



# Terms and conditions for suppliers

## 1. Basis of the contract

The contractual documents of this contract apply in the following order of precedence:

- I. The negotiating protocol for subcontractor services, together with the corresponding written order.
- II. The performance specifications, along with all and any additions, plans, drawings and samples, etc.
- III. These contractual terms and conditions applying to suppliers.
- IV. The contractual terms and conditions agreed to between the Rheinhold & Mahla Company (hereinafter "R&M") and its client (hereinafter "the end customer") in accordance with sect. 2 of the negotiating protocol, insofar as this affects the contract between R&M and the subcontractor.
- V. All applicable technical specifications and recognized industrial standards, in their corresponding latest versions (e.g. SOLAS, IMO; ISO, EN, DIN-, VDI and VDE standards, etc.).

Unless explicitly agreed, the supplier's general terms and conditions of business, delivery, sale and payment shall not become a binding part of the contract. The same shall apply to all and any reservations, assumptions and restrictions, etc. that the supplier might express prior to negotiations which shall only form part of the contract if the parties have expressly agreed upon such an inclusion.

## 2. Scope of delivery of products and services

- 2.1 All products and services (including supplementary services) provided by the supplier which are necessary to achieve the purpose of the contract according to the contractual basis are compensated by the contract price agreed on the basis of the contract, for achieving the contractual purpose of that contract. This applies in particular to all wages, salaries, fees, costs, expenses, licenses, charges and relevant taxes. These prices also cover the supplier's costs of training R&M employees in the operation and maintenance of items of equipment and systems supplied and/or installed by the supplier.
- 2.2 R&M reserves the right to amend plans and drawings and issue other instructions.
- 2.3 The supplier undertakes to supply at R&M's request services that have not been agreed on in the contract, but which are required for the completion of contractual scope, unless its operating facilities are not equipped for the delivery of such services. Other services can only be assigned to the supplier with its consent.

## 3. Remuneration

Contractual prices are fixed and understood to be net amounts without value added tax (VAT). VAT shall be compensated separately after the date on which it falls due and in accordance with applicable statutory provisions.

## 4. Production documentation

- 4.1 The supplier shall request from R&M in a timely manner the information and documents which are required to deliver the contractual services and products and shall review them immediately after receipt for completeness and correctness. The supplier shall verify or check all the information made available in the documents provided by R&M, insofar as it concerns services to be delivered by the supplier. The supplier must immediately notify R&M of any discrepancies. The production tolerances agreed based on specified measure shall be mutually agreed with R&M. The supplier shall bear all the negative consequences affecting R&M and himself in the event of failure to fulfil these obligations.
- 4.2 R&M shall retain legal title to all drawings, calculations, certificates and all other project-related documents supplied to the supplier. The supplier shall use them only for confirmed contractual purposes and is not entitled to publish them or otherwise make them available to any third party or parties without the previous consent of R&M.
- 4.3 The supplier shall not publish details of its services or of any part of the construction project without the prior consent of R&M. The supplier undertakes not to disclose to any third party or parties the business secrets and/or confidential information that he might acquire relating to the supplier contract.



- 4.4 The supplier shall produce, without extra charge, all calculations and completion plans required for its services, insofar as R&M does not supply such items, and shall make them available for use by R&M in a timely manner and without being asked to do so, in such a way that gives R&M reasonable time to verify them and carry out possible corrections without any delay to construction work carried out by the supplier. The term “reasonable time” normally refers to a period of three weeks.
- 4.5 If the supplier fails to meet this deadline, and the late issue of approval of calculations and completion plans leads to delays, the supplier cannot allege that he has been impeded in the performance of its services. The supplier shall continue to be responsible and liable, even after submission to R&M, for the completeness and accuracy of the project-related documents that the supplier procures or draws up.
- 4.6 The supplier undertakes to verify, in a timely and adequate manner, the actual nature and location of the construction site, its accessibility and its suitability for the delivery of the supplier’s services.

