

Standard Terms and Conditions of Purchase

I. General

1. Unless otherwise agreed in writing by the Rolls-Royce Powersystems Group company concluding the agreement (named in the footer hereof) (hereinafter referred to as "We", "Us" or "Our") and the contractor (hereinafter referred to as the "Contractor"), these Standard Terms and Conditions of Purchase shall apply to all goods and services ordered by Us. These Standard Terms and Conditions of Purchase shall apply exclusively, even if We accept goods/services without reservation, despite being aware of terms of the Contractor which are inconsistent or which deviate from these Standard Terms and Conditions of Purchase.
2. These Terms and Conditions of Purchase, as amended from time to time, shall be an integral part of all future orders placed by Us. They shall also apply to follow-up orders whether or not We make express reference to said Terms and Conditions again.
3. References to the application of statutory provisions are made solely for purposes of clarification. Statutory provisions shall apply regardless of whether any clarification is made to that effect, unless they have been directly amended or expressly excluded in these Terms and Conditions or in the relevant agreement.
4. Our General Specifications for Deliveries, which are available for download on Our website at (<http://www.mtu-online.com/mtu/einkauf/downloads/index.de.html>) shall also be an integral part of these Terms and Conditions of Purchase. Unless agreed otherwise in writing between the Rolls-Royce Power Systems Group company concluding the agreement (named in the footer hereof) (hereinafter referred to as "We", "Us" or "Our") and the contractor (hereinafter referred to as the "Contractor"), these Standard Terms and Conditions of Purchase shall apply to all goods and services ordered by Us. These Standard Terms and Conditions of Purchase shall apply exclusively, even if We accept goods/services without reservation, despite being aware of terms of the Contractor which are inconsistent or which deviate from these Standard Terms and Conditions of Purchase.

II. Formation of contract

1. We are bound by written orders only.
2. The Contractor shall confirm acceptance of Our order in writing without undue delay (using the order confirmation attached to the order form if available) unless We waive this requirement. If the Contractor's order confirmation deviates from Our order, We will only be bound by the order if We have consented to the deviation in writing. The acceptance of goods/services or payment for same shall not constitute consent.
3. If the Contractor fails to accept the order within 14 days, We may revoke the order.
4. Agreements for goods/services and any amendments or supplements thereto must be executed in writing. Oral collateral agreements shall not be recognized.
5. We reserve title to and copyright in any illustrations, drawings, calculations, models, devices, samples or other items or documents We may provide to the Contractor for the purpose of preparing a quote or executing an order. The Contractor shall insure all the aforementioned items or documents against general risks (including fire, storm, etc.) at its own expense.
6. The documents or items set out in clause II.5 may not be provided to any third parties without Our prior written consent. The documents and items are to be used solely for purposes of processing the order or performing the agreement and any follow-up orders, after which time, albeit not later than the date on which the warranty period expires, they must be returned to Us automatically. The documents and items shall be treated as confidential and may not be disclosed to third parties.

III. Modifications

1. We may, to the extent reasonable for the Contractor, request modifications to the design and execution of the goods/services. The

consequences of any modifications, particularly any additional or reduced costs and the impact on delivery/performance dates, shall be the subject of a reasonable, mutually agreed arrangement.

2. The Contractor may modify its goods/services from a previous order of the same type or from a specification in the current order, provided the changes are for the purpose of improvement and We have given Our written consent. If a change affects the logistical requirements of an end user, the Contractor shall, in cases where the modification is consented to, take such requirements into account as well. The Contractor is responsible for ensuring that any modified goods/services are also fit and proper for the intended use stipulated by Us.

IV. Drawings and sketches

1. If We approve any drawings or sketches of the Contractor, this shall be understood as a mere courtesy on Our part which is in no way binding on Us nor does it release the Contractor from its duty to comply with and satisfy all requirements mandated by law or agreed by contract.
2. CAD and Office data shall be delivered in a form compatible with the systems We currently employ.

V. Labeling requirements

1. The Contractor shall quote the order number and item or material number in the order confirmation (where an order confirmation is agreed) and in all other written correspondence.
2. Each consignment shall be delivered with one delivery note enclosed with the shipping documents and one delivery note affixed to the package. In addition to the aforementioned information, the delivery notes shall include the date of dispatch, the type of packaging, a description of the goods, the quantity and weight of the consignment (gross and net weight) as well as the delivery address (site and unloading point). Invoices shall not constitute delivery notes. Details are stipulated in the General Specifications for Deliveries.
3. In addition to the order number and item or material number, invoices must include a goods description, the quantity, the price per unit and number and date of the delivery note. Any value added tax included in the price must be shown as a separate item. Invoices may relate to no more than one order.
4. The Contractor shall bear any costs incurred as a result of failure to comply with this provision.

