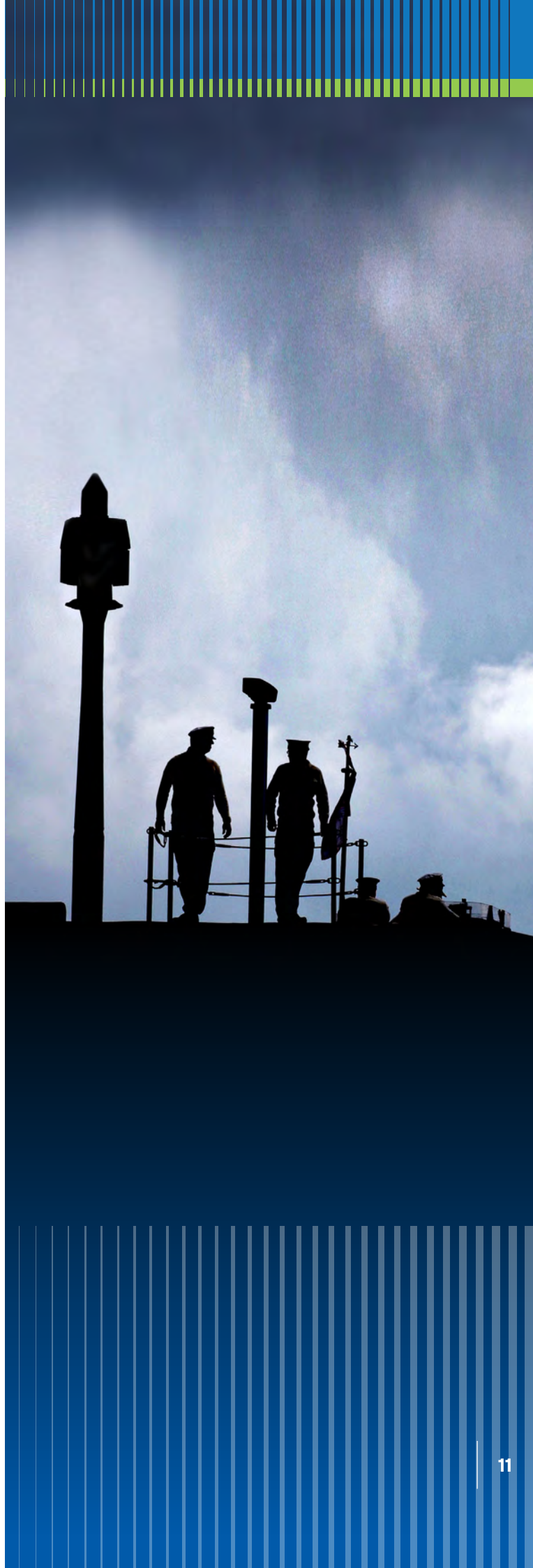
- 16.4.3 in respect of death or personal injury resulting from negligence;
 - 16.4.4 for its fraud or fraudulent misrepresentation (or that of a person for whom it is vicariously liable);
 - 16.4.5 for any liability which is not permitted by Law to exclude or limit; and
 - 16.4.6 for any Losses which are insured by the Supplier under the terms of the insurance policies that the Supplier is required to maintain in accordance with Schedule 7 (Insurance) or which would have been within the scope of such policies of insurance but for the Supplier's act or omission in breach of such policies or failure to maintain such policies.
- 16.5 Any liability of a Party which falls within Clause 16.4 will not be taken into account in assessing whether the financial limit in Clause 16.3 has been reached.

17. SUPPLIER PERSONNEL

- 17.1 The Supplier will ensure that the Supplier Personnel:
- 17.1.1 are experienced, qualified, skilled and trained to the standard expected of a professional providing similar services to customers like Rolls-Royce or its Affiliates, act professionally, and 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;
 - 17.1.2 comply with all relevant statutes, statutory provisions and other Law;
 - 17.1.3 observe and comply with the Rolls-Royce Global Supplier Code of Conduct which can be found at <https://suppliers.rolls-royce.com>; and
 - 17.1.4 observe and comply with any other applicable codes of practice.
- 17.2 If Rolls-Royce reasonably believes that any Supplier Personnel is underperforming or behaves unsatisfactorily, Rolls-Royce may request the Supplier to remove them from this Contract. The Supplier will promptly remove such personnel and provide a suitable replacement within a reasonable timescale.
- 17.3 The Supplier is responsible for all actions or failures of all Supplier Personnel and will indemnify Rolls-Royce against any losses or liabilities, including damage to equipment or property, caused by the actions or failures of the Supplier Personnel.
- 17.4 The Supplier will notify Rolls-Royce in writing as soon as it becomes aware of any breach or suspected breach by itself, its Affiliates, Supplier Personnel or Subcontractors, of any applicable Laws, or of any actions which could cause Rolls-Royce to breach such Laws. The Supplier will assist Rolls-Royce in investigating and correcting any such breach and take all necessary actions to mitigate its impact.
- 17.5 The Supplier Personnel are not, and will not be deemed, employees of Rolls-Royce or any Permitted User. The Supplier is solely responsible for all employment-related obligations (including salaries, benefits, insurance, and pensions) and will fully indemnify Rolls-Royce against any related claims or liabilities.
- 17.6 The Parties understand (without warranty) that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) (TUPE) does not apply to this Contract, including on its expiry, termination (in whole or part), or upon cessation of the Services (or any part thereof). The Supplier will indemnify Rolls-Royce (and will pay to Rolls-Royce such sums as would, if paid to the relevant Affiliate, Permitted User, or successor Supplier, indemnify the relevant Affiliate, Permitted User, or successor Supplier (as applicable)) in full against all Losses that Rolls-Royce, any Affiliate, any Permitted User and/or any successor Supplier (as applicable) does or will incur or suffer arising from or in connection with (i) any such employment or engagement, and (ii) any termination of any such employment or engagement. Pursuant to clause 31 (third party rights), this indemnity may be enforced directly by any permitted users against the supplier as if such indemnity had been given directly to the permitted users.
- 17.7 The Supplier will not, during this Contract term or for 12 months thereafter, directly solicit any employee of Rolls-Royce, for employment or engagement. This does not apply to candidates who respond to public job postings without inducement by the Supplier.

18. SUBCONTRACTING

- 18.1 Save as set out in this Clause 18, the Supplier will not otherwise assign, delegate responsibility for or otherwise transfer its rights or obligations under this Contract.
- 18.2 The Supplier may subcontract any of its obligations under this Contract in accordance with this Clause 18, provided that to do so would not conflict with any of its obligations under this Contract.
- 18.3 Where the Supplier subcontracts any of its obligations under this Contract it will at all times remain liable to Rolls-Royce for the proper performance of all of its duties and obligations regardless of whether such duties or obligations are subcontracted to any Subcontractor.
- 18.4 Subject to Clauses 18.6 and 18.7, where the Supplier subcontracts any obligations under this Contract to a Subcontractor, it will include in each Subcontract (and will procure that each Subcontractor will include in each of its and their Subcontracts) the following:
- 18.4.1 terms which are at least equivalent to Clause 23 (Confidential Information) and Paragraphs 2 (Vesting), 3 (Security Aspects), 4 (Information Security), 6 (Economic and Trade Sanctions Compliance) and 9 (Corrupt Gifts and Payments of Commission) of Schedule 2 (Mandatory Flowdown Terms);
- 18.4.2 in accordance with the Authority's "Prompt Payment Policy", a requirement for payment to be made by the Supplier to the Subcontractor within a specified period not exceeding thirty (30) days from receipt of valid and undisputed invoice;
- 18.4.3 a requirement that the Subcontractor complies with all relevant statutes, statutory provisions and other Law including any of the ABC Laws;
- 18.4.4 a requirement for the Subcontractor to provide to the Supplier the notification required by Paragraphs 10.10 and 10.11 (Intellectual Property Rights) of Schedule 2 (Mandatory Flowdown Terms) as though references to "**Supplier**" are deemed to read as the Subcontractor and references to "**Rolls-Royce**" are deemed to read as the Supplier;



GENERAL CONDITIONS OF PURCHASE

- 18.4.5 the grant to the Authority of a perpetual, royalty free, non-exclusive licence to copy, modify and use any Subcontractor owned Background IPR required for the purposes of enabling a party on behalf of the Authority to utilise the Foreground IPR;
 - 18.4.6 a requirement that the Subcontractor provides such information as may be necessary to enable the Supplier to fulfil its reporting requirements under this Contract; and
 - 18.4.7 termination provisions and provisions relating to the consequences of termination which are generally consistent with the terms of this Contract, including an obligation on the relevant Subcontractor to use its reasonable endeavours to mitigate any losses under the Subcontract.
- 18.5 Where the Supplier subcontracts any obligations under this Contract to a Subcontractor, it will use reasonable endeavours to include in each Subcontract (and will use reasonable endeavours to procure that each Subcontractor will include in each of its and their Subcontracts) the following:
- 18.5.1 terms which are at least equivalent to Clause 19.1 to 19.3 (Supply of Information and Rights of Inspection), Paragraph 1 (Record Keeping) of Schedule 2 (Mandatory Flowdown Terms), and the Transparency Obligations of Schedule 3 (Pricing);
 - 18.5.2 that either party to the Subcontract will release to Rolls-Royce any of those parts of the Subcontract documentation as are necessary to demonstrate Rolls-Royce's and the Supplier's compliance with the provisions of this Contract and the relevant Subcontract and that any such release will not amount to a breach of any provision of confidentiality contained within the Subcontract;
 - 18.5.3 where the Supplier subcontracts work under this Contract which is likely to be subject to foreign export control, secure compliance with the relevant provisions of this Contract identified in Paragraphs 5 (Import and Export Control) and 7 (Overseas Expenditure Notification) of Schedule 2 (Mandatory Flowdown Terms);

- 18.6 Where the Supplier is unable to procure (or is unable to procure that any Subcontractor procures) in any Subcontract the inclusion of the obligations in accordance with Clauses 18.4 and 18.5 (as applicable), the Supplier will give written notice to Rolls-Royce. Rolls-Royce will then advise on the actions required by the Supplier prior to the agreement of any Subcontract, which the Supplier will comply with.
- 18.7 With the exception of Clauses 18.4.2 and 18.4.3 (which must always be included in any Subcontract with a Subcontractor or any of its or their Subcontractors), the Supplier is not required to comply with the remaining terms in Clauses 18.4 and 18.5 in relation to Exempt Subcontracts.

19. SUPPLY OF INFORMATION AND RIGHTS OF INSPECTION

- 19.1 At any time before the Expiry Date (or earlier termination of this Contract), Rolls-Royce may, or may nominate the Authority, Regulatory Body, independent third party, or Permitted User agreed between the Parties to inspect:
- 19.1.1 the Supplier's premises where work under this Contract is or was performed, including any equipment or tooling used;
 - 19.1.2 any processes, systems, policies, procedures, or plans related to the Deliverables or Services;
 - 19.1.3 materials used or intended for use in the Deliverables or Services;
 - 19.1.4 the Deliverables themselves, at any stage of manufacture or delivery; and
 - 19.1.5 any relevant financial information of the Supplier, including any annual report, interim accounts or other information that Rolls-Royce reasonably requires in relation to the financial standing of the Supplier. and the Supplier will fully cooperate to ensure the inspection is conducted promptly and to Rolls-Royce's satisfaction.
- 19.2 Where applicable the Supplier will provide adequate space within the Supplier's premises for inspection representatives, including suitable furnishings, lighting, heating, ventilation, and telephone access.
- 19.3 Rolls-Royce will give reasonable written notice of inspections but may, at its discretion, conduct inspections with a minimum of 48 hours' notice. If an inspection is triggered by genuine concerns about

the Supplier's performance under this Contract, the Supplier will bear the inspection costs.

- 19.4 Inspections under this Clause 19 do not imply Acceptance or waive any of Rolls-Royce's rights or the Supplier's obligations under this Contract.

20. FORCE MAJEURE

- 20.1 Provided that the affected Party has not directly or indirectly caused a Force Majeure Event and subject to the affected Party's compliance with Clause 20.2, the time specified for the performance of any obligation of a Party in this Contract will be extended by a period equal to the period for which such performance is prevented by a Force Majeure Event.
- 20.2 The affected Party must:
- 20.2.1 use reasonable efforts to mitigate the impact of the Force Majeure Event;
 - 20.2.2 notify the other Party within 5 Working Days with full details and the anticipated effect of such Force Majeure Event, and any proposed mitigation steps.
 - 20.3 Rolls-Royce, acting reasonably, may terminate this Contract (in whole or part) in accordance with Clause 22.8.3 (Termination) if there is reasonable evidence to believe that the Supplier is or may be unable to perform its obligations under this Contract due to a Force Majeure Event.

21. SUSPENSION AND DELAY BY ROLLS-ROYCE

- 21.1 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 Contract for a continuous period of up to six (6) months by issue of a formal instruction ("**Suspension Notice**"). Where such suspension is for a reason other than a breach or failure by the Supplier, the Supplier may request a Necessary Change in accordance with Schedule 5 (Change Management). This request must be made within three (3) months of the provision of the Suspension Notice. If not, the Supplier agrees that no further liability will arise from any such suspension by Rolls-Royce.

22. TERMINATION

Termination for Convenience

- 22.1 Rolls-Royce may terminate this Contract, in full or part, at any time by giving the Supplier a Termination Notice of at least twenty (20) Working Days before the date on which this Contract is intended to terminate (the "**Termination Date**")
- 22.2 On issuing a Termination Notice pursuant to Clause 22.1, Rolls-Royce may direct the Supplier to:
- 22.2.1 not commence any Work in relation to Deliverables or Services which has not yet commenced;
 - 22.2.2 deliver to Rolls-Royce work-in-progress and other relevant materials relating to the Deliverables or Services;
 - 22.2.3 complete some or all Deliverables or Services under any existing timelines, or any timelines otherwise agreed between the Parties;
 - 22.2.4 repay to Rolls-Royce any advance payments made by Rolls-Royce for Deliverables or Services which have since been terminated;
 - 22.2.5 reduce or stop performance under, and procure the termination of, any Subcontracts (where possible);
 - 22.2.6 raise an invoice for any Deliverables or Services Delivered up to the Termination Date.
- 22.3 Following termination of this Contract in accordance with Clause 22.1, Rolls-Royce shall compensate the Supplier in respect of:
- 22.3.1 provable, reasonable costs incurred for work-in-progress as of the Termination Date; and
 - 22.3.2 unrecovered costs directly resulting from Rolls-Royce's direction to continue providing Deliverables or Services in accordance with Clause 22.2.3.
- 22.4 The Supplier must submit its full claim for any compensation payment in accordance with Clause 22.3 within 60 days of the Termination Date. Any claims after this date will not be permitted.
- 22.5 For the avoidance of doubt, the Supplier will be obliged to use all reasonable endeavours to mitigate its costs on termination of this Contract.
- ### Termination for Change in Control
- 22.6 If a Change in Control occurs in respect of the Supplier, or the Supplier believes it will be subject to

GENERAL CONDITIONS OF PURCHASE

a Change in Control, the Supplier will immediately notify Rolls-Royce with full details of the proposed Change in Control.

22.7 Rolls-Royce may terminate this Contract in whole or in part immediately by giving written notice to that effect to the Supplier if there is a Change in Control of the Supplier.

Termination for Cause

22.8 Rolls-Royce may, without prejudice to its other rights or remedies under this Contract, terminate this Contract in whole or in part:

22.8.1 immediately on written notice to the Supplier, without liability to the Supplier, if:

22.8.1.1 the Supplier suffers an Insolvency Event;

22.8.1.2 the financial position of the Supplier deteriorates to such an extent that, in the reasonable opinion of Rolls-Royce, the capability of the Supplier to adequately fulfil its obligations under this Contract has been placed in jeopardy;

22.8.1.3 the Supplier becomes an Affiliate of a Competitor;

22.8.1.4 the Supplier breaches Clauses 19 (Supply of Information), 23 (Confidential Information), 24 (Data Privacy), 26 (Compliance with Law and Ethical Standards), or Paragraph 12 (REACH and UK REACH) of Schedule 2 (Mandatory Flowdown Terms);

22.8.1.5 any representation or warranty provided by the Supplier in Clause 5 (Representations and Warranties) proves false;

22.8.1.6 Rolls-Royce or its Affiliate has the right to terminate another agreement with the Supplier or its Affiliate due to a breach of the obligations under such agreement; or

22.8.2 the Supplier commits a breach of any other provision of this Contract which is irremediable, or where such breach is remediable, the Supplier has failed to remedy such breach within twenty (20) Working Days after being notified in writing to do so by Rolls-Royce; or

22.8.3 immediately as permitted under Clause 20.3 (Force Majeure) and Paragraph 9.2.1 (Corrupt Gifts and Payments of Commission) of Schedule 2 (Mandatory Flowdown Terms).

