

# Schedule G

## Financial Arrangements

Prepared by: Vancouver Shipyards Co. Ltd.  
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**Approvals**

Role	Name	Designation	Signature	Date
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0	09 APR 18
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## Part A – Definitions and General Payment Terms

### G1.0 Definitions

G1.1 In this Schedule G, unless the context otherwise requires, where the first letter is capitalized, it is a defined term set out in either the Articles of Agreement, the 'Introduction' of each Part of the SOW, or Schedule I.

G1.2 For ease of reference, definitions relevant to this Schedule are:

**Applicable Taxes** means the Goods and Services Tax (GST), the Harmonized Sales Tax (HST), and any provincial sales taxes payable by the Purchaser by law;

**CAD** means Canadian dollars;

**Contract Cost Principles** means PSPC's Contract Cost Principles 1031-2 as of Contract Award, except that in such document the terms "Canada", "Contract" and "Contractor" will be read as "Purchaser", "Subcontract" and "Supplier", respectively. A copy of the Contract Cost Principles is available, as of Contract Award, at: <https://buyandsell.gc.ca/policy-and-guidelines/standard-acquisition-clauses-and-conditions-manual/3/1031-2/6>;

**Costs** means costs as determined in accordance with the Contract Cost Principles;

**Direct Costs** means direct costs as determined in accordance with the Contract Cost Principles;

**Exchange Rate Adjustment** has the meaning given in Section G4.5;

**Foreign Currency Component** or **FCC** is the portion (in CAD) of the applicable price or expense that will be directly affected by exchange rate fluctuation and includes all related taxes, duties and other costs paid by the Supplier and which are to be included in the adjustment;

**Firm Price** means the firm amount to be paid to the Supplier for the applicable portion of Work, inclusive of Mark-up, profit, costs and expenses of any kind;

**Foreign Currency** means any currency other than CAD;

**Indirect Costs** means indirect costs as determined in accordance with the Contract Cost Principles;

**Initial Exchange Rate** means CAD per unit of foreign currency (e.g. \$1 USD);

**Mark-up** means the amount permitted to be added to the Direct Costs the Supplier incurs in performing the applicable Work (as stated as a percentage of such Direct Costs) to compensate the Supplier for its Indirect Costs and its Profit (the Mark-ups are as set out in Section G9.0 below);

**Payment Claim** has the meaning given in Section G11.1 below;

**Payment Period** means net seventy (70) days from the Subcontracting Authority's receipt of a compliant Payment Claim, as determined in accordance with Part F below;

**Profit** or **Fee** means the profit or fee the Supplier is entitled to receive as compensation, beyond the Costs it is permitted to recover under this Subcontract, for performing the applicable Work;

**Rates** means "all-inclusive" firm rates of remuneration per hour for certain grades of the Supplier's employees, contract labour or Sub-suppliers and includes Mark-up the Supplier is entitled to for their labour costs (but for certainty does not include Applicable Taxes) as set out in Section G8.0; ~~and~~

**Reimbursable Expenses** means the Supplier's authorized travel and living expenses, as further described in Part E of this Schedule G; ~~and~~

**Total Adjustments** has the meaning given in section G4.5.

### G2.0 Taxes and Customs Duties

G2.1 Unless expressly stated otherwise in the Subcontract, Applicable Taxes are not included in the Subcontract Price and, where applicable, are payable by the Purchaser.