VI. Provision of Material, documents, etc., confidentiality

1. Materials or parts ("Material") provided by Us shall remain Our sole property unless mandatory statutory provisions provide otherwise (§ 946 to § 948 of the German Civil Code (Bürgerliches Gesetzbuch, "BGB")). Processing or altering by the Contractor within the meaning of § 950 BGB shall be performed on Our behalf.
2. The Contractor shall keep any Material We provide to it separate from other materials, label it as Our property and store it with the due care of a prudent merchant. The Contractor shall prevent any unauthorized access by third parties and notify Us without undue delay of any changes in the quantity (e.g., theft or destruction of the item) or condition (limited usability) of the Material provided.
3. Processing or altering by the Contractor shall be performed on Our behalf. If goods to which We have reserved title are processed along with other items not owned by Us, We shall acquire a co-ownership interest in the new item equivalent to the value at cost plus VAT of the goods to which We hold title as a proportion of that of the other items being processed at the time of processing. The foregoing shall apply, mutatis mutandis in those cases where the goods are integrated by virtue of a combining or mixing process, unless another item not owned by Us is deemed the principal component.
4. Where the Contractor receives drawings, models, matrices, tools, templates, samples or similar items for the purpose of executing the order, such items shall remain Our sole property. Furthermore, where such items have been developed by the Contractor with substantial assistance from Us (tests, etc.), or have been manufactured

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by the Contractor according to Our instructions, they may only be used for the purposes of the order and, if they are Our sole property, shall be returned to Us on request, freight paid, without undue delay. No lien may be exercised in respect of such items, except in the case of undisputed claims or claims that have been confirmed by a final and binding judgment. The Contractor shall keep and carefully store all items of this nature in operating condition.

5. If the Contractor has developed and/or manufactured parts or other items (including software, etc.) for Us using Our specifications or documentation, the Contractor may not supply such parts or items to third parties or use them in the manufacture of products for third parties without Our written consent.
6. Any and all commercial and/ or technical information which is not in the public domain and to which the Contractor becomes privy in the course of Our business relationship, particularly the information referred to in paragraphs 2 and 3 of this clause, shall constitute Our trade secrets and must therefore be treated as confidential. If trade secrets are disclosed in the individual case, this only being permitted with Our written consent, the Contractor shall similarly impose the obligations under this clause on the relevant third party.

VII. Freight and packaging

In the absence of any specific terms, the supplier or Contractor shall choose the most economic form of transportation and packaging. The packaging must be appropriate in view of the nature of the consigned goods, the means of transport and the route so as to ensure that it is able to withstand all the demands of transportation and warehousing. Details are stipulated in the General Specifications for Deliveries.

VIII. Delivery/performance dates

1. Agreed dates and periods are binding. The date on which the goods arrive at the specified delivery address shall be controlling for determining compliance with delivery dates/periods. The relevant statutory provisions shall apply if delivery/performance dates are not complied with. We may also partially rescind the agreement in respect of the goods/services not provided in due time. For the purposes of determining whether a default in performance exists, it is irrelevant whether the Contractor receives its own supplies on time.
2. In the event of default, We may charge a contractual penalty (Vertragsstrafe) of 0.5%, but no more than 5%, of the order value for each week or part thereof by which the agreed delivery/performance date is exceeded. Forfeited contractual penalties may be claimed right up until final payment. We reserve the right to asset claims for any further loss or damage.
3. Partial delivery/performance shall be rendered if specifically agreed, but is not otherwise permitted. If partial or successive delivery/performance is agreed, We may, to the extent reasonable, postpone the dates and volume of delivery/performance.
4. The Contractor shall notify Us in writing without undue delay of foreseeable delays in the provision of goods or services and advise Us of the anticipated duration of any such delay.
5. Where delays are attributable to force majeure, the Contractor shall provide evidence of the existence of force majeure. The Contractor shall, at its own expense, do everything in its power to perform the agreement on time, despite the existence of force majeure. If it is highly likely that a delay will continue for more than one month, particularly because the Contractor notifies Us that it will not be able to deliver any earlier than that, We may (partially) rescind the agreement.
6. We may postpone the agreed dates for the delivery/performance of goods/services by the Contractor by up to six months if the anticipated need for the goods/services is deferred as a result of strikes or other disruptions to Our operations. Any such postponement shall not give rise to any claims on the part of the Contractor. The foregoing shall not affect the right of rescission under clause XVI.

7. To the extent reasonable in the individual case, We will accept early delivery/performance. However, the agreed periods for payment shall still commence on the previously agreed delivery/performance date or subsequent invoice date. The Contractor shall bear any warehousing costs We incur as a result of taking delivery early.

IX. Prices

The agreed prices are fixed prices and include all incidental costs incurred up to the agreed unloading point (with the exception of value added tax at the applicable statutory rate). Where it has been agreed that a consignment shall be dispatched at Our risk, the prices shall not include any transport insurance or insurance against damage, as We will cover these risks and hereby waive any such insurance. If the Contractor reduces its prices, the possibility of a price reduction for goods/services not yet provided shall be discussed.

