

GENERAL TERMS AND CONDITIONS

Supplier credit guarantees – GC (G)

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Only the German text is legally binding.

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

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Supplier credit guarantees – GC (G)

The Government of the Federal Republic of Germany assumes export guarantees termed **supplier credit guarantees** (*„Lieferantenkreditdeckungen“*) for receivables due to German exporters arising from export contracts in respect of the delivery of goods or the provision of services to foreign buyers (foreign debtors). Where hereinafter a distinction between public and private debtors is material, public debtor means any contractual partner of the German exporter or any guarantor fully liable for the credit risk who is a state, a regional or local authority or a similar entity. All other debtors are deemed to be private debtors.

The General Terms and Conditions of Cover for supplier credit guarantees shall constitute an integral part of the guarantee agreement which the Federal Government concludes in accordance with the Guidelines for the Assumption of Export Credit Guarantees and shall apply unless they are expressly waived, supplemented or replaced in such guarantee agreement.

The Federal Government, as contractual partner of the policyholder, is represented by the Federal Ministry for Economic Affairs and Energy (BMWE). The BMWE is in turn represented by Euler Hermes Aktiengesellschaft (Euler Hermes), Hamburg, which acts as agent under a mandate from the Federal Government. Euler Hermes is commissioned and authorised by the Federal Government to issue and receive, on its behalf and subject to its instructions, all declarations relating to the conclusion and execution of the guarantee agreement.

ART. 1 REQUIREMENTS REGARDING FORM

The guarantee agreement comes into effect if and when the Federal Government accepts the policyholder's application for a supplier credit cover in writing with reference to these General Terms and Conditions. The same shall apply to any amendments to such supplier credit cover. Any verbal side agreements shall be invalid.

ART. 2 SUBJECT MATTER OF THE SUPPLIER CREDIT GUARANTEE

- (1) The subject matter of the supplier credit cover shall be the amount agreed in the export contract between the policyholder and his foreign debtor as the price to be paid in respect of the delivery of goods or the provision of services by the policyholder and which is set forth in the **guarantee declaration** (guaranteed amount).
- (2) Subject to the condition that the export contract has taken valid legal effect, the guaranteed amount also includes receivables in respect of compensation for deliveries effected and services rendered which, either under the terms and conditions of the export contract or for other legal reasons, become due in place of the amount agreed as consideration and due under the export contract.
- (3) The guaranteed amount further includes any interest as well as financing costs agreed in the export contract and set forth in the guarantee declaration which accrue up to the due date of the principal purchase price. If the Federal Government exercises its right pursuant to Art. 5, para. 1, 3rd sentence hereof, the guaranteed amount also includes any monetary compensation for loss of interest due to the premature repayment of the guaranteed amount (breakage costs) which the policyholder is entitled to pursuant to the export contract or statutory provisions. **Claims for damages**, unless covered pursuant to the 2nd sentence of this paragraph or para. 2 above, **and any further ancillary claims**, e.g. default interest, contractual penalties or forfeit money, **shall not be covered by the supplier credit cover, even in the event that they are expressly agreed in the contract between the policyholder and his foreign debtor.**

ART. 3 GUARANTEE PERIOD

- (1) Liability under the supplier credit cover commences on dispatch of the goods in the case of cover for deliveries of goods and at the commencement of performance in the case of services; in the case of partial deliveries or partial performance of services, liability commences only for monies due to the policyholder under the export contract or for other legal reasons in respect of that part of the delivery or performance. To the extent that manufacturing risk cover for the delivery of goods and performance of services under the supplier credit cover is taken out, liability under this supplier credit cover shall commence with the termination of manufacturing risk cover, if and when this occurs prior to dispatch of the goods. Liability under the supplier credit cover ends when and to the extent the monies covered have been paid.
- (2) **In the event and to the extent that the policyholder has not submitted any claim for indemnification under the guarantee within two years from the respective due date of the guaranteed amount notified to the Federal Government, the guaranteed amount shall be deemed to have been discharged.** The time period pursuant to the 1st sentence commences once again when the guaranteed amount is reported as being overdue or when the Federal Government receives any other message regarding the status of the collection procedure initiated in respect of the guaranteed amount. The guarantee declaration shall cease to be valid as soon as, and to the extent that, the guaranteed amount has been discharged or is deemed to have been discharged due to expiry of said period.

ART. 4 EVENTS OF LOSS

- (1) An event of loss is deemed to have occurred if and when the guaranteed amount is uncollectable as a result of one of the events defined in paragraphs 2–4 below.

If there is a joint liability of a third party in respect of the guaranteed amount which is set forth in the guarantee declaration, an event of loss is only deemed to have occurred if and when legally justified claims against the said jointly liable party are also uncollectable. Paragraphs 2–4 as set forth below apply mutatis mutandis with respect to determining whether receivables are uncollectable.

