

BAE SYSTEMS

Canada RCD MK45 & AHS Supplemental Contract Flow Down Clauses Direct Commercial Sale (DCS) Prime Contract # CSCDS00001

Supplemental Terms and Conditions The following supplemental terms and conditions apply to the Contract between BAE SYSTEMS and SELLER, and are required by BAE SYSTEMS' higher-tier contract with its customer and the Royal Canadian Navy

Defined terms shall have the meanings set forth in BAE SYSTEMS' NONUSGOV terms incorporated into the Contract. The following terms are included again for reference:

"Contract" means the instrument of contracting, such as the "Subcontract", "PO", "Purchase Order", or other such type designation, including these terms and conditions all referenced documents, exhibits and attachments.

"Customer" means the entity with whom BAE SYSTEMS has or anticipates having a contractual relationship to provide services or goods that utilize or incorporate the Work, and is also referred to as the "Purchaser".

"SELLER" means the party identified on the face of this Contract with whom BAE SYSTEMS is contracting.

"Work" means all required deliverables, articles, materials, supplies, goods and services, including, but not limited to, technical data and Software, constituting the subject matter of this Contract.

Definitions

1. "CGP" means the Controlled Goods Program of Canada;
2. "CISD" means the Canadian Industrial Security Directorate;
3. "Class" or "Classification Society" means Lloyd's Register Group Services Limited;
4. "Controlled Goods" has the meaning ascribed thereto in Section 35 of the Defense Production Act, R.S.C. 1985, c. D-1;
5. "Controlled Goods Program" means Canada's Controlled Goods Program administered under the Defense Production Act;
6. "Environmental Laws" means all applicable federal, provincial, regional, municipal or local laws with respect to environmental matters contained in the statutes, regulations, rules, standards, requirements, ordinances, policies, guidelines, orders, approvals, notices, permits or directives, in effect as at the date hereof and as may be brought into effect at future dates;
7. "Final Acceptance" means Final Acceptance by Canada of a CSC Ship under the CSC Implementation Contract;
8. "Foreign Origin Export Controlled Goods" or "FOECG" means any Article, technical data, technology, information, technical assistance that is, in whole or in part, subject to any export, transfer, re-transfer or re-export restrictions whether or not such items are subject to the Controlled Goods Program;
9. "Governmental Authority" means any federal, provincial, regional, municipal or local government or authority or other political subdivision thereof and entity or person

- exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government;
10. “Customer Furnished Equipment” or “CCFE” means any equipment provided by or on behalf of Canada, including that described in the Subcontract;
 11. “ISI” means Irving Shipyard Inc. the prime contractor engaged in the CSC Project by the Government of Canada under the Prime Contract for the design of CSC Ships, including the design of the CSC Ships' combat systems.
 12. “Pollutant” means any substance or material that is prohibited, controlled, or regulated by any Governmental Authority pursuant to Environmental Laws, including, but not limited to, any contaminants, pollutants, petroleum or other hydrocarbons and their derivatives and by-products, dangerous substances or goods, including asbestos, liquid wastes, special wastes, toxic substances, hazardous or toxic chemicals, hazardous wastes, hazardous materials or hazardous substances as defined in or pursuant to any Environmental Law, or any substance or material not inherently hazardous but which would, in sufficient quantities, be hazardous;
 13. “PWGSC” means the Department of Public Works and Government Services;
 14. “Release” or “Released” means a releasing, adding, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migrating, dispersing, dispensing, disposing or dumping;

