

SCOPIC CLAUSE**1. General**

This SCOPIC clause is supplementary to any Lloyd's Form Salvage Agreement "No Cure - No Pay" ("Main Agreement") which incorporates the provisions of Article 14 of the International Convention on Salvage 1989 ("Article 14"). The definitions in the Main Agreement are incorporated into this SCOPIC clause. If the SCOPIC clause is inconsistent with any provisions of the Main Agreement or inconsistent with the law applicable hereto, the SCOPIC clause, once invoked under sub-clause 2 hereof, shall override such other provisions to the extent necessary to give business efficacy to the agreement. Subject to the provisions of sub-clause 4 hereof, the method of assessing Special Compensation under Convention Article 14(1) to 14(4) inclusive shall be substituted by the method of assessment set out hereinafter. If this SCOPIC clause has been incorporated into the Main Agreement the Contractor may make no claim pursuant to Article 14 except in the circumstances described in sub-clause 4 hereof. For the purposes of liens and time limits the services hereunder will be treated in the same manner as salvage.

2. Invoking the SCOPIC Clause

The Contractor shall have the option to invoke by written notice to the owners of the vessel the SCOPIC clause set out hereafter at any time of his choosing regardless of the circumstances and, in particular, regardless of whether or not there is a "threat of damage to the environment". The assessment of SCOPIC remuneration shall commence from the time the written notice is given to the owners of the vessel and services rendered before the said written notice shall not be remunerated under this SCOPIC clause at all but in accordance with Convention Article 13 as incorporated into the Main Agreement ("Article 13").

3. Security for SCOPIC Remuneration

- (i) The owners of the vessel shall provide to the Contractor within 2 working days (excluding Saturdays and Sundays and holidays usually observed at Lloyd's) after receiving written notice from the contractor invoking the SCOPIC clause, a bank guarantee or P&I Club letter (hereinafter called "the Initial Security") in a form reasonably satisfactory to the Contractor providing security for his claim for SCOPIC remuneration in the sum of US\$3 million, inclusive of interest and costs.
- (ii) If, at any time after the provision of the Initial Security the owners of the vessel reasonably assess the SCOPIC remuneration plus interest and costs due hereunder to be less than the security in place, the owners of the vessel shall be entitled to require the Contractor to reduce the security to a reasonable sum and the Contractor shall be obliged to do so once a reasonable sum has been agreed.
- (iii) If at any time after the provision of the Initial Security the Contractor reasonably assesses the SCOPIC remuneration plus interest and costs due hereunder to be greater than the security in place, the Contractor shall be entitled to require the owners of the vessel to increase the security (hereinafter called "the Increased Security") to a reasonable sum and the owners of the vessel shall be obliged to do so once a reasonable sum has been agreed.
- (iv) In the absence of agreement, any dispute concerning the proposed Guarantor, the form of the security or the amount of any reduction or increase in the security in place shall be resolved by the Arbitrator.

4. Withdrawal and Termination by the Contractor

- (i) If the owners of the vessel do not provide the Initial Security within the said 2 working days, the Contractor, at his option, and on giving notice to the owners of the vessel, shall be entitled to withdraw from all the provisions of the SCOPIC clause and revert to his rights under the Main Agreement including Article 14 which shall apply as if the SCOPIC clause had not existed. PROVIDED THAT this right of withdrawal may only be exercised if, at the time of giving the said notice of withdrawal the owners of the vessel have still not provided the Initial Security or any alternative security which the owners of the vessel and the Contractor may agree will be sufficient.
- (ii) If the owners of the vessel do not provide the Increased Security within 2 working days of the date upon which the reasonable sum for such Increased Security has been agreed between the Contractor and the owners of the vessel or has otherwise been determined by the Arbitrator, the Contractor, at his option, and on giving notice to the owners of the vessel, shall be entitled to terminate the services under both the SCOPIC clause and the Main Agreement. The Contractor will in that event be entitled to payment of all SCOPIC remuneration due up to and including the date of such termination. The assessment of SCOPIC remuneration shall take into account all monies due under the tariff rates set out in Appendix A hereof including a reasonable time for demobilisation after the date of such termination.

5. Tariff Rates

- (i) SCOPIC remuneration shall mean the total of the tariff rates of personnel; tugs and other craft; portable salvage equipment; out of pocket expenses; and bonus due.
- (ii) SCOPIC remuneration in respect of all personnel; tugs and other craft; and portable salvage equipment shall be assessed on a time and materials basis in accordance with the Tariff set out in Appendix "A". This tariff will apply until reviewed and amended by the SCOPIC Committee in accordance with Appendix B(1)(b). The tariff rates which will be used to calculate SCOPIC remuneration are those in force at the time the salvage services take place.
- (iii) "Out of pocket" expenses shall mean all those monies reasonably paid by or for and on behalf of the Contractor to any third party and in particular includes the hire of men, tugs, other craft and equipment used and other expenses reasonably necessary for the operation. They will be agreed at cost, PROVIDED THAT:
 - (a) If the expenses relate to the hire of men, tugs, other craft and equipment from another ISU member or their affiliate(s), the amount due will be calculated on the tariff rates set out in Appendix "A" regardless of the actual cost.
 - (b) If men, tugs, other craft and equipment are hired from any party who is not an ISU member and the hire rate is greater than the tariff rates referred to in Appendix "A" the actual cost will be allowed in full, subject to the Special Casualty Representative ("SCR") being satisfied that in the particular circumstances of the case, it was reasonable for the Contractor to hire such items at that cost. If an SCR is not appointed or if there is a dispute, then the Arbitrator shall decide whether the expense was reasonable in all in the circumstances.
 - (c) Any out of pocket expense incurred during the course of the service in a currency other than US dollars shall for the purpose of the SCOPIC clause be converted to US dollars at the rate prevailing at the termination of the services.
- (iv) In addition to the rates set out above and any out of pocket expenses, the Contractor shall be entitled to a standard bonus of 25% of those rates except that if the out of pocket expenses described in sub-paragraph 5(iii)(b) exceed the applicable tariff rates in Appendix "A" the Contractor shall be entitled to a bonus such that he shall receive in total
 - (a) The actual cost of such men, tugs, other craft and equipment plus 10% of the cost, or
 - (b) The tariff rate for such men, tugs, other craft and equipment plus 25% of the tariff rate whichever is the greater.