## 5. Completion

- 5.1 R&M shall be entitled to make instructions, with the involvement of the supplier’s management team, to ensure the delivery of products and services as specified in the contract. If it considers R&M’s instructions as unjustified or inappropriate, it should submit its concerns in writing, but must nevertheless implement the instructions concerned if asked to do so, unless conflicted by statutory provision or official regulation.
- 5.2 If the supplier has concerns regarding the intended way of execution of the contractual products and services, the quality of materials or components supplied by R&M or services provided by other suppliers, he must submit its concerns to R&M in writing without delay, preferably before delivery of the respective products and the commencement of performance of the respective services. If it fails to do so, he shall bear full responsibility for all and any loss, damage and costs that might result from that breach of contract.
- 5.3 The supplier shall provide, without request, proof of compliance with quality standards of the materials and products delivered. These include, without being limited to, all and any IMO/MED certificates that might be relevant. The supplier shall supply and install, when asked to do so by R&M, samples and trial versions of the materials and components that the supplier intends to use. The supplier shall bear the costs of these items and of test and production certificates specified by R&M.
- 5.4 As a basic principle, the supplier shall provide its services on its own behalf. Further subcontracting of contractual services by supplier requires the prior written consent of R&M. This also applies to all and any further subcontracting of services by the supplier to other suppliers and/or service providers, even and insofar as this takes place in the context of a so-called “subcontracting chain”. If the supplier engages its own suppliers, without the written consent of R&M, to deliver services on the construction site or on other operating premises of R&M, R&M may give the supplier reasonable notice to begin delivering such services on its own behalf, on the understanding that R&M may terminate the contract if the supplier fails to comply before the expiry of this deadline. The supplier is obliged, when delivering its products and services, only to engage employees from outside the European Union if such employees possess a valid residence permit with entitlement to take up employment.
- 5.5 The supplier undertakes to remove and dispose of, during each working day, the waste and remains of packaging material that he generates. If the supplier fails to meet this obligation despite the granting of a reasonable period of grace, R&M shall be entitled to arrange for disposal at the supplier’s expense. No period of grace is required for the removal and disposal of combustible waste and packaging materials which, according to SOLAS, must not remain on board a vessel.

## 6. Obstructions and interruptions affecting completion

If the supplier assumes that he is being obstructed in the timely delivery of his products and services, he must immediately notify R&M in writing. This also applies in the event of obvious obstructions. The supplier shall make all reasonable efforts to enable the complete delivery of his products and services.

## 7. Deadlines, delays and contractual penalties

- 7.1 The deadlines stipulated in the contract (construction schedule) shall be binding.



- 7.2 The subcontractor shall be deemed to have breached deadline obligations in accordance with clause 7.1, without further warning or a period of grace, whenever such delays are attributable to him.
- 7.3 The contractual penalty for delay attributable to subcontractor shall be calculated at a rate of 0.2% of the total net invoiced amount for each working day by which the final deadline is exceeded; in the event of failure to meet interim deadlines, the contractual penalty shall be 0.2% of the net invoiced amount of that part of performance whose completion deadline has been exceeded.
- 7.4 Once a contractual penalty has become due to an exceeded interim deadline, it will be added to any subsequent contractual penalties that might apply to further interim and or completion deadlines. Contractual penalties are limited to 5% of the total net invoiced value.
- 7.5 R&M is not obliged to claim contractual penalties at final acceptance; contractual penalties may be asserted by final payment.

## **8. Cancellation, withdrawal from and termination of the contract by R&M**

- 8.1 R&M may terminate the contract at any time due to substantial reasons or in accordance with the provisions of article 649 of the German Civil Code (BGB). Notice of termination must be issued in writing. If R&M terminates the contract, either wholly or partially, the supplier shall have no entitlement to claim for loss and damage arising from lost profits if he is offered a compensatory contract of an equivalent value.
- 8.2 If the supplier is unable to carry out his obligations in accordance with the contract and on schedule, in a manner that threatens the fulfilment of completion deadlines, R&M shall be entitled, after issuing a corresponding warning and granting a period of grace, and without partial termination of the contract, to award for the affected part of the products and services to be delivered another supplier at the supplier's expense.
- 8.3 R&M shall be entitled to issue a notice of extraordinary termination if the supplier fails to fulfil the legal requirements associated with the delivery of his products and services (e.g. concerning work permits, the payment of taxes and social security contributions, the employment of temporary/agency workers), or is unable to provide, or provide in a timely manner, documentary evidence that R&M is entitled to demand under the terms of the contract, or if R&M or the completion of the project are likely to be at a significant disadvantage.