X. Payment

1. Unless otherwise agreed, payment shall be due within 90 days of receiving the goods/services and the invoice.
2. We may render payment in the form of Our choice, particularly including payment by check. The date of payment shall be the date on which the payment was sent. Cash on delivery arrangements are not permitted. We shall not be deemed in default of payment unless We have already received a written default notice.
3. We may pay in euros or offset an amount in euros in order to satisfy claims denominated in a currency other than euros. The relevant exchange rate shall be the exchange rate applicable in the place of payment at the time of payment.
4. We have recourse to the statutory rights of set-off and rights to withhold performance. If a party becomes insolvent pursuant to § 94 of the German Insolvency Code (Insolvenzordnung, "InsO"), it is agreed that the accrued claims of the other party shall fall due upon the commencement of insolvency proceedings. If a court orders the institution of provisional insolvency proceedings, the claims shall fall due when the court order is issued.
5. Payments remitted by Us may not be construed as an acknowledgement on Our part that the goods are conforming.
6. We have the right to reject any invoices or delivery documents which are late, incorrect or incomplete. If a legitimate rejection on Our part causes a delay in processing in the normal course of business, the payment periods specified in clause X.1. shall be extended for the period of any such delay.

XI. Transfer of risk / reservation of title

1. All information as to the place of destination of the delivered goods is based on Incoterms 2010. The place of destination shall also be the place of performance.
2. For delivery-only orders, the risk of performance and payment shall pass in accordance with the agreed terms of delivery, or alternatively upon receipt of the goods at the place of performance. For orders involving delivery for installation or assembly and for orders involving other services, the risk shall pass upon acceptance at the place of installation/performance.
3. If the goods or services are subject to acceptance following delivery, risk shall pass upon such acceptance. Acceptance shall otherwise be governed by the statutory provisions on contracts for work and services (Werkvertrag). If We fail to timely accept the goods or services, delivery or acceptance shall be deemed effected.
4. The Contractor may reserve title to its delivered goods until the consignment has been paid for in full. However, We may continue to use, process and on-supply the goods in accordance with their intended use. We also agree to the pre-assignment of Our claims against Our customers up to the value of the Contractor's claim against Us. However, any disclosure of the assignment, including information as to the value of the Contractor's claim against Us, is subject to Our consent, and is only permitted if We are in default

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and payment is still outstanding even after a reasonable grace period for payment has expired.

5. If in the course of performing the agreement, the Contractor generates work products that are copyright protected, We shall have an exclusive, transferable, perpetual, worldwide license to use any such work products in their original or modified form as We see fit and without restriction as to the type of such use (specifically, to reproduce or have reproduced or to disseminate) and to grant sub-licenses to third parties for any and all types of use at our sole discretion.

XII. Liability for defects

1. Unless otherwise provided below, Our rights in the event of defects in title or defects in quality of the delivered goods (including in the form of incorrect or short deliveries, improper assembly or faulty instructions for assembly, operation or use) or other breaches of duty by the Contractor shall be governed by statute.
2. Statutory provisions stipulate that the Contractor has a duty to deliver goods which are free of defects in quality and defects in title and which have the agreed quality and features when the risk of loss passes to Us.
3. Those product descriptions, drawings, specifications, quality standards and other descriptions approved or accepted by Us, which form the subject matter of the relevant agreement by virtue of having been designated or referred to in the order or which were incorporated into the agreement in the same manner as these Standard Terms and Conditions of Purchase shall in particular be deemed to stipulate agreed quality and features. In this regard, it is irrelevant whether the product descriptions, drawings, specifications or quality standards stem from Us, the Contractor, the manufacturer or any other third party.
4. To the extent not otherwise agreed in writing in the individual case, the agreed quality and features shall also be deemed to include that the delivered goods are new, of standard commercial quality, not used, not recycled or made of recycled material and that they are fit for the particular purpose specified in the order. To the extent no such purpose is specified, the parties agree that the delivered goods must be of merchantable quality.
5. Contrary to § 442 (1) sentence 2 BGB, We shall have recourse to the full range of statutory claims based on defects even if We were unaware of the defect upon entering into the agreement as a result of gross negligence.
6. To the extent not otherwise agreed in writing (e.g., as part of quality standards), the statutory provisions (§§ 377, 381 of the German Commercial Code (*Handelsgesetzbuch*, "HGB")) shall apply to the merchant's duty to inspect the goods and report defects subject to the following stipulation: our duty of inspection shall be limited to those defects which are apparent upon visual inspection of incoming goods, including the delivery documentation, and upon a random sampling quality inspection (e.g., damage during transport, incorrect or short delivery). No duty of inspection shall arise insofar as the goods are subject to acceptance. Otherwise, it will depend on the extent to which an inspection is feasible in the ordinary course of business, taking into account the circumstances in the individual case. The foregoing shall not affect Our duty to report defects in the case of subsequently discovered defects. In any case, the Contractor shall waive the defense of delayed notification of defects.
7. If the Contractor fails to satisfy its obligation to cure performance (*Nacherfüllung*), which at Our option may take the form of remedying the defect (repair) or delivering conforming goods (replacement), within a reasonable period to be set by Us, We may remedy the defect Ourselves and claim reimbursement of the expenses incurred in connection therewith or request a corresponding advance from the Contractor. No time period need be set if the Contractor fails to cure performance or if such cure would be unreasonable for Us (e.g., because of some special urgency, risk to operational safety, or risk of a disproportionately high level of loss or damage); in such case, the Contractor must be notified without undue delay, or sooner, if possible.