Termination By The Supplier

22.9 The Supplier may terminate this Contract with ninety (90) days' written notice to Rolls-Royce only if:

22.9.1 Rolls-Royce suffers an Insolvency Event; or

22.9.2 subject to Schedule 4 (Payment), Rolls-Royce fails to pay a due amount (not in dispute) following this process:

22.9.2.1 If the outstanding payment is not paid within 60 calendar days of the payment due date then the Supplier will write to Rolls-Royce providing written notice of their intention to terminate

22.9.2.2 If the outstanding payment has not been made within 30 calendar days of the Suppliers notice to terminate then this Contract will terminate.

22.10 All other common law rights to terminate are excluded.

General

22.11 Termination does not affect the accrued rights of either Party, subject to the other provisions of this Clause.

22.12 On termination of this Contract, the Supplier must promptly:

22.12.1 return or destroy (with certification) all Contract-related Information and materials;

22.12.2 immediately stop Processing Personal Data; and

22.12.3 assist with the orderly transition of Deliverables or Services to Rolls-Royce or a successor Supplier.

22.13 Promptly following the Termination Date, the Supplier will, if required by Rolls-Royce, provide the Users with, and licence the Users to (including a right for Rolls-Royce to sublicense the use of), use all such designs, documentation, Intellectual Property Rights and any other information as may be necessary to enable each User to provide the Services and/or Deliverables itself, or have a third party do so.

22.14 Subject to Paragraph 10 (Intellectual Property Rights) of Schedule 2 (Mandatory Flowdown Terms), the Users will have no right to use the designs, documentation and information provided under

Clause 22.13 for any purpose other than providing the Services and/or completing the Deliverables itself, or engaging a third party to do so on its behalf.

23. CONFIDENTIAL INFORMATION

23.1 Each Party agrees to hold in confidence any Information that it acquires directly or indirectly from the other Party.

23.2 The provisions do not apply to Information which is:

23.2.1 already in the public domain;

23.2.2 received from a third party who possesses the Information without a confidentiality obligation to any Party;

23.2.3 subject to compliance with Clause 23.3 below, required to be produced by a legitimate legal authority;

23.2.4 already known by the receiving Party at the time of receipt;

23.2.5 disclosed to auditors, legal or financial advisers, or insurers;

GENERAL CONDITIONS OF PURCHASE

23.2.6 disclosed to Subcontractors or suppliers as needed to perform this Contract and;

23.2.7 Rolls-Royce is required to disclose to its Affiliates or to the Authority.

23.3 If the Party receiving the Information (the **“Receiving Party”**) believes it is required by Law to disclose any Information to any third party:

23.3.1 such Party will, to the extent possible, immediately notify the Party disclosing the Information (the **“Disclosing Party”**) 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

23.3.2 the Receiving Party will 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, to the extent possible, notify the Disclosing Party in writing of the means, content and timing of such a disclosure before such a disclosure is made.

23.4 Subject to the provisions of this Clause 23, the Supplier will be prohibited from disclosing or publishing any confidential material without Rolls-Royce’s written approval.

23.5 The Supplier must not make public comments or disclosures about this Contract, its subject matter or the wider transactions contemplated by it, any Subcontracts, or any other related arrangements.

24. DATA PRIVACY

24.1 Each Party may need to Process Personal Data of the representatives of the other Party (in compliance with Data Privacy Laws) to:

24.1.1 manage and deliver the Services/
Deliverables;

24.1.2 handle invoices and payments;

24.1.3 administer this Contract and resolve disputes;

24.1.4 respond to queries;

24.1.5 meet legal requirements.

24.2 The Parties will Process such Personal Data in accordance with their respective privacy policies and may share it with Affiliates or others (domestic or international) as needed, in compliance with Data Privacy Laws.

24.3 Other than as set out in Clause 24.1, the Parties do not expect to Process any other Personal Data on each other’s behalf. If this becomes necessary, the Parties will update this Contract via Schedule 5 (Change Management) to include Article 28 UK GDPR terms or any other required provisions to comply with the Data Privacy Laws.

25. OFFSET

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

25.1.1 meet any Offset commitments that Rolls-Royce or any Affiliate of Rolls-Royce may have; and

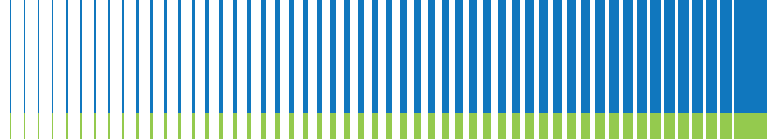
25.1.2 realise any Offset benefits that may be available to Rolls-Royce or any Affiliate of Rolls-Royce in connection with this Contract (or any Subcontracts resulting from this Contract).

25.2 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 Contract.

26. COMPLIANCE WITH LAW AND ETHICAL STANDARDS

26.1 The Supplier represents that neither it nor its Associated Persons have, and will ensure that neither it nor its Associated Persons will:

26.1.1 engage(d) in any conduct which is or would be an offence under any of the ABC Laws (whether or not the Supplier is subject to that ABC Law); or



26.1.2 do (or have done) anything that may put Rolls-Royce or any of its Associated Persons in breach of any of the ABC Laws.

26.2 The Supplier will ensure that it will not:

26.2.1 act in breach of any duty of confidentiality owed to any third party in the course of performing its obligations under this Contract; and

26.2.2 offer or provide any Prohibited Information, whether specifically related to the subject matter of this Contract or otherwise.

26.3 The Supplier will ensure that neither it nor its Associated Persons, in respect of this Contract, has or will:

26.3.1 undertake any action or activity; or

26.3.2 refrain from any action or activity, where doing so is or was intended directly or indirectly to facilitate any offence of tax evasion.

26.4 The Supplier will comply in full with the Rolls-Royce Global Supplier Code of Conduct.

26.5 Notwithstanding any other provision of this Contract, any money due from Rolls-Royce to the Supplier in connection with this Contract will not be payable if the Supplier or any of its Associated Persons has committed any breach of any of the ABC Laws, or has caused Rolls-Royce to breach any of the ABC Laws.

27. NOTICES

27.1 All communications under this Contract must be in writing and in English.

27.2 Notices can be delivered by hand, courier, email, or registered post to the address listed in the Cover Sheet or Order.

27.3 Any notice will be deemed received:

27.3.1 upon hand delivery;

27.3.2 when signed for via courier/post (or the next Working Day if delivered after 6 p.m.); or

27.3.3 when sent by email, on the next Working Day after it has been sent by the sender unless, upon transmission, the sender receives an automated notification that the message failed to deliver to the recipient or server, or that the intended recipient is "out of office" or any other similar automated response.

27.4 The Supplier will ensure that any notice which it serves upon Rolls-Royce by electronic mail under this Contract is copied to such e-mail address as specified in the Order, or as otherwise notified to it by Rolls-Royce from time to time.

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

27.6 Clause 27.3 will not apply to the service of any proceedings or other documents in any legal or arbitral proceedings.

28. MISCELLANEOUS

28.1 The rights of the Parties under this Contract are additional to any rights it has at Law and can only be waived in writing. Not exercising or delay in exercising any right is not a waiver of that right.

28.2 Each Clause or Paragraph in this Contract operates separately. If any court or relevant authority decides that any of them is unlawful or unenforceable, the remaining Clauses and Paragraphs will remain in full force and effect.

28.3 If the Supplier or any of its property or assets is or are entitled in any jurisdiction to any immunity from issue of, or 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, the Supplier irrevocably waives such immunity to the fullest extent permissible under the Laws of that jurisdiction. The Supplier also irrevocably agrees not to claim any such immunity for itself or its property or assets.

28.4 The Supplier's property is at its own risk whilst it is on any Government Establishment or the premises of Rolls-Royce or Other Industry Parties unless damage is caused by Rolls-Royce or its agents.

28.5 The Supplier will report any injury, disease or dangerous occurrence at any Government Establishment or premises of Rolls-Royce or any Permitted User 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 2013 ("RIDDOR") to, in the former

GENERAL CONDITIONS OF PURCHASE

case the Officer in Charge of the relevant Government Establishment and in the latter case to the relevant 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).

29. ONGOING OBLIGATIONS

- 29.1 The following Clauses (along with such other provisions as context may require) will survive the termination of this Contract and such provisions will continue in full force and effect:
- 29.1.1 Clause 5 (Representations and Warranties);
 - 29.1.2 Clause 6 (Warranties relating to Deliverables);
 - 29.1.3 Clause 7 (Warranties relating to Services);
 - 29.1.4 Clause 10 (Enforcement of Warranties);
 - 29.1.5 Clause 11 (Non-Conformance);
 - 29.1.6 Clause 13 (Quality);
 - 29.1.7 Clause 16 (Liability);
 - 29.1.8 Clause 17 (Supplier Personnel);
 - 29.1.9 Clause 18 (Subcontracting);
 - 29.1.10 Clause 19 (Supply of Information and Rights of Inspection);
 - 29.1.11 Clause 23 (Confidential Information);
 - 29.1.12 Clause 24 (Data Privacy);
 - 29.1.13 Clause 26 (Compliance with Law and Ethical Standards)
 - 29.1.14 Clause 29 (Ongoing Obligations);
 - 29.1.15 Clause 30 (Governing Law);
 - 29.1.16 Clause 31 (Third Party Rights);
 - 29.1.17 Paragraph 3 (Security Aspects) of Schedule 2 (Mandatory Flowdown Terms);
 - 29.1.18 Paragraph 4 (Information Security) of Schedule 2 (Mandatory Flowdown Terms);
 - 29.1.19 Paragraph 5.3 (Import and Export Control) of Schedule 2 (Mandatory Flowdown Terms);
 - 29.1.20 Paragraph 12.5 (REACH and UK Reach) of Schedule 2 (Mandatory Flowdown Terms);
 - 29.1.21 Paragraph 10 (Intellectual Property Rights) of Schedule 2 (Mandatory Flowdown Terms);
 - 29.1.22 Paragraph 11 (Compliance with Law) of

- Schedule 2 (Mandatory Flowdown Terms);
- 29.1.23 Paragraph 2.2 (Tax) of Schedule 4 (Payment);
- 29.1.24 Schedule 6 (Law and Dispute Resolution)

30. GOVERNING LAW

- 30.1 This Contract and any non-contractual obligations arising out of or in relation to this Contract, will be governed by and construed in accordance with the Laws of England and Wales.
- 30.2 The United Nations Convention for International Sale of Goods dated 11 April 1980 will not apply to this Contract.

31. THIRD PARTY RIGHTS

- 31.1 The Parties do not intend that any term of this Contract will be enforceable under the Contracts (Rights of Third Parties) Act 1999 by any person, except as follows:
- 31.1.1 as specified in Clause 10.2 (Enforcement of Warranties);
 - 31.1.2 as specified in Clause 17.6 (Supplier Personnel);
or
 - 31.1.3 as expressly agreed between the Parties in writing, which agreement must refer to this Clause 31 (Third Party Rights).



SCHEDULE 1 – INTERPRETATION

1. INTERPRETATION

1.1 Definitions

“ABC Laws” means the United Kingdom Bribery Act 2010, the United States Foreign Corrupt Practices Act 1977, as amended, and any other laws relating to anti-bribery and corruption matters applicable to this Contract;

“Acceptance” means acceptance of the relevant Deliverables and/or Services (as applicable) in accordance with the provisions of Clause 9 (Inspections, Testing and Acceptance);

“Acceptance Criteria” means, if applicable, the acceptance criteria for achievement of the relevant Milestone, as specified in the Order;

“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;

“Allowable Costs” means those costs incurred by the Supplier which are appropriate, attributable to the performance of the Supplier’s obligations under this Contract and which are reasonable in the circumstances, having regard to the Statutory Guidance on Allowable Costs;

“Associated Persons” means any Affiliates of a Party, the directors, owners, employees or representatives of that Party or its Affiliates, or other persons acting on behalf of that Party or its Affiliates;

“Authority” means the Secretary of State for Defence;

“Background IPR” means Intellectual Property Rights, other than Foreground IPR, which is owned by or licensed to a Party and which is (a) developed or acquired before the Effective Date or (b) developed or acquired after the Effective Date independently of this Contract;

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

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

“Change” means a variation of this Contract which is signed by the Parties in accordance with Schedule 5 (Change Management);

“Change in Control” means where, in respect of a person (the “relevant entity”): (a) Control of the relevant entity is obtained (whether directly or as a result of obtaining Control of one or more other persons) by any person who did not at the Effective Date hold Control of the relevant entity; or (b) a person who has Control (whether directly or as a result of having Control of one or more other persons) of the relevant entity at any time during the term of this Contract ceases to have Control of the relevant entity;

“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;

“Completion” means the fulfilment of each Parties’ obligations under this Contract and will be deemed to occur when all aspects of the Order, including Delivery, Acceptance, payment and any other active obligation of the Parties, have been satisfied in full;

“Concession” means Rolls-Royce’s acceptance of a Non-Conformance strictly in accordance with, and always subject to, the provisions of Clause 12 (Concessions);

“Control” means the power, directly or indirectly, either to (a) vote 50% or more of the shares having ordinary voting power for the appointment of directors of such person; or (b) direct or cause the direction of the management and policies of such person, whether by contract or otherwise, and **“Controlled”** will be construed accordingly;

“Cost Plus Liability Limit” means the maximum contract value payable to the Supplier under the Cost Plus Pricing Method, as specified in the Order, either for this Contract as a whole or on a per Deliverable and/or per Service basis;

“Cost Plus Pricing Method” means as set out in Paragraph 3.4 of Schedule 3 (Pricing);

“Cover Sheet” means the contract details sheet incorporating these Conditions and which is signed by the Parties on or before the Effective Date;

“Data Privacy Laws” means any law, statute, declaration, decree, directive, legislative enactment, order, ordinance, regulation, rule or other binding pronouncement, including findings, orders, decisions

and judgements of a competent court or supervisory authority or regulator with jurisdiction as updated and amended from time to time which applies to each Party in any territory in which they Process Personal Data and relates to the protection of individuals with regards to the Processing of Personal Data, which includes the EU General Data Protection Regulation 2016/679 (the “**GDPR**”), the e-Privacy Directive and relevant member state laws in the European Economic Area (“**EEA**”) and in relation to the United Kingdom (“**UK**”), the Privacy and Electronic Communications Regulations 2003 (as amended by SI 2011 no. 6), the Data Protection Act 2018 and the GDPR (as incorporated into UK law under the UK European Union (Withdrawal) Act 2018) (“**UK GDPR**”) as each is amended in accordance with the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019 (as amended by SI 2020 no. 1586);

“**Deliverables**” means those products or goods specified in the Order, including such items to be manufactured and supplied and their constituent parts and spares, reports, information, data and software;

“**Delivery**” means: (a) in respect of Deliverables, when the Deliverable(s) is delivered to Rolls-Royce by the Supplier in accordance with this Contract; or (b) in respect of Services, when such Services have been performed by the Supplier in accordance with this Contract (and “**Deliver**” and “**Delivered**” will be construed accordingly);

“**Delivery Date**” means the date(s) for Delivery of the Deliverables and/or the Services (as applicable) by the Supplier, in whole or in a series of parts, as set out in the Order;

“**Delivery Location**” has the meaning given to it in the Cover Sheet;

“**Direct Losses**” means all Losses that are directly attributable to any breach or other act or omission by the Supplier and for the avoidance of doubt, includes all loss of profit, loss of opportunity and professional fees and expenses;

“**Disallowed Cost**” has the meaning given in Paragraph 5.1 of Schedule 4 (Payment);

“**Dispute**” has the meaning given to it in Paragraph 5 of Schedule 6 (Law and Dispute Resolution);

“**Disputed Sum**” means that part of an amount invoiced by the Supplier which is the subject of a bona fide dispute, as notified by Rolls-Royce to the Supplier



GENERAL CONDITIONS OF PURCHASE

under Paragraph 3.1 of Schedule 4 (Payment);

“Effective Date” has the meaning given to it in the Cover Sheet;

“Escalation Formula” means the formula for calculating escalation of the Escalation Linked Amounts under the Fixed Pricing Method, as specified in the Order, in accordance with Schedule 3 (Pricing);

“Escalation Linked Amount” means the proportion(s) of the Price under the Fixed Pricing Method for the relevant Deliverables and/or Services, as specified in the Order, that will be subject to escalation in accordance with Schedule 3 (Pricing);

“Exempt Subcontracts” means the following types of Subcontracts which may be entered into with a Subcontractor, provided that such Subcontract does not require the disclosure of Information which is classified as higher than Official (or may not result in Information which is classified as higher than Official being disclosed to or created by the Subcontractor):

- (a) contracts for commercially off the shelf (**“COTS”**) items, including COTS IT requirements;
- (b) contracts for manufacturing consumables;
- (c) insurance policies;
- (d) contracts for Corporate services (memberships, HR services, financial services, training, travel), in each case forming part of the overhead resources provided from the Rolls-Royce Group to the Subcontractor, or contracts for utilities;
- (e) contracts of employment; and
- (f) real estate lease agreements.