- (2) **POLITICAL EVENTS OF LOSS**

An amount is deemed to be uncollectable for political reasons

1. Political event of loss in general

if, not later than twelve months following the due date, legislative or administrative measures abroad which were passed or came into force after the conclusion of the export contract in respect of the guaranteed amount

or

war or comparable hostilities, civil commotion or revolution abroad

prevent the payment or collection of the guaranteed amount

in any form whatsoever

or

prevent the payment of the guaranteed amount in the currency agreed and there is no possibility of paying the equivalent in another

currency for the purposes of transfer due to reasons as per item 2 set forth below, and the Federal Government has not agreed to payment in another currency in discharge of the debt

and six months have passed since the due date agreed with the foreign debtor without payment being received;

2. Conversion and transfer risk

if, due to restrictions on the international payment system, amounts that represent the equivalent for the guaranteed amount and that have been deposited by the foreign debtor or with a solvent bank or another entity recognized by the Federal Government for the purpose of transfer to the policyholder have not been converted into the agreed currency or have not been transferred despite the due performance of all actions and formalities necessary for the conversion and transfer of these amounts, and three months have passed since the due date of the debt, the deposit with the entity mentioned above and the fulfilment of all necessary formalities;

3. Exchange rate losses on amounts duly deposited

if, after all existing regulations for the conversion and transfer of the amount have been fulfilled, exchange rate losses are incurred due exclusively to devaluation in respect of the amounts paid in by the foreign debtor in discharge of the guaranteed amount, in as far as regulations which come into force in the country of the debtor subsequent to the conclusion of the export contract provide that these payments constitute valid discharge of the debt.

Exchange rate losses on the currency agreed with the foreign debtor or on another currency accepted without prior consent of the Federal Government are not covered;

4. Loss of legal rights due to frustration of contract

if legislative or administrative measures abroad which were adopted or came into force after the conclusion of the export contract or war or comparable hostilities, civil commotion or revolution abroad prevent the performance due under the contract from the policyholder in whole or in part and the policyholder therefore is not entitled to legally enforceable claims for payment for deliveries of goods or performance of services already made;

5. Loss of goods prior to passing of risk

if the goods, as a result of political circumstances, are confiscated or the policyholder is otherwise deprived of control of the goods or these are destroyed or damaged or become lost through actions of agencies of a foreign government or other authority during the period between dispatch and the passing of the risk to the foreign debtor, and six months have passed since the due date stipulated in the export contract without the loss being redressed, and it has proved impossible to compensate the loss by means of insurance cover and no indemnification for the loss is provided for under statutory regulations;

6. Lower proceeds after sale elsewhere

if, after dispatch of the goods, it is to be feared that the guaranteed amount will be uncollectible as defined under Items 1, 4 or 5 above and the policyholder has, with the consent of the Federal Government, sold the goods still remaining in his possession at the best price realizable elsewhere and the proceeds of the

sale are still lower than the receivables due from the original buyer.

(3) **COMMERCIAL EVENTS OF LOSS**

An amount is deemed to be uncollectable for commercial reasons when in respect of the foreign debtor's assets or his estate

1. Insolvency

insolvency proceedings have been opened or declined for insufficiency of assets;

2. Settlement in court

a court order has been passed opening a court-supervised composition or other comparable procedure according to the debtor protection from action by individual creditors to recover their debts;

3. Settlement out of court

all the debtor's creditors generally or one group of creditors with comparable ranking including the policyholder have agreed to a composition (prolongation type, quotation type or liquidation type composition) or other out-of-court settlement;

4. Unsuccessful execution

debt enforcement proceedings in respect of the guaranteed amount have failed to satisfy the debt in whole or in part;

5. Suspension of payments

the commercial situation has been demonstrated to be so unfavourable that the foreign debtor has suspended his payments either completely or to a considerable extent;

6. Lower proceeds after sale elsewhere

after dispatch of the goods, it is to be feared that the guaranteed amount will be uncollectable as defined under items 1–5 above or – if the German exporter's foreign contractual

partner or a guarantor fully liable for the credit risk is a state, a regional or local authority or a similar entity – as defined in Art. 4 para. 4 below and the policyholder has, in agreement with the Federal Government, sold the goods still remaining in his possession at the best price realizable elsewhere and the proceeds of the sale are still lower than the receivables due from the original buyer.