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- 6. Article 13 Award**
- (i) The salvage services under the Main Agreement shall continue to be assessed in accordance with Article 13, even if the Contractor has invoked the SCOPIC clause. SCOPIC remuneration as assessed under sub-clause 5 above will be payable only by the owners of the vessel and only to the extent that it exceeds the total Article 13 Award (or, if none, any potential Article 13 Award) payable by all salvaged interests (including cargo, bunkers, lubricating oil and stores) before currency adjustment and before interest and costs even if the Article 13 Award or any part of it is not recovered.
 - (ii) In the event of the Article 13 Award or settlement being in a currency other than United States dollars it shall, for the purposes of the SCOPIC clause, be exchanged at the rate of exchange prevailing at the termination of the services under the Main Agreement.
 - (iii) The salvage Award under Article 13 shall not be diminished by reason of the exception to the principle of "No Cure - No Pay" in the form of SCOPIC remuneration.
- 7. Discount**
- If the SCOPIC clause is invoked under sub-clause 2 hereof and the Article 13 Award or settlement (before currency adjustment and before interest and costs) under the Main Agreement is greater than the assessed SCOPIC remuneration then, notwithstanding the actual date on which the SCOPIC remuneration provisions were invoked, the said Article 13 Award or settlement shall be discounted by 25% of the difference between the said Article 13 Award or settlement and the amount of SCOPIC remuneration that would have been assessed had the SCOPIC remuneration provisions been invoked on the first day of the services.
- 8. Payment of SCOPIC Remuneration**
- (i) The date for payment of any SCOPIC remuneration which may be due hereunder will vary according to the circumstances.
 - (a) If there is no potential salvage award within the meaning of Article 13 as incorporated into the Main Agreement then, subject to Appendix B(5)(c)(iv), the undisputed amount of SCOPIC remuneration due hereunder will be paid by the owners of the vessel within 1 month of the presentation of the claim. Interest on sums due will accrue from the date of termination of the services until the date of payment at the US prime rate plus 1%.
 - (b) If there is a claim for an Article 13 salvage award as well as a claim for SCOPIC remuneration, subject to Appendix B(5)(c)(iv), 75% of the amount by which the assessed SCOPIC remuneration exceeds the total Article 13 security demanded from ship and cargo will be paid by the owners of the vessel within 1 month and any undisputed balance paid when the Article 13 salvage award has been assessed and falls due. Interest will accrue from the date of termination of the services until the date of payment at the US prime rate plus 1%.
 - (ii) The Contractor hereby agrees to give an indemnity in a form acceptable to the owners of the vessel in respect of any overpayment in the event that the SCOPIC remuneration due ultimately proves to be less than the sum paid on account.
- 9. Termination**
- (i) The owners of the vessel may at any time terminate the obligation to pay SCOPIC remuneration after the SCOPIC clause has been invoked under sub-clause 2 hereof provided that the Contractor shall be entitled to at least 5 clear days' notice of such termination. In the event of such termination the assessment of SCOPIC remuneration shall take into account all monies due under the tariff rates set out in Appendix A hereof including time for demobilisation to the extent that such time did reasonably exceed the 5 days' notice of termination.
 - (ii) The termination provisions contained in Clause 4(ii) and sub-clause 9(i) above shall only apply if the Contractor is not prevented from demobilising his equipment by Government, Local or Port Authorities or any other officially recognised body having jurisdiction over the area where the services are being rendered.
- 10. Duties of Contractor**
- The duties and liabilities of the Contractor shall remain the same as under the Main Agreement, namely to use his best endeavours to save the vessel and property thereon and in so doing to prevent or minimise damage to the environment.
- 11. Article 18 – 1989 Salvage Convention**
- The Contractor may be deprived of the whole or part of the payment due under the SCOPIC clause to the extent that the salvage operations thereunder have become necessary or more difficult or more prolonged or the salvaged fund has been reduced or extinguished because of fault or neglect on its part or if the Contractor has been guilty of fraud or other dishonest conduct.
- 12. Special Casualty Representative ("SCR")**
- Once this SCOPIC clause has been invoked in accordance with sub-clause 2 hereof the owners of the vessel may at their sole option appoint an SCR to attend the salvage operation in accordance with the terms and conditions set out in Appendix B. Any SCR so appointed shall not be called upon by any of the parties hereto to give evidence relating to non-salvage issues.
- 13. Special Representatives**
- At any time after the SCOPIC clause has been invoked the Hull and Machinery underwriter (or, if more than one, the lead underwriter) and one owner or underwriter of all or part of any cargo on board the vessel may each appoint one special representative (hereinafter called respectively the "Special Hull Representative" and the "Special Cargo Representative" and collectively called the "Special Representatives") at the sole expense of the appointor to attend the casualty to observe and report upon the salvage operation on the terms and conditions set out in Appendix C hereof. Such Special Representatives shall be technical men and not practising lawyers.
- 14. Pollution Prevention**
- The assessment of SCOPIC remuneration shall include the prevention of pollution as well as the removal of pollution in the immediate vicinity of the vessel insofar as this is necessary for the proper execution of the salvage but not otherwise.
- 15. General Average**
- SCOPIC remuneration shall not be a General Average expense to the extent that it exceeds the Article 13 Award; any liability to pay such SCOPIC remuneration shall be that of the Shipowner alone and no claim whether direct, indirect, by way of indemnity or recourse or otherwise relating to SCOPIC remuneration in excess of the Article 13 Award shall be made in General Average or under the vessel's Hull and Machinery Policy by the owners of the vessel.
- 16.** Any dispute arising out of this SCOPIC clause or the operations thereunder shall be referred to Arbitration as provided for under the Main Agreement.