8. The Contractor shall remedy any defects in title, specifically liens and reservations of title in the delivered goods not later than 30 days from the date on which they are asserted, provided such defects in title did not arise as a result of Our failure to satisfy an acknowledged payment obligation under the respective order.

9. In effecting cure, the Contractor shall also conduct any necessary inspections of the delivered goods and – where necessary – arrange for shipping and replacement of the defective parts at its own expense.

10. In effecting cure, the Contractor shall, at Our request and at its own expense, conduct any and all tests necessary to verify that the Contractor's performance is conforming to contract as required hereunder.

11. Otherwise, in the case of any defects in title or defects in quality, We have a statutory right to claim a reduction in the contract price or to rescind the agreement. We furthermore have a statutory right to claim compensatory damages and reimbursement of expenses.

12. Where the deliverable constitutes a service or other performance not related to the delivery or manufacture of goods, the Contractor warrants that the manner and scope of performance shall reflect that of a prudent merchant in compliance with the highest standards and methods customary in the industry.

13. Our acceptance or approval of any samples or specimens presented may not be construed as a waiver of any warranty claims on Our part.

14. The Contractor shall be liable for any defects in title, including the infringement of third party proprietary rights, irrespective of whether We knew of any such defects, and shall indemnify Us against any potential third party claims. The foregoing shall not apply if Our drawings, samples or other specifications infringe proprietary rights.

15. The Contractor shall remedy all defects arising and reported during the limitations period for claims based on defects. The limitations period for claims based on a specific defect shall be tolled when We report the defect in writing, and shall remain tolled until the defect is remedied. However, any such tolling shall end three months after the receipt of a written notice stating that the defect has been remedied or does not exist.

16. Unless otherwise agreed, claims based on defects shall lapse when the statutory limitations period expires. If a delivered item is used in products We supply to Our customers, the statutory limitations period shall commence when Our customer puts Our product into operation, however no later than 12 months after the risk for the delivered item has passed to Us. The limitations period shall commence anew for exchanged or replaced parts.

XIII. Quality management

Quality assurance standard MTQ 5003 applies to deliveries of contract products. Quality assurance standard MTQ 5012 also applies to deliveries of contract products with electronic parts and components. The Standard Production and Assembly Specifications MMN 332 also apply. The standards are available at <http://www.mtu-online.com/mtu/einkauf/downloads/index.de.html>.

XIV. Product recall/ product liability

1. Where an authority or government agency with the power to order a recall of the delivered goods has notified Us or the Contractor in writing that, or We or the Contractor may have reason to assume that, the delivered goods:
 - a) pose a potential safety risk or could create or cause dangerous situations, including the risk of serious injury or death;
 - b) have a fault, defect or are otherwise of impaired quality;
 - c) do not comply with statutory or other applicable requirements and standards; and

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- d) to the extent deemed advisable or necessary on these grounds, the delivered goods concerned must be recalled and/or repaired;

We and the Customer will immediately apprise one another of the situation and of the underlying facts and circumstances.

2. Except in cases where a recall is unavoidable because it has been ordered by the competent authority or government agency, We are entitled to decide whether a recall of the delivered goods concerned ("Recall") is appropriate.
3. If a Recall is necessary pursuant to statutory provisions, or where We decide that a Recall is appropriate, the Contractor will promptly develop a plan or plans for implementing corrective measures ("Plans for Corrective Measures"), which will include, among other things, all measures that are necessary and required pursuant to the statutory provisions or other requirements and standards applicable in the specific case. The Contractor will present the Plans for Corrective Measures to Us for Our review and approval prior to their implementation.
4. We and the Customer will work together and jointly ensure that the Plans for Corrective Measures are reasonable and acceptable to both parties before their implementation.
5. We may at any time Ourselves undertake any corrective measures and, if applicable, send information to the competent authorities and government agencies involved. In such cases, the Contractor shall cooperate with Us accordingly and offer its full support.
6. Where it is established that the Recall was caused by a fault, defect or other quality impairment or failure to comply with (in particular) quality standards or statutory or other applicable requirements and provisions for which the Contractor must accept responsibility, the Contractor will, at its own expense, and depending on Our election, either carry out all of the repairs and adjustments necessary as part of the Recall, or reasonably compensate Us for all costs incurred as a result of or in connection with Us carrying out the repairs and adjustments Ourselves. The foregoing does not apply if the Contractor can clear itself of responsibility.
7. In any case, the Contractor shall reasonably compensate Us for all costs We incur in connection with the Recall. These costs particularly include all costs for or due to examinations of the delivered goods concerned, repairing or, where repair is not possible, replacing delivered products, packaging and shipping of recalled delivered products, identifying and notifying affected customers and, to the extent necessary, notifying the public and the media.
8. In connection with its liability for damage under clauses XII and XIV, the Contractor shall also reimburse any expenses in accordance with § 683 and § 670 BGB or § 830, § 840 and § 426 BGB arising out of or in connection with any Recall implemented by Us. The foregoing in no way affects any other statutory claims.
9. Each party will consult the other before notifications relating to potential safety concerns associated with the relevant products are released to the public, the media or authorities and government agencies. However, there shall be no obligation to consult if prior consultation would prevent timely notification of such safety concerns under the relevant statutory provisions.
10. Where the Contractor is liable for loss or damage caused by its goods/services, it shall, on first demand, indemnify Us against damages claims brought by third parties, provided the cause of the loss or damage is within its sphere of organization and control and the Contractor itself is liable as against third parties.
11. In this context, the Contractor shall also reimburse any expenses pursuant to § 683, § 670 BGB arising out of or in connection with any Recall conducted by Us, unless such claim already exists under § 830, § 840 BGB in conjunction with § 426, § 254 BGB. If, as a result of an error caused by the Contractor, third parties sue Us on product liability grounds or We are required under the applicable laws governing the relationship between Us and Our customers to recall products or label them with warnings, the Contractor shall in-