“Expiry Date” has the meaning given to it in the Cover Sheet;

“First Escalation Date” means the date from which escalation is applied under the Fixed Pricing Method, as specified in the Order, in accordance with Schedule 3 (Pricing);

“Fixed Pricing Method” means as set out in Paragraph 3.3 of Schedule 3 (Pricing);

“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 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 Intellectual Property Rights created by the Supplier or its agents, suppliers or subcontractors, as a result of or in connection with the performance of this Contract;

“Good Industry Practice” means the exercise of that degree of skill, care, prudence, efficiency, workmanship, foresight, quality and timeliness as would be expected from a leading company within the relevant industry or business sector;

“Government Establishment” means any office, department, site including any of His Majesty’s Ships or Vessels and Service Stations;

“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 any entity directly or indirectly owned or controlled thereby;
- (b) any public international organisation or supranational body (including 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;

“Head Contract” means 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 Party (a) is or is deemed to be 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 or any class of creditors, (d) suspends or declares in writing its intention to suspend payments to creditors or any class of creditors, (e) ceases to trade or appears, in the reasonable opinion of the other Party, to be likely to cease to trade, (f) any other steps are taken to enforce any encumbrance over all or part of that Party’s assets and/or (g) takes steps, or is subject to actions, analogous to the items specified in (a) to (f) above under the laws of any applicable jurisdiction;

“Intellectual Property Rights” or “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, bylaws, ordinances, subordinate legislation and other laws or instrument (regardless of their source), including any judicial or administrative interpretation of them as in force from time to time;

“Losses” means all losses, liabilities, damages, claims, judgments, taxes, compensation, fines and expenses incurred or to be incurred (including legal fees and other professional advisors’ fees and disbursements on a full indemnity basis and costs of investigation, litigation,

settlement, interest, penalties and remedial actions) (however described, characterised or classified and whether direct or indirect), including loss of profits or revenues, loss of opportunity, liability for professional fees and expenses;

“Milestone” means, if applicable, the relevant milestone including the criteria to be fulfilled by the Supplier to achieve such milestone, as specified in the Order;

“Milestone Date” means, if applicable, the date for achievement of the relevant Milestone, as specified in the Order;

“Milestone Payment” means, if applicable, the amount to be paid by Rolls-Royce to the Supplier for the achievement of the relevant Milestone, as specified in the Order;

“Necessary Change” has the meaning given to it in Paragraph 1.1.3 (Types of Change) of Schedule 5 (Change Management);

“Non-Conformance” means any failure, defect, shortcoming, non-conformance, incompleteness, inaccuracy, fault, error or omission in any Deliverables or Services which means that such Deliverables or Services do not conform with the terms of Clauses 6 (Warranties relating to Deliverables) or 7 (Warranties relating to Services), or any other term of this Contract (including the Order) (and **“Non-Conforming”** will be construed accordingly);

“Obsolescence Event” means in relation to a component which forms part of a Deliverable, such component:

- (a) is no longer available for purchase to the same specification from the Original Equipment Manufacturer or the Original Equipment Supplier (as applicable) at the time when it is required to meet the Delivery Date; or
- (b) is available for purchase from the Original Equipment Manufacturer or the Original Equipment Supplier at the time when it is required to meet the Delivery Date but:
 - (i) the Original Equipment Manufacturer or the Original Equipment Supplier has notified the Supplier or any Subcontractor (as applicable) of a future end of service provision, manufacture, supply or support of the component; or

GENERAL CONDITIONS OF PURCHASE

(ii) is no longer recommended for use by the Original Equipment Manufacturer or the Original Equipment Supplier, as applicable;

“Official” means information assets which are classified as OFFICIAL in accordance with Government Security Classifications May 2018, version 1.1 as amended;

“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;

“Order” means the requirements of Rolls-Royce for the Deliverables and/or Services and any other key information in relation to the Parties’ obligations under this Contract which are located in the Purchase Order or Schedule 10 (Requirements) (if applicable), as set out in the Cover Sheet;

“Original Equipment Manufacturer” means the original manufacturer of a component identified by a unique part number for the component;

“Original Equipment Supplier” means the original supplier of a component identified by a unique part number for the component;

“Other Industry Parties” 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;

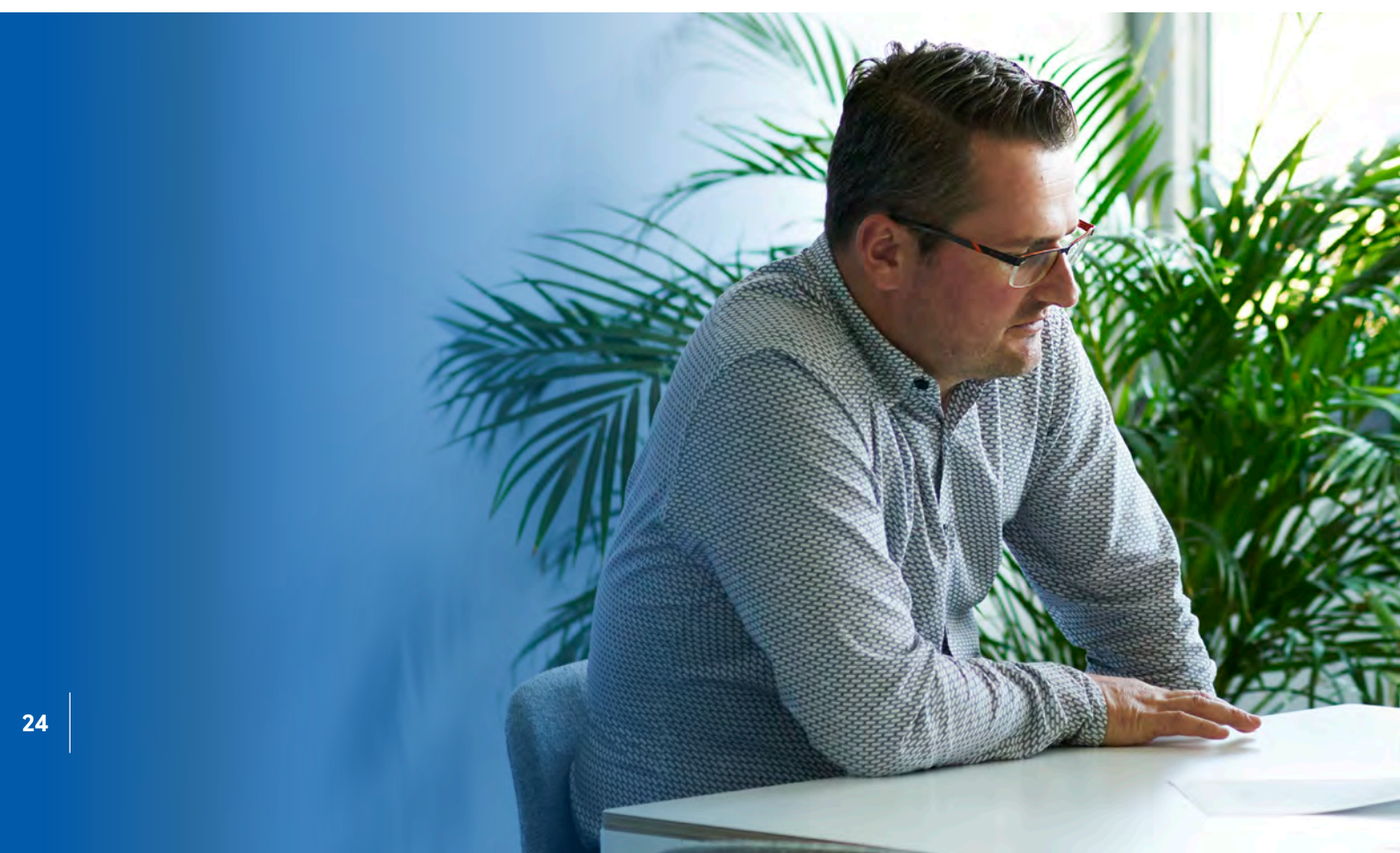
“Parties” means Rolls-Royce and the Supplier; and a **“Party”** means one of them;

“Permitted User” means the Authority, Other Industry Parties and 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 set out in the Data Privacy Laws and for the purposes of this Contract, includes special categories of Personal Data (as set out in Article 9 of the GDPR/UK GDPR) and criminal conviction data (as set out in Article 10 of the GDPR/ UK GDPR);

“Price” means the price payable by Rolls-Royce to the Supplier for the Services and/or Deliverables (as applicable), as set out in the Order and subject to Clause 4 (Delay);

“Pricing Method” means the relevant pricing and payment method (details of which are set out in Schedule 3 (Pricing)) which is stated in the Order as applying to this Contract between the Parties;



“Process” and “Processing” have the meaning given to such terms in the Data Privacy Laws;

“Profit” means the mark-up on Allowable Costs specified in the Order;

“Prohibited Acts” has the meaning given in Paragraph 9.1.2 (Corrupt Gifts and Payment of Commission) of Schedule 2 (Mandatory Flowdown Terms);

“Prohibited Information” means any information whether in written, verbal or other form that a Party is not authorised to have and use in connection with this Contract, including, but not limited to, any information from a competitor’s confidential proposals, bid terms or contract and pricing terms;

“Purchase Order” means the purchase order issued by Rolls-Royce to the Supplier to which these Conditions are incorporated;

“QDC” means a Qualifying Defence Contract as defined by section 14 of the Defence Reform Act 2014;

“QSC” means a Qualifying Subcontract as defined by section 28 of the Defence Reform Act 2014;

“UK REACH” and “REACH” means 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”**), and REACH Regulations 2006, The Reach etc. (Amendment etc.) (EU Exit) Regulations 2019, The REACH etc. (Amendment etc.) (EU Exit) (No.2) Regulations 2019, The REACH etc. (Amendment etc.) (EU Exit) (No.3) Regulations 2019 and The REACH etc. (Amendment etc.) (EU Exit) Regulations 2020 (together **“UK REACH”**)) and any other applicable legislation;

“Records” means such records as required or necessary in order for the Supplier to perform the Services and its obligations under this Contract;

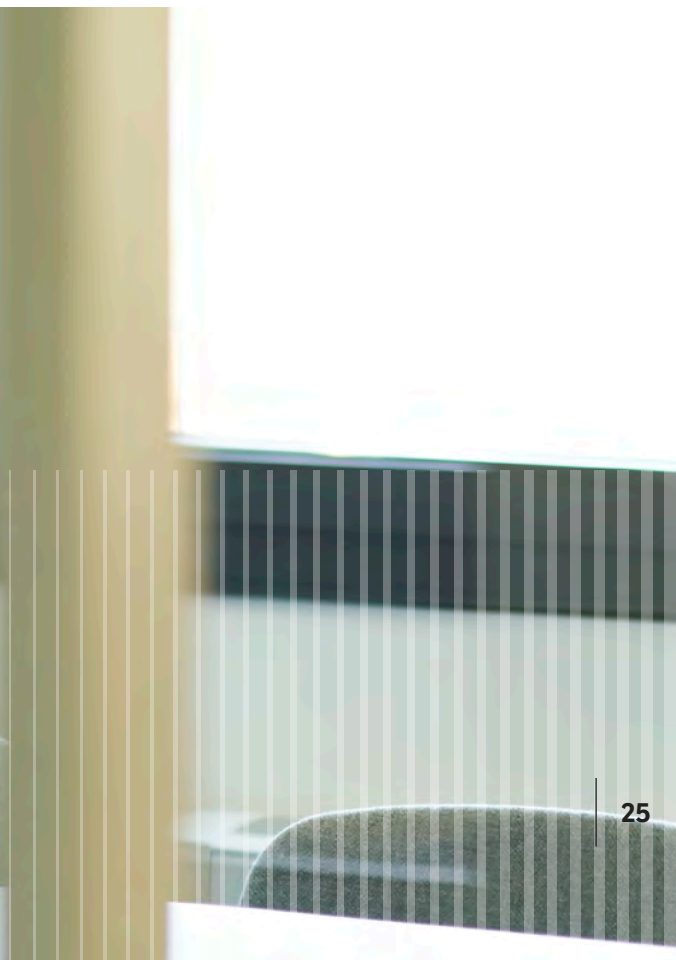
“Referral Notice” has the meaning given in Schedule 6 (Law and Dispute Resolution);

“Regulatory Body” 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;

“Regulatory Requirement” means any legally enforceable requirement of a Regulatory Body;

“Relief Event” has the meaning given in Clause 15.2 (Relief Events);

“Resolution Invoice” has the meaning given in



GENERAL CONDITIONS OF PURCHASE

Schedule 4 (Payment);

“Rolls-Royce Obligations” means the obligations set out in the Order which Rolls-Royce is required to perform in order for the Supplier to be able to carry out its obligations in relation to the performance of the Services and/or the supply of the Deliverables and any other responsibilities of Rolls-Royce in this Contract which are specifically designated as “Rolls-Royce Obligations”;

“Sanctions” means any economic, financial, trade or other sanction, embargo, import or export ban, prohibition on transfer of funds or assets or on performing services or equivalent measure imposed by any Sanctions Authority or by the laws of any state or any union of states;

“Sanctions Authority” means the United States, the United Nations Security Council, the European Union or any member state thereof, the United Kingdom, Canada, or other sanctions authority of any relevant jurisdiction;

“Sanctions List” means any list of individuals or entities subject to asset freeze or blocking sanctions, including, without limitation (a) the “Specially Designated Nationals and Blocked Persons” (SDN) maintained by the Office of Foreign Assets Control, U.S. Department of the Treasury, (b) the Denied Persons List and Entity List maintained by the U.S. Department of Commerce, (c) the consolidated list of persons, groups and entities subject to EU financial sanctions maintained by the EU, (d) the Consolidated List of Financial Sanctions Targets maintained by His Majesty’s Treasury, or (e) any similar lists maintained by any Sanctions Authority, each as amended, supplemented or substituted from time to time;

“Service Level Agreement” means, if applicable, the agreed service levels which apply to the Services, as set out in Schedule 14 (Service Level Agreement) (if applicable);

“Services” means those services specified or described in the Order;

“Single Source Regulations Office” or “SSRO” has the meaning given to it in the Defence Reform Act 2014;

“Specification” means any specifications, drawings, samples, examples, trials, demonstrations, representations, relevant quality plans or descriptions provided in the Order;

“Specified Timescales” means any timescales for the provision of the Services specified in the Order;

“SSCR” means the Single Source Contract Regulations

2014;

“Stage Payment Orders” means any purchase orders issued by Rolls-Royce where the number of such purchase order begins with 80*;

“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 contract entered into between the Supplier and a Subcontractor or a contract entered into between the Supplier’s Subcontractor and their Subcontractor(s) in connection with the supply of any aspect of the Deliverables or Services;

“Subcontractor(s)” means any subcontractor of any tier to the Supplier engaged by the Supplier under this Contract pursuant to Clause 18 (Subcontracting), to include any employees, officers, directors and personnel of the subcontractor involved in the performance of the Supplier’s obligations under this Contract;

“Supplier” means the entity set out in the Cover Sheet;

“Supplier Assurance Questionnaire” has the meaning given in DEFCON 658;

“Supplier Fragility Event” means, in respect of a Subcontractor:

- (a) an Insolvency Event relating to that Subcontractor;
- (b) an agreement by the Supplier and Rolls-Royce for the Supplier to take specific actions to prevent or mitigate the risk of a Subcontractor suffering an Insolvency Event; or
- (c) a strategic decision of a Subcontractor to withdraw from the applicable market and no longer supply such materials or services in respect of this Contract;

“Supplier Personnel” means all employees, agents, consultants, officers, directors, contractors, personnel and other representatives of the Supplier, relevant Affiliates of the Supplier (whether current or former) or of any Subcontractor, who are involved in the performance of the Supplier’s obligations under this Contract;

“Suspension Notice” has the meaning given to it in Clause 21.1 (Suspension and Delay by Rolls-Royce);

“Term” has the meaning given in Clause 1.3 (Our Contract);

“Termination Date” means, if applicable, the date on which this Contract will be terminated, as set out in the Termination Notice and otherwise in accordance with

Clause 22 (Termination);

“Termination Notice” means a written notice issued by Rolls-Royce to the Supplier under Clause 22 (Termination) to terminate this Contract;

“Users” means Rolls-Royce and any Permitted User and/or a third party engaged by Rolls-Royce to complete the Deliverables;

“Valid Invoice” means an invoice issued by the Supplier which complies with the requirements of Appendix 1 (Valid Invoices) to Schedule 4 (Payment);

“Warranty Period” has the meaning given in Clause 10.1 (Enforcement of Warranties);

“Work” means any work carried out by the Supplier in relation to the Deliverables and/or Services as requested by Rolls-Royce in accordance with this Contract;

“Working Day” means a day that is not a Saturday, Sunday or public or bank holiday in England and Wales; and

“Working Hours” means 9:00 am to 5:00 pm on a Working Day.