APPENDIX A (SCOPIC)

1. PERSONNEL

- (a) The daily tariff rate, or pro rata for part thereof, for personnel reasonably engaged on the contract, including any necessary time in proceeding to and returning from the casualty, shall be as follows:
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| Office administration, including communications | US\$1,498 |
| Salvage Master | US\$2,232 |
| Naval Architect or Salvage Officer/Engineer | US\$1,862 |
| Assistant Salvage Officer/Engineer | US\$1,492 |
| Diving Supervisor | US\$1,492 |
| HSE qualified diver or his equivalent but excluding saturation or mixed gas drivers (whose rate should be agreed with the SCR or determined by the Arbitrator) | US\$1,339 |
| Salvage Foreman | US\$1,116 |
| Riggers, Fitters, Equipment Operators | US\$ 893 |
| Specialist Advisors – Fire Fighters, Chemicals, Pollution Control | US\$1,498 |
- (b) The crews of tugs, and other craft, normally aboard that tug or craft for the purpose of its customary work are included in the tariff rate for that tug or craft but when because of the nature and/or location of the services to be rendered, it is a legal requirement for an additional crew member or members to be aboard the tug or craft, the cost of such additional crew will be paid.
- (c) The rates for any personnel not set out above shall be agreed with the SCR or, failing agreement, be determined by the Arbitrator.
- (d) For the avoidance of doubt, personnel are “reasonably engaged on the contract” within the meaning of Appendix A sub-clause 1(a) hereof if, in addition to working, they are eating, sleeping or otherwise resting on site or travelling to or from the site; personnel who fall ill or are injured while reasonably engaged on the contract shall be charged for at the appropriate daily tariff rate until they are demobilised but only if it was reasonable to mobilise them in the first place.
- (e) SCOPIC remuneration shall cease to accrue in respect of personnel who die on site from the date of death.

2. TUGS AND OTHER CRAFT

- (a) (i) Tugs, which shall include salvage tugs, harbour tugs, anchor handling tugs, coastal/ocean towing tugs, off-shore support craft, and any other work boat in excess of 500 b.h.p., shall be charged at the following rates, exclusive of fuel or lubricating oil, for each day, or pro rata for part thereof, that they are reasonably engaged in the services, including proceeding towards the casualty from the tugs location when SCOPIC is invoked or when the tugs are mobilised (whichever is the later) and from the tugs position when their involvement in the services terminates to a reasonable location having due regard to their employment immediately prior to their involvement in the services and standing by on the basis of their certificated b.h.p.:
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| For each b.h.p. up to 5,000 b.h.p. | US\$3.29 |
| For each b.h.p. between 5,001 & 12,000 b.h.p. | US\$2.35 |
| For each b.h.p. between 12,001 & 20,000 b.h.p. | US\$1.65 |
| For each b.h.p. over 20,000 b.h.p. | US\$0.82 |
- (ii) Any tug which has aboard certified fire fighting equipment shall, in addition to the above rates, be paid:
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| US\$810 per day, or pro rata for part thereof, if equipped with Fi Fi 0.5 |
| US\$1,616 per day, or pro rata for part thereof, if equipped with Fi Fi 1.0 |
- for that period in which the tug is engaged in fire fighting necessitating the use of the certified fire fighting equipment.
- (iii) Any tug which is certified as “Ice Class” shall, in addition to the above, be paid US\$1,616 per day, or pro rata for part thereof, when forcing or breaking ice during the course of services including proceeding to and returning from the casualty.
- (iv) For the purposes of paragraph 2(a)(i) hereof tugs shall be remunerated for any reasonable delay or deviation for the purposes of taking on board essential salvage equipment, provisions or personnel which the Contractor reasonably anticipates he shall require in rendering the services which would not normally be found on vessels of the tugs size and type.
- (b) Any launch or work boat of less than 500 b.h.p. shall, exclusive of fuel and lubricating oil, be charged at a rate of US\$4.88 for each b.h.p.
- (c) Any other craft, not falling within the above definitions, shall be charged out at a market rate for that craft, exclusive of fuel and lubricating oil, such rate to be agreed with the SCR or, failing agreement, determined by the Arbitrator.
- (d) All fuel and lubricating oil consumed during the services shall be paid at cost of replacement and shall be treated as an out of pocket expense.
- (e) For the avoidance of doubt, the above rates shall not include any portable salvage equipment normally aboard the tug or craft and such equipment shall be treated in the same manner as portable salvage equipment and the Contractors shall be reimbursed in respect thereof in accordance with Appendix A paragraphs 3 and 4(i) and (ii) hereof.
- (f) SCOPIC remuneration shall cease to accrue in respect of tugs and other craft which become a commercial total loss from the date they stop being engaged in the services plus a reasonable period for demobilisation (if appropriate) PROVIDED that such SCOPIC remuneration in respect of demobilisation shall only be payable if the commercial total loss arises whilst engaged in the services and through no fault of the Contractors, their servants, agents or sub-contractors.