## **9. Liability/insurance**

- 9.1 The supplier shall notify R&M in writing of the completion of delivery of his products and services.
- 9.2 If a third party should take action against R&M for loss and damage attributable to the supplier, the supplier shall immediately hold R&M harmless against all such resulting claims.
- 9.3 The supplier shall provide R&M with evidence of the existence, and maintenance throughout the project period, of suitable insurance supplying adequate coverage and up to a sufficient amount. The liability insurance subject to such proof must include an extended product-liability provision, unless the services of the supplier are limited exclusively to the installation, repair or maintenance of products manufactured and supplied by third parties, or to the provision of instructions for the use of such products.
- 9.4 Failure to provide proof of such insurance cover shall entitle R&M, after the issuing of a warning and the granting of a suitable period of grace, to terminate the contract or conclude a liability insurance, in favor of the supplier and at his expense, for the apparently missing insurance cover.

## **10. Completion**

The supplier shall notify R&M in writing of the completion of delivery of his products and services.

## **11. Claims due to defects**

- 11.1 The period of limitation for warranty claims concerning the contractor's services in their entirety is 25 months, unless otherwise specifically agreed. The warranty period starts with the complete, defect-free transfer of goods or services or final acceptance.



- 11.2 Whenever it is asked to do so in writing by R&M, the supplier shall rectify, at his own expense and throughout the warranty period, all defects of delivered products and services. Claims to remedy the respective defect shall expire after two years, counted from the receipt of the corresponding written request, but not before the expiry of the period defined in clause 11.1. Once the corresponding repair or remedy has been accepted, the warranty period covering the products and services concerned shall be extended by additional two years, but shall in any case not expire before the date defined in clause 11.1.
- 11.3 If the supplier fails to rectify a defect within a reasonable time after a respective request has been issued by R&M, R&M shall be entitled to remedy the defect at the supplier's expense.
- 11.4 The supplier hereby assigns to R&M, in the event the contract being awarded, all and any defect, warranty and/or loss-and-damage claims that might be made against the supplier's own subcontractors and suppliers during the fulfilment of this contract. R&M hereby accepts this assignment in its favor. The supplier must ensure, in his contracts with its own subcontractors and suppliers, the assignment of his claims to R&M. The supplier's liability for defects remains unaffected by this assignment of claims.

## **12. Payment**

- 12.1 Invoices shall be issued, depending on contractual agreements, for a lump sum or at mutually agreed rates (unit prices). The accumulated invoices submitted must be verifiable and must include the corresponding and clearly legible order number, project designation, project number, a breakdown of products and services supplied, and details of all payments received.
- 12.2 Final payment should be made subject to deduction of the agreed amount retained for warranty claims. If there is no separate agreement regarding the amount retained for such claims, it is agreed that 5% of the total invoiced amount shall be retained. The payment of the final invoice shall not exclude claims for return of incorrectly calculated services or receivables. Supplier is not entitled to claim defence of possible enrichment has been lost.
- 12.3 R&M shall settle payments within 30 calendar days, unless otherwise expressly agreed.
- 12.4 The payment period shall commence on the date of receipt of the invoice concerned. The date of issuing the payment instruction to the bank or the posting date of the cheque shall be determined for timely payment by R&M.

## **13. Statutory minimum wage and social security contributions**

The supplier hereby confirms that it pays its employees the legally or by collective labor agreement specified minimum wage, and that it fulfils the social security contributions corresponding to both the country in which the contract was entered into and the country of deployment. Corresponding proofs of compliance with the above wage and social security obligations must be supplied to R&M on demand.