dennify Us against all third party claims and bear all of the resulting costs.

XV. Insurance

1. The Contractor shall take out and maintain for the term of contractual performance plus a period of 10 years following delivery of the goods or satisfaction of all performance obligations hereunder insurance from reputable and solvent insurers (i.e., insurers with a minimum rating of A-VII or A (S&P)) at its own expense, including, without limitation:
 - a) business/product liability insurance with minimum coverage of EUR 5 million per claim;
 - b) property insurance covering all tangible assets owned, leased or otherwise used by the Contractor in connection with contractual performance and for all tangible assets of Ours held in the Contractor's custody.
2. All the insurance policies specified in this clause must be structured such that
 - a) in each case the coverage is not subject to additional conditions and exists even in the event both parties are liable;
 - b) no deductible is agreed;
 - c) We and Our affiliates as well as their governing bodies, managing directors, other agents and employees are named as additional beneficiaries or payees in the event of loss; and
 - d) a waiver of recourse in favor of the aforementioned parties is stipulated in the event of any loss or damage covered by the insurance policies set out in this clause.
3. Where an insurance policy provides for the payment of a deductible or where claims are asserted against Us for payment of a deductible, the Contractor shall in any case be liable for satisfaction thereof or We may request that the Contractor compensate or indemnify us accordingly.
4. Upon request, the Contractor shall submit to Us the insurance certificate(s) as proof of the terms stipulated in this clause XV. nos. 1./2.
5. We are under no obligation to verify that the insurance policies and corresponding insurance coverage meet the aforementioned requirements.
6. If We accept an insurance certificate despite the fact that the aforementioned requirements have not been met, this shall not constitute any implicit waiver of compliance with the Contractor's obligations to obtain and maintain insurance coverage as set out above.

XVI. Rescission, termination

1. Without prejudice to any other claims, We have recourse to the full range of statutory rights of rescission and termination.
2. In particular, We may rescind the agreement in whole or in part if:
 - a) We have substantially less demand as a result of force majeure, industrial disputes, interruptions to operations for which We are not responsible, riots and unrest, regulatory action or unavoidable events; or
 - b) the goods to be delivered are intended for on-supply to a third party and the agreement with such third party fails to be performed for reasons for which We are not responsible, in particular if insolvency or similar proceedings are instituted against assets of the third party, or the third party otherwise suffers financial collapse or discontinues operations.
3. We are further entitled to terminate agreements stipulating a statutory right of termination with immediate effect if:
 - a) the Contractor is responsible for the breach of a material contractual obligation, specifically any breach of condition pursuant to clause II. nos. 5 and 6;
 - b) the Contractor discontinues its operations or threatens to do so; or

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c) an application to institute insolvency proceedings is filed against the Contractor, or We receive a written credit report indicating that the Contractor is not creditworthy.

4. We may, on two weeks' notice, terminate continuing obligations at any time even where none of the aforementioned grounds exist.

5. In the event of termination pursuant to § 649 BGB, We will pay for completed parts of goods and services that are free of defects on a pro rata basis. We will pay for uncompleted parts in accordance with the terms of § 649 BGB, however subject to a maximum profit of 4%.

XVII. Subcontractors

The Contractor must obtain Our prior written consent before engaging or changing subcontractors or using third parties or temporary staff, unless such staff performs incidental functions. The Contractor shall otherwise impose the same obligations on any subcontractors as those it has assumed in its relationship with Us. The Contractor shall furthermore be liable for the negligence of its subcontractors/suppliers as it would be for its own negligence.

XVIII. Stocks / product availability

The Contractor guarantees to keep its goods/services in stock/have them available for their normal lifespan, but for at least 10 years from the date of performance. Even in cases where such an obligation has expired in respect of goods/services provided to Us, the Contractor shall give Us timely notice of any intended discontinuation of goods/services so as to ensure that parts can still be delivered for Us to hold in stock.

XIX. Assignment of claims

The assignment of claims under the agreement is subject to Our written approval.

XX. Third party rights

The Contractor shall indemnify Us against any and all claims arising from the infringement of intellectual property rights, copyright or other rights asserted by third parties as a result of the use of the delivered goods/services or parts thereof.