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3. PORTABLE SALVAGE EQUIPMENT

(a) The daily tariff, or pro rata for part thereof, for all portable salvage equipment reasonably engaged during the services, including any time necessary for mobilisation and demobilisation, shall be as follows:

<u>Equipment</u>	<u>Rate – US\$</u>	<u>Equipment</u>	<u>Rate – US\$</u>
<u>Generators</u>		<u>Protective Clothing/Safety Equipment</u>	
Up to 50 kW	88	Breathing Gear	75
51 to 120 kW	186	Hazardous Environment Suit	148
121 to 300 kW	297	Cooler; Evaporative; 36", 9800 Cfm, 110v	118
Over 301 kW	520	Heater 55,000/110,000 Btu	294
		Gas Monitor; Four Gas Types	206
<u>Compressors</u>		Nitrogen Generator – 1500 SCFH @ 96%, 220v	2,879
185 Cfm	223	PPE; Ascending/Descending package: 4 Man	411
600 Cfm	373	PPE; Bunker Gear Pkg: 1 Man	147
1200 Cfm	595	PPE; Chemical Suit Pkg: Class A: 1 Man	170
Air Manifold	15	PPE; Chemical Suit Pkg: Class B: 1 Man	30
Blower; 1,500m ³ /min.	1,264	PPE; Cold Weather 1 st Response Kit	41
		PPE; Confined Space Entry 2 Man package, with Communications	617
<u>Distribution Boards</u>		PPE; Survival Suit, Immersion	12
Up to 50 kW	88	Ventilation Pkg: Vane Axial: 1,500 Cfm	118
51 to 120 kW	186	Ventilation Pkg: Venturi Type: 4,000 Cfm	135
121 to 300 kW	297		
Over 301 kW	520	<u>Pollution Control Equipment</u>	
		Hot Tap Machine, including support equipment	1,486
<u>Hoses: Per 6 Metres or 20 Feet</u>		Oil Boom, 24", per 10 metres	46
<u>Air Hose</u>		Oil Boom, 36", per 10 metres	148
3/4"	6	Oil Boom, 48", per 10 metres	289
2"	12	Ballast/Fuel storage Bins upto 10,000 litres	88
<u>Layflat</u>		Ballast/Fuel storage Bins 10,000 to 25,000 litres	118
2"	16	Ballast/Fuel storage Bins 25,000 to 50,000 litres	148
4"	22	<u>Pumping Equipment</u>	
6"	30	<u>Air</u>	
<u>Rigid</u>		1"	76
2"	22	2"	112
3"	25	3"	130
4"	30	<u>Diesel</u>	
6"	37	2"	75
8"	45	4"	134
		6"	178
<u>Miscellaneous Equipment</u>		<u>Electrical Submersible</u>	
Air Bags, less than 5 tons lift	58	2"	75
Air Bags 5 to 15 tons lift	297	4"	223
Air Lift 4"	148	6"	891
Air Lift 6"	297	<u>Hydraulic</u>	
Air Lift 8"	445	3"	587
Air Tugger, up to 3 tons	112	6"	891
Chain Saw	30	8"	1,486
Container handling package	235	<u>Lighting Systems</u>	
Communications package	235	Halogen system	118
Damage Stability Computer and Software	370	Lighting String, per 50 feet	37
Echo Sounder, portable	37	Light Tower	75
Extension Ladder	30	Underwater Lighting System, 1,000 watts	112
Hydraulic Jack, up to 50 tons	58	<u>Winches</u>	
Hydraulic Jack, up to 120 tons	112	Up to 5 tons, including 50 metres of wire	176
Hydraulic Powerpack up to 40kW	70	Up to 10 tons, including 50 metres of wire	206
Hydraulic Powerpack 75kW	112	Up to 20 tons, including 50 metres of wire	294
Pressure washer, water	372	<u>Fenders</u>	
Pressure washer, steam	669	<u>Yokohama</u>	
Rigging Package, heavy	595	1.00m. x 2.00m.	112
Rigging Package, light	297	2.50m. x 5.50m.	223
Steel band Saw	30	3.50m. x 6.50m.	373
Tirfors, up to 5 tonnes	16	<u>Low Pressure Inflatable</u>	
Thermal Imaging Camera	372	3 metres	104
Tool Package, per set	258	6 metres	104
Ventilation Package	30	9 metres	223
VHF Radio	16	12 metres	372
Z Boat, including outboard up to 14 feet	297	16 metres	372
Z Boat, including outboard over 14 feet	520	<u>Shackles</u>	
<u>Diving Equipment</u>		Up to 50 tonnes	15
High Pressure Compressor 3500 psi/17 Cfm	235	51 to 120 tonnes	30
High Pressure Compressor 5500 psi/5 Cfm	135	121 to 200 tonnes	46
Decompression Chamber with Medical Lock	381	Over 200 tonnes	75
Decompression Chamber: Two Man, including compressor	742		
Decompression Chamber: Four Man, including compressor	1,040		
Hot Water Diving Assembly	372		
Underwater Magnets	30		
Underwater Drill	30		
Shallow Water Dive Spread	335		