Interpretation

1. In the Subcontract:
 - a. Unless otherwise indicated, all references to a designated “Article”, “Section”, “sub-section” or other subdivision, or to a Schedule, are to the designated Article, Section, sub-section or other subdivision of, or Schedule to, the Subcontract;
 - b. The words “herein”, “hereof”, “hereunder” and other words of similar import refer to the Subcontract as a whole and not to any particular Section, sub-section or other subdivision of the Subcontract;
 - c. The headings are for convenience only and do not form a part of the Subcontract and are not intended to interpret, define or limit the scope, extent or intent of the Subcontract or any of its provisions;
 - d. The singular of any term includes the plural, and vice versa, the use of any term is generally applicable to any gender and where applicable, a corporation, and the word “including” is not limiting whether or not non-limiting language (such as “without limitation” or “but not limited to” or words of similar import) is used with reference thereto;
 - e. Words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, and joint ventures;

- f. Where a capitalized term is not defined in these general terms and conditions of Subcontract and such term is defined in the SACC forming part of the Subcontract, that term shall have the meaning given to it in the SACC;
- g. Where a word is defined (e.g., 'Delivery', 'Acceptance'), other forms of the word (e.g., 'Delivered', 'Deliver', 'Accepted', 'Accept') have a corresponding meaning;
- h. Any reference to any agreement (including the Subcontract), or other instrument in writing, or permit, licence or approval is a reference to such agreement or instrument, or permit, licence or approval as amended, modified or replaced from time to time;
- i. Any reference to a statute includes and is a reference to such statute and to the regulations made pursuant thereto, with all amendments made thereto and in force from time to time, and to any statute or regulations that may be passed which supplement or supersede such statute or such regulations;
- j. All references to day or days, other than Working Days, means calendar days;
- k. Unless otherwise provided herein, all dollar amounts refer to United States dollars; and
- l. The Parties acknowledge having had full opportunity to consider their contractual rights and obligations herein and agree that any rule of construction to the effect that an ambiguity is to be resolved against the drafting Party shall not be applicable in the interpretation of the Subcontract.

Security and Controlled Goods Requirements

1. Controlled Goods

- a. As the Subcontract requires production of, or access to Controlled Goods that are subject to the Defense Production Act, the Subcontractor and any sub-subcontractor are advised that, within Canada, only persons who are registered, exempt or excluded under the Controlled Goods Program ("CGP") are lawfully entitled to examine, possess or transfer Controlled Goods. Details on how to register under the CGP are available at: <http://ssi-iss.tpsgc-pwgsc.gc.ca/dmc-cgd/index-eng.html>.
- b. If the Subcontractor or any sub-subcontractor proposed to examine, possess or transfer Controlled Goods is not registered, exempt or excluded under the CGP as of the Effective Date or the effective date of the sub-subcontract in the case of a particular sub-subcontractor, the Subcontractor and any sub-subcontractor must, within seven (7) Working Days of the Effective Date in the case of the

Subcontractor or the effective date of the sub-subcontract in the case of a particular sub-subcontractor, ensure that the required application(s) for registration or exemption are submitted to the CGP. No examination, possession or transfer of Controlled Goods must be performed by the Subcontractor or sub-subcontractor, as the case may be, until the Subcontractor has provided proof, satisfactory to BAE Systems or its customer, that the Subcontractor and any such sub-subcontractor is registered, exempt or excluded under CGP.

- c. Failure of the Subcontractor to provide proof, satisfactory to BAE Systems or its customer that the Subcontractor or any such sub-subcontractor is registered, exempt or excluded under the CGP, within thirty (30) days from the Effective Date in the case of the Subcontractor or the effective date of the sub-subcontract in the case of a particular sub-subcontractor, will be considered a default under the Subcontract except to the extent the delay is due to delay in processing the application by Canada.
- d. The Subcontractor and any sub-subcontractor must maintain registration, exemption or exclusion from the CGP for the duration of the Subcontract and in any event for so long as they will examine, possess, or transfer Controlled Goods.
- e. If the Subcontractor Work incorporates the work of one or more sub-subcontractors, the identity and country of jurisdiction of each such sub-subcontractor;
- f. In the event the Subcontractor or a sub-subcontractor is providing approved FOECG for which the export authority of the originating country requires be marked with a notice that is not otherwise provided for, then the Parties shall determine the form, content and placement of such notice and the Foreign Export Control Management Plan shall be amended to include such notice. Any markings or notices to be applied to such items shall not be modified, altered, or obscured in any way unless the foreign government completely removes the requirements for such notices (such as, for example, removing the export and transfer restrictions).
- g. Notices that indicate that the contents of an item “may contain” Controlled Goods or FOECG shall not be placed on any item. An item must be positively identified as being controlled or subject to export controls.