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- G2.2 The Supplier shall notify the Purchaser if it is a non-resident of Canada within the meaning of the *Income Tax Act* (Canada), and if it is a non-resident, the Supplier acknowledges that the Purchaser may be obligated under the *Income Tax Act* (Canada) to deduct a portion of the amount to be paid to the Supplier and hold it on account for the Supplier in respect of the Supplier's Canadian tax liabilities.
- G2.3 Unless the Purchaser is responsible for arranging transportation of the Goods into Canada pursuant to the Shipping Terms, the Supplier shall be responsible for paying for any applicable Canadian customs duties as part of the Subcontract Price, in which case the following shall apply:
- (a) The Goods are defence supplies, and therefore customs duties on importation to Canada may be remitted under the Tariff Item Number 9982.00.00 of the Schedule to the Customs Tariff. Remission of customs duties payable may be granted under the Tariff Item Number 9982.00.00 when the total value of the Goods is two hundred and fifty thousand dollars (\$250,000 CAD) or more (this reflects the import value of the Goods plus the duty that would be applicable in the absence of the Customs Tariff).
  - (b) The Supplier shall be responsible for pre-arranging remission on importation or for paying customs duties on importation and applying to Canada Border Services Agency for a refund. The Supplier shall apply to PSPC in sufficient time to allow the item to be delivered by the date specified in the Subcontract for the certification required by the Customs Tariff.
  - (c) If the Supplier obtains relief from the application of Canadian customs duties, such duties shall not be included in the Subcontract Price. If the Supplier does not comply with this Section G2.3, it shall be liable to pay such customs duties as may be levied in respect of the Goods that would not otherwise have been levied but for the Supplier's non-compliance, and may not seek reimbursement for the same from the Purchaser.

**G3.0 Holdback**

- G3.1 If the Supplier is subject to IRB Commitments (as opposed to a CCV Commitment) under Section 51.0 of the General Conditions, then the Purchaser shall have the right to retain a payment holdback in the circumstances described in section 19.3 of Schedule B6.

**G4.0 Foreign Currency Expenses**

- G4.1 All payments by the Purchaser under this Subcontract will be made in CAD.
- G4.2 For any payments of the Subcontract Price where a FCC is identified, the Purchaser assumes the risks and benefits for exchange rate fluctuation for the FCC up to the time of payment, to the extent detailed herein.
- G4.3 If the Subcontract Price or any components thereof are stated in a Foreign Currency, or if the Supplier claims a Reimbursable Expense incurred in a Foreign Currency, payment for the same will be converted to CAD using the Bank of Canada average day exchange rate for the Business Day immediately prior to the date that the Supplier submits its Payment Claim for the applicable Work (except in the circumstances addressed in Section G4.4 below).
- G4.4 If the Supplier is entitled to claim Reimbursable Expenses, subject to Part E:
- (a) if any Reimbursable Expenses in a Foreign Currency have been paid for with a credit card issued by a Canadian institution and the credit card statement is issued in CAD, they will be reimbursed as the CAD amount stated on the credit card statement; and
  - (b) if any Reimbursable Expenses have been incurred in Canada using a credit card issued by a non-Canadian institution, they shall be reimbursed at the CAD amount stated on the credit card statement.
- G4.5 At the end of each June and December during the Term of the Subcontract, the Supplier shall, in accordance with Part 8 (FIN) of the SOW, submit a Payment Claim setting out the Exchange Rate Adjustment (either upward, downward or no change) for each Supplier invoice paid during that given six (6) months that is subject to adjustment in accordance with this Section G4.0, along with the sum of the Exchange Rate Adjustments for all payments during the given six months (the **Total Adjustment**).

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**Part B – Subcontract Price**

**G5.0 The Options**

G5.1 If the Purchaser exercises an Option, the Purchaser shall pay the Supplier the aggregate Firm Price indicated in the table below for the Work to be supplied or performed by the Supplier pursuant to such Option, in each case subject to Article 4.4 of the Articles of Agreement.