<u>Equipment</u>	<u>Rate – US\$</u>	<u>Equipment</u>	<u>Rate – US\$</u>
<u>Welding & Cutting Equipment</u>		<u>Storage Equipment</u>	
Bolt Gun	446	12' Container	37
Oxy-acetylene Surface Cutting Gear	37	20' Container	58
Underwater Cutting Gear	75		
Underwater Welding Kit	75		
250 Amp Welder	223		
400 Amp Welder	297		

- (b) Any portable salvage equipment engaged but not set out above shall be charged at a rate to be agreed with the SCR or, failing agreement, determined by the Arbitrator.
- (c) The total charge (before bonus) for each item of portable salvage equipment, owned by the contractor, shall not exceed the manufacturer's recommended retail price on the last day of the services multiplied by 2.0.
- (d) Compensation for any portable salvage equipment lost or destroyed during the services shall be paid at the replacement cost. (Provided that the total of such compensation and the daily tariff rate (before bonus) in respect of that item does not exceed the actual cost of replacing the item at the Contractor's base with the most similar equivalent new item multiplied by 2.5.)
- (e) All consumables such as welding rods, boiler suits, small ropes etc. shall be charged at cost and shall be treated as an out of pocket expense.
- (f) The Contractor shall be entitled to remuneration at a stand-by rate of 50% of the full tariff rate plus bonus for any portable salvage equipment reasonably mobilised but not used during the salvage operation provided
- (i) It has been mobilised with the prior agreement of the owner of the vessel or its mobilisation was reasonable in the circumstances of the casualty, or
- (ii) It comprises portable salvage equipment normally aboard the tug or craft that would have been reasonably mobilised had it not already been aboard the tug or craft.
- (g) SCOPIC remuneration shall cease to accrue in respect of portable salvage equipment which becomes a commercial total loss from the date it ceases to be useable plus a reasonable period for demobilisation (if appropriate) PROVIDED that such SCOPIC remuneration in respect of demobilisation shall only be payable if the commercial total loss arises while it is engaged in the services and through no fault of the Contractors, their servants, agents or sub-contractors.

4. DOWNTIME

If a tug or piece of portable salvage equipment breaks down or is damaged without fault on the part of the Contractor, his servants, agents or sub-contractors and as a direct result of performing the services it should be paid for during the repair while on site at the stand-by rate of 50% of the tariff rate plus uplift pursuant to sub-clause 5(iv) of the SCOPIC clause.

If a tug or piece of portable salvage equipment breaks down or otherwise becomes inoperable without fault on the part of the Contractor, his servants, agents or sub-contractors and as a direct result of performing the services and cannot be repaired on site then:

- (i) If it is not used thereafter but remains on site then no SCOPIC remuneration is payable in respect of that tug or piece of portable salvage equipment from the time of the breakdown.
- (ii) If it is removed from site, repaired and reasonably returned to the site for use SCOPIC remuneration at the standby rate of 50% of the tariff rate plus bonus pursuant to sub-clause 5(iv) of the SCOPIC clause shall be payable from the breakdown to the date it is returned to the site.
- (iii) If it is removed from the site and not returned SCOPIC remuneration ceases from the breakdown but is, in addition, payable for the period that it takes to return it directly to base at the stand-by rate of 50% of the tariff rate plus bonus pursuant to sub-clause 5(iv) of the SCOPIC clause.

APPENDIX B (SCOPIC)