2. Security Breach

- a. Any security breach involving FOECG or Controlled Goods must be reported within twenty-four (24) hours by the Subcontractor to both BAE Systems and, in the case of Controlled Goods, to the Controlled Goods Directorate of PWGSC. The Subcontractor shall comply with any instructions provided by BAE Systems, BAE Systems customer and/or the Controlled Goods Directorate of PWGSC, as applicable. Such reporting is in addition to, and not in lieu of, the Subcontractor’s obligations to comply with any reporting and disclosure obligations imposed by foreign governments and BAE Systems and its customer assumes no responsibility for or liability with respect thereto. The Subcontractor shall identify to BAE Systems any conflicts between instructions provided by BAE Systems and those provided by the Controlled Goods Directorate of PWGSC and

foreign governments, and the Subcontractor and BAE Systems shall meet to endeavour to resolve such conflicts as soon as possible.

Subcontracts and Subcontracting

1. For all sub-subcontractors other than those providing “off-the-shelf” items, services and any standard Articles and materials that are ordinarily produced in the normal course of business (“Off-the-shelf Supplier”), the Subcontractor must, unless BAE Systems customer agrees in writing, ensure that the sub-subcontractor is bound by terms and conditions compatible with and not less favorable to BAE Systems customer and Canada than the terms and conditions of the Subcontract. Notwithstanding the foregoing, (i) Off-the-shelf Supplier excludes any sub-subcontractor on the Major Equipment List in respect of such major equipment and (ii) the Subcontractor shall ensure that any Off-the-shelf Supplier is bound by conditions compatible with and not less favorable to BAE Systems customer than the terms of the Subcontract to the extent necessary for the Subcontractor to meet its obligations under this Subcontract. Notwithstanding the foregoing, in its sub-subcontracts, the Subcontractor shall not require its sub-subcontractors to accord preference to the affiliates of Subcontractor for sub-subcontracts.
2. Nothing in this section shall relieve the Subcontractor of its obligations as set out in the Subcontract. The Subcontractor is responsible for performing the Subcontract and BAE Systems customer is not responsible to any sub-subcontractor. The Subcontractor is responsible for any acts, omission, matters or things done or provided by any sub-subcontractor as if they were done by the Subcontractor under the Subcontract. The Subcontractor is responsible for paying any sub-subcontractors for any part of the Subcontractor Work they perform.

Immigration Requirements

1. The Subcontractor shall be responsible for compliance with all immigration requirements applicable to any non-permanent residents entering Canada to work on a temporary basis in fulfilment of the Subcontract. The Subcontractor shall be responsible for all costs incurred as a result of non-compliance with the immigration requirements, and as a result of delays in the Subcontractor Work resulting therefrom.

Subcontractor’s Quality Management Systems

1. In the performance of the Subcontractor Work, the Subcontractor must comply with the requirements of:
 - a. ISO 9001:2015 - Quality Management Systems - Requirements, published by the International Organization for Standardization (ISO), current edition at date of Subcontract award; and
 - b. ISO 10005:2018 - Quality Management - Guidelines for Quality Plans; and
 - c. The Subcontractor certifies and warrants that it is compliant to ISO 9001:2015 (Quality management). The Subcontractor must maintain this compliance

throughout the term of the Subcontract. The Subcontractor shall ensure that its sub- subcontractors follow appropriate quality programs to the extent necessary to meet such requirements.

