What is a „CCC“and why do we do it?

CCC means “contract control check” and is an integral part of LP governance (i.e. part of the decision making process as well as risk management). The Managing Directors are obliged to ensure (by taking the organisational steps required) that all business conducted on behalf of the company is in accordance with existing laws and corporate statutes and that potential risk inherent in each contract becomes transparent and is managed actively.

Because of the large number of contracts entered into by the company, the managing directors are not able to read all contracts in detail and to check all legal and factual requirements personally.

Who is involved in the process?

The CCC is part of LP contract management and consequently also part of contract responsibility. Hence, almost all departments in the company involved in the value chain will at some stage participate in the CCC process. Depending on which part of the organisation concludes the contract and whether it is a supplier or a client / customer contract, the responsible staff from various departments will be requested by email to check the contract within a given timeframe. The term “contract” refers to all agreements between any of the companies within the LP Group and a third-party or other company within in the Group, irrespective of the denomination (“contract”, “agreement”, “side letter”, “order”, “offer”, etc.) which represents a commitment for one or both parties.

How long does the CCC process take?

Provided that the department responsible for the contract got all parties involved in the CCC process informed in advance and agreement could be made over the contract details with all departments involved before initiating the CCC, the process itself can be completed within three working days.

The pre-agreement on all contract details is particularly important if the contract deviates from existing standards, i.e. if unusual invoicing dates, payment terms, unusual risk distribution etc. are to be included in the contract, or if the contract is particularly lengthy or if the contract involves important clients or suppliers.

For “urgent contracts” where the responsible department has not involved other departments at an early stage, experience is that the CCC process generally takes more time.

What is the difference between the CCC and the pre-check?

The **pre-check** is understood as the in-house agreement of all relevant clauses **before** the actual CCC process is carried out and for which the initiating department is responsible. All relevant departments are to ensure that the contract details are complete and can be carried out. Comments, requests for changes and misunderstandings should be clarified within the framework of the pre-check.

To start and CCC process, the responsible department needs to **submit a final (agreed) draft contract.**

To initiate the pre-check, the responsible department may use the pre-check-email, a sample of which can be found under Y:/……

Is there a minimum contract volume to make the CCC apply?

No.
In order to ensure a consistent contract management process, **ALL** contracts, even those of low volume, require a CCC.
Contracts which exceed a certain threshold in value (specified within the statutes of the company) will additionally require the approval by the company's shareholders. If appropriate, this needs to be included on the CCC form. Samples for a "request for approval" can be found under Y…….

Does a CCC have to be carried out in case of a contract renewal?

Yes, if existing terms and conditions are altered or added to.
If we only talk about a new contract period, an abbreviated CCC - which can be signed off by the responsible department and the legal department - will suffice. However, CCCs of this type must be signed by the Managing Director(s) as well.

What needs to be completed in the framework of the CCC?

All CCC forms can be found under Y:\...... Please use the most up-to-date version only. Each CCC form has an attachment giving guidance on filling out the form. The terms and the purpose of the agreement as well as the risks of the contract should be made transparent to the Managing Directors. The appropriate form must be fully completed by the responsible department and then sent - together with the draft contract - to Recht_VKC_in". Legal will then initiate the CCC process by forwarding the documents to the departments involved. The responsible individuals will enter their comments and either approve the contract or reject, stating the reasons why.

What happens if a department "rejects" the Contract?

If no comment has been made, the legal department will make further enquiries, in more urgent cases or if no comment has been made over a longer period of time, the responsible department is to approach the colleagues concerned and clarify.

If a department rejects the contract, the responsible department is to first clarify whether an amendment to the contract would lead to an approval. From experience, this kind of short-term amendment to a contract just before signature is generally difficult to explain to the contract partner, and can be avoided by timely internal coordination.

If the contract cannot be amended, it is the responsibility of the Managing Directors to decide whether they would like to conclude the agreement irrespective of the reasons for refusal. The CCC should provide the Managing Director with a basis to make an informed decision – no one is obliged to approve a contract if the contract is non-approvable in the view of the responsible department.

What to do if the draft contract is in a foreign language which you do not understand?

Generally, contracts should be drafted in either German or English. Unfortunately this is not possible with some of our contract partners abroad and translations are very expensive. If at least an English version is not available, then the responsible department is required to translate the most important terms and conditions, necessary for the CCC, into English. The CCC can then be conducted on the basis of this short version. It should be pointed out that this must be clarified during the pre-check and not while the CCC is running!

What happens next when all approvals have been granted?

Once all departments have given their approval in the CCC, the responsible department is to decide which contract party signs the contract first. If it is the contract partner, then the responsible department will forward the contract to the contract partner as a "pdf" file. If LP signs first, then the responsible department must print 2 copies of the contract, initial each page (bottom right hand side) and hand it over to the team assistant of the legal department. He/she will then forward the documents together with the CCC-Form to the Managing Directors for signature. Both copies of the contract are then sent to the contract partner for countersignature ensuring a timely return of one copy. Once both parties have signed the contract, a copy of the contract together with the CCC will then be archived.

Who has the power to sign a contract?

Generally, 2 Managing Directors jointly or a Company Officer plus a Managing Director are authorised to sign. An employee may only sign a contract if he/she has been given power of attorney by the management in writing. If this is not the case, there is no power to sign! Authority to sign off invoices to a LP a cost centre is NOT a power of attorney. Exceptions to this rule are non disclosure agreements (NDA), which can be signed by a department lead involved plus one LP in-house lawyer. Always dual control ("four-eyes")!

Where will the original contracts be stored?

All original contracts are to be handed in to the legal department (LP GCO). The documents will be kept there in hardcopy files as well as stored electronically.