1. (a) The SCR shall be selected from a panel (the "SCR Panel") appointed by a Committee (the "SCOPIC Committee") comprising of representatives appointed by the following:
 - 3 representatives from the International Group of P and I Clubs
 - 3 representatives from the ISU
 - 3 representatives from the IUMI
 - 3 representatives from the International Chamber of Shipping
- (b) The SCOPIC Committee shall be responsible for a triennial review of the tariff rates as set out in Appendix A.
- (c) The SCOPIC Committee shall meet once a year in London to review, confirm, reconfirm or remove SCR Panel members.
- (d) Any individual may be proposed for membership of the SCR Panel by any member of the SCOPIC Committee and shall be accepted for inclusion on the SCR Panel unless at least four votes are cast against his inclusion.
- (e) The SCOPIC Committee may also set and approve the rates of remuneration for the SCRs.
- (f) Members of the SCOPIC Committee shall serve without compensation.
- (g) The SCOPIC Committee's meetings and business shall be organised and administered by the Salvage Arbitration Branch of the Corporation of Lloyd's (hereinafter called "Lloyds") who will keep the current list of SCR Panel members and make it available to any person with a bona fide interest.
- (h) The SCOPIC Committee shall be entitled to decide its own administrative rules as to procedural matters (such as quorums, the identity and power of the Chairman etc.).
2. The primary duty of the SCR shall be the same as the Contractor, namely to use his best endeavours to assist in the salvage of the vessel and the property thereon and in so doing to prevent and minimise damage to the environment.
3. The Salvage Master shall at all times remain in overall charge of the operation, make all final decisions as to what he thinks is best and remain responsible for the operation.
4. The SCR shall be entitled to be kept informed by or on behalf of the Salvage Master or (if none) the principal contractors' representative on site (hereinafter called "the Salvage Master"). The Salvage Master shall consult with the SCR during the operation if circumstances allow and the SCR, once on site, shall be entitled to offer the Salvage Master advice.
5. (a) Once the SCOPIC clause is invoked the Salvage Master shall send daily reports (hereinafter called the "Daily Salvage Reports") setting out:-
 - the salvage plan (followed by any changes thereto as they arise)
 - the condition of the casualty and the surrounding area (followed by any changes thereto as they arise)
 - the progress of the operation
 - the personnel, equipment, tugs and other craft used in the operation that day.
- (b) Pending the arrival of the SCR on site the Daily Salvage Reports shall be sent to Lloyd's and the owners of the vessel. Once the SCR has been appointed and is on site the Daily Salvage Reports shall be delivered to him.
- (c) The SCR shall upon receipt of each Daily Salvage Report:-
 - (i) Transmit a copy of the Daily Salvage Report by the quickest method reasonably available to Lloyd's, the owners of the vessel, their liability insurers and (if any) to the Special Hull Representative and Special Cargo Representative (appointed under clause 12 of the SCOPIC clause and Appendix C) if they are on site; and if a Special Hull Representative is not on site the SCR shall likewise send copies of the Daily Salvage Reports direct to the leading Hull Underwriter or his agent (if known to the SCR) and if a Special Cargo Representative is not on site the SCR shall likewise send copies of the Daily Salvage Reports to such cargo underwriters or their agent or agents as are known to the SCR (hereinafter in this Appendix B such Hull and Cargo property underwriters shall be called "Known Property Underwriters").
 - (ii) If circumstances reasonably permit consult with the Salvage Master and endorse his Daily Salvage Report stating whether or not he is satisfied and

- (iii) If not satisfied with the Daily Salvage Report, prepare a dissenting report setting out any objection or contrary view and deliver it to the Salvage Master and transmit it to Lloyd's, the owners of the vessel, their liability insurers and to any Special Representatives (appointed under clause 12 of the SCOPIC clause and Appendix C) or, if one or both Special Representatives has not been appointed, to the appropriate Known Property Underwriter.
 - (iv) If the SCR gives a dissenting report to the Salvage Master in accordance with Appendix B(5)(c)(iii) to the SCOPIC clause, any initial payment due for SCOPIC remuneration shall be at the tariff rate applicable to what is in the SCR's view the appropriate equipment or procedure until any dispute is resolved by agreement or arbitration.
- (d) Upon receipt of the Daily Salvage Reports and any dissenting reports of the SCR, Lloyd's shall distribute upon request the said reports to any parties to this contract and any of their property insurers of whom they are notified (hereinafter called "the Interested Persons") and to the vessel's liability insurers.
- (e) As soon as reasonably possible after the Salvage services terminate the SCR shall issue a report (hereinafter call the "SCR's Final Salvage Report") setting out:
- the facts and circumstances of the casualty and the salvage operation insofar as they are known to him.
 - the tugs, personnel and equipment employed by the Contractor in performing the operation.
 - A calculation of the SCOPIC remuneration to which the contractor may be entitled by virtue of this SCOPIC clause.

The SCR's Final Salvage Report shall be sent to the owners of the vessel and their liability insurers and to Lloyd's who shall forthwith distribute it to the Interested Persons.

6. (a) The SCR may be replaced by the owner of the vessel if either:
- (i) the SCR makes a written request for a replacement to the owner of the vessel (however the SCR should expect to remain on site throughout the services and should only expect to be substituted in exceptional circumstances); or
 - (ii) the SCR is physically or mentally unable or unfit to perform his duties; or
 - (iii) all salvaged interests or their representatives agree to the SCR being replaced.
- (b) Any person who is appointed to replace the SCR may only be chosen from the SCR Panel.
- (c) The SCR shall remain on site throughout the services while he remains in that appointment and until the arrival of any substitute so far as practicable and shall hand over his file and all other correspondence, computer data and papers concerning the salvage services to any substitute SCR and fully brief him before leaving the site.
- (d) The SCR acting in that role when the services terminate shall be responsible for preparing the Final Salvage Report and shall be entitled to full co-operation from any previous SCR's or substitute SCR's in performing his functions hereunder.
7. The owners of the vessel shall be primarily responsible for paying the fees and expenses of the SCR. The Arbitrator shall have jurisdiction to apportion the fees and expenses of the SCR and include them in his award under the Main Agreement and, in doing so, shall have regard to the principles set out in any market agreement in force from time to time.
8. Any SCR appointed pursuant to this Agreement shall not be called by any of the parties hereto to give evidence relating to non-salvage issues.