Option No.	Description (See Article 4.1 of the Articles of Agreement)	Firm Price in CAD (Where# no FCC)	Firm Price in Foreign Currency (Where FCC)	Equivalent eEstimated Firm Price expressed in CAD (Where# FCC applicable - using Initial Exchange Rate(s))
1	Design Services and VFI (Data Items)	\$[*]	[*]	\$[*]
2	Reserved	-	-	-
3	Build Phase - Main Equipment - Ship 1	\$[*]	[*]	\$[*]
4	Spares - Ship 1	\$[*]	[*]	\$[*]
5	Build Phase - Main Equipment - Ship 2	\$[*]	[*]	\$[*]
6	Spares - Ship 2	\$[*]	[*]	\$[*]
7	Additional or Alternate Spares	\$[*]	[*]	\$[*]
8	Other Cost (if applicable)	\$[*]	[*]	\$[*]

5.2 The Supplier acknowledges that the consideration it will receive for supplying any Data Items (other than the Data Items supplied pursuant to Option 1) and performing any Services is included in the above prices.

**G6.0 Adjustments to Subcontract Price**

G6.1 The Subcontract Price is subject to adjustment:

- (a) in accordance with Article 4.4 of the Articles of Agreement;
- (b) for Changes, in accordance with Section F (Changes) of the General Conditions;
- (c) for adjustments to the Shipping Terms made by the Purchaser pursuant to Section H (Delivery) of the General Conditions:
  - (i) if the Supplier was initially responsible for shipping pursuant the Shipping Terms, but the Purchaser subsequently assumes that responsibility, the Subcontract Price (and the associated delivery Milestone) will be reduced by the aggregate amount indicated in Schedule E for 'freight costs, brokerage fees, duties and insurance'; or
  - (ii) if the Purchaser was initially responsible for shipping pursuant the Shipping Terms, but the Purchaser subsequently requires the Supplier to assume that responsibility, the Subcontract Price (and the associated delivery Milestone) will be increased by the Supplier's reasonably incurred freight costs, brokerage fees, duties (subject to Section G2.3) and insurance costs; and
- (d) for any other adjustments that are expressly permitted or expressly required under the Subcontract.

**[Part C – Method of Payment follows]**

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Part C – Method of Payment

G7.0 Milestone Payments

G7.1 The Purchaser shall pay the Supplier the applicable Subcontract Price for the Deliverables supplied by the Supplier under a given Option by milestone payments based on the table below, in accordance with the payment claims process described in Part F.