1.2 Construction

1.2.1 In these Conditions, unless the context otherwise requires any reference to:

1.2.1.1 an **“amendment”** includes an amendment, supplement, novation, re-enactment, restatement or variation and “amend” will be construed accordingly;

1.2.1.2 a **“Clause”**, **“Paragraph”** or a **“Schedule”** is a reference to a Clause, Paragraph or Schedule of these Conditions, unless stated otherwise;

1.2.1.3 a currency is a reference to the lawful currency for the time being of the relevant country;

1.2.1.4 **“include”**, **“includes”**, **“including”** or similar terms will not be construed as exclusive or limiting and will mean **“including, without limitation”**;

1.2.1.5 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;

1.2.1.6 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;

1.2.1.7 a provision of any Law is a reference to that provision as extended, applied or amended and includes any subordinate legislation;

1.2.1.8 words imparting the singular include the plural and vice versa; and

1.2.1.9 **“days”** is a reference to calendar days.

1.2.2 The headings in the Conditions do not affect its interpretation.



SCHEDULE 2 – MANDATORY FLOWDOWN TERMS

Rolls-Royce is entering into this Contract with the Supplier pursuant to the Head Contract with the Authority. The Head Contract is a QDC. Accordingly, there are provisions that Rolls-Royce are mandated to flow down to its supply chain. Rolls-Royce is not permitted to deviate from these provisions, except to the extent that any of the provisions below do not apply to this Contract (having regard to the context of this Contract and the nature of the Services and/or Deliverables which are the subject of this Contract).

Any descriptions, explanations or guidance provided by Rolls-Royce in italics against the headings of the relevant Paragraphs of this Schedule 2 below are explanatory notes only for the benefit of the Supplier’s understanding of these provisions and will not affect the interpretation or construction of this Contract in any manner.

1. RECORD KEEPING

This Contract is a SSCR-compliant QDC, and as such, Rolls-Royce is required to demonstrate to the SSRO that its costs are compliant with the SSCR. In order to do so, Rolls-Royce and the Supplier must maintain certain Records for the purposes of review by the Authority to allow the Authority to determine whether the costs being attributed to the Head Contract are allowable.

- 1.1 The Supplier will maintain and retain the relevant Records and:
 - 1.1.1 Make the Records available to Rolls-Royce and the Authority for inspection on request, subject to Rolls-Royce and the Authority giving reasonable notice of such inspection, unless such audit is being conducted in respect of a suspected fraud in which case no notice will be required to be given by the Authority; and
 - 1.1.2 Permit access to the Records held by or controlled by them and reasonably required by the Comptroller and Auditor General, their staff and any appointed representative of the National Audit Office, and provide such explanations and information as reasonably necessary for the following purposes:
 - 1.1.2.1 To enable the National Audit Office to carry out the Authority’s statutory audits and to examine

and/ or certify the Authority’s annual and interim report and accounts; and

- 1.1.2.2 To enable the National Audit Office to carry out an examination pursuant to Part II of the National Audit Act 1983 of the economy, efficiency and effectiveness with which the Authority has used its resources; and
- 1.1.3 Give to the representatives of Rolls-Royce and the Authority full and free access with reasonable prior notice in writing (save in the case of emergency or other exceptional circumstances when no notice will be required) to all premises, information, personnel and other facilities as and when reasonably required for the purpose of audit and inspections and will provide at no cost to Rolls-Royce and the Authority all such accommodation and facilities in connection with the audits and inspections as the Authority may reasonably require, and all appliances, materials and labour required for inspection purposes.
- 1.2 Where the estimated value of this Contract (or any Subcontract entered into by the Supplier pursuant to this Contract) exceeds £500,000 (five hundred thousand pounds sterling), if requested to do so, the Supplier will provide details of its incurred costs for certification and validation by CAAS in accordance with its standard certification procedures from time to time.

2. VESTING

Vesting refers to a point at which a person acquires legal ownership of an asset and has a “vested right” to that asset. This provision is a mandatory requirement in the Head Contract, with the aim of ensuring that if a Supplier ceases to carry on its business, Rolls-Royce may, on behalf of the Authority, seek to obtain the Deliverables which are the subject of this Contract. Without this right, these assets could be sold to third parties to pay any creditors of the Supplier, and as the Deliverables or Services under this Agreement may contain sensitive Information or materials, this poses a risk to National Security. Vesting is unrelated to payment and has no impact on the Supplier’s ability to generate revenue under this Agreement.

- 2.1 When the Supplier commences the construction or allocation of Deliverables pursuant to this Contract:
 - 2.1.1 the Deliverables and any parts, equipment, and related materials automatically and immediately vest in and become the property of Rolls-Royce.
 - 2.1.2 such items will remain in the Supplier's possession solely for the purpose of completing and Delivering the Deliverables.
- 2.2 No lien or claim can be held over any Deliverables which are Rolls-Royce's property by the Supplier, its Subcontractors, or any third parties.
- 2.3 The Supplier must:
 - 2.3.1 clearly mark Deliverables and materials as Rolls-Royce's property as soon as possible following their construction or formation;
 - 2.3.2 use signage and maintain records to identify Rolls-Royce's ownership if physical marking isn't feasible; and
 - 2.3.3 comply with Rolls-Royce's instructions for identification and marking.

3. SECURITY ASPECTS

- 3.1 The provisions of DEFCON 659A (Security Measures) and DEFCON 660 (Official-Sensitive Security Requirements) are incorporated into this Contract by reference and will apply.
- 3.2 Supplier Personnel with access to assets classified as Official or above is required as a minimum to have Baseline Personal Security Standard (BPSS) clearance as defined in HMG Baseline Personnel Security as amended.
- 3.3 Where information to be shared with a Supplier is identified by Rolls-Royce to be classified as above Official, Rolls-Royce will generate a Security Aspects Letter. The Supplier is required to confirm by acknowledgement their compliance to the requirements of the Security Aspects Letter prior to any exchange of classified information.
- 3.4 The Supplier confirms that the classification and definition of the information has been brought to the attention of the person directly responsible on behalf of the Supplier for the security of this Contract and the information, that the definition is understood and that measures can and will be taken to safeguard the information.

- 3.5 If the Supplier proposes to enter into a Subcontract which will involve the disclosure of information which is classified as above Official to the Subcontractor, the Supplier will:
 - 3.5.1 submit for the 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 will reasonably require;
 - 3.5.2 incorporate into the Subcontract the terms of the appendix to DEFCON 659A (Security Measures) and such secrecy and security obligations as Rolls-Royce will direct (including if appropriate the issuing and acknowledgement of a Security Aspects Letter to the Subcontractor). In such appendix "Agreement" will mean the "Subcontract", "First Party" will mean the "Supplier" and "Second Party" will mean the "Subcontractor"; and
 - 3.5.3 inform Rolls-Royce immediately if it becomes 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.
- 3.6 Submissions for approval under Paragraph 3.5.1 above are not required in respect of work to be carried out by Subcontractors at premises which are known to be security-approved by the Authority. In other cases, the information required under Paragraph 3.5.1 will be submitted to the Rolls-Royce security representative and copied to the Supplier's security adviser.

4. INFORMATION SECURITY

- 4.1 The Supplier will comply with DEFCON 658 (Cyber).
- 4.2 The cyber risk level and the applicable Supplier Assurance Questionnaire reference (if relevant) pursuant to DEFCON 658 will be communicated in writing by Rolls-Royce from time to time.

5. IMPORT AND EXPORT CONTROL

If the supply of the Deliverables or the performance of Services under this Contract is likely to be subject to foreign export control, this Paragraph 5 will apply.

Export Control Compliance

5.1 The Supplier:

5.1.1 at all times, and without prejudice to any of its other obligations, will comply with all applicable export control laws and regulations in particular but not limited to the Export Control Order 2008 and Export Control (Amendment) Order 2021, EU Council Regulation (“EC”) No. 428/2009, the United States Department of Energy, 10 CFR Part 810 (“DoE”), the Nuclear Regulatory Commission 10 CFR Part 110 of the United States Code of Federal Regulations, the Export Administration Regulations, and all other applicable international and national export control law and regulations;

5.1.2 acknowledges and agrees that any information or deliverables provided to or received by it may be subject to export control laws and regulations. The Supplier warrants and undertakes that it will not use or permit the use of, export, transfer, re-export or retransfer by any means, electronic or otherwise, any information or deliverables which are subject to export control without complying in all respects with the applicable export control laws, regulations, orders, rules and/or codes of conduct, relevant export authorisation(s), guidelines, notices and/or instructions relating to such exports or transfers, re-exports or re-transfers of the export controlled Information or deliverables;

5.1.3 acknowledges and agrees that the determination and provision of export classifications is fundamental to export control compliance and will provide the export classifications of any controlled product(s)/ technology(s), and that all controlled technologies will be marked with applicable export classification from the originating regulatory jurisdiction;

5.1.4 where goods, technology, software or services are subject to export controls and the Supplier wishes to export, the Supplier is responsible for applying for the applicable authorisations(s) and awaiting the granting of an export authorisation(s) prior to an export being made. Where goods, technology, software or services are provided to Rolls-Royce that are subject to export controls and / or an export



authorisation(s) applies, the Supplier will provide details as soon as practicable to Rolls-Royce. Such details will include the export licence type and reference, country of origin, exemptions, exceptions, etc. and where applicable, any conditions or restrictions in the export authorisation(s) in order that Rolls-Royce can maintain compliance with any associated export authorisation(s);

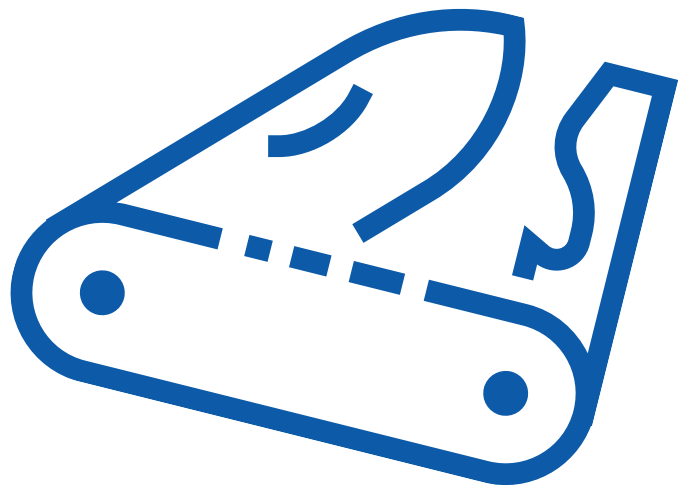
5.1.5 where goods, technology, software or services are not subject to export controls will provide positive affirmation that items are not listed or not subject to export control; and

5.1.6 prior to the Effective Date provide a fully populated declaration using the Rolls-Royce template Export Control Authorisation Form (“ECA”) and thereafter provide a revised



ECAF as soon as practicable informing Rolls-Royce of any changes to previously provided information.

- 5.2 The Supplier will at all times have in place adequate procedures to address all export requirements including but not limited to export classification, export control marking, destination and denied party screening, export authorisations, physical exports, intangible transfers, record keeping, US export controls, access controls and re-exports.
- 5.3 In the event the Supplier breaches any of the provisions of the above clauses it will notify and indemnify Rolls-Royce with respect to all losses, damages, claims, compensation, awards, expenses (including legal fees), fines and judgments incurred as a result or as a consequence of such breach.



GENERAL CONDITIONS OF PURCHASE

5.4 The Supplier will clearly mark all documents provided to Rolls-Royce with the export control classification of the document. The export classification marking will be in accordance with the Regulators Strategic Export Control Lists and is particularly important where the material is of US origin or has US design content.

Import Licence

5.5 If, in the execution 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 will rest with the Supplier.

6. ECONOMIC AND TRADE SANCTIONS COMPLIANCE

6.1 The Parties acknowledge the importance and responsibilities of full compliance with applicable Sanctions.

6.2 Each Party represents and warrants to the other that none of the Party, any of its Affiliates, any director, officer or employee of the Party or any of its Affiliates is an individual or entity ("**Person**"):

6.2.1 listed on any Sanctions List;

6.2.2 located, organized or resident in a country or territory that is currently the target of any Sanctions;

6.2.3 directly or indirectly owned or controlled by any Person currently listed on any Sanctions List, or directly or indirectly owned or controlled by any Person who is located, organized, or resident in a country or territory that is the target of Sanctions; or

6.2.4 currently the subject of any Sanctions investigation, or directly or indirectly owned or controlled by any Person who is currently the subject of a Sanctions investigation.

6.3 The Parties will not directly or indirectly Deliver or otherwise make available any Deliverables or any Services to a person, individual, country or territory in any manner that would result in a violation of Sanctions.

6.4 The Supplier will notify Rolls-Royce in writing as soon as reasonably practicable after they become aware that:

6.4.1 the Services contain any Russian or Belarusian products and/or services; or

6.4.2 the Supplier or Subcontractor is under the control (full or partial) of a Russian or Belarusian person or entity which for the purposes of this Paragraph will mean where the person or entity holds:

6.4.2.1 more than 25% of shares in the Supplier or Subcontractor (as applicable);

6.4.2.2 more than 25% of voting rights in the Supplier or Subcontractor (as applicable);

6.4.2.3 the right to appoint or remove the majority of the board of directors of the Supplier or Subcontractor (as applicable).

6.5 Paragraph 6.4.2 will exclude companies:

6.5.1 registered in the UK or in a country with which the UK has a relevant international agreement providing reciprocal rights of access in the relevant field of public procurement; and/or

6.5.2 which have significant business operations in the UK or in a country with which the UK has a relevant international agreement providing reciprocal rights of access in the relevant field of public procurement.

6.6 The Supplier will include in any notification provided in accordance with Paragraph 6.4 (or as soon as reasonably practicable following such notification) full details of the relevant products, services and/or entities and will provide all reasonable assistance to Rolls-Royce to understand the nature, scope and impact of any such products, services and/or entities on the provision of the Services and/or the Deliverables.

6.7 Changes to Sanctions that are beyond the control of either Party and directly result in the Supplier's inability to Deliver the Deliverables or perform the Services under this Contract will constitute a Force Majeure Event (and Clause 20 (Force Majeure) of the Conditions will apply accordingly).

6.8 If Rolls-Royce is notified by the Authority under the Head Contract that the Authority no longer wishes Rolls-Royce or its Suppliers to engage one or more countries, regions, territories or third parties which are not yet subject to any Sanctions, Rolls-Royce will notify the Supplier in writing. As soon as reasonably practicable following such notification, the Supplier will cease to engage with the relevant country,

region, territory or third party and any impact of this will be managed in accordance with Schedule 5 (Change Management).

7. OVERSEAS EXPENDITURE NOTIFICATION

- 7.1 The Supplier will 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 Subcontract 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 this Contract). The details to be provided by the Supplier are as follows:
- 7.1.1 contract number;
 - 7.1.2 country in which the Subcontract is placed/to be placed;
 - 7.1.3 name, division and full postal address of the Subcontractor;
 - 7.1.4 value of the Subcontract as applicable to this Contract; and
 - 7.1.5 the date the Subcontract is placed/to be placed.
- 7.2 For the purpose of this Paragraph 7 (Overseas Expenditure Notification), 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.
- 7.3 The Supplier will submit any information required by Paragraph 7.1 to Rolls-Royce’s Representative (identified in the Order).

8. MATERIAL SINGLE SOURCE SUB CONTRACTS (NON-QUALIFYING)

If the Supplier is proposing to enter into a Material Single Source Sub-Contract, this Paragraph 8 will apply and must be included into any such Subcontract with the relevant Subcontractor.