XXI. Data protection

We may store, transmit, modify and delete personal information about the Contractor in accordance with the provisions of the Federal Data Protection Act (Bundesdatenschutzgesetz) and General Data Protection Regulation (EU-Datenschutzgrundverordnung), provided this is necessary in connection with executing the agreement.

XXII. Declaration of origin

To the extent that a declaration of origin is necessary in order to obtain tariff preferences, the Contractor shall provide such declaration in a timely manner in the correct and complete form and using the prescribed wording, with the exact goods description matching that of Our own, and including the item number, if available.

XXIII. Origin of goods and preferential treatment

1. Proof of preferential treatment

A contractor based in a country with which the EU has a preferential trade agreement (see www.zoll.de) must, in order to benefit from preferential customs tariffs, submit where possible a valid certificate of origin or a movement certificate on which the goods are exactly specified using our own designation and – where available – item number.

The contractor is reminded that he may be taken into recourse for any damage that results from certificates of origin or movement certificates that have been wrongfully or incorrectly issued.

2. Supplier's declaration

As proof of the origin of the goods to be supplied by him, the EU-based contractor must – insofar as possible – issue a valid long-term supplier's declaration in accordance with Council Regulation (EC) No 1207/2001 (see www.zoll.de). The goods must be exactly speci-

fied on this declaration using our own designation and – where available – item number.

The contractor is reminded that he may be taken into recourse for any damage that results from a long-term supplier's declaration that has been wrongfully or incorrectly issued.

3. Country of origin

The contractor must indicate the country of origin next to each item number or material number appearing on the invoice.

The contractor is reminded that he may be taken into recourse for any damage that arises due to false indication of the country of origin.

XXIV. Occupational health and safety and environmental protection, REACH Regulation

1. The Contractor shall provide all of its goods and services in accordance with all applicable occupational health and safety and environmental protection regulations laid down by statute, government agencies or trade associations, and in accordance with the MTU "Safety Regulations for External Companies" and the Health, Safety & Environmental Protection Manual for external construction sites being site-managed (where it is required) as applicable at the time the goods or services are provided, which are available online at www.mtu-online.com (under purchasing/downloads), and having reasonable regard to environmental concerns. The Contractor shall notify Us in writing without undue delay if it has any occupational health and safety or environmental concerns in relation to the manner of execution requested by Us.

2. a) When making deliveries to Us, the Contractor undertakes as a material contractual obligation to comply with all rules and regulations and to take all action necessary under the REACH Regulation (EC Regulation No. 1907/2006) as applicable on the date of delivery.

b) If the Contractor's registered office is outside the European Union and the Contractor itself is not an importer of the delivered goods, the Contractor shall, as a material contractual obligation, provide Us with all information necessary for any notification, registration or maintenance of the authorization as specified in the REACH Regulation as applicable at the time of delivery, and shall otherwise reasonably assist Us in connection with any notification, registration or maintenance of the authorization. In particular, where the products to be delivered contain one or more substances in a concentration of more than 0.1% weight by weight (w/w), and such substances meet the criteria laid down in Article 57 of the REACH Regulation and have been identified in accordance with Article 59(1) of the REACH Regulation, the Contractor shall provide sufficient information to ensure their safe use and, if applicable, to allow a notification to be filed with the ECHA.

c) If the Contractor breaches the aforementioned obligations, We may claim damages and rescind the agreement. The Contractor shall otherwise, on first demand, indemnify Us against all third party claims arising as a result of the Contractor's breach of the aforementioned obligations. The claim for damages/indemnification shall also cover all of Our expenses such as, in particular, legal defense and administrative costs and all costs associated with any necessary replacement products. If the Contractor's registered office is outside the European Union and the Contractor is unable to notify, register or maintain the authorization for its delivered goods or is unable to do so on reasonable terms, We may rescind the agreement without being liable for damages.

XXV. Compliance with applicable laws

1. In discharging its contractual performance obligations as stipulated hereunder, the Contractor shall at all times observe and act in compliance with:

a. all applicable laws, including primary and secondary EU/EC Community law and all national and international, government-