Assistance for Quality Assurance

1. The Subcontractor shall provide any assistance required by quality assurance representatives of ISI and/or BAE Systems customer (“ISI and/or BAE Systems customer Quality Assurance”) and Canada (“Canada Quality Assurance”) for evaluation, verification, validation, documentation or release of the Subcontractor Work.
2. The Subcontractor shall provide ISI and/or BAE Systems customer Quality Assurance and Canada Quality Assurance access to any area of Subcontractor's or its sub-subcontractors' facilities where any part of the Subcontractor Work is being performed. The Subcontractor shall afford ISI and/or BAE Systems customer Quality Assurance and Canada Quality Assurance the unrestricted opportunity to evaluate and verify the Subcontractor conformity with sub-section 34.1 and to validate conformity of Subcontractor Work with the requirements of the Subcontract. The Subcontractor shall make available, for reasonable use by ISI and/or BAE Systems customer Quality Assurance, the equipment necessary for all validation purposes. The Subcontractor shall make its personnel available for operation of such equipment as required.

Environment and Hazardous Materials

1. The Subcontractor shall, and shall ensure that all of its sub-subcontractors, observe all Environmental Laws in the performance of the Subcontractor Work. The Subcontractor shall at all times carry out the Subcontractor Work in a manner that shall not cause or result in the release of any pollutants in the land, air or surrounding waters. The Subcontractor shall indemnify, release, defend and hold the ISI and/or BAE Systems customer Indemnitees harmless from and against any loss, liability, fine, penalty, orders or directives of any Governmental Authority, cost of clean-up or remediation, or property damage resulting from Release of any Pollutants arising from or relating to the Subcontractor Work.
2. The Subcontractor must have environmental emergency response plans and/or procedures in place. The Subcontractor and its employees must have received training in emergency preparedness and response appropriate to their portion of the Subcontractor Work. When the Subcontractor Work involves hazardous materials (which include dangerous goods and toxic substances), the Subcontractor shall be responsible for all activities associated with identifying, removing, tracking, storing, transporting, using and disposing of such hazardous materials. In addition, the Subcontractor shall be responsible for:
3. The removal, handling, storage and disposal of hazardous waste generated, uncovered or removed in the performance of the Subcontractor Work and the submission of the disposal manifests for review by BAE Systems customer, if requested;
4. Protection of the environment and the health and safety of personnel working in the vicinity of such hazardous materials and/or waste;
5. Ensuring that the Subcontract Schedule has taken into account the time required for the removal, handling, storage, use, disposal or the working in the vicinity of hazardous materials in compliance with laws or regulations applicable to those activities; and
6. The proper labelling and packaging of Subcontractor Work involves the supply and shipping of hazardous materials to BAE Systems customer and/or ISI.

Priority Rating

1. The Parties acknowledge and agree that the Subcontract contains Canadian defence requirements and therefore is eligible to be assigned a "U.S. Priority Rating", pursuant to the Defence Priorities and Allocation System ("DPAS") regulations (15 CFR part 700), for any materials/services imported from the United States into Canada which may be required in the performance of the Subcontractor Work. If the Subcontractor, or any of its Canadian-based sub-subcontractors on the Subcontractor's behalf, enters into a sub-subcontract with a United States based equipment or service provider in connection with the Subcontractor Work, the Subcontractor, or the Canadian-based sub-subcontractor, as the case may be, must: (i) make an application to the DPAS Officer, PWGSC requesting such U.S. Priority Rating in advance of importing any materials/services from the United States; and (ii) make such reapplications or filings with the DPAS Officer, PWGSC as are necessary to apply to maintain such U.S. Priority Rating for so long as such materials/services are required to be imported from the United States to perform the Subcontractor Work.
 - a. Be responsible for any impact on its ability to satisfy its obligations under this Subcontract arising from its failure to comply with sub-section 1;
 - b. Not have the right to claim an Excusable Delay for any delay in its performance of the Subcontractor Work resulting solely from its failure to comply with sub-section 1; and
 - c. Include this in any sub-subcontract entered into with a Canadian-based sub-subcontractor who may be importing materials or services from the United States in connection with the Subcontractor Work and quote "PWGSC Contract Number W847S-150036/001/CSC".
2. For greater certainty, the Subcontractor's sole responsibility is to endeavor to obtain and keep current the U.S. Priority Rating in respect of the Subcontract by making or causing its Canadian-based sub-subcontractor to make, timely applications, Subcontractor is not responsible or liable for any U.S. sub-subcontractor's compliance or failure to comply with the DPAS regulation."