Milestone No.	Milestone Description	Sub-elements of Milestone Description	Foreign Exchange			CAD equivalent using Initial Base Rate	Cumulative % of Option Price	MS Date	Firm Price in CAD (if no FCC) Estimated Price in CAD (if FCC using Initial Exchange Rate(s))
			FCC	FCC as % of MS	Base-Initial Exchange Rate as of [* DD MMM YY]				
<b>Option 1 - Design Services and VFI (Data Items)</b>									
1	All Work completed to the date of the Milestone	Upon submission and satisfactory assessment by the Purchaser of all Data Items listed in Sections A and B of each Part of the SOW and Schedule D2 (SDRL) to the date of the Milestone	US\$ [*] GBP [*] Etc...	[*] Etc...	[*] Etc...	\$[*] \$[*] Etc...	[*] [*] Etc...	NEO+[*]M	\$[*]
2	All Work completed to the date of the Milestone	Upon submission and satisfactory assessment by the Purchaser of all Data Items listed in Sections A and B of each Part of the SOW and Schedule D2 (SDRL) to the date of the Milestone	US\$ [*] GBP [*] Etc...	[*] Etc...	[*] Etc...	\$[*] \$[*] Etc...	[*] [*] Etc...	NEO+[*]M	\$[*]
3	All Work completed to the date of the Milestone	Upon submission and satisfactory assessment by the Purchaser of all Data Items listed in Sections A and B of each Part of the SOW and Schedule D2 (SDRL) to the date of the Milestone	US\$ [*] GBP [*] Etc...	[*] Etc...	[*] Etc...	\$[*] \$[*] Etc...	[*] [*] Etc...	NEO+[*]M	\$[*]
4	All Work completed to the date of the Milestone	Upon submission and satisfactory assessment by the Purchaser of all Data Items listed in Sections A and B of each Part of the SOW and Schedule D2 (SDRL) to the date of the Milestone	US\$ [*] GBP [*] Etc...	[*] Etc...	[*] Etc...	\$[*] \$[*] Etc...	[*] [*] Etc...	NEO+[*]M	\$[*]
5	All Work completed to the date of the Milestone	Upon submission and satisfactory assessment by the Purchaser of all Data Items listed in Sections A and B of each Part of the SOW and Schedule D2 (SDRL) to the date of the Milestone	US\$ [*] GBP [*] Etc...	[*] Etc...	[*] Etc...	\$[*] \$[*] Etc...	[*] [*] Etc...	NEO+[*]M	\$[*]
6 to 49	Reserved						100%		\$[*]
<b>Option 2 - Production Slot Reservation – Not Used</b>									
50 to 99	Reserved						100%		-
<b>Option 3 - Build Phase - Main Equipment - Ship 1</b>									
100	All Work completed to the date of the Milestone	[* insert description]	US\$ [*] GBP [*] Etc...	[*] Etc...	[*] Etc...	\$[*] \$[*] Etc...	[*] [*] Etc...	NEO+[*]M	\$[*]
101	All Work completed to the date of the Milestone	[* insert description]	US\$ [*] GBP [*] Etc...	[*] Etc...	[*] Etc...	\$[*] \$[*] Etc...	[*] [*] Etc...	NEO+[*]M	\$[*]
102	All Work completed to the date of the Milestone	Upon the Purchaser being notified of the Ready For Shipping Date (RFSD) for the Goods and Commissioning Materials as evidenced by documentary evidence (e.g. photographs, FAT Reports, etc...)	US\$ [*] GBP [*] Etc...	[*] Etc...	[*] Etc...	\$[*] \$[*] Etc...	[*] Etc	NEO+[*]M	\$[*]
103	All Work completed to the date of the Milestone	Upon satisfactory receipt of one (1) Shipset of the Goods and Commissioning Materials for Ship 1 at the Purchaser's Premises	US\$ [*] GBP [*] Etc...	[*] Etc...	[*] Etc	\$[*] \$[*] Etc...	[*] Etc	1M after Milestone 102	\$[*]
104	All Work completed to the date of the Milestone	Acceptance of all Data Items listed in Part 4 (ILS) of the SOW and Rectification of all Defects in the Goods (if any)	US\$ [*] GBP [*] Etc...	[*] Etc...	[*] Etc	\$[*] \$[*] Etc...	[*] Etc	NEO+[*]M	\$[*]
105 to 149	Reserved						100%		\$[*]

[\*NOTE: add 'FX Reconciliation Payment Milestones' if required]

<b>Option 4 - Spares - Ship 1</b>									
150	All Work completed to the date of the Milestone	Upon satisfactory receipt of one (1) Shipset of Spares and SPT (if applicable) and STTE (if applicable) for Ship 1 at the Victoria Warehouse	US\$ [*] GBP [*] Etc...	[*] Etc...	[*] Etc	\$[*] \$[*] Etc...	[*] Etc	NEO+[*]M	\$[*]
151 to 199	Reserved						100%		\$[*]