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- tal, regional, local, customary law or other statutes, directives, regulations, treaties or conventions as well as any additional protocols; and
- b. all industry standards, including upholding a standard of due care which may reasonably be expected of an experienced Contractor in that industry under comparable circumstances.
2. Applicable laws within the meaning of the foregoing shall include, without limitation, the following rules and regulations, as amended from time to time or as replaced by other rules and regulations, as amended from time to time:
- a. all applicable U.S. rules and regulations, including the U.S. Code of Federal Regulations ("**CFR**"), specifically title 49 CFR 171.8;
 - b. the German Act on Protection against Hazardous Substances (Gesetz zum Schutz vor gefährlichen Stoffen, ("**ChemG**") and the corresponding Regulation on Protection against Hazardous Substances for German Occupational Health and Safety (Verordnung zum Schutz vor gefährlichen Stoffen im deutschen Arbeitsschutz, "**GefStoffV**");
 - c. the "Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships" adopted by the International Maritime Organization (IMO) and the corresponding Regulation (EU) No. 1257/2013 of 20 November 2013 (Regulation on ship recycling and amending Regulation (EC) No 1013/2006 and Directive 2009/16/EC);
 - d. Directive 2002/95/EC of the European Parliament and of the Council of 27 January 2003 on the restriction of the use of certain hazardous substances in electrical and electronic equipment ("**RoHS**");
 - e. Directive 2002/96/EC on waste electrical and electronic equipment ("**WEEE Directive**");
 - f. Directive 2006/66/EC on batteries and accumulators and waste batteries and accumulators ("**Battery Directive**");
 - g. and any other laws concerning the collection of electrical and electronic devices, batteries or accumulators;
 - h. the UN Globally Harmonized System of Classification, Labelling and Packaging of Chemicals, "**GHS**";
 - i. Directive 67/548/EEC ("**Risk and Safety Statements**");
 - j. Directive 1999/45/EC (concerning the approximation of the laws, regulations and administrative provisions of the Member States relating to the classification, packaging and labelling of dangerous preparations ("**Directive 1999/45/EC**");
 - k. the respective product-specific EU directives, including those relating to electrical equipment, machinery and pressure equipment ("**CE Marking Directives**");
 - l. the European List of Notified Chemical Substances, "**ELINCS**";
 - m. the European Inventory of Existing Commercial Chemical Substances, "**EINECS**";
 - n. all lists of the U.S. Environmental Protection Agency (EPA) pursuant to the U.S. Toxic Substances Control Act ("**TSCA**"), specifically title 15 U.S.C. § 2601;
 - o. all lists relating to the U.S. Federal Hazardous Substances Act, specifically P.L. 92-516;
 - p. the Montreal Protocol of September 16, 1987 on Substances that Deplete the Ozone Layer ("**Montreal Protocol**");
 - q. the U.S. Occupational Safety and Health Act ("**OSHA**");
 - r. the rules and regulations applicable in the countries of use or transport, such as those of the U.S. Department of Transportation concerning packaging, labeling, shipping and documentation of hazardous substances pursuant to "**Title 49 CFR**", the International Maritime Organization ("**IMO**") and the International Air Transport Association ("**IATA**"); and
 - s. all similar laws applicable in the countries of use and transport.
- t. the Dodd-Frank Act of August 22, 2012. Due to the Doods-Frank Act of August 22, 2012 the US Securities and Exchange Commission (SEC) demands the implementation of a reporting and the disclosure in relation to "conflict minerals". The Contractor shall make an appropriate declaration. This can be done either in the database created for this purpose ("iPoint") or in the form of the original EICC / GeSi. Further information received by the Contractor under conflict.minerals@rrpowersystems.com. The Contractor shall supply conflict-free from January 1, 2016.
3. Where reference is made in these Terms and Conditions to (a) the term "**hazardous materials**", this shall mean all those substances or materials declared or identified as such, all substances or materials which are hazardous to health or toxic, pesticides or hazardous goods as well as any other substances or any other materials which may be classified as a potential health or environmental hazard under applicable law or (b) the term "**countries of use or transport**", this shall mean all those territories and countries in which, according to the information We have provided to the Contractor or to the Contractor's knowledge, the delivered goods are to be used or deployed or through which said goods are expected or known to be transported.
4. We have a right to inspect all the Contractor's documents and may reasonably inspect the Contractor's facilities, which in particular serve to ensure the Contractor's compliance with applicable laws and other provisions and industry standards in accordance with clause XXIV and XXV. The Contractor shall provide Us its full support in this regard.
5. At Our request, the Contractor shall also duly and properly furnish Us with all certificates and proof or any other documents to the extent required by law.

XXVI. EU "New Approach and Global Approach" / Machinery Directive

1. The Contractor shall ensure that the delivered goods comply with the requirements of the EU "New Approach and Global Approach" Directives and harmonized standards, including all provisions transposed accordingly into national law by the member states. The Contractor shall transmit the associated records and documentation to Us and the respective supervisory authorities and accepts all liability under such Directives and Standards.
2. In particular, the Contractor will affix the CE mark to and deliver operating instructions for machinery falling within the ambit of the 9th Regulation to the Device and Product Safety Act (Machinery Regulation) (9. Verordnung zum Produktsicherheitsgesetz (Maschinenverordnung)), and electrical equipment falling under the Low Voltage Directive. The Contractor shall furnish Us with the declaration of conformity and operating instructions in text form. Incomplete machinery shall be delivered to Us with a declaration of incorporation and detailed assembly/operating instructions which take into account the requirements of the Machinery Regulation.