Ownership

1. Despite any transfer of ownership, the Subcontractor is responsible for any loss or damage to the Subcontractor Work or any part of the Subcontractor Work until it is delivered to Canada or BAE Systems customer in accordance with the Subcontract. Even after delivery, the Subcontractor remains responsible for any loss or damage to any part of the Subcontractor Work caused by the Subcontractor or any sub-subcontractor.
2. The Subcontractor declares that no bribe, gift, benefit, or other inducement has been or will be paid, given, promised or offered directly or indirectly to any official or employee of Canada or ISI or to a member of the family of such a person, with a view to influencing the entry into the Subcontract or the administration of the Subcontract.
3. The Subcontractor must not influence, seek to influence or otherwise take part in a decision of BAE Systems customer or Canada knowing that the decision might further its private interest. The Subcontractor must have no financial interest in the business of a third party that causes or would appear to cause a conflict of interest in connection with the performance of its obligations under the Subcontract. If such a financial interest is acquired during the period of the Subcontract, the Subcontractor must immediately declare it to the BAE Systems or BAE Systems Customer, Subcontract Authority.
4. The Subcontractor warrants that, to the best of its knowledge, after making diligent inquiry, no conflict exists or is likely to arise in the performance of the Subcontract. In the event the Subcontractor becomes aware of any matter that causes or is likely to cause a conflict in relation to the Subcontractor's performance under the Subcontract, the Subcontractor must immediately disclose such matter to BAE Systems in writing.

International Sanctions

1. Persons in Canada, and Canadians outside of Canada, are bound by economic sanctions imposed by Canada. As a result, BAE Systems or BAE Systems customer cannot accept delivery of goods or services that originate, either directly or indirectly, from the countries or persons subject to economic sanctions imposed by Canada.
2. The Subcontractor must not supply to BAE Systems any goods or services which are subject to economic sanctions imposed by Canada.
3. The Subcontractor must comply with changes to the regulations imposed during the period of the Subcontract. The Subcontractor must immediately advise BAE Systems if it is unable to perform the Subcontractor Work as a result of the imposition of economic sanctions against a country or person or the addition of a good or service to the list of sanctioned goods or services. If the Parties cannot agree on a work around plan, the Subcontract will be terminated for the convenience.
4. Integrity Provisions – Subcontract
 - a. Under Canada's Ineligibility and Suspension Policy (the “Policy”) and all related Directives in effect on October 27, 2016, which can be found at <http://www.tpsgc-pwgsc.gc.ca/ci-if/politique-policy-eng.html>, charges and convictions of certain offences against a Supplier, as defined in the Policy, or its first-tier subcontractors, and other circumstances, will or may result in a determination by PWGSC that the Supplier is ineligible to enter, or is suspended from entering into, a contract with Canada. The list of ineligible and suspended Suppliers is contained in PWGSC's Integrity Database. The Policy describes how enquiries can be made regarding the ineligibility or suspension of Suppliers
 - b. The Subcontractor may not subcontract with a first-tier subcontractor that has been determined by PWGSC to be ineligible or is suspended from entering into a contract with Canada. With respect to subcontracts with any subcontractors of any tier other than a first-tier subcontractor, the Subcontractor will not permit, without prior written consent of ISI, subcontracting with any party that has been determined by PWGSC to be ineligible or is suspended from entering into a contract with Canada and shall require that such restriction be incorporated into all the subcontracts other than those which are with an Off-the-shelf Supplier. For the purposes of this Section 2 of 2035 41 Integrity Provisions, “first-tier subcontractor” means a subcontractor with whom the Subcontractor has a direct contractual relationship to perform a portion of the Subcontract Work.