APPENDIX C (SCOPIC)

The Special Representatives

1. The Salvage Master, the owners of the vessel and the SCR shall co-operate with the Special Representatives and shall permit them to have full access to the vessel to observe the salvage operation and to inspect such of the ship's documents as are relevant to the salvage operation.
2. The Special Representative shall have the right to be informed of all material facts concerning the salvage operation as the circumstances reasonably allow.
3. If an SCR has been appointed the SCR shall keep the Special Representatives (if any and if circumstances permit) fully informed and shall consult with the said Special Representatives. The Special Representatives shall also be entitled to receive a copy of the Daily Salvage Reports direct from the Salvage Master or, if appointed, from the SCR.
4. The appointment of any Special Representatives shall not affect any right that the respondent ship and cargo interests may have (whether or not they have appointed a Special Representative) to send other experts or surveyors to the vessel to survey ship or cargo and inspect the ship's documentation or for any other lawful purpose.
5. If an SCR or Special Representative is appointed the Contractor shall be entitled to limit access to any surveyor or representative (other than the said SCR and Special Representative or Representatives) if he reasonably feels their presence will substantially impede or endanger the salvage operation.

CODE OF PRACTICE BETWEEN INTERNATIONAL SALVAGE UNION AND INTERNATIONAL GROUP OF P&I CLUBS

In the spirit of co-operation, the following Code of Practice is agreed between the International Salvage Union and the International Group of P&I Clubs in relation to all future salvage services to which Article 14 of the 1989 Salvage Convention is applicable or under Lloyd's Form where the Special Compensation P&I Club's (SCOPIC) Clause has been invoked by the Contractor.

1. The salvor will advise the relevant P&I Club at the commencement of the salvage services, or as soon thereafter as is practicable, if they consider that there is a possibility of a Special Compensation claim arising.
2. In the event of the SCR not being appointed under the SCOPIC clause, the P&I Club may appoint an observer to attend the salvage and the salvors agree to keep him and/or the P&I Club fully informed of the salvage activities and their plans. However, any decision on the conduct of the salvage services remains with the salvor.
3. The P&I Club, when reasonably requested by the salvor, will immediately advise the salvor whether the particular Member is covered, subject to the Rules of the P&I Club, for any liability which he may have for Special Compensation or SCOPIC Remuneration.
4. The P&I Clubs confirm that, whilst they expect to provide security in the form of a Club Letter either in respect of claims for special compensation (under Article 14 of the 1989 Salvage Convention) or SCOPIC remuneration (under the SCOPIC Clause), as appropriate, it is not automatic. Specific reasons for refusal to give security to the Contractor will be non-payment of calls, breach of warranty rules relating to classification and flag state requirements or any other breach of the rules allowing the Club to deny cover. The Clubs will not refuse to give security solely because the Contractors cannot obtain security in any other way.
5. In the event that security is required by a port authority or other competent authority for potential P&I liabilities in order to permit the ship to enter a port of refuge or other place of safety, the P&I Clubs confirm that they would be willing to consider the provision of such security subject to the aforementioned provisos referred to in para. 4 above and subject to the reasonableness of the demand.
6. The Contractors will accept security for either special compensation or SCOPIC remuneration by way of a P&I Club letter of undertaking in the attached form - "Salvage Guarantee form – ISU 5" - and they will not insist on the provision of security at Lloyd's.
7. The P&I Club concerned will reply to any request by the salvors regarding security as quickly as reasonably possible. In the event that salvage services are being performed under Lloyd's Form incorporating the SCOPIC clause, the P&I Club concerned will advise the Contractor within two (2) working days of his invoking the SCOPIC Clause whether or not they will provide security to the Contractor by way of a Club Letter referred to in para. 6 above.
8. In the event that salvage services are being performed under Lloyd's Form incorporating the SCOPIC clause, the P&I Clubs will advise the owners of the vessel not to exercise the right to terminate the contract under SCOPIC Clause 9(ii) without reasonable cause.
9. It is recognised that any liability to pay SCOPIC remuneration is a potential liability of the shipowner and covered by his liability insurers subject to the Club Rules and terms of entry. Accordingly, in the event of such payment of SCOPIC remuneration in excess of the Article 13 award, neither the shipowner nor his liability insurers will seek to make a claim in General Average against the other interests to the common maritime adventure whether in their own name or otherwise and whether directly or by way of recourse or indemnity or in any other manner whatsoever.
10. The P&I Clubs, if consulted, and the ISU will recommend to their respective Members the incorporation of the SCOPIC clause in any LOF.
11. The P&I Clubs and the ISU will not agree to any variation of the terms, including the tariff rates, of the SCOPIC Clause except in accordance with the provisions of the SCOPIC Clause itself, particularly Appendix B.
12. This is a Code of Practice which the ISU and the International Group of P&I Clubs will recommend to their Members and it is not intended that it should have any legal effect.

**CODE OF PRACTICE BETWEEN INTERNATIONAL GROUP OF P&I CLUBS
AND LONDON PROPERTY UNDERWRITERS REGARDING THE PAYMENT OF THE FEES
AND EXPENSES OF THE SCR UNDER SCOPIC.**

The following understanding has been reached between the International Group of P&I Clubs (hereinafter called "Liability Underwriters") and members of the Lloyd's Underwriters' Association and the International Underwriters Association of London (hereinafter called "Property Underwriters") in relation to all future salvage services under Lloyd's Form where the Special Compensation P&I Clubs (SCOPIC) Clause has been invoked by the Contractor.