The supplier shall be liable to R&M inter se for all and any infringement of wage-payment obligations and/or failure to fulfil the corresponding statutory social security contributions.

R&M shall be entitled, in the event of such a breach of contract and after granting - without success - a period of grace for compliance, to terminate the contract for good reason and award the remaining part of the products and services to a third party at the supplier's expense.

## **14. R&M compliance principles applying to subcontractors and suppliers**

The supplier shall be obliged to observe the following R&M Group compliance principles applying to subcontractors and suppliers.

## **15. Miscellaneous**

The supplier's claims against R&M arising from this contractual relationship shall only be pledged or assigned to third parties with R&M's prior consent. All and any right on the supplier's part with respect to the offsetting of counterclaims is hereby excluded, unless such claims are undisputed or enforceable by law.



**16. Place of jurisdiction/applicable law**

Place of jurisdiction shall be Hamburg. The laws of Germany shall apply with exclusion of the United Nations Convention on Contracts for the International Sale of Goods.

**17. Severability clause**

If any provision of these contractual terms and conditions or of the contractual principles listed in clause 1 should be ineffective, this shall not affect the validity of the remaining provisions.





**Rheinhold & Mahla**

Since 1887

## R&M Group compliance principles applying to subcontractors and suppliers

### **Compliance of subcontractors and suppliers**

The R&M Group and all its affiliated companies have adopted compliance as part of their corporate strategy, along with its principles of integrity, observance of the law, and ethics. The management and employees of the R&M Group stand by these principles, which are binding on them.

The R&M Group likewise expects the same exemplary conduct from its subcontractors and suppliers, with strict observance of these principles regarding integrity, observance of the law, and ethics.

### **Employees' rights and working conditions**

Suppliers and subcontractors are expected to respect the dignity, personal characteristics and health of each of their employees, and to ensure that their working conditions comply with all relevant safety standards. Employees are to be treated with respect and paid fair remuneration in accordance with legal minimum-wage requirements.

### **Undeclared work and illegal employment**

Illegal employment and undeclared work will not be tolerated. Subcontractors and suppliers shall observe all relevant statutory provisions applying to the employment of personnel, and take appropriate action to combat illegal employment and undeclared work.

### **Corruption**

The R&M Group does not tolerate corruption or bribery in any way or form. Appropriate action shall be taken even if incorrect conduct is merely suspected. Suppliers and subcontractors are expected to fight corruption within their own organizations, and to combat actively and consistently any unlawful or ethically dubious influence on decision-makers in the R&M Group, other companies and public entities.

### **Illegal collusion to prevent competition**

Suppliers and subcontractors are expected to take an active stance against unauthorized cartels, and not to participate in illegal collusion designed to prevent competition.

### **Protection of the environment**

Suppliers and subcontractors shall observe relevant environmental standards and legislation, and ensure that the environmental impact of their services is kept to an absolute minimum.

### **Compliance-related notifications**

Suppliers and subcontractors of the R&M Group are asked to observe the rules established in the "*R&M Group's compliance principles applying to subcontractors and suppliers*", and to ensure that their own subcontractors and suppliers do likewise. Proof of having done so must be provided on request.

Subcontractors and suppliers undertake to notify the R&M Group of all and any compliance-related misconduct on the part of their employees and those of their own subcontractors and suppliers. Suspected cases must be pursued with rigor, and the R&M Group expects unconditional cooperation in the clarification of any incidents.

### **Consequences of infringement**

If the subcontractor or supplier fails to fulfil, either at all or insufficiently, his commitment to cooperate in the clarification of such suspected cases of infringement, the R&M Group reserves the right, depending on the seriousness of the misconduct concerned, to cancel, without notice and on extraordinary grounds, all current contracts with the corresponding supplier or subcontractor, to terminate permanently the business relationship, and to assert claims for loss and damage.