XXVII. Export control: Foreign trade data and regulations

1. The Supplier is obliged to inform the Customer of any restrictions imposed on the export or re-export of the goods supplied (articles, technology, software) arising from European or US-American export and customs provisions or from the export and customs provisions valid in the country of origin of the goods. He shall meet this obligation, by, at the very least, providing on both his quotation and order confirmation the following information for each goods item listed.
 - a. The military goods list number (ML number) from the EU military goods list
 - b. The export control list number (AL number) from the EU Dual-Use list
 - c. For US goods, the ECCN (Export Control Classification Number) as per the US Export Administration Regulation (EAR),



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- d. For US defense articles (named 'ITAR' articles), the USML (United States Munitions List Category),
 - e. Details on the non-preferential origin of his goods (articles, technology, software) and their components.
 - f. Details on goods that were manufactured using regulated US-technology and or regulated US components.
2. At the request of the purchaser indicated on the P/O, the Supplier is obliged to supply him in writing with all further export data and to inform him immediately in writing and of his own accord of any changes to the data listed above.
- a. The legally binding acceptance of re-export restrictions in compliance with the provisions of the technology transfer ordinance is limited to goods for which an export license is expressly required in the delivering country (in the USA the currently valid version of the Export Administration Regulation of the US Department of Commerce applies), whereby these goods must also be clearly designated as such in the delivery documents. The Supplier shall likewise clearly draw attention to such goods in his quotation and order confirmation.
 - b. Within a week of being requested to do so, Suppliers domiciled in the EU are obliged to submit to the Customer the original of the Long-Term Supplier's Declaration or Supplier's Declaration for goods possessing preferential origin characteristics pursuant to regulation (EU) No. 1207/2001 as amended or to implementing regulation EU 2015/2447. Should the Supplier fail to comply with this obligation, or should his declaration fail to meet the statutory provisions, he shall indemnify the Customer against all claims and damages arising from any negative consequences thereof.
 - c. The Supplier undertakes to comply with all applicable import and export regulations and provisions on sanctions.
 - d. The Customer is entitled to cancel the related purchase order should the Supplier fail to fulfill any term in the obligations listed here. The Supplier shall compensate the Customer for and indemnify him against all liability or other claims or expenses arising from his failure to comply with the obligations set out above.
4. Please refer to the principles and expectations as to integrity and reliability contained in the Rolls-Royce-/Rolls-Royce Power Systems Global Supplier Code of Conduct (or available at <http://www.mtu-online.com/mtu/purchasing/downloads/index.de.html>).
 5. The Contractor will endeavor to convey these principles in an appropriate manner to its employees and direct suppliers and to encourage compliance with such principles to the best of its ability.
 6. We reserve the right to conduct, subject to prior notice and consideration of trade secrets, compliance audits of the Contractor or, if applicable, of its sub-contractors. The Contractor will keep appropriate documentation for this purpose.
 7. If the Contractor is at fault for any substantial or recurrent breach of these obligations, We may, to the extent reasonable, rescind or terminate all agreements with the Contractor without notice and break off the business relationship and claim damages. We may also rescind or terminate, without notice, and claim damages if and to the extent that, despite setting a reasonable period for action, compliance audits have not been permitted, a compliance audit was not conducted satisfactorily, or the Contractor has failed to take measures imposed by Us to remedy breaches of duty.

XXX. Severability

If any provision of these Standard Terms and Conditions of Purchase is or becomes invalid, in whole or in part, this shall not affect the validity of the remaining terms. If an invalid clause or part thereof cannot be replaced by reference to suppletive law, We and the Contractor shall replace the invalid term or the invalid part thereof with a term that most closely reflects both parties' interests as manifested in these Standard Terms and Conditions of Purchase.

XXXI. Place of performance, jurisdiction, governing law

1. Unless otherwise provided in the order, the place of performance shall be the location of Our registered office.
2. Where the Contractor is a merchant (Kaufmann), the courts where our registered office is located shall have jurisdiction over all disputes arising under this agreement. However, We may also file suit against the Contractor in the courts in its country of domicile.
3. All legal dealings between Us and the Contractor are governed by the laws of the Federal Republic of Germany, subject to the exclusion of the UN Convention on Contracts for the International Sale of Goods (CISG).

Current as of: July 2018

XXVIII. Offset

The Contractor will hereby be informed that the individual orders are placed due to the Customer's offset obligations worldwide. Therefore, the procurements and activities done based on this individual orders will be reported as offset in each order country by the Customer or the Customer's customer. The Contractor undertakes to assist the Customer at the best possible rate in connection with the recognition process and to fulfill the requirements of offset of the respective country and its current offset policy. The Customer's offset management will inform the Contractor about the country and the for the country valid offset policy.

XXIX. Compliance

1. The Contractor shall comply with all applicable laws and regulations of the relevant jurisdiction(s), particularly those relating to anti-corruption, export control, antitrust and competition.
2. The Contractor warrants that neither the Contractor nor any of its employees shall offer, give, condone or promise benefits of a tangible or intangible nature to other persons (particularly government officials or persons with similar public functions), or demand, accept or accept a promise of same (regardless of whether for personal benefit or for the benefit of another person) with the intention of unlawfully influencing a business relationship, or where there is a risk of jeopardizing the business partner's professional independence.
3. Furthermore, the Contractor shall not, either passively or actively, directly or indirectly, commit an act or omission which could, in particular, result in criminal prosecution for the granting of an advantage, bribery, fraud, breach of fiduciary duty, competition law violations or insolvency offenses.