(4) **PROTRACTED DEFAULT**

An amount is also deemed to be uncollectible for commercial reasons if and when the guaranteed amount has not been paid six months after the original due date and **the policyholder has, observing the standards of diligence dictated by sound business practice, taken all due and reasonable measures to collect the debt and, without prejudice to his other duties and obligations under these General Terms and Conditions of Cover, has duly informed the Federal Government of the nonpayment of the debt within two months following the original due date in case the foreign contractual partner and any guarantor that may exist are both private debtors.** Non-acceptance of the documents in the case of transactions on D/P or D/A terms is no obstacle to the recognition of the due date, unless otherwise regulated in the contract with the foreign debtor. In this case the policyholder is obliged to notify the nonacceptance of the documents to the Federal Government within two months of them being presented, in analogy to the 1st sentence of this paragraph, provided that his foreign contractual partner or guarantor is a private debtor.

If the two month period allowed for notification is exceeded, the event of loss is deemed to have occurred at a correspondingly later date.

The expiry of this period of six months after due date is not a precondition if payments of indemnity

fication under the supplier credit cover were already made for previous maturities and according to this event of loss and the default of the foreign debtor persists.

- (5) The basis for indemnification is the event of loss which occurred first. In the event that an event of loss defined in paras. 3 or 4 of this Article and a political event of loss occur simultaneously, the political event of loss shall form the basis for indemnification.

If an event of loss under paragraph 2 item 1 above occurs, then any occurrence of an event of loss under paragraph 4 shall not be considered, provided the policyholder has not made an application for indemnification under this event of loss within twelve months following the original due date of the guaranteed amount.

If, after an event of loss under paragraph 4 has occurred, all the conditions for an event of loss under paragraph 2 item 2 are fulfilled, but the waiting period has not yet expired, then in demnification will only be made on the basis of an event of loss under paragraph 2 item 2. Expiry of the period stipulated therein is not, however, a precondition if at least nine months have elapsed since the original due date of the guaranteed amount.

If the conditions for an event of loss under paragraph 2 item 2 or paragraph 3 are fulfilled subsequent to indemnification under paragraph 4, then the difference between this and any higher amount of indemnification calculated according to these provisions will be paid as an additional indemnification.

ART. 5 DUE DATE AND LEGAL VALIDITY OF THE GUARANTEED AMOUNT

- (1) **A loss is only eligible for indemnification if the due date of the guaranteed amount has passed and the claim for payment is legally valid.** If the entire balance of the guaranteed amount falls due as a result of contractual or statutory provisions, indemnification shall nevertheless be based on the due dates set forth in the export contract. The Federal Government is entitled, however, at its sole discretion to indemnify before these due dates.
- (2) **The policyholder shall, at his own expense, provide evidence of the legal validity of the guaranteed amount and of the security detailed in the guarantee declaration, of the existence of the preconditions for the occurrence of an event of loss, as well as the cause and amount of loss.**

If the legal existence of the claim to the guaranteed amount or of the security detailed in the guarantee declaration is disputed or if legal defences or other objections are raised against them, the Federal Government is entitled to reject the application for indemnification pending evidence from the policyholder – if necessary by means of a decision by the court or arbitral tribunal having jurisdiction over the business relationship between him and his foreign debtor or security guarantor – which substantiates the legal validity of the guaranteed amount and the security detailed in the **guarantee declaration; the risks of the applicable law or place of jurisdiction shall be borne by the policyholder.**

- (3) In his relation to the Federal Government, it is the sole responsibility of the policyholder to ensure the legal validity of the guaranteed amount and of any security taken in respect thereof. Contracts and other documents pertaining to the guaranteed amount and any security in respect thereof will

only be checked by the Federal Government in the event that a claim for indemnification is made. The policyholder must not rely on the argument that the Federal Government was or should have been aware of the content of such contracts or documents or of individual parts thereof at the time when the Federal Government assumed the supplier credit cover.

ART. 6 UNINSURED PERCENTAGE

- (1) The policyholder shall retain for his own account the percentage stipulated below of each insured loss ascertained, unless a different percentage has been specified in the **guarantee declaration**, i.e.
 1. 5% for an insured loss pursuant to Art. 4 para. 2
 2. 15% for an insured loss pursuant to Art. 4 paras. 3 and 4.
- (2) **The uninsured percentage to be retained for his own account by the policyholder may not be insured elsewhere.** This shall not apply to the transfer of risk arising from the uninsured percentage to subcontractors of the policyholder.

ART. 7 CALCULATION AND PAYMENT OF INDEMNIFICATION

- (1) If the policyholder has several claims for payment against his foreign debtor arising out of the course of business any payments made in respect of these claims by the foreign debtor shall be allocated when ascertaining the amount of loss as follows, irrespective of any other allocation that may have been agreed between the policyholder and his debtor:

1. In the case of payments in respect of covered receivables as well as uncovered receivables which fall due earlier than the due date of the guaranteed amount, the payment shall be allocated for the purpose designated by the foreign debtor.
2. Payments in respect of uncovered receivables which fall due at the same time as the guaranteed amount or later shall, in the case of an event of loss pursuant to Art. 4 paras. 3 and 4, be allocated between covered receivables and uncovered receivables and any interest contractually agreed (with the exception of default interest or surcharge) in the chronological order of their due dates, unless the circumstances of the individual case make it impossible for the policyholder to have influenced the allocation of the payment concerned. In the case of an event of loss pursuant to Art. 4 para. 2 the payments shall be allocated for the purpose designated by the foreign debtor.
3. Payments made by the foreign debtor without the appropriate receivable being designated will, in the case of an event of loss pursuant to Art. 4 para. 2 no. 1 and paras. 3 and 4, be allocated between covered receivables and uncovered receivables and any interest contractually agreed (with the exception of default interest or surcharge) in the chronological order of their due dates.
4. Items 1–3 of this paragraph shall apply *mutatis mutandis* in the case of
 - a) payments made by a guarantor, sureties or other third parties; discharge of the debt in any other form by the principal debtor, a guarantor, surety or any other third party;

- b) dividends in insolvency or the proceeds of any disposal of all or part of the insolvent estate;
 - c) proceeds from the sale of goods returned or goods reclaimed under retention of title or proceeds of any other disposal of goods, attachments, insurance or security;
 - d) rights of set-off, discounts granted, credit notes and any other form of discharge in lieu of payment;
 - e) any other financial advantages accruing to the policyholder as a result of the loss.
5. Payments set off according to items 2–4 of this paragraph against receivables with an identical due date shall be allocated in the proportion of the original amounts due (disregarding any default interest or surcharge).
6. If payments as under item 2 or other financial advantages as set out in item 4 are allocated pursuant to items 2 or 3 of this paragraph, then an appropriate level of legal or collection costs reasonably incurred by the policyholder will be deducted therefrom. **Costs normally involved in procuring the payment of a receivable, including costs for the protesting of bills, or costs arising in the normal course of the policyholder's business activities shall be disregarded.**
- (2) The uninsured percentage to be borne by the policyholder will be deducted from the amount remaining after ascertainment of the loss according to the provisions of para. 1.
- (3) The Federal Government will calculate the amount to be indemnified within two months of receiving all the documentation required for ascertainment

of the claim for indemnification. The amount resulting from this calculation will be normally paid to the policyholder within five banking days but no later than one month following notice of such calculation to the policyholder, provided that the policyholder has acknowledged the calculation to be correct.

- (4) If it proves impossible to ascertain the loss within two months due to circumstances for which the policyholder is not responsible, the policyholder may receive, at his request, a provisional payment towards the anticipated indemnification, provided that the minimum amount of the indemnification is known before the completion of the ascertainment process.

ART. 8 RECOVERIES

- (1) Any payments or other financial advantages received after indemnification was paid under the supplier credit cover (recoveries) will be allocated according to the provisions of Art. 7 para. 1, taking into account the indemnified loss. This does not apply to recoveries arising out of a contract concluded later than three years after discharge or indemnification of the latest guaranteed amount due in respect of the covered business transaction.
- (2) **The policyholder shall notify the Federal Government immediately upon receipt of any Recoveries. The policyholder shall transfer any amounts due to the Federal Government without delay.**

ART. 9 REPAYMENT OF INDEMNIFICATION

- (1) **If the legal validity of the guaranteed amount or the security set forth in the guarantee declaration is disputed or if defences or objections**

are raised against them, then the policyholder is obliged to notify this immediately during the indemnification procedure. If the policyholder fails to comply with this obligation, the Federal Government is entitled to reclaim any indemnification paid if and to the extent that knowledge of these circumstances would have led to rejection of the claim for indemnification.

- (2) If it emerges, following the payment of indemnification, that the policyholder's claim against the foreign debtor indemnified is not, either in whole or in part, legally valid, in particular if in a legal action for the enforcement of the indemnified claim the complaint is completely or partially rejected with finality by a court having jurisdiction, or if it emerges that the Federal Government was not obliged to indemnify for other reasons, the Federal Government is entitled to demand the return of the indemnification paid, including any costs reimbursed to the policyholder.
- (3) If the Federal Government is released from its obligation to indemnify due to circumstances which occur only after the indemnification has been paid, or if the policyholder fails to comply with his obligations under Art. 11 para. 1, the Federal Government is entitled to demand the return of the indemnification paid, including any costs reimbursed to the policyholder.
- (4) **To the extent that the Federal Republic has a valid claim to repayment, the policyholder is obliged to pay interest on the repayable amount calculated,** in the cases described under paragraphs 1 and 2, from the point at which indemnification was paid, and in cases described under paragraph 3 from the point at which the Federal Government was released from the obligation to indemnify, whereas the interest rate applicable shall be equal to the Federal Government's funding costs. Upon discharge of the claim to repay-

ment of the Federal Government, any claims or other rights which passed to the Federal Republic pursuant to Art. 10 para. 1 hereof, shall insofar revert to the policyholder.