Insurance Requirements

1. Where the Subcontractor Work involves the performance of services on the premises of BAE Systems customer and/or ISI, Subcontractor shall maintain, and shall cause its sub-subcontractors to maintain, Workers' Compensation coverage for all employees, or sub-subcontractor employees as applicable, engaged in the Subcontractor Work in accordance with the statutory requirements of the province, territory or state in which the Subcontractor Work is being performed
2. Commercial General Liability Insurance, including bodily injury, death and property damage in an amount of not less than \$5 million per accident or occurrence and \$10 million in the aggregate. Such coverage to include, but not be limited to, Blanket Contractual Liability, Contractor's Protective Liability, Employer's Liability Insurance, Personal Injury (including but not limited to violation of privacy, libel, slander, false arrest, detention or imprisonment and defamation of character), Non-Owned Automobile Liability, Broad Form Property Damage Liability, Products and Completed Operations Liability arising out of goods or products manufactured , sold,

handled, or distributed by the Subcontractor and/or arising out of operations that have been completed by the Subcontractor, Sudden and Accidental Pollution Liability (with a minimum of 72 hours detection and reporting notices), Employees (and if applicable, volunteers) added as additional insureds. Such Products and Completed Operations hazard coverage shall include service, assembly and repair activities as well as material, parts or equipment furnished in connection with the Subcontractor Work performed by the Subcontractor or on its behalf.

3. Professional liability insurance covering professional services provided under the Subcontract with a limit of not less than \$2,000,000 for each claim and a deductible of not more than \$1,000,000 for each claim; and
4. Automobile Liability Insurance for owned, leased, hired, operated or licensed vehicles with limits of not less than \$5 million for accidental injury to or death of one or more persons or damage to or destruction of property as a result of one accident or occurrence.
5. "All Risk" property insurance covering loss or damage on a full replacement value basis to:
6. any property intended to form part of the CSC Ships, before Delivery by the Subcontractor to BAE Systems or BAE Systems customer;
7. plans, drawings, construction machinery, tools, equipment and other property that is owned by, leased by, or rented by and used by Subcontractor or its sub-subcontractors in performing the Subcontractor Work.
8. any property, not intended to form part of the CSC Ships, which is supplied by BAE Systems or BAE Systems customer, ISI or Canada, when not located at BAE Systems or BAE Systems customer and/or ISI's facilities; and
9. Such additional coverage as may be required by law or which the Subcontractor considers necessary. Subcontractor shall be responsible for deciding if additional insurance coverage is necessary to fulfil its obligations under the Subcontract and to ensure compliance with any applicable law. Any additional insurance coverage shall be at the Subcontractor's expense and for its own benefit and protection.
10. Requirements of Subcontractor's Insurance Policies. The insurance required shall be provided in accordance with the following terms and conditions:
11. Subcontractor shall provide BAE Systems or BAE Systems customer with evidence of compliance with applicable Workers' Compensation legislation and coverage requirements
12. Certificates of insurance of the policies described shall be submitted to BAE Systems prior to commencement of the Subcontractor Work and promptly upon any renewal of such policies. Insurers shall maintain a minimum A.M. Best rating of A- or a Standard and Poor rating of not lower than BBB and be licensed to carry on business in Canada. The approval or non-approval of any such certificates of insurance or insurance policies by BAE Systems or BAE Systems customer shall in no way relieve Subcontractor of its obligations to provide the insurance described.
13. The property insurance policy required to be maintained by Subcontractor shall name BAE Systems, BAE Systems customer, ISI and Her Majesty the King in right of Canada, as represented by the Minister of Public Works and Government Services Canada, as additional insureds and loss payees as their interests may appear. All property insurance policies required to be maintained by Subcontractor shall contain a waiver of subrogation against BAE Systems or BAE Systems customer, ISI, its parents, subsidiaries, associated and affiliated companies and each of their respective directors, officers, employees and agents and His Majesty the King in right of Canada, as represented by the Minister of Public Works and Government Services Canada;
14. All insurance required to be maintained by Subcontractor shall be considered primary and non-contributory and not excess to any insurance carried by ISI other than the insurance described;
15. All required liability insurance policies, except for automobile liability insurance and workers compensation, shall:

16. include BAE Systems and BAE Systems customer, ISI, its parents, subsidiaries, associated and affiliated companies and each of their respective directors, officers, employees and agents, and His Majesty the King in right of Canada, as represented by the Minister of Public Works and Government Services Canada, as additional insureds (and/or co-insured for Protection and Indemnity insurance), for all claims relating to or arising out of Subcontractor's performance of the Subcontractor Work; and
17. contain cross-liability and severability of interest clauses and a waiver of subrogation clause in favor of the parties (except for Subcontractor) named above;
18. For greater certainty, where His Majesty the King in right of Canada as represented by the Minister of Public Works and Government Services is an insured or the beneficiary of waiver of subrogation, this insured or beneficiary includes His Majesty the King in right of Canada as represented by the Minister of National Defense and includes His Majesty the King in right of Canada;
19. The Commercial General Liability policy noted above shall be endorsed to include a Litigation Rights clause as follows:
20. Litigation Rights – Canada: Pursuant to sub-section 5(d) of the Department of Justice Act, S.C. 1993, c. J-2, s.1, if a suit is instituted for or against Canada which the insurer would, but for this clause, have the right to pursue or defend on behalf of Canada as an Additional Named Insured under the insurance policy, the insurer must promptly contact the Attorney General of Canada to agree on the legal strategies by sending a letter, by registered mail or by courier, with an acknowledgement of receipt as follows:
21. For the province of Quebec, send to:
22. Director Business Law Directorate, Quebec Regional Office (Ottawa), Department of Justice, 284 Wellington Street, Room SAT-6042, Ottawa, Ontario, K1A 0H8
23. For other Canadian provinces and territories, send to:
24. Senior General Counsel, Civil Litigation Section, Department of Justice 234 Wellington Street, East Tower Ottawa, Ontario K1A 0H8
25. A copy of the letter must be sent, by registered mail or courier, to:
26. Senior Director, Major Projects Directorate – Sea Public Works and Government Services Canada EL-03 5th Fl. 555 Boul. de la Carrière Gatineau, Quebec K1A 0K2
27. Canada reserves the right to co-defend any action brought against Canada. All expenses incurred by Canada to co-defend such actions will be at Canada's expense. If Canada decides to co-defend any action brought against it, and Canada does not agree to a proposed settlement agreed to by the Subcontractor's insurer and the plaintiff(s) that would result in the settlement or dismissal of the action against Canada, then Canada will be responsible to the Subcontractor's insurer for any difference between the proposed settlement amount and the amount finally awarded or paid to the plaintiffs (inclusive of costs and interest) on behalf of Canada;
28. Subcontractor shall, as soon as practicable after becoming aware, provide BAE Systems with written notice to any material change, cancellation or non-renewal of any insurance provided by Subcontractor in accordance with this Subcontract; and
29. Subcontractor may satisfy the limit requirement noted above through the use of a primary and excess insurance arrangement.
30. Deductibles. Subcontractor is responsible for payment of all deductibles applicable to the insurance described in this Schedule.
31. Subcontractors. Subcontractor shall require its sub-subcontractors to enter into an agreement with Subcontractor containing provisions in the same form as those found in this Schedule. Subcontractor shall provide to BAE Systems or BAE Systems customer, upon request, copies of certificates of insurance for the policies it has obtained from its sub-subcontractors.
32. Insurance Indemnity. If Subcontractor fails to furnish BAE Systems or BAE Systems customer with a certificate of insurance for each policy of insurance required to be obtained or if after furnishing a certificate of insurance, any policy lapses, is cancelled or is materially altered, then