1. Whereas the primary liability for paying the fees and disbursements of the Shipowner's Casualty Representative ("SCR") rests upon the owner of the vessel, it is agreed that the owner of the vessel shall be reimbursed such fees and disbursements, subject always to the Club Rules and the terms and conditions of Club cover and the terms of any insurance policy or policies covering the salvaged property, in the following proportions:-
 - 50% by Liability Underwriters;
 - 50% by Property Underwriters (subject to Clause 2 hereof).
2. (a) Property Underwriters shall pay for 50% of the SCR's fees and disbursements in proportion to the salvaged value of the subject matter insured.

(b) Should 50% of the SCR's fees and disbursements exceed the salvaged value of the ship and cargo less the Article 13 award, Liability Underwriters agree to reimburse such excess proportion of the said SCR's fees and disbursements to the owners of the vessel.
3. This is a Code of Practice which Liability Underwriters and Property Underwriters shall recommend to their Members and it is not intended that it should have any legal effect.

SALVAGE GUARANTEE FORM ISU 5

(SCOPIC REMUNERATION)

To: [See Note 1]

Dear Sirs,

**“.....” (the “Vessel”) [See Note 2] Salvage
Lloyd’s Form of Salvage Agreement incorporating the
SCOPIC Clause dated..... (the “LOF”)**

1. In consideration of, and upon condition that, you refrain from arresting, re-arresting or otherwise detaining the Vessel or any other vessel, property or asset in the same beneficial or associated ownership or management in connection with your claim for SCOPIC remuneration for services rendered to the Vessel under the terms of the LOF, we hereby undertake to pay to you on demand any liability on the part of the Registered/Bareboat Owners of the Vessel,[See Note 3] (the “Owners of the Vessel”) for SCOPIC remuneration, to the extent that it exceeds any actual or potential Article 13 award, together with interest and costs in relation thereto, which may be due to you whether by final un-appealable award or judgment or by written agreement between you, the undersigned and the Owners of the Vessel.
2. Any monies paid by the undersigned hereunder shall be deemed to have been paid by the undersigned as surety for the party or parties hereby guaranteed, provided that, notwithstanding anything hereinbefore contained, the liability of the undersigned as between the undersigned on the one hand and you on the other hand shall be that of principal debtor, and the undersigned shall not be released by time being given or other indulgence shown to the party or parties hereby guaranteed or by any other act, matter or thing whereby the undersigned, if liable as a surety only, would or might have been released.
3. This security shall be governed by and construed in accordance with English law and we undertake, when called upon to do so, to give irrevocable instructions to English

solicitors to accept service of proceedings issued by you against us in relation to this undertaking.

4. Provided always that our liability under this security shall not exceed the sum of US\$....[See Note 4] (US Dollars) including interest and costs.
5. Acceptance of this security is without prejudice to your right under 3(iv) of the SCOPIC Clause to seek an order from the Arbitrator that the Owners of the Vessel provide increased security and we are authorised by the Owners of the Vessel, to confirm to you that any right you may have to arrest, re-arrest or otherwise detain the Vessel or any other vessel, property or asset in the same beneficial or associated ownership or management will again become enforceable, notwithstanding the provisions of clause 1 of this security, in the event that the Owners of the Vessel do not promptly comply with an order from the Arbitrator for the provision of additional security.
6. The above undertaking is issued on the basis that the underlying salvage contract is currently and will remain on the current edition of Lloyd's Open Form with SCOPIC incorporated and invoked and without any agreement whatsoever that varies its standard provisions or terms. In the event that that is not the case, all obligations contained within this undertaking are void unless we confirm otherwise to you in writing.

Signed this..... day of.....20

By.....

Authorised signatory of.....

SEE OVER FOR NOTES ON COMPLETION OF THIS GUARANTEE FORM

GUIDANCE NOTES ON THIS COMPLETION OF SALVAGE GUARANTEE ISU 5

N.B. The wording of this security (updated 1 August 2018) has been agreed between the International Group of P&I Clubs and the International Salvage Union in accordance with clause 6 of the Code of Practice between them dated 1.8.99

1. The security should be addressed to the contractors named in the LOF.
2. Insert the name of the vessel or property which is the subject of the LOF.
3. Insert the full name of the Registered Owners or Bareboat Owners of the vessel subject of the LOF and delete either the word *Registered* or *Bareboat*, as appropriate. [NB The Guarantor Club will wish to ensure the party it is securing is its member while the Contractor will wish to ensure it is the party to whom the LOF service is being provided].
4. Article 3(i) of the SCOPIC Clause requires the owner of the vessel to provide *Initial Security* in the sum of USD3m, inclusive of interest and costs, within two working days of invocation. Articles 3(ii), (iii) & (iv) together provide the mechanism by which the *Initial Security* can be revised.
5. In the event the terms of the LOF have been amended by a side-agreement, side – letter or otherwise in a manner that has the potential to change the amounts payable by one or more interested party, the amendment(s) must be disclosed to the P&I Club before security is issued, or if security has already been issued, then before the side-agreement is entered into so they can advise whether they are able to provide SCOPIC security or confirm its continued validity. Failure to make disclosure will result in the security becoming void in accordance with Clause 6. This provision is particularly directed to ensure that P&I are entitled to void and rescind a guarantee where they discover that a side-agreement has been agreed which has the potential to change the amounts payable by one or more interested party.