- (5) This shall be without prejudice to any other legal rights accruing to the Federal Government out of statutory provisions or general principles of law.

ART. 10 SUBROGATION OF RIGHTS AND CLAIMS

- (1) Upon payment of indemnification, the right to receive payment from the indemnified claim, together with the right to any interest or default interest in respect of such claim for the period following the payment of indemnification, any rights to payment arising out of any insurance, and any rights to amounts paid into accounts or deposited abroad, including any rights arising out of security in respect of any of these amounts shall pass to the Federal Government to the extent that this corresponds to the share in the loss that is borne by the Federal Government. The policyholder is obliged to undertake all necessary acts for the transfer of such claims and other rights at the request of the Federal Government.
- (2) If the transfer of such claims and any other rights proves to be impossible or if the Federal Government waives its right to the transfer, the policyholder shall hold the rights set forth in paragraph 1 in trust for the Federal Government.

ART. 11 LEGAL ACTION FOLLOWING INDEMNIFICATION

- (1) **Without prejudice to the transfer of claims and any other rights pursuant to Art. 10, the policyholder is obliged to take all measures appropriate for the collection of the indemnified**

amount, for the realization of any security the policyholder may hold or for the recovery of funds in any other way. The policyholder shall hereby comply with any instructions which may be given by the Federal Government. Legal action through the courts is also deemed to be such an appropriate measure. The Federal Government is entitled to refrain from giving instructions to bring a legal action if and when the place of jurisdiction or the applicable law do not allow to assess the chances of a successful legal action with sufficient accuracy, and the policyholder has no means of contracting out of the choice of such place of jurisdiction or the applicable law, or if and when the anticipated costs of the legal action are not in proportion to the amount of the claim or the anticipated prospects of success of the enforcement measures.

- (2) The Federal Government will participate in the costs arising from measures mentioned in paragraph 1 hereof on the terms contained in Art. 17.
- (3) If the policyholder is, at his own request, released from his obligation under paragraph 1 by the Federal Government, then the policyholder thereby forfeits his right to participate in any recoveries after indemnification in accordance with the uninsured percentage to be borne for his own account.

ART. 12 CONVERSION OF AMOUNTS IN FOREIGN CURRENCY

- (1) The contract currency of the supplier credit cover is Euro. Amounts denominated in other currencies will be converted, subject to the provisions of paragraph 2, into Euro as follows:
 1. For the premium payable under Art. 18, amounts in other currencies will be converted at the last turnover tax conversion rate

(*Umsatzsteuer-Umrechnungskurs*; premium conversion rate [*Entgeltkurs*]) published in the Federal Gazette (*Bundesanzeiger*).

2. Amounts of indemnification will be converted on the basis of the reference exchange rate for the Euro fixed by the European Central Bank

on the day payment was effected in an event of a loss under Art. 4 para. 2 item 2

on the due date in the case of other events of loss.

In the event that no reference exchange rate was fixed for the Euro on the relevant day, the next reference exchange rate to be fixed shall be used.

If, as a result of the event of loss that has occurred, the guaranteed amount does not fall due or if indemnification is paid before the due dates fixed in the export contract, then the indemnification amount will be converted on the basis of the Euro reference exchange rate of the European Central Bank that applies on the day before the notification of indemnification was sent.

In all cases the conversion rate for indemnification is subject to an upper limit corresponding to the premium conversion rate.

3. Recoveries in respect of the guaranteed amount are to be converted at the Euro reference exchange rate of the European Central Bank on the day payment is received by the policyholder.
4. If the Federal Government has converted the indemnification into Euro pursuant to item 2 and the amount recovered exceeds the total

amount paid for indemnifying the guaranteed losses arising out of the relevant export contract, thus leading to an exchange rate gain for the Federal Government, then such exchange rate gain belongs to the policyholder up to the amount corresponding to the difference between the premium conversion rate and the Euro reference exchange rate of the European Central Bank on the day of deposit in the case of an event of loss pursuant to Art. 4 para. 2 item 2 or on the due date in the case of all other events of loss.

- (2) Amounts in currencies for which no turnover tax conversion rate or Euro reference exchange rate has been fixed by the European Central Bank will be converted at the last rate announced by the Deutsche Bundesbank as the selling rate. If no such conversion rate has been announced, then the Federal Government will fix the rates to be used under paragraph 1 taking into account the exchange rates quoted on the major foreign exchange markets.

ART. 13 INTERVENTION IN SCOPE OF COVER

If circumstances occur which lead to an increase of the risk, the Federal Government is entitled to notify to the policyholder at any time that receivables or parts of receivables due to him and for which the Federal Government is not yet liable pursuant to Art. 3 at the time of the delivery of this notification are excluded from cover under the supplier credit cover.