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Option 5 - Build Phase - Main Equipment - Ship 2									
200	All Work completed to the date of the Milestone	[* insert description]	US\$ GBP Etc...	[*] [*] Etc	[*] [*] Etc	\$[*] \$[*] Etc...	[*] [*] Etc	NEO+[*]M	\$[*]
201	All Work completed to the date of the Milestone	[* insert description]	US\$ GBP Etc...	[*] [*] Etc	[*] [*] Etc	\$[*] \$[*] Etc...	[*] [*] Etc	NEO+[*]M	\$[*]
202	All Work completed to the date of the Milestone	Upon the Purchaser being advised in writing of the Ready For Shipping Date (RFSD) for the Goods and Commissioning Materials as evidenced by documentary evidence (e.g. photographs, FAT Reports, etc...)	US\$ GBP Etc...	[*] [*] Etc	[*] [*] Etc	\$[*] \$[*] Etc...	[*] [*] Etc	NEO+[*]M	\$[*]
203	All Work completed to the date of the Milestone	Upon satisfactory receipt of one (1) Shipset of the Goods and Commissioning Materials for Ship 1 at the Purchaser's Premises	US\$ GBP Etc...	[*] [*] Etc	[*] [*] Etc	\$[*] \$[*] Etc...	[*] [*] Etc	1M after Milestone 202	\$[*]
204	All Work completed to the date of the Milestone	Acceptance of all Data Items listed in Part 4 (ILS) of the SOW and Rectification of all Defects in the Goods (if any)	US\$ GBP Etc...	[*] [*] Etc	[*] [*] Etc	\$[*] \$[*] Etc...	[*] [*] Etc	NEO+[*]M	\$[*]
205 to 249	Reserved						100%		\$[*]
Option 6 - Spares - Ship 2									
250	All Work completed to the date of the Milestone	Upon satisfactory receipt of one (1) Shipset of Spares and SPT (if applicable) and STTE (If applicable) for Ship 2 at the Victoria Warehouse	US\$ GBP Etc...	[*] [*] Etc	[*] [*] Etc	\$[*] \$[*] Etc...	[*] [*] Etc	NEO+[*]M	\$[*]
251 to 299	Reserved						100%		\$[*]
Option 7 - Additional or Alternate Spares									
300	All Work completed to the date of the Milestone	Upon satisfactory receipt of the additional or alternate Spares listed in Schedule E at the Victoria Warehouse	US\$ GBP Etc...	[*] [*] Etc	[*] [*] Etc	\$[*] \$[*] Etc...	[*] [*] Etc	NEO+[*]M	\$[*]
301 to 349	Reserved						100%		\$[*]
Option 8 - Other Cost (if applicable)									
350	All Work completed to the date of the Milestone	[*]	US\$ GBP Etc...	[*] [*] Etc	[*] [*] Etc	\$ \$ Etc...	[*] [*] Etc	NEO+[*]M	\$[*]
351 to 399	Reserved						100%		\$[*]

**Part D – Rates and Mark-Ups**

**G8.0 Rates**

G8.1 The following table shows the Rates for the years 2018 to 2021 inclusive, for all grades of labour, including contract labour, supplied by the Supplier for the purpose of undertaking any Work to which Section G5.0 above does not apply:

**Supplier Rate Table**

#	Supplier's Labour Description	Hourly Rates (Original currency of expenditure)					
		2018	2019	2020	2021	2022	2023
1	[* insert description of labour grade]	[*]	[*]	[*]	[*]	[*]	[*]
2	[* insert description of labour grade]	[*]	[*]	[*]	[*]	[*]	[*]
	Etc...	Etc	Etc	Etc	Etc	Etc	Etc
	Etc...	Etc	Etc	Etc	Etc	Etc	Etc
	Etc...	Etc	Etc	Etc	Etc	Etc	Etc
	Etc...	Etc	Etc	Etc	Etc	Etc	Etc

G8.2 For any years after the last year in the table shown above, the Supplier may increase its Rates by up to the Escalation Rate.

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G8.3 The Rates for any Work performed by the Supplier's Affiliates may not exceed the Supplier's Rates for the equivalent grade of labour and year.

**G9.0 Mark-ups**

G9.1 The following table shows the Mark-ups the Supplier is permitted to apply in accordance with the Subcontract:

**Mark-up Table**

#	Direct Cost	Mark-up (as a % of Direct Cost)	
		Indirect Costs	Profit (Fee)
1	Goods manufactured by the Supplier or its Affiliates (as already incorporated into the price of such Goods).	[%]	[%]
2	Goods procured from third parties (as already incorporated into the price of such Goods).	[%]	[%]
3	Mark-up embedded in the Supplier's Rates.	[%]	[%]
4	Mark-up embedded in Sub-supplier Rates (if applicable).	[%]	[%]

G9.2 The Supplier shall not charge an additional Mark-up on the cost of Work performed by its Affiliates.