- 8.1 The provisions contained in this Paragraph 8 (Material Single Source Sub-Contracts (Non-Qualifying)) will be included in all Material Single Source Sub-Contracts (as defined below). For the avoidance of doubt, the provisions of this Paragraph 8 will not have direct application to this Contract except for the obligation on the Supplier to ensure such terms are included in any Material Single Source Sub-Contracts.
- 8.2 Wherever the following words and expressions appear in this Paragraph or any reference to this Paragraph, they will have the following meaning given to them, except where the context requires a different meaning:
- 8.2.1 “Group Undertaking” has the meaning given by section 1161 of the Companies Act 2006;
 - 8.2.2 “Material Single Source Sub-Contract” means a Subcontract entered into by the Supplier where:
 - 8.2.2.1 the Subcontract is entered into at the same time as, or after, the date on which this Contract was entered into;
 - 8.2.2.2 the Subcontract is entered into for the purposes of this Contract;
 - 8.2.2.3 the award of the Subcontract is not the result of a “competitive process” as defined in the SSCR for QSC;
 - 8.2.2.4 at least 50% of the Subcontract (by value) is required either to enable performance of this Contract, or to enable the combined performance of the Subcontract and any other QDC or QSC, or prospective QDC or QSC, to which the Supplier or any Group Undertaking of the Supplier is a party, or might become a party;
 - 8.2.2.5 the value of the Subcontract is of or above £1,000,000; and
 - 8.2.2.6 the Subcontract is not a QSC;
 - 8.2.3 “**Relevant Records**” means accounting and other records:
 - 8.2.3.1 which the Supplier may reasonably be expected to keep; and
 - 8.2.3.2 which are sufficiently up-to-date and accurate for use by the Authority for any of the purposes listed in Paragraph 8.4 below;

GENERAL CONDITIONS OF PURCHASE

- 8.2.4 **“Representatives”** means employees, agents, officers, advisers and other representatives of the Authority; and
- 8.2.5 **“Subcontract Completion Date”** means:
- 8.2.5.1 the date described in the Subcontract as the date by which completion is required; or
 - 8.2.5.2 if no such date is described in the Subcontract, the date on which the Subcontractor completes all obligations which entitle it to final payment under the Subcontract; and
 - 8.2.5.3 if the Subcontract is terminated before the date described in Paragraphs 8.2.5.1 and 8.2.5.2 above, the date on which the Subcontract is terminated.
- 8.3 The Supplier will maintain Relevant Records from the date on which the Subcontract was entered into for the period ending on the sixth anniversary of the end of the accounting period to which those Relevant Records relate or two (2) years after the Subcontract Completion Date, whichever is the sooner.
- 8.4 Rolls-Royce, the Authority, or their Representatives, may examine Relevant Records maintained by the Supplier where reasonably required for one or more of the following purposes:
- 8.4.1 verifying whether a cost of the Supplier is an Allowable Cost;
 - 8.4.2 verifying the reason for any difference between an estimated and actual Allowable Cost;
 - 8.4.3 verifying any other matter relating to the price payable under the Subcontract;
 - 8.4.4 monitoring the Supplier’s and the Subcontractor’s performance of its obligations under the Subcontract; and
 - 8.4.5 monitoring the Supplier’s performance of its obligations under this Contract.
- 8.5 Rolls-Royce or the Authority must give to the Supplier at least twenty (20) Working Days’ prior written notice of its intention to examine the Relevant Records and the purposes for which the examination is required.
- 8.6 Rolls-Royce or the Authority may only examine the records on any Working Day during Working Hours.
- 8.7 Where required by Rolls-Royce or the Authority, the Supplier will make copies available (in hard or electronic form) for the purposes of enabling those records to be examined.
- 8.8 Where required by Rolls-Royce or the Authority, the Supplier will provide further information or explanation relating to the Relevant Records, whether after the examination of the Relevant Records or otherwise.
- 8.9 Rolls-Royce agrees that, where exercise of the rights granted at Paragraphs 8.7 and 8.8 would cause significant time and effort to be incurred by the Subcontractor, and/or other significant disruption to the Subcontractor, the exercise of that right will be proportionate. When determining what is proportionate for that purpose, Rolls-Royce or the Authority will consider the benefit which may be achieved through the exercise of the rights and the disruption caused to the Subcontractor. This will include but not be limited to the impact on the Subcontractor’s provision of the subject-matter of the Subcontract.
- 8.10 Except where Rolls-Royce notifies the Supplier in writing that it is not required, the Supplier will use reasonable endeavours to include in any Material Single Source Sub-Contract equivalent terms to those specified in this Paragraph (inserting relevant party names where appropriate).
- 8.11 Before entering into a Material Single Source Sub-Contract the Supplier will promptly notify Rolls-Royce where it is unable to include the terms specified in Paragraph 8 (Material Single Source Sub-Contracts (Non-Qualifying)), or where it believes that the inclusion of those terms will prevent the achievement of a fair and reasonable price for that Subcontract.

9. CORRUPT GIFTS AND PAYMENTS OF COMMISSION

- 9.1 The Supplier warrants that in entering this Contract it:
- 9.1.1 has not offered, given or agreed to give, and will not offer, give or agree to give to any employee of Rolls-Royce, Affiliate of Rolls-Royce or any Crown servant any gift or consideration of any kind as an inducement or reward:

- 9.1.1 for committing or not committing (or for having committed or not having committed) any act in relation to this Contract or any other contract with Rolls-Royce or the Crown; or
- 9.1.2 for showing or not showing favour or disfavour to any person in relation to this Contract or any other contract with Rolls-Royce or the Crown;
- 9.1.2 has not entered into this Contract or any other contract with Rolls-Royce, any Affiliate of Rolls-Royce or the Crown, and will not enter into any other contract with Rolls-Royce, any Affiliate of Rolls-Royce or 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 or such contract (as applicable) 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 Rolls-Royce, hereafter referred to as "Prohibited Acts".
- 9.2 If the Supplier, its employees, agents or any Subcontractor (or anyone acting on its behalf or any of its Subcontractors or their employees) commits any of the Prohibited Acts or commits any offence under any Laws anywhere in the world which relate to anti-bribery and/or anti-corruption, including 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 will be entitled (whether or not directed by the Authority):
 - 9.2.1 to terminate this Contract and recover from the Supplier the amount of any loss resulting from the termination; and
 - 9.2.2 to recover from the Supplier the amount or value of any such gift, consideration or commission; and
 - 9.2.3 to recover from the Supplier any other loss sustained in consequence of any breach of this Paragraph 9, where this Contract has not been terminated.
- 9.3 In exercising its rights under Paragraph 9.2.1, Rolls-Royce will:



GENERAL CONDITIONS OF PURCHASE

- 9.3.1 act in a reasonable and proportionate manner having regard to such matters as the seniority of, and the identity of the person performing the Prohibited Act; and
- 9.3.2 give all due consideration, where appropriate, to action other than termination of this Contract, including requiring the Supplier to:
 - 9.3.2.1 terminate a Subcontract where the Prohibited Act is committed by a Subcontractor or anyone acting on its or their behalf;
 - 9.3.2.2 dismiss an employee (or where the Prohibited Act is committed by an employee of a Subcontractor procure the dismissal of an employee).
- 9.4 Recovery action taken against any employee of Rolls-Royce, Affiliate of Rolls-Royce or Crown servant will be without prejudice to any recovery action taken against the Supplier pursuant to Paragraphs 9.2 and 9.3.
- 9.5 The Supplier will notify Rolls-Royce in writing as soon as it becomes aware of the occurrence of any Prohibited Act or offence under any Laws anywhere in the world which relate to anti-bribery and/or anti-corruption, including the Bribery Act 2010.

10. INTELLECTUAL PROPERTY RIGHTS

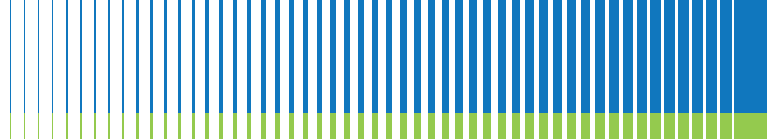
For the purposes of this Paragraph 10, Foreground IPR is any Intellectual Property Rights created by the Supplier in the performance of this Contract. Background IPR means any other Intellectual Property Rights that are owned by or licensed to either Party having been developed or acquired before this Contract or independently of this Contract.

The effect of this Paragraph 10 is that new IPR that is generated under this Contract belongs to Rolls-Royce. Background IPR that was created before this contract was placed or outside of this Contract belongs to the Supplier. Rolls-Royce can use the Background IPR but only in order to use the Deliverables or Services.

Rolls-Royce has to retain the ownership of Foreground IPR because it is created as part of the Submarine programme and is therefore sensitive data. If Rolls-Royce didn't own this, there is a risk that the specifications, parts, knowledge etc. could be sold to another buyer who may have ulterior motives. The Authority

does not permit Intellectual Property Rights to be generated pursuant to the Head Contract (which includes this Contract) to be owned by any third party, and Rolls-Royce has no ability to amend or remove these terms. In fact, most Intellectual Property Rights owned by Rolls-Royce is ultimately owned by the Authority through the Head Contract.

- 10.1 Foreground IPR will vest in and be the absolute property of Rolls-Royce. Consequently, the Supplier assigns or will procure the assignment to Rolls-Royce, with full title guarantee and free from all third party rights, the Foreground IPR, with effect immediately on the creation of such Foreground IPR and the Supplier will (at its own cost) do, and procure that any person creating Foreground IPR on its behalf does, all necessary acts to vest such Foreground IPR in the name of Rolls-Royce or its nominee and enable Rolls-Royce or its nominee to register or otherwise protect such Foreground IPR, such acts to include the execution of documents in respect of any invention arising from the performance of the work under this Contract.
- 10.2 Nothing in this Contract will affect the ownership of Rolls-Royce's or the Supplier's Background IPR.
- 10.3 If the Supplier incorporates any of its Background IPR in any Deliverables, the relevant content must be clearly and legibly marked by the Supplier as the Supplier's Background IPR.
- 10.4 If and to the extent that any Deliverables constitute or incorporate Foreground IPR, they must be clearly and legibly marked by the Supplier as the IPR of Rolls-Royce and/or the Authority, or as otherwise instructed by Rolls-Royce.
- 10.5 The Supplier will maintain, and make available to Rolls-Royce upon written request, a copy of all Information that constitutes or is protected by Foreground IPR. This obligation will survive the termination of this Contract.
- 10.6 The Supplier hereby grants to each of Rolls-Royce and the Authority an irrevocable, perpetual, non-exclusive, worldwide, royalty-free licence (with the ability to sub-license) to use the Supplier's Background IPR in order to use the Deliverables and the Foreground IPR for any purpose (including by way of copying, modifying or developing the



Deliverables).

- 10.7 Rolls-Royce hereby grants to the Supplier a non-exclusive, royalty-free licence to use the Foreground IPR and Rolls-Royce's Background IPR for the sole purpose of performing the Supplier's obligations under this Contract. The Supplier will not use such IPR for any other purpose. The Supplier may not sublicense the foregoing licence without the prior written consent of Rolls-Royce.
- 10.8 Where the Supplier is the owner or licensee of any Intellectual Property Rights which are necessary or desirable in connection with this Contract, it will make use of those Intellectual Property Rights at no additional cost to Rolls-Royce.
- 10.9 The Supplier will indemnify Rolls-Royce and the Authority 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 any claim or allegation that the use of the Deliverables or Foreground IPR infringes any IPR owned or controlled by a third party other than where such infringement arises as an unavoidable result of the Supplier following a specification issued to the Supplier by Rolls-Royce or using, in connection with this Contract, any Information supplied by Rolls-Royce for such purpose.
- 10.10 The Supplier will promptly notify Rolls-Royce in writing if it becomes aware of:
 - 10.10.1 any claim, demand or action brought, made or threatened against the Supplier, Rolls-Royce or the Authority for infringement or alleged infringement of any IPR in the creation, delivery or use of any Deliverables under this Contract;
 - 10.10.2 any IPR owned by a third party which appear to be relevant to the performance of this Contract or the use of the Deliverables; and/or
 - 10.10.3 any restriction as to the disclosure or use, including any export requirement or restriction, in respect of any IPR required for the performance of any Contract or the use of the Deliverables.
- 10.11 The Supplier will promptly provide Rolls-Royce with written details regarding the Deliverables which Rolls-Royce may request from time to time for inclusion in operating

instructions.

11. COMPLIANCE WITH LAW

- 11.1 The Supplier will, and will procure that its officers, employees, agents and Subcontractors will, at all times:
 - 11.1.1 obtain, maintain and observe all regulatory approvals applicable to the supply of the Deliverables and/or performance of the Services;
 - 11.1.2 comply with and observe all applicable Laws, statutory provisions and other legislation;
 - 11.1.3 notify Rolls-Royce of any restrictions or provisos:
 - 11.1.3.1 that exist in respect of any regulatory approvals granted in connection with the supply of the Deliverables and/or performance of the Services; or
 - 11.1.3.2 that exist under any Law, or confirm in writing that no such restrictions apply; and
 - 11.1.4 provide Rolls-Royce with any Information reasonably requested 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.
- 11.2 The Supplier will be responsible at its own cost and risk for managing the effects of any general change in Law and/or Regulatory Requirements.
- 11.3 Any Services provided and/or any Deliverables supplied by the Supplier will be formulated, designed, constructed, finished, packaged and performed so as to be safe and without risk to health and all Deliverables will be supplied with full instructions for their proper use, maintenance and repair and with any necessary warning notices clearly displayed.
- 11.4 The Supplier agrees before Delivery to furnish Rolls-Royce in writing with a list, by name and description, of any harmful or potentially harmful properties or ingredients in the Deliverables and following Delivery to notify Rolls-Royce of any changes in such properties or ingredients.
- 11.5 The Supplier represents and warrants that any information provided by the Supplier in accordance with Paragraph 11.4 will be true and accurate in all respects and the Supplier hereby acknowledges

GENERAL CONDITIONS OF PURCHASE

that Rolls-Royce will rely on the such information to satisfy its own obligations under the Health and Safety at Work Act 1974 (as extended, applied, replaced or amended and in force from time to time) and any other Laws.

- 11.6 The Supplier will, and will procure that all its officers, employees, subcontractors (including any Subcontractors) and agents will:
- 11.6.1 comply with the Modern Slavery Act 2015 and, without limiting the generality of this Paragraph 11.6, only employ individuals whose presence is voluntary and not use forced, indentured, involuntary, prison, or uncompensated labour under any circumstances; and
- 11.6.2 ensure that its employees and other personnel have the right to work in the territories appropriate to their engagement and comply with applicable government guidance on appropriate right to work checks.
- 11.7 The Supplier represents and warrants that neither the Supplier nor any of its officers, employees, subcontractors (including Subcontractors) and agents:
- 11.7.1 have been convicted of any offence involving slavery and human trafficking; and
- 11.7.2 to the best of its knowledge, have been or are the subject of any investigation, inquiry or enforcement proceedings by any governmental, administrative or regulatory body regarding any offence or alleged offence of or in connection with slavery and human trafficking.
- 11.8 The Supplier will implement due diligence procedures for its own suppliers (including Subcontractors) and other participants in its supply chains to ensure that there is no risk of slavery or human trafficking.
- 11.9 The Supplier will notify Rolls-Royce as soon as it becomes aware of any actual or suspected slavery or human trafficking which may have any connection to this Contract.

12. REACH AND UK REACH

REACH and UK REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) are regulations that applies to the majority of chemical substances that are manufactured in or

imported into the United Kingdom / Europe. This can be:

- *A substance on its own*
- *A substance in a mixture, for example ink or paint*
- *A substance that makes up an "article" - an object that is produced with a special shape, surface or design, for example a car, furniture or clothes.*

If the Supplier is delivering hazardous materials under this Contract, the following Paragraph will apply.

- 12.1 The Supplier warrants that where it sells, delivers or transfers Deliverables to Rolls-Royce in the European Economic Area or the United Kingdom, it has complied with REACH or UK REACH (as applicable). 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 or Annex 14 of UK REACH. In any circumstance where the chemical does appear on Annex XIV of REACH or Annex 14 of UK REACH, the Supplier must ensure that it is authorised for Rolls-Royce's use.
- 12.2 The Supplier confirms that if a chemical substance used in the provision of the Services appears under Annex XIV of REACH or Annex 14 of UK REACH and:
- 12.2.1 the Services are being provided at a location in the European Economic Area or the United Kingdom; or
- 12.2.2 either Party is an entity incorporated in a European Economic Area member state or the United Kingdom,
- 12.2.3 then such chemical substance is authorised for Rolls-Royce's particular use in accordance with the provisions of REACH or UK REACH (as applicable).
- 12.3 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 Paragraph 12 (REACH and UK Reach) applies to all deliverables sold, supplied or transferred to Rolls-



Royce inside or outside of Europe.