ART. 14 RESCHEDULING AGREEMENTS

- (1) **The Federal Government is entitled to enter into rescheduling agreements with the country of the debtor in respect of the guaranteed amount (including the uninsured percentage**

to be borne by the policyholder); non-guaranteed ancillary claims and non-guaranteed parts of only partially guaranteed amounts may be included in these agreements at the sole discretion of the Federal Government.

- (2) The Federal Government shall only be entitled to exercise this right under paragraph 1 if and when it acknowledges, before concluding the rescheduling agreement, under which of the events of loss set forth in Art. 4 the guaranteed amount is deemed to be uncollectable as soon as the pre-conditions set forth in the rescheduling agreement for applying the agreement to a guaranteed amount are fulfilled. The applicability of Art. 4 para. 5 shall remain unaffected hereof.

In the case of amounts due included in such agreement for which the risk of uncollectability due to commercial circumstances continues to exist, the Federal Government may restrict the amount of any indemnification at the most in accordance with the uninsured percentage as stipulated for the events of loss pursuant to Art. 4 para. 3 or 4.

All other conditions for the payment of indemnification remain unaffected.

Without prejudice to the provisions above, the policyholder may demand to be indemnified pursuant to the general provisions regulating indemnification (Articles 4 et seq.).

- (3) **The policyholder and his legal successors further must accept as binding on them provisions of the rescheduling agreement stipulating an interest rate on the amount due for the period following its due date or for a period that starts later which may differ from the interest rate specified in statutory or contractual provisions and on the basis of which the**

prosecution of further claims arising from payment delays may be precluded.

- (4) In converting the amount of indemnification, Art. 12 para. 1 item 2 shall be the basis even if the Euro conversion rate stipulated by the rescheduling agreement for amounts denominated in currencies other than Euro differs for that specified in this provision. **The policyholder and his legal successors are obliged to accept as binding on them the interest rate stipulated in the rescheduling agreement in respect of the uninsured percentage, nonguaranteed ancillary claims and nonguaranteed parts of only partly guaranteed amounts.**

ART. 15 DUTIES OF THE POLICYHOLDER

In addition to the other obligations under these General Terms and Conditions and the provisions of the guarantee declaration, the policyholder is obliged to observe the following duties:

1. DUTY TO STATE THE TRUTH IN THE APPLICATION FOR COVER

When submitting his application for a supplier credit cover, the policyholder is obliged to notify completely and truthfully in writing all and any information of material significance for the assumption of a supplier credit cover and he must promptly give notice of any changes in the information given in the application, or new information which differs from that given in the application and becomes known prior to his receiving the guarantee declaration. All details asked for in the application form or otherwise are deemed to be of material significance.

2. PROHIBITION TO DEVIATE FROM THE DOCUMENTED FACTS

Following the assumption of a supplier credit cover, the policyholder must not, without the written approval of the Federal Government, make any changes or supplements affecting the set of facts (*Sachverhalt*) set out in the guarantee declaration or the agreements made with the debtor or other obligors, unless these changes or supplements are in material; Item 1, 2nd sentence hereof applies mutatis mutandis. **In particular, the policyholder is not permitted to accept payment in a currency differing from the contract currency in discharge of the debt.**

3. COMPLIANCE WITH LAWS AND REGULATIONS

The policyholder may only perform the export contract if he complies with the export regulations of the Federal Republic of Germany, the export regulations issued by supranational institutions which are directly applicable in the Federal Republic of Germany, and the import regulations of the country of destination.

4. DUTY TO NOTIFY AN INCREASE OF RISK

The policyholder shall give immediate written notice of any circumstances which come to his attention constituting an increase of risk and indicate what measures he has taken or proposes to take to protect his legal right to payment. In particular, the following circumstances are deemed to constitute an increase of risk:

- a) delay in payment or a request for extension of the payment period by the debtor;
- b) a worsening of the financial situation, the payment record or general market reputation of the debtor or a security guarantor, or an offer from the debtor to return goods already deliv-

ered or to discharge the debt in a manner that differs from his contractual obligation;

- c) legislative or administrative measures or other political events abroad which have the effect of making the payment or collection of the guaranteed amount appear to be in jeopardy.

5. **DUTY TO OBTAIN APPROVAL IN THE CASE OF AN INCREASE OF RISK**

In the case of events described under item 4, the policyholder must obtain the prior written approval of the Federal Government before carrying out any delivery of goods or performance of services.