**Part E – Reimbursable Expenses**

**G10.0 Travel and Living Expenses**

G10.1 If so indicated in Part B above, the Supplier will be reimbursed for its authorized travel and living expenses reasonably and properly incurred in the performance of the Work, at cost, without any mark-up or allowance for profit or administrative overhead, in accordance with the meal, private vehicle and incidental expense allowances specified in Appendices B, C and D of Canada's *National Joint Council Travel Directive* (available, as at Contract Award, at <https://www.canada.ca/en/treasury-board-secretariat/services/travel-relocation/travel-government-business.html>) and with the other provisions of that directive referring to "travelers", rather than those referring to "employees".

G10.2 All travel for each travel event must be in the accordance with a travel plan submitted by the Supplier and accepted in writing by the Subcontracting Authority, and any cost above the amount identified for each travel event will not be reimbursed by the Purchaser unless the Supplier has obtained prior written authorization from the Subcontracting Authority.

**Part F – Payment Claims**

**G11.0 Payment Claims**

G11.1 Within ten (10) days of:

- (a) the end of the month in which the Milestone for which payment is being claimed is achieved; or
- (b) if there is no Milestone applicable to the Work for which payment is being claimed, or payment is stipulated in the Subcontract to be by way of progress payments, the end of the month in which the Work for which payment is being claimed was carried out,

the Supplier shall, in accordance with Part 8 (FIN) of the SOW, submit a payment claim for the applicable Work in the form prescribed in DID FIN201, together with the supporting documentation identified in DID FIN201 (a **Payment Claim**).

G11.2 If the Subcontracting Authority agrees that a given Payment Claim reflects amounts properly due under the Subcontract and otherwise complies with the Subcontract, the Purchaser shall pay the amount claimed in such Payment Claim to the Supplier, less any applicable holdbacks, within the Payment Period (which will be calculated from the date on which the Payment Claim was received by the Subcontracting Authority).

G11.3 If the Subcontracting Authority does not agree that a given Payment Claim reflects amounts properly due under the Subcontract or if such Payment Claim otherwise does not comply with the Subcontract, the Subcontracting Authority shall notify the Representative of the Supplier that the Purchaser disputes the Payment Claim and provide the reasons for such dispute. Subject to Section G11.4 below, once the Supplier submits a revised Payment Claim that is accepted by the Subcontracting Authority as being compliant with the Subcontract, the Purchaser shall pay the amount claimed under such revised Payment Claim to the Supplier, less any applicable holdbacks, within the Payment Period (which will be calculated from the date on which the revised Payment Claim was received by the Subcontracting Authority).



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- G11.4 If the Subcontracting Authority does not dispute a Payment Claim by notifying the Representative of the Supplier in accordance with Section G11.3 above on or before the date that is five (5) full Business Days following the date on which the Subcontracting Authority received the given Payment Claim, the Purchaser shall proceed to pay the Supplier in accordance with Section G11.2, without prejudice to its right to later dispute such Payment Claim.
- G11.5 Any payments by or on behalf of the Purchaser shall not constitute acceptance of the Work for which payment was claimed, and do not in any way relieve the Supplier of its obligations to perform the Work to the requirements of the Subcontract.
- G11.6 If a Dispute arises between the Parties with respect to any payments or Payment Claims under the Subcontract, the Supplier shall continue the Work (unless directed otherwise by the Purchaser) pending resolution of the dispute.
- G11.7 The Supplier shall submit all Payment Claims for any payments it is entitled to in respect of the Work carried out under an Option before submitting its final Payment Claim in respect of the Work carried out under that Option. Once the Supplier has submitted its final Payment Claim for Work carried out under a given Option, the Supplier shall not be entitled to claim, and shall be deemed to have waived any further claims for, payment for Work completed under that Option.