in every case BAE Systems or BAE Systems customer may obtain and maintain such insurance in the name of Subcontractor. The Subcontractor shall indemnify and hold harmless Canada, ISI and BAE Systems or BAE Systems customer from any loss, cost or expense suffered, sustained, paid or incurred by Canada, ISI or BAE Systems or BAE Systems customer to place such insurance for the Subcontractor.

33. Liability of Subcontractor. Neither the providing of insurance by the Subcontractor in accordance with the requirements of this Schedule, nor the insolvency, bankruptcy or the failure of any insurance company to pay any claim occurring, shall be held to relieve Subcontractor from any other provisions of the Subcontract with respect to liability of Subcontractor or otherwise.
34. Workers' Compensation
35. Subcontractor shall, and shall ensure that its sub-subcontractors, comply with workers' compensation law covering all persons employed by the Subcontractor and its sub-subcontractors. Without limitation, Subcontractor shall, and shall ensure that its sub-subcontractors, at all times pay or cause to be paid any assessment or contribution required to be paid pursuant to workers' compensation law or, in jurisdictions where Workers' Compensation is not funded by the province, territory or state through a statutory Workers' Compensation scheme, carry workers' compensation insurance in accordance with applicable law as set out in this section. Upon BAE Systems or BAE Systems customer request, Subcontractor shall deliver to BAE Systems or BAE Systems customer a statement from the Workers' Compensation Board, or applicable governing body, indicating that Subcontractor or any of its sub- subcontractors is registered and in good standing.
36. In the event that an employee of Subcontractor or its sub-subcontractor engaged in the Subcontractor Work ordinarily resides outside the province, territory or state in which the Subcontractor Work is being performed and is employed by an employer who is based outside the province, territory or state in which the Subcontractor Work is being performed (and such employer carries on business at the location of the Subcontractor Work on a temporary basis) Subcontractor shall comply with Workers' Compensation law in accordance with the statutory requirements of the province, territory or state where the employee is ordinarily resident and the employer ordinarily carries on business.
37. Indemnification for Workers' Compensation. Subcontractor shall indemnify and hold harmless BAE Systems or BAE Systems customer and the other Indemnitees from and against all Claims of any third party brought against BAE Systems or BAE Systems customer as a result of Subcontractor's failure to pay, or the failure of Subcontractor to ensure its sub-subcontractors pay, any assessment, contribution, or insurance premium relating to workers' compensation coverage and from and against all Claims brought on a subrogated basis by any Workers Compensation Board or other applicable governing body or self-insurer or insurer providing workers' compensation coverage arising from the Subcontractor Work. If Subcontractor (or any of its sub-subcontractors) is not obliged by law to maintain statutory Workers' Compensation coverage, Subcontractor shall nevertheless maintain (and require its sub-subcontractors to maintain) such coverage if available and, in the event of unavailability of such coverage or any failure by Subcontractor or its sub- subcontractors to maintain such coverage, Subcontractor shall indemnify, defend and hold harmless BAE Systems or BAE Systems customer and the other Indemnitees against any liability, loss or expense (including attorney's fees and other costs of litigation) with respect to:
 - (i) Workers' compensation benefits payable on account of injury or death (if applicable);
 - (ii) Claims for bodily injury or death brought by the Subcontractor; and

- (iii) Claims for bodily injury or death asserted by third parties (including any employees or agents of the Subcontractor).