6. **DUTY TO PREVENT OR MITIGATE LOSSES**

The policyholder is obliged to exercise all the due and reasonable care dictated by sound business practice, to take all necessary and appropriate measures to prevent an event of loss or minimize losses and will hereby comply with instructions, if any, given by the Federal Government. The policyholder is obliged to carry out these measures at his own expense, in so far as the Federal Government does not participate in these costs based on Art. 17. If an event of loss threatens or has already occurred, then the policyholder must, at the request of the Federal Government, commission either the Federal Government or a third party designated by the Federal Government to represent the interests of the two parties to the guarantee agreement, provided that the anticipated costs for commissioning the Federal Government or such a third party are in proportion to the guaranteed amount and the anticipated chances of success of the measures taken to pursue the interests of the parties.

7. **DUTY OF INFORMATION**

The policyholder is obliged to keep the Federal Government or its designated representative

informed at all times of the details and the current state of the export transaction and of any other circumstances with a potential material bearing on the supplier credit cover. This duty includes the timely, truthful and complete response to questions asked for the preparation of a rescheduling agreement, as well as the furnishing of documents required as evidence of the amounts due.

8. **FEDERAL GOVERNMENT'S RIGHT OF EXAMINATION**

The Federal Government, the Federal Audit Office or their designated representatives are entitled to examine at any time the records, books of account and other documents which are potentially material to the supplier credit cover and to make or require to be made copies thereof. The policyholder must, at the request of the Federal Government, arrange at his own expense to have documents which are in a foreign language translated into German.

ART. 16 LEGAL CONSEQUENCES OF NON-COMPLIANCE WITH DUTIES

(1) **RELEASE OF THE FEDERAL GOVERNMENT FROM LIABILITY IN THE CASE OF FALSE INFORMATION**

If the policyholder fails to comply with the duty laid upon him under Art. 15 item 1 hereof, then the Federal Government is released from its obligation to indemnify a loss, unless the Federal Government determines that the incomplete or incorrect information constituting non-compliance would have had no influence on its decision to assume a supplier credit cover. There will be no release from liability of the Federal Government if the policyholder neither knew nor could be expected to know that the information given by him was inaccurate or incomplete.

- (2) **RELEASE OF THE FEDERAL GOVERNMENT FROM LIABILITY IN THE CASE OF DEFECTIVE SECURITY**
If the security set forth in the guarantee declaration has not been created, or is not legally effective, the Federal Government is released from its obligation to indemnify a loss, unless the Federal Government determines that the missing or defective security would have had no influence on its decision to assume a supplier credit cover.

- (3) **RELEASE OF THE FEDERAL GOVERNMENT FROM LIABILITY IN THE CASE OF OTHER FAILURE TO COMPLY WITH THE POLICYHOLDER'S DUTIES**
If the policyholder fails to comply with one of the duties laid upon him under Art. 15 items 2–8 and infringes his duty to exercise due and reasonable care in accordance with sound business practice, then the Federal Government shall be released from its obligation to indemnify a loss, unless the infringement of the relevant duty neither caused a loss nor is of such a nature as to expect that it may result in a loss.

Irrespective of whether a loss occurred or is expected to occur, the Federal Government is released from its obligation to indemnify a loss in the case of noncompliance with a duty pursuant to Art. 15 item 2 hereof, if it determines that, under the normal practice it follows when deciding on assuming cover, it would not have approved the changes or supplements concerned.

In the case of non-compliance with a duty pursuant to Art. 15 item 4 hereof, the Federal Government is released from the obligation to indemnify a loss if the fact that information which should have been notified was unknown to the Federal Government has led to a situation whereby the risk for the Federal Government in connection with other export credit guarantees has been increased, or has prevented the Federal Government from taking steps to mitigate the risk.

- (4) The Federal Government may, at its sole discretion, partially waive its release from the obligation to indemnify a loss, depending on the circumstances of the individual case, particularly taking into account the risk which has materialized and the severity of the non-compliance.
- (5) As far as there are no legal consequences prescribed separately for infringements of other duties laid upon the policyholder by these General Terms and Conditions and the provisions of the guarantee declaration, paragraphs 1–4 shall apply *mutatis mutandis*.
- (6) Any claims and other rights of the Federal Government based on statutory law or the application of the general principles of law shall not be affected by the provisions of these General Terms and Conditions and the provisions of the guarantee declaration.
- (7) The Federal Government shall not be liable for circumstances and risks which result from the failure by the policyholder to comply with the standards of due and reasonable care to be expected of the policyholder in accordance with sound business practices.

ART. 17 PARTICIPATION OF THE FEDERAL GOVERNMENT IN COSTS ARISING FROM LEGAL PROCEEDINGS AS WELL AS FROM THE PREVENTION OR MITIGATION OF LOSSES

- (1) Following indemnification, the Federal Government will participate in reasonably incurred costs of legal proceedings pursuant to Art. 11 para. 1, to the extent that such legal proceedings are pursued with the consent of or upon instruction by the Federal Government. Prior to indemnification, the Federal Government may participate in reasonably

incurred costs of measures for the purpose of prevention or mitigation of losses pursuant to Art. 15 item 6 hereof as far as such measures are pursued with the consent of or upon instruction by the Federal Government, the action transcends customary measures of prevention or mitigation of losses and the costs thereby incurred constitute a substantial burden for the policyholder considering the type and volume of his business activities.