- 12.4 Whether or not REACH or UK 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 and UK REACH, its own quality processes, or its contractual obligations under the Head Contract. This Paragraph 12.4 applies to all Deliverables sold, supplied or transferred to Rolls-Royce.
- 12.5 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 Paragraph 12 (REACH and UK REACH).

13. MISCELLANEOUS

- 13.1 Nothing in this contract will:
- 13.1.1 constitute a partnership or joint venture between the Parties or either of the Parties and the Authority;
 - 13.1.2 constitute any Party the agent of any other Party or of the Authority;
 - 13.1.3 create any fiduciary obligations between the Parties or either of the Parties and the Authority;
 - 13.1.4 create a contract of employment between the Parties or with any Subcontractor.
- 13.2 Neither Party will:
- 13.2.1 represent itself as the agent or partner of the other Party or of the Authority;
 - 13.2.2 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;
 - 13.2.3 pledge the credit of the other Party; or
 - 13.2.4 represent itself as being the other Party, or an employee or representative of the other Party.
- 13.3 The Supplier will procure that no Subcontractor will, hold itself out as having the authority or power to bind Rolls-Royce in any way.
- 13.4 The Supplier will not place or cause to be placed, and will procure that no Subcontractor will place or cause to be placed, any order with any supplier, or otherwise incur liabilities, in the name of Rolls-Royce or any of its representatives.
- 13.5 This Contract 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 by the other Party before entering in to this Contract, 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

GENERAL CONDITIONS OF PURCHASE

in this 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 Paragraph does not apply to any representation made fraudulently.

- 13.6 The Supplier will not assign, delegate responsibility for or otherwise transfer its rights or obligations under this Contract.
- 13.7 This Contract 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, will be deemed to be an original, and taken together, they will constitute one instrument.

14. DEFENCE DOCUMENTS

14.1 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”) will apply to this Contract to the extent that they are relevant to the Deliverable or Services. The Defence Documents will 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 will be construed to mean the Supplier. References to the Authority will be construed to mean Rolls-Royce and/or the Authority as the context requires.

14.2 DEFCON

- 14.2.1 5J – Edition 07/08 – Unique Identifiers
- 14.2.2 68 – Edition 02/17 – Supply Of Data For Hazardous Articles, Materials And Substances
- 14.2.3 126 – Edition 11/06 – International Collaboration. For the purposes of DEFCON 126 – sub-clauses 2 and 3 the period prescribed will be the duration of the Agreement and 15 years thereafter.
- 14.2.4 129 – Edition 04/19 – Packaging (For Articles other than Munitions)
- 14.2.5 129J – Edition 07/08 – The Use of Electronic Business Delivery Form

- 14.2.6 528 – 10/04 – Overseas Expenditure And Import Licences
- 14.2.7 532B – Edition – 05/18 – Protection of Personal Data
- 14.2.8 534 – Edition 06/97 – Prompt Payment (Subcontracts)
- 14.2.9 627 – Edition 12/10 – Quality Assurance – Requirement for a Certificate of Conformity
- 14.2.10 632 – Edition 02/07 – Third Party Intellectual Property – Rights and Restrictions

14.3 DEFSTAN

- 14.3.1 02-207 – Parts 1 & 2, Iss 2 – Quality Management Framework and Requirements for Materiel Safety in Submarines
- 14.3.2 05-57 – Iss 8 – Configuration Management of Defence Materiel
- 14.3.3 05-61 – Part 1, Iss 6 – Quality Assurance Procedural Requirements –Part No 1: Concessions Dated 31/03/2016
- 14.3.4 05-61 – Part 4, Iss 3 – Quality Assurance Procedural Requirements: Contractor Working Parties
- 14.3.5 05-61 – Part 9, Iss 5 – Quality Assurance Procedural Requirements: Independent Inspection Requirements for Safety Critical Items
- 14.3.6 05-99 – Iss 4 – Managing Government Furnished Assets in Industry + Amdt 2 dated 31 October 2011 – Managing Government Furnished Assets in Industry
- 14.3.7 05-135 – Iss 2 – Avoidance of Counterfeit Material
- 14.3.8 81-41 – “Packaging of Defence Materiel” part No 1: Introduction to Defence Packaging Requirements Issue 9 dated 14/12/2016
- 14.3.9 81-41 – “Packaging of Defence Materiel” part No 2: Design Issue 9 dated 14/01/2017
- 14.3.10 81-41 – “Packaging of Defence Materiel” part No 3 Environmental Testing Issue 6 dated 12/06/2014
- 14.3.11 81-41 – Packaging of Defence Materiel part No 4: Service Packaging Instruction Sheet Issue 8 dated 16/10/2015
- 14.3.12 81-41 – Packaging of Defence Materiel part No 5 – Packaging Processes Issue 8 dated 14/01/2017
- 14.3.13 81-41 – Packaging of Defence Materiel part No 6 – Package Marking Issue 9 dated 09/10/2015

14.4 AQAP

- 14.4.1 2070 - Edition B, Version 3 - NATO Mutual Government Quality Assurance (GQA) Process
- 14.4.2 2105 - Edition 2 - NATO requirements for deliverable quality plans.
- 14.4.3 2110 - Edition 3 - NATO Quality Assurance Requirements for Design, Development & Production
- 14.4.4 2110 - Edition A Version 2 - NATO Supplementary Software Quality Assurance Requirements to AQAP-2110
- 14.4.5 2110 - Edition D, Version 1 - NATO Quality Assurance Requirements for Design, Development & Production
- 14.4.6 2210 - Edition 1 - NATO Supplementary Software Quality Assurance Requirement.
- 14.5 The following standards will apply to this Contract to the extent that they are relevant to the Deliverable or Services. The standards will generally be construed to have such amendments as are necessary for them to function as between the Supplier and Rolls-Royce:
 - 14.5.1 ADMP-01 (Edition A Version 1) – 14 August 2014 NATO Standard – Guidance for Developing Dependability Requirements;
 - 14.5.2 ADMP-02 Edition A Version 1 Guidance for Managing Dependability Requirements dated 14-08-2014;
 - 14.5.3 BR3019(5) Naval Reactor Severe Accident Manual Amdt 3 – 01/09/2013;
 - 14.5.4 BS7000-1:2008 Design Management Systems - Part 1: Guide to Managing Innovation;
 - 14.5.5 BS7000 PART 2:2015 Design Management Systems – Part 2: Guide to Managing the Design of Manufactured Products;
 - 14.5.6 BS7000-3:1994 Design Management Systems Part 3: Guide to Managing Service Design;
 - 14.5.7 BS7000 PART 4:1996 Design Management Systems Part 4: Guide to Managing Design in Construction (G);
 - 14.5.8 BS7000-6:2005 Design management systems – Part 6: Managing inclusive design (Guide). (Including Corrigenda 15638 & 15949);
 - 14.5.9 BS7000-10:2008 Design Management Systems Part 10: Vocabulary of Terms Used in Design Management;
 - 14.5.10 BS EN ISO 14001:2015 Environmental management systems – Requirements with guidance for use;
 - 14.5.11 BS EN (BS IEC) 61513:2013 – Nuclear power plants –Instrumentation and control for systems important to safety – General requirements for systems;
 - 14.5.12 BS EN 60880:2009 – (inc Corrigendum 1, 30 June 2015) – Nuclear power plants – Instrumentation and control systems important to safety –Software aspects for computer-based systems performing category A functions;
 - 14.5.13 BS EN 62402:2007 Obsolescence management – Application guide;
 - 14.5.14 DSA01.1 (v1.0) Aug 16 Defence Policy for Health, Safety and Environmental Protection;
 - 14.5.15 IAEA GS-R-3 The Management System for Facilities and Activities: Safety Requirements 2006;
 - 14.5.16 IAEA Safety Standards: Specific Safety Requirements Series No SSR-6: Regulations for the Safe Transport of Radioactive Material – 2012 Edition, published Monday, October 22, 2012;
 - 14.5.17 ISO 25051: 2008 Software Engineering – Software product Quality Requirement and Evaluation Requirements for quality of COTS Software, Product and Instructions for Testing;
 - 14.5.18 JSP 440 – Defence Manual of Security (Information technology);
 - 14.5.19 JSP 392 – Radiation Safety Handbook Part 1 V 1.0 Sep 14;
 - 14.5.20 JSP 518 Regulation of the Naval Nuclear Propulsion Programme Issue 4.1 – July 2014 pt. 1 & Pt 2;
 - 14.5.21 NRPA-3-14 NRPA Nuclear Safety Management Arrangements: NRTE Vulcan; and
 - 14.5.22 SSP 25 Issue 3 October 2000 amdt 1 August 2004 Quality assurance for Safety in Submarines.

SCHEDULE 3 – PRICING

1. PAYMENT

- 1.1 The Price, and applicable Pricing Method, payable by Rolls-Royce in consideration for the Delivery of the Deliverables and/or the Services (as applicable) will be set out in the Order.

2. MILESTONE PAYMENTS

- 2.1 If Milestone Payments are specified as applicable in the Order, this Paragraph 2 will apply.
- 2.2 The total or relevant part of the Price (as specified in the Order) will be paid to the Supplier by Milestone Payments, with the payment of each Milestone Payment being conditional on the Supplier having achieved the appropriate Milestone to the reasonable satisfaction of Rolls-Royce. The Milestones, and applicable Milestone Payments, will be set out in the Order (if applicable).
- 2.3 A Milestone will be achieved when the Milestone meets the applicable Acceptance Criteria and the Supplier has submitted the necessary evidence to Rolls-Royce. Rolls-Royce will have a 10 Working Day acceptance period to assess any Milestone and provide a written response to the Supplier confirming Milestone acceptance or rejection.
- 2.4 Following a Milestone being accepted by Rolls-Royce, the Supplier will invoice Rolls-Royce the applicable Milestone Payment in accordance with Schedule 4 (Payment).
- 2.5 If a Milestone is not achieved by the corresponding Milestone Date, either due to late delivery and/or failure to satisfy the Acceptance Criteria, the Supplier will not be entitled to any relief on any other Milestone and this will not result in a Change to this Contract.
- 2.6 Where the Supplier fails to deliver any Deliverables by the applicable Delivery Date, as a result of failing to achieve a Milestones by the corresponding Milestone Date, then Clause 4 (Delay) of the Conditions will apply.

3. PRICING METHOD

- 3.1 The following Pricing Methods will apply to this Contract if specified in the Order.

3.2 FIRM PRICING METHOD

- 3.2.1 Subject to the provisions of Schedule 4 (Payment) and the following provisions of this Paragraph 3.2, Rolls-Royce will pay the Supplier the Price specified in the Order, which is a firm price and not subject to variation.

3.2.2 Cost Verification

- 3.2.2.1 The Supplier agrees that it will share reasonable amounts of data, details of assumptions and supporting evidence to provide justification of amounts and/or explanations which will allow Rolls-Royce to comply with its Allowable Cost obligations under the SSCR as a QDC.
- 3.2.2.2 Any disclosure will be subject to the provisions of Clause 23 (Confidential Information) of the Conditions.

3.3 FIXED PRICING METHOD

- 3.3.1 Subject to the provisions of Schedule 4 (Payment) and the following provisions of this Paragraph 3.3, Rolls-Royce will pay the Supplier the Price specified in the Order, which is a fixed price and only subject to variation in accordance with the Paragraph 3.3.3 (Escalation) below.

3.3.2 Cost Verification

- 3.3.2.1 The Supplier agrees that it will share reasonable amounts of data, details of assumptions and supporting evidence to provide justification of amounts and/or explanations which will allow Rolls-Royce to comply with its Allowable Cost obligations under the SSCR as a QDC.
- 3.3.2.2 Any disclosure will be subject to the provisions of 23 (Confidential Information) of the Conditions.

3.3.3 Escalation

- 3.3.3.1 The Price specified in the Order is at the Effective Date and does not include provision for changes in the market cost of the Deliverables and/or Services beyond this date.

3.3.3.2 In order to reflect changes in the market costs of the Deliverables and/or Services the Parties agree that the Escalation Linked Amounts will be subject to an annual adjustment from the First Escalation Date in accordance with Escalation Formula. The annual adjustment will be repeated on the anniversary of the First Escalation Date throughout the Term unless this Contract is terminated earlier in accordance with the Conditions.

3.4 COST PLUS PRICING METHOD

- 3.4.1 Subject to the provisions of Schedule 4 (Payment) and the following provisions of this Paragraph 3.4, Rolls-Royce will pay all Allowable Costs plus Profit to the Supplier.
- 3.4.2 Rolls-Royce will pay the Supplier the Allowable Costs and Profit up to the Cost Plus Liability Limit specified in the Order and will have no liability to the Supplier to the extent that the Allowable Costs and Profit incurred by the Supplier exceed the Cost Plus Liability Limit.
- 3.4.3 The Supplier will provide a monthly cost statement to Rolls-Royce which includes as a minimum:
- 3.4.3.1 the Allowable Costs and Profit incurred by the Supplier to date (including all payments to, or commitments to pay, Subcontractors);
 - 3.4.3.2 the current total forecasted Allowable Costs and Profit for the provision of the Deliverables and/or Services at Completion; and
 - 3.4.3.3 the Cost Plus Liability Limit and any notices in accordance with Paragraphs 3.4.4 and 3.4.5 (if applicable).
- 3.4.4 The Supplier will immediately give notice to Rolls-Royce in writing as soon as the sums payable to the Supplier under this Contract in respect of Allowable Costs and Profit (including all payments to, or commitments to pay, Subcontractors) reach an amount equal to 80% of the Cost Plus Liability Limit.
- 3.4.5 If the Supplier considers that it will exceed the Cost Plus Liability Limit, the Supplier will give notice to Rolls-Royce in writing requesting that the Cost Plus Liability Limit is increased. This notice will include:
- 3.4.5.1 the reasons as to why the Supplier's Allowable Costs and Profit will exceed the Cost Plus Liability Limit;

3.4.5.2 when the Supplier anticipates that it will exceed the Cost Plus Liability Limit; and

3.4.5.3 the value of the requested increase to the Cost Plus Liability Limit.

3.4.6 Following receipt of the either of the notices referred to in Paragraphs 3.4.4 and 3.4.5 respectively, the Parties will discuss in good faith an appropriate resolution.

3.4.7 Flow downs

3.4.7.1 Appendix 1 to DEFCON 653 will apply with the following amendment: references to the "subcontractor" and the "subcontract" will be read as references to the Supplier and this Contract respectively.

3.4.8 Invoicing

- 3.4.8.1 The Supplier will submit its invoice in accordance with Schedule 4 (Payment).
- 3.4.8.2 Rolls-Royce will pay any Allowable Costs and Profit monthly in arrears. The Supplier will be entitled to invoice Rolls-Royce in respect of those Allowable Costs at the end of the calendar month, subject to Paragraph 3.4.2 above. All invoices will contain a detailed breakdown of its Allowable Costs.
- 3.4.8.3 Rolls-Royce will be entitled to review the invoices to ensure costs identified are Allowable Costs in accordance with the SSCR prior to their approval.

3.4.9 Cost verification and audit requirements

- 3.4.9.1 The Supplier will provide Rolls-Royce, the Authority and its or their subcontractors, agents and employees with free and unrestricted access to the following information throughout the Term and for three (3) years after Delivery, 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 have been applied;
 - (c) the invoices of all Subcontractors.

3.4.9.2 The requirement to give prior notice will not apply where Rolls-Royce or the Authority require such access to enforce any rights under this Contract or Law.

3.4.10 Cost certificates

3.4.10.1 The Supplier will provide, to Rolls-Royce, an Annual Cost Certificate in the form set out in DEFFORM 812 (Contractor Cost Statement) 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) (save that references to “the Authority” will be interpreted as “the Authority and/or Rolls-Royce”).

3.4.10.2 If applicable, following agreement and promulgation by CAAS of the Supplier’s overhead and profit rates which apply to any Allowable Costs for which the Supplier has previously submitted an Annual Cost Certificate, the Supplier will submit, to Rolls-Royce, an updated Annual Cost Certificate which reflects the information agreed and promulgated by CAAS.