- (2) The participation of the Federal Government is dependent on the extent to which the amount due subject to the measures determined in paragraph 1 has been indemnified or could be indemnified if an event loss occurs.
- (3) **Costs normally involved in collecting an amount due, including costs for the protesting of bills, or costs arising in the normal course of the policyholder's business activities shall be borne by the policyholder.**
- (4) Art. 9 paras. 2 and 4 hereof apply mutatis mutandis.

ART. 18 PREMIUM

- (1) A premium commensurate with the type and size of the risk to be covered will be charged for assuming a supplier credit cover. Unless otherwise specified, premium is payable on receipt of the guarantee declaration.
- (2) **If the premium due is not paid within 14 days of a reminder being sent** which states this deadline and the legal consequences set out below, **the Federal Government is**, after the lapse of six weeks,
 - a) **released from the obligation to indemnify** in the case of events of loss, which occur after the due date of the premium, but before the same is being paid,

- b) in addition thereto **entitled to terminate** the supplier credit cover without further notice as long as the premium remains unpaid.

- (3) If the Federal Government gives its approval to a change in the content or scope of the supplier credit cover with the consequence that the guaranteed amount or the horizon of risk is altered, the premium will be recalculated accordingly. Provided that no loss has occurred, any overpayments resulting from the recalculation will be refunded **after deduction of an administrative fee amounting to 5% of the excess premium, subject to a maximum of EUR 2,500.** In addition to the administrative fee a prepayment penalty of 20% of the overpaid amount will be withheld if the cause for the premium refund is an early repayment of the guaranteed amount.
- (4) If the Federal Government, under the provisions of these General Terms and Conditions or the provisions of the guarantee declaration, **is released from its obligation to indemnify a loss, it nevertheless shall be entitled to receive the premium**, provided that this has fallen due before the Federal Government learned of its release from obligation to indemnify.

ART. 19 ASSIGNMENT OF THE GUARANTEED AMOUNT

- (1) Any assignment of the guaranteed amount by the policyholder for purposes other than security and collection arrangements requires the prior written consent of the Federal Government. The written consent of the Federal Government is deemed to have been given if the guaranteed amount or any residual amount is assigned to an accepted assignee specified in the Supplementary Provisions regarding the Assignment of guaranteed amounts (GC-FAB) which form part of these Gener-

al Terms and Conditions. The 2nd sentence hereof shall not apply to partial and subsequent assignments.

- (2) If the guaranteed amount is assigned without prior written consent, the Federal Government shall be released from its liability to indemnify a loss, unless the Federal Government determines that it would have given its consent to the assignment.

ART. 20 ASSIGNMENT OF THE BENEFIT OF THE GUARANTEE

Partial and subsequent assignments are only admissible with prior written consent of the Federal Government. Any assignment made without this consent is nevertheless valid pursuant to Section 354 a HGB (German Commercial Code); however, in cases of an assignment as described in the 1st sentence hereof, the Federal Government shall remain entitled to discharge its obligation by making payment to the policyholder.

ART. 21 TERM OF EXCLUSION

Claims against the Federal Government arising out of or in connection with the supplier credit cover must be filed with a court within an exclusion period of six months following notification in writing by the Federal Government to the policyholder that it rejects the claim with reference to its release from liability resulting from the expiry of such term of preclusion.

ART. 22 JURISDICTION

Any disputes arising between the Federal Government and the policyholder out of or in connection with the supplier credit cover shall be settled by the courts of general jurisdiction in Hamburg.

Export Credit Guarantees and Untied Loan Guarantees: instruments to promote foreign trade and investment provided by the



Federal Ministry
for Economic Affairs
and Energy

Commissioned to implement the federal
funding instruments Export Credit Guarantees
and Untied Loan Guarantees:



EULER HERMES

Cover from the Federal Republic of Germany for foreign business

Export Credit Guarantees and Untied Loan Guarantees as well as effective foreign trade promotion instruments of the Federal Government have been established for decades. Export Credit Guarantees (so-called Hermes Cover) protect German exporters and banks financing exports against political and commercial risks. Untied Loan Guarantees are to support raw material projects abroad regarded as eligible for promotion by the Federal Government. Both promotion instruments play an important role in fostering economic growth as well as in protecting and creating jobs. The Federal Government commissioned Euler Hermes Aktiengesellschaft to manage the federal funding instruments Export Credit Guarantees and Untied Loan Guarantees.

Information on other foreign trade promotion instruments of the Federal Government can be found at www.bundeswirtschaftsministerium.de/en under the heading Promotion of Foreign Trade and Investment.

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