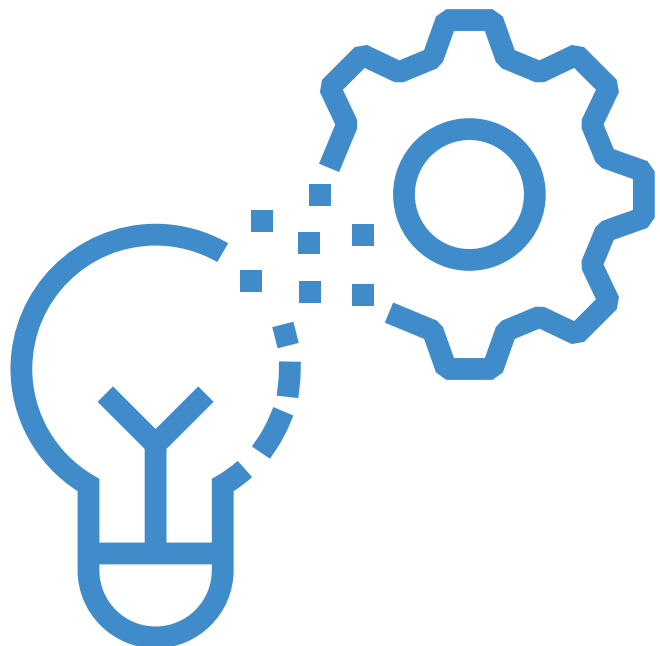
3.4.10.3 In addition to the Annual Cost Certificates to be provided under Paragraph 3.4.10.1 above, the Supplier will provide, to Rolls-Royce, a final Annual Cost Certificate, in the form set out in DEFFORM 812 (Contractor Cost Statement) (Edition 12/14) within six (6) months of the end of the Term, showing all Allowable Costs incurred between the last Annual Cost Certificate and the end of the Term. Upon receipt of the Supplier’s

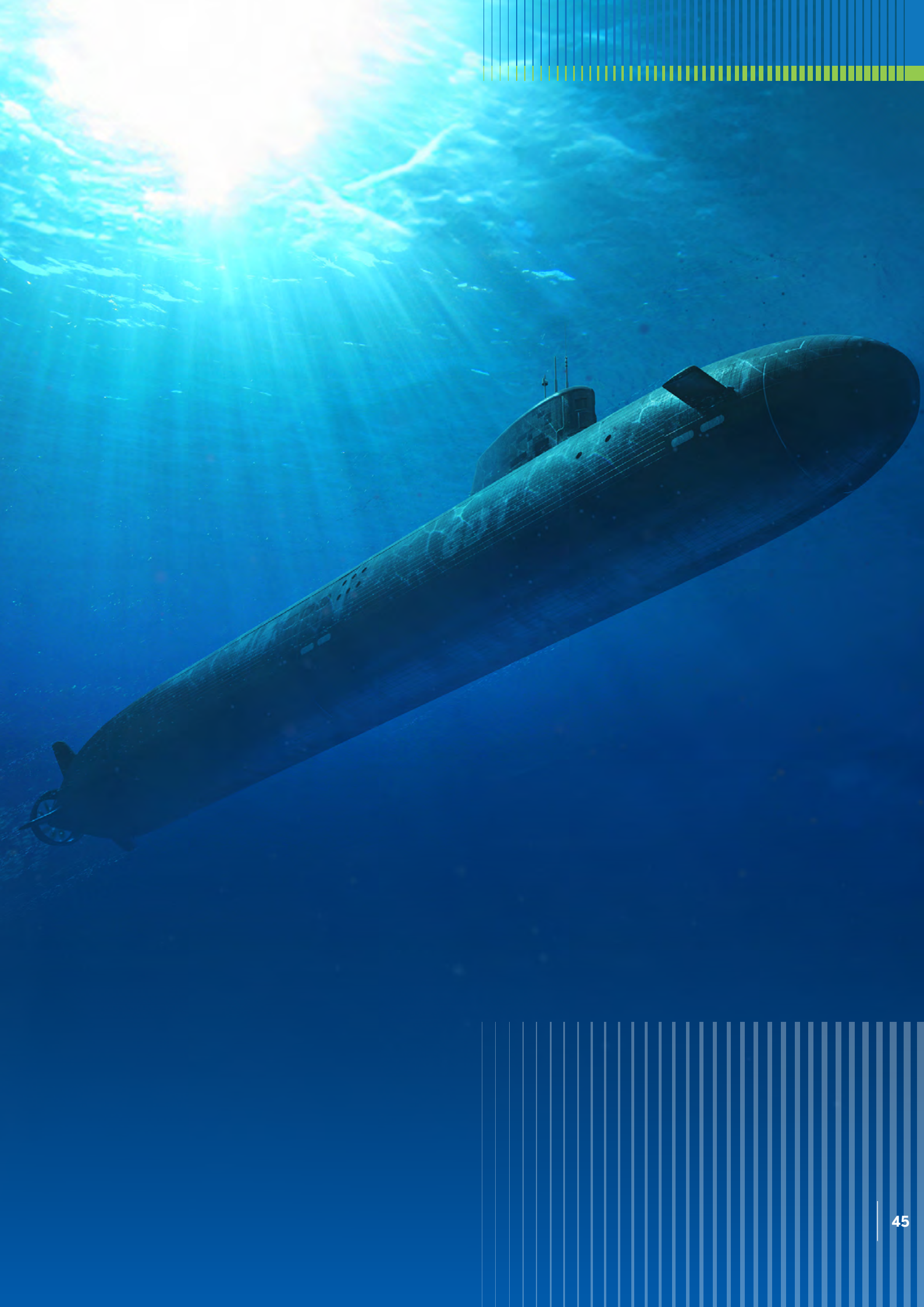
final Annual Cost Certificate, Rolls-Royce and/or the Authority may audit the Allowable Costs referenced on such Annual Cost Certificates in accordance with the provisions of DEFCON 653 (Pricing on Ascertained Costs) (Edition 10/04) (save that references to “the Authority” will be interpreted as “the Authority and Rolls-Royce”).

3.4.11 Transparency Obligations

3.4.11.1 The Supplier will provide Rolls-Royce with full financial transparency across the Supplier’s business to the extent that it relates to this Contract. Transparency will include the provision of data in the Rolls-Royce CCW (Cost Component Worksheet) format (or such other format as may be agreed between the Parties) and, where deemed necessary by Rolls-Royce (at its sole discretion), additional explanation, justification and benchmarking information will be provided.

3.4.11.2 Any disclosure made by the Supplier will be subject to the provisions of Clause 23 (Confidential Information) of the Conditions.





SCHEDULE 4 – PAYMENT

1. PAYMENT

- 1.1 The Supplier may submit an invoice to Rolls-Royce for the Price:
 - 1.1.1 upon Acceptance by Rolls-Royce of the relevant Deliverables and/or Services; or
 - 1.1.2 if applicable and if set out in the Order, following the achievement of the particular Milestone(s) to which such invoice relates, provided that evidence of the achievement of such Milestone has been submitted to and approved by Rolls-Royce in writing in accordance with Schedule 3 (Pricing).
- 1.2 Any invoice submitted to Rolls-Royce by the Supplier must be a Valid Invoice and will include a full breakdown of the Price to which such invoice relates.
- 1.3 Rolls-Royce will have no liability in respect of any payments due under this Contract which are not validly invoiced by the Supplier in accordance with this Schedule 4 (or as otherwise set out in the Order), or for any invoices which are not submitted by the Supplier within six (6) months from the date the Supplier first became entitled to submit such invoice to Rolls-Royce.
- 1.4 The Supplier will submit its invoice(s) to Rolls-Royce's Financial Service Centre as stated in the Order (if applicable).
- 1.5 If the Supplier has complied with its obligations in Paragraphs 1.1 to 1.4 above, subject to Paragraph 3 (Disputed Invoices) below, and provided that the Supplier is not in breach of any of its other obligations under this Contract, the due date for payment of an invoice by Rolls-Royce will be the first Friday falling on or after the date that is thirty (30) days following receipt of the Valid Invoice by Rolls-Royce. If such date is not a Working Day, payment will be made on the following Working Day.
- 1.6 Payment of any invoices by Rolls-Royce will be made by electronic transfer to the Supplier.
- 1.7 Rolls-Royce will be entitled to set-off any liability owed by it to the Supplier under this Contract against any liability of the Supplier or any of its Affiliates to Rolls-Royce or any of its Affiliates under this Contract or any other agreement, whether such liability is present, future, liquidated or unliquidated.

- 1.8 Subject to Paragraph 3 (Disputed Invoices), if the Supplier does not receive payment from Rolls-Royce by the relevant due date (as set out in Paragraph 1.5 above), the Supplier will be entitled to charge interest on such amount at a rate of 0.5% per annum above the Base Rate, accruing on a simple basis from the date that payment became overdue and ending on the date payment is received in full by the Supplier. The Parties agree that this Paragraph 1.8 is a substantial remedy for late payment of any sum payable under this Contract for the purposes of the Late Payment of Commercial Debts (Interest) Act 1998.
- 1.9 If a payment is disputed in good faith by Rolls-Royce pursuant to Paragraph 3 (Disputed Invoices), interest under Paragraph 1.8 will only be payable after the dispute has been resolved on amounts found or agreed to be due if Rolls-Royce fails to pay such amounts within thirty (30) days after the dispute has been resolved.
- 1.10 Payment made by Rolls-Royce will not constitute Acceptance by Rolls-Royce of any Deliverables and/or Services (as applicable), nor will it otherwise prejudice any rights or remedies which Rolls-Royce may have against the Supplier.

2. TAX

- 2.1 The Price is exclusive of VAT or any other similar tax 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 Paragraphs 1.1 to 1.4 (Payment) above.
- 2.2 Subject to Paragraph 2.1 above, 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, Rolls-Royce, and the personnel or any Affiliate of either Party, 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 Services and/or Deliverables under this Contract.

3. DISPUTED INVOICES

- 3.1 Without prejudice to Paragraph 3.3, if Rolls-Royce disputes in good faith any part of an invoice submitted by the Supplier (the “**Disputed Sum**”), the Parties will follow the procedure set out in this Paragraph 3.1:
- 3.1.1 Rolls-Royce will, within 30 days following the receipt of the invoice, notify the Supplier in writing of its dispute, giving details of the nature of the dispute and the amount it claims should have been invoiced;
- 3.1.2 within 14 days of receipt of such notice from Rolls-Royce, the Supplier will (as instructed by Rolls-Royce) either:
- 3.1.2.1 issue to Rolls-Royce a credit note for the amount of the Disputed Sum; and/or
- 3.1.2.2 if applicable, submit a replacement invoice to Rolls-Royce for the undisputed amount of the invoice (provided always that any replacement invoice submitted by the Supplier will comply with the terms of Paragraphs 1.1 to 1.4 (Payment) above);
- 3.1.3 following receipt by Rolls-Royce of the credit note and/or replacement invoice in accordance with Paragraph 3.1.2, Rolls-Royce will pay the undisputed amount (if applicable) to the Supplier by the first Friday falling on or after the date that is thirty (30) days following the date of receipt by Rolls-Royce of such credit note or replacement invoice;
- 3.1.4 in relation to the Disputed Sum:
- 3.1.4.1 the Supplier will provide all such information and evidence as may be reasonably necessary to verify the Disputed Sum; and
- 3.1.4.2 the Parties will negotiate in good faith to attempt to resolve the dispute promptly;
- 3.1.5 if the Parties have not resolved the dispute within thirty (30) days of the date Rolls-Royce first gives notice to the Supplier of the dispute, either Party may request that the dispute is resolved in accordance with Schedule 6 (Law and Dispute Resolution);
- 3.1.6 if the Parties resolve the dispute within thirty (30) days of the date Rolls-Royce first gives notice to the Supplier of the dispute, or if the dispute is resolved in accordance with Paragraph 3.1.5 above and Schedule 6 (Law and Dispute Resolution), the Supplier will, if necessary, issue a new Valid Invoice to Rolls-Royce for all or part of the Disputed Sum (if any)

as it is resolved is payable by Rolls-Royce (and such invoice will comply with the terms of Paragraphs 1.1 to 1.4 (Payment) above) (the “Resolution Invoice”); and

- 3.1.7 provided that Rolls-Royce is satisfied that the Resolution Invoice accurately reflects the resolution of the dispute in respect of the Disputed Sum, Rolls-Royce will pay such Resolution Invoice to the Supplier by the first Friday falling on or after the date that is thirty (30) days following the date of receipt by Rolls-Royce of the Resolution Invoice.
- 3.2 For the avoidance of doubt, if Rolls-Royce fails to notify the Supplier of any Disputed Sum in accordance with Paragraph 3.1, this will not constitute a waiver of Rolls-Royce’s right to dispute the amount of that invoice at any later date.
- 3.3 If Rolls-Royce in good faith disputes any part of an invoice submitted by the Supplier after such invoice has been paid by Rolls-Royce, Rolls-Royce will notify the Supplier in writing of that dispute giving details of the nature of the dispute and the amount it claims should have been invoiced. Following such written notification by Rolls-Royce, the Parties will follow the procedure in Paragraph 3.1 in respect of the Disputed Sum and following resolution of such dispute, if applicable, the Supplier will issue any credit note owing to, or refund any amount paid by, Rolls-Royce within thirty (30) days of such resolution.

4. ALLOWABLE COSTS

- 4.1 In accordance with Section 20(2) of the Defence Reform Act 2014, the Supplier agrees that the only costs incurred by the Supplier and which the Supplier is entitled to recover under this Contract are Allowable Costs.

5. COMPLIANT COSTS

- 5.1 If at any time the Authority or the SSR0 makes a determination that any cost incurred by the Supplier which forms part of the Price is not allowable under Section 20 of the Defence Reform Act 2014 (a “Disallowed Cost”), and Rolls-Royce is either:
- 5.1.1 required to repay any Disallowed Cost to the Authority; or
- 5.1.2 required not to invoice the Authority for such Disallowed Cost,
- then Rolls-Royce will notify the Supplier of such Disallowed Costs.

GENERAL CONDITIONS OF PURCHASE

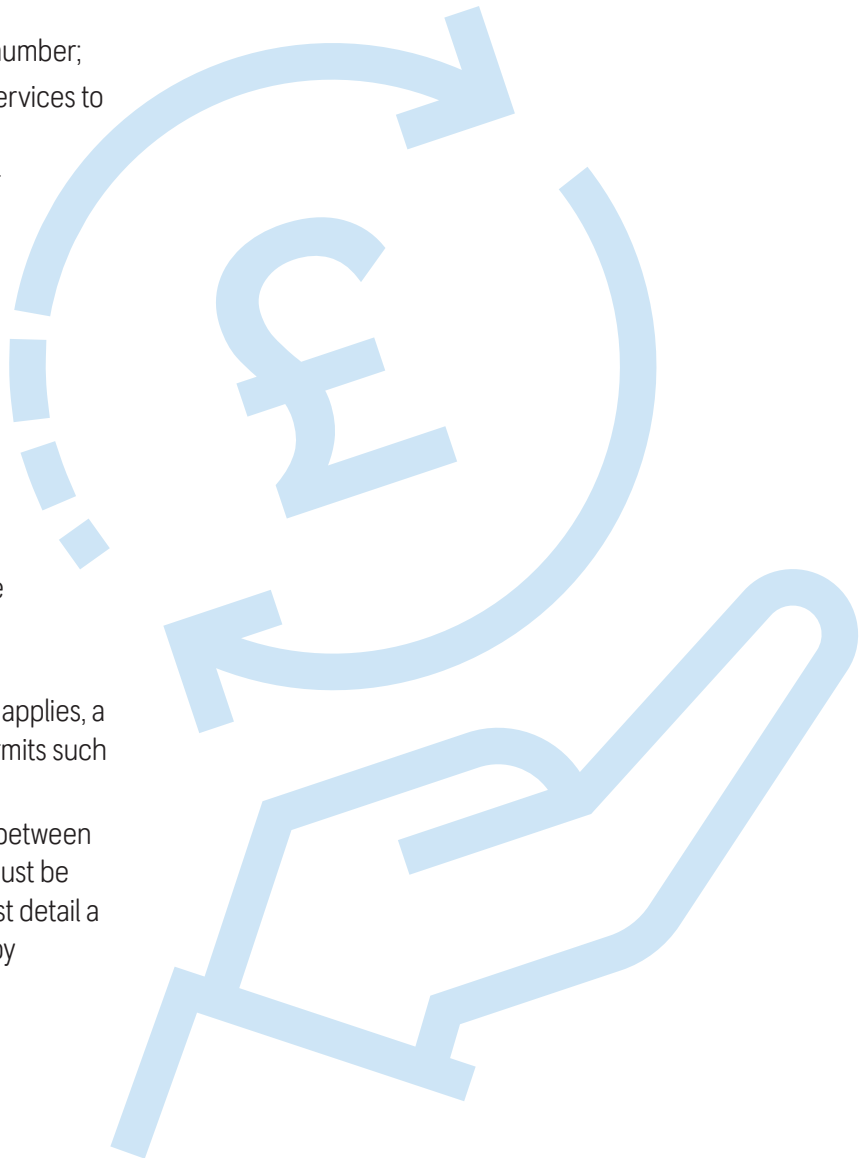
- 5.2 Following a notification under Paragraph 5.1, the Supplier will either:
- 5.2.1 promptly repay any Disallowed Costs to Rolls-Royce within three (3) Working Days following receipt of such notice; or
 - 5.2.2 where the Disallowed Costs relate to part of the Price which Rolls-Royce has not yet paid, not invoice Rolls-Royce for such Disallowed Costs, and the Price will, in each case, be amended accordingly.
- 5.3 Any repayments made by the Supplier to Rolls-Royce under Paragraph 5.1.1 in connection with any Disallowed Costs will not be subject to any of the limitations or exclusions on the Supplier's liability set out in this Contract and any such amounts will 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.





APPENDIX 1 – VALID INVOICES

1. In order to be a “**Valid Invoice**”, each invoice submitted by the Supplier must contain the information set out in this Paragraph 1 of Appendix 1 to Schedule 4 (Payment). Any invoice which does not contain such information will not be deemed to be a Valid Invoice and will be rejected by Rolls-Royce:
 - 1.1 the date of issue of the invoice;
 - 1.2 a sequential number, based on one or more series to uniquely identify the invoice;
 - 1.3 the VAT registration number of the Supplier (if applicable) and Rolls-Royce’s VAT registration number;
 - 1.4 the full name and address of the Supplier;
 - 1.5 the relevant Rolls-Royce purchase order number;
 - 1.6 a description of the Deliverables and/or Services to which the invoice relates;
 - 1.7 the date on which the Deliverables and/or Services were Delivered or completed or the date on which the payment on account was made if different from the invoice date;
 - 1.8 the net amounts per each tax rate or exemption that is being applied, exclusive of any tax, discounts, rebates, if not already part of the Price;
 - 1.9 the VAT rate applied;
 - 1.10 the total amount of VAT due in accordance with Paragraph 2.1 (Tax) of this Schedule 4, unless any relevant exemptions apply;
 - 1.11 where a VAT exemption or reverse charge applies, a reference to the applicable Law which permits such exemption or reverse charge; and
 - 1.12 for any Stage Payment Orders (as agreed between the Parties), a stage payment certificate must be supplied with the relevant invoice and must detail a summary of the amounts previously paid by Rolls-Royce to the Supplier.





SCHEDULE 5 – CHANGE MANAGEMENT

1. TYPES OF CHANGE

- 1.1 For the purposes of this Contract, there are three (3) classes of Change:
- 1.1.1 **“Agreed Change”** means any Change which is not a Mandatory Change or a Necessary Change;
- 1.1.2 **“Mandatory Change”** means any Change required by Rolls-Royce in accordance with Paragraph 5 (Mandatory Change Procedure) of this Schedule 5;
- 1.1.3 **“Necessary Change”** means any Change which is requested by the Supplier as a result of:
- 1.1.3.1 a Relief Event; or
- 1.1.3.2 Force Majeure,
- and is made in accordance with Paragraph 4 (Necessary Change Procedure) of this Schedule 5.

2. CHANGE MANAGEMENT

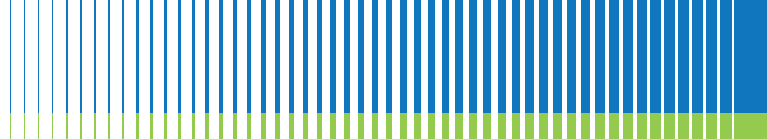
- 2.1 Rolls-Royce and the Supplier will each appoint authorised representatives for the day-to-day management of this Contract.
- 2.2 Subject to Paragraph 2.3 below, any Changes to this Contract must be made in accordance with this Schedule 5. Any Changes that are made not in accordance with this Schedule 5 will be null and void.
- 2.3 Any Changes to this Contract will be documented via an Amendment Letter, as specified in the relevant Paragraphs below. Rolls-Royce may, from time to time and at its sole discretion, allow a Change to this Contract to be documented in any other form as determined by Rolls-Royce, including via change logs.
- 2.4 The Parties will take all steps which may be required to implement any Change made in accordance with this Schedule 5.
- 2.5 Each Party will use reasonable endeavours to minimise any cost and delay associated with any Change.
- 2.6 Any discussions, negotiations or other communications which may take place between the Parties in connection with any proposed Change (including the submission and/or exchange of any relevant communications) will be without prejudice to each Party's rights and obligations under this Contract.

3. AGREED CHANGE PROCEDURE

- 3.1 If either Party wishes to propose a Change to this Contract it may do so at any time by issuing a notice to the other Party (**“Agreed Change Request”**) containing:
- 3.1.1 the provision(s) of this Contract proposed to be changed and the terms of the proposed replacement provision(s);
- 3.1.2 a description of the reasons for such Change (the detail of such description to be proportionate to the significance of the Change proposed) including any supporting evidence; and
- 3.1.3 the proposed timing for implementation of such Change.
- 3.2 Following the issue of an Agreed Change Request by either Party, the Supplier will provide a proposal to Rolls-Royce as soon as reasonably practicable (a **“Change Proposal”**), which will identify, where relevant:
- 3.2.1 a proposal for adjustments to any obligations in this Contract, including time and cost, which result from the proposed Change; and
- 3.2.2 any dependencies which are necessary for the purposes of implementing the Change and a plan for the procurement of such dependencies.
- 3.3 Following service of a Change Proposal, the Parties will fully assess and consider the Change Proposal in good faith.
- 3.4 If the Parties reach agreement on the proposed Agreed Change, the Parties will enter into a written amendment to this Contract which includes all of the details of the Change (an **“Amendment Letter”**) and the Change will have legal effect from the date the Amendment Letter is agreed in writing by the Parties.

4. NECESSARY CHANGE

- 4.1 The Supplier may request a Necessary Change at any time by serving notice on Rolls-Royce (**“Necessary Change Request”**), which will contain:



- 4.1.1 the provision(s) of this Contract proposed to be changed and the terms of the proposed replacement provision(s);
 - 4.1.2 an explanation as to why the Change is a Necessary Change (the detail of such explanation to be proportionate to the significance of the Change), including any supporting evidence;
 - 4.1.3 the proposed timelines for implementation of the Change;
 - 4.1.4 any third party consents which are necessary for the purposes of implementing the Change and a plan for the procurement of such consents; and
 - 4.1.5 the anticipated effect of the Change including any impact that it will have in respect of Price, Deliverables and Delivery Dates.
- 4.2 If the Supplier issues a Necessary Change Request which is agreed by Rolls-Royce or is determined in accordance with Schedule 6 (Law and Dispute Resolution) to be a Necessary Change, the Parties will enter into an Amendment Letter to this Contract and the Necessary Change will have legal effect from the date the Amendment Letter is agreed in writing by the Parties.
- 4.3 If Rolls-Royce believes that the issues raised and/or amendment requested by the Supplier in the Necessary Change Request is not in fact a Necessary Change and/or it disputes the relevant consequential adjustments proposed by the Supplier, the Parties will comply with the provisions of Schedule 6 (Law and Dispute Resolution) in order to resolve the dispute.

5. MANDATORY CHANGE

- 5.1 Subject to Paragraph 5.6 below, Rolls-Royce will have the right at any time to make a Mandatory Change by issuing a notice to the Supplier (“**Mandatory Change Notice**”). All Mandatory Change Notices will, to the extent relevant, include details of:
- 5.1.1 the proposed Change(s) to the Deliverables and/or the performance of the Services, including any proposed timeline for implementation of such Change; and
 - 5.1.2 the objective to be met by and the reasons for such Change.
- 5.2 If a Mandatory Change results in a material reduction in the scope of the Supplier’s obligations and/or a material reduction in the Price payable to the Supplier under this Contract (each as determined by Rolls-Royce), the Parties acknowledge and agree that the provisions of Clauses 22.2 to 22.5 (Termination) of the Conditions will apply following such Mandatory Change taking effect.
- 5.3 Following the issue of a Mandatory Change Notice by Rolls-Royce, the Parties will use best endeavours to agree any other amendments necessary to reflect the implementation of the Mandatory Change, including any adjustments to the Price.
- 5.4 The Supplier will implement the Mandatory Change in accordance with the requirements of the Mandatory Change Notice notwithstanding that any Price adjustment may not have been determined and if the Parties cannot agree a Price adjustment, the Parties will comply with the provisions of Schedule 6 (Law and Dispute Resolution) in order to resolve the dispute.
- 5.5 Following the service and receipt of the Mandatory Change Notice, Rolls-Royce will issue an Amendment Letter to this Contract which documents the Mandatory Change, and any other agreements reached by the Parties to reflect the implementation of the Mandatory Change. The Supplier will agree to the Mandatory Change within ten (10) Working Days of receipt of the relevant Amendment Letter from Rolls-Royce. The Mandatory Change will have legal effect from the date the Amendment Letter is agreed in writing by the Parties.
- 5.6 The Supplier will not be required to implement any Mandatory Change where this would, if implemented:
- 5.6.1 cause the Supplier to be in breach of an obligation, duty or requirement under any Laws, Regulatory Requirement, third party consent or any terms and conditions of any site licence or contract;
 - 5.6.2 would not be reasonably possible for the Supplier to perform taking account of all relevant circumstances and the practical possibility of establishing any necessary additional capacity or performing within the relevant timelines; or
 - 5.6.3 pose a threat of personal injury to anyone including to the Supplier’s staff, the staff of any Subcontractor, or any other person for whom the Supplier or any Subcontractor is responsible, or pose a reasonably foreseeable threat of harm to the environment.

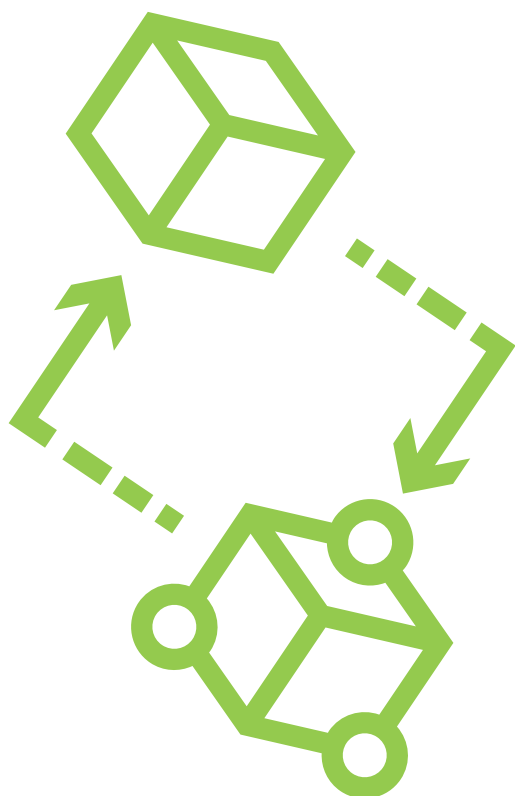
SCHEDULE 6 – LAW AND DISPUTE RESOLUTION

This Contract, and any disputes, claims or obligations (including non-contractual disputes, claims or obligations) arising out of or in relation to this Contract, will be governed by and construed in accordance with the Laws of England and Wales.

2. Any dispute arising out of or in connection with this Contract, including any question regarding its existence, validity or termination, and any dispute relating to any noncontractual obligations arising out of or in connection with this Agreement will be resolved as set forth in this Schedule 6.
3. The Parties will seek to promptly resolve any issues arising under this Contract informally by negotiation at the appropriate levels between members or employees of each Party (including, where appropriate, by utilising the processes set out in Schedule 5 (Change Management) or considering the use of mediation or other alternative dispute resolution techniques). If any issues arise that cannot be resolved at this stage, either Party may escalate the issue for resolution using the following escalation ladder:
 - 3.1 Desk officer level (e.g. Rolls-Royce Commercial Officer, Supply Chain Buyer or Project Engineer and the Supplier equivalent);
 - 3.2 Senior Representatives (e.g. Rolls-Royce Commercial Manager, PCM or Programme Manager and the Supplier equivalent);
 - 3.3 Joint Management Review (e.g. Rolls-Royce Head of Commercial, Head of Supply Chain, Head of Programme and the Supplier equivalent); and
 - 3.4 Joint Senior Management Review (e.g. Rolls-Royce Chief Commercial Officer, Director- Supply Chain or Programme Director and the Supplier equivalent).
4. If any disputes cannot be resolved despite the Parties' performance of Paragraph 3 above, either Party may at any time raise a formal **"Dispute"** in accordance with the following process:
 - 4.1.1 either Party may serve written notice on the other Party notifying it of the relevant Dispute (a **"Referral Notice"**) and indicating that the Dispute should follow the formal process in this Paragraph 4;
 - 4.1.2 following the service of a Referral Notice, senior representatives of the Parties (the Procurement Category Manager for Rolls-Royce and the Project Manager for the Supplier) will meet within 7 days to try to resolve the Dispute;
 - 4.1.3 if the Dispute cannot be resolved within 7 days of the referral in Paragraph 5.1.2, representatives of the Parties with greater seniority (the Heads of Supply Chain for Rolls-Royce and Managing Director of the Supplier) will meet within 14 days to resolve the Dispute.
 - 4.1.4 if the Dispute cannot be resolved within 14 days of the referral in Paragraph 4.1.3, either Party may commence formal proceedings in accordance with Paragraph 6.
5. Neither Party may, during the Term, commence formal proceedings in relation to a Dispute unless that Party has first complied with the steps in Paragraph 4.
6. Any Dispute which cannot be resolved despite the Parties' performance of the steps in Paragraph 4 above may be referred by either Party for final resolution by arbitration under the Rules of the London Court of International Arbitration, which Rules are deemed to be incorporated by reference into this Paragraph 6. The number of arbitrators will be one. The seat, or legal place, of arbitration will be London. The language to be used in the arbitration will be English.
7. If the Supplier is not incorporated in the United Kingdom, it must appoint a process agent in the UK for the purposes of formal proceedings in relation to a Dispute.
8. Nothing in this Schedule 6 (Law and Dispute Resolution) will limit the right of Rolls-Royce at any time to seek interim measures of protection in the courts of England and Wales. Such preservation of rights will not be construed as a waiver or limitation of Rolls-Royce's consent to arbitration.

SCHEDULE 7 – INSURANCE

1. The Supplier will at its own cost, obtain and maintain, until the later of: (i) the end of the Term; or (ii) the expiry of any outstanding Warranty Period under this Contract (or any other period stated in the Order), the following insurances together with any additional insurance requirements set out in the Order:
 - 1.1 employers' liability insurance for the sum of not less than £10,000,000 (ten million pounds sterling) or such higher amount as may otherwise be required by Law;
 - 1.2 motor insurance cover as required by Law;
 - 1.3 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;
 - 1.4 product liability insurance for the sum of not less than £10,000,000 (ten million pounds sterling) per annum;
 - 1.5 professional indemnity insurance for the sum of not less than £10,000,000 (ten million pounds sterling) per annum;
 - 1.6 cyber insurance for the sum of not less than £10,000,000 (ten million pounds sterling) per incident (or series of connected incidents);
 - 1.7 for Infrastructure Contracts, the required Construction Insurance Policies as set out in the Order (to the extent applicable); and
 - 1.8 any other insurances which the Supplier is required to maintain by Law (at any time) and those insurances which a prudent supplier would obtain for undertaking the obligations and accepting the liabilities imposed on it by this Contract.
2. For the insurance policies set out at Paragraphs 1.1, 1.2 and 1.3 of this Schedule 7, the Supplier will:
 - 2.1 ensure that Rolls-Royce's interest is recorded on the policies as an "additional insured" for the benefit of Rolls-Royce;
 - 2.2 ensure that the policies include a severability of interest clause;
 - 2.3 ensure that the policies include a waiver of subrogation in favour of Rolls-Royce;
 - 2.4 whenever so required and requested by Rolls-Royce, provide within three (3) Working Days following such request an insurance broker's letter as confirmation of cover; and
 - 2.5 administer and maintain the policies and the Supplier's relationship with its insurers at all times to preserve the benefits for Rolls-Royce set out in this Schedule 7 and will procure that the terms of such policies will not be altered in such a way as to diminish the benefit to Rolls-Royce of the policies referred to in this Schedule 7.
3. The Supplier's insurance coverage will not be the exclusive remedy of Rolls-Royce, nor will it limit any liability of the Supplier to Rolls-Royce for any loss suffered where such loss falls within the remit of any such insurance policy, and is without prejudice to any other rights and remedies Rolls-Royce may have under this Contract.
4. The insurance coverage arranged by the Supplier will be primary and without right of contribution from any other insurance which may be available to Rolls-Royce.





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