Schedule 3 (Charges)

1. How Charges are calculated

- 1.1 The Charges:
 - 1.1.1 shall be calculated in accordance with the terms of this Schedule;
 - 1.1.2 The indicative costs provided by the Supplier as part of their tender proposal cannot be increased except as specifically permitted by this Schedule and in particular shall only be subject to Indexation where specifically stated in the Award Form; and
 - 1.1.3 Any variation to the Charges shall not in total increase the over-all cost for the Proof of Concept by more than 10% of the indicative costs provided by the Supplier as part of their tender proposal
- 1.2 Any variation to the Charges payable under a Contract must be agreed between the Supplier and the Buyer and implemented using the procedure set out in this Schedule.

2. The pricing mechanisms

2.1 The pricing mechanisms and prices set out in Annex 1 shall be available for use in calculation of Charges in the Contract.

3. Are costs and expenses included in the Charges

- 3.1 Except as expressly set out in Paragraph 4 below, or otherwise stated in the Award Form the Charges shall include all costs and expenses relating to the provision of Deliverables. No further amounts shall be payable in respect of matters such as:
 - 3.1.1 incidental expenses such as travel, subsistence and lodging, document or report reproduction, shipping, desktop or office equipment costs, network or data interchange costs or other telecommunications charges; or
 - 3.1.2 costs incurred prior to the commencement of the Contract.

4. When the Supplier can ask to change the Charges

- 4.1 The indicative costs provided by the Supplier as part of their tender proposal for this Proof of Concept will form the basis of the Charges for the provision of the Deliverables. The Supplier and the Buyer will work together to ensure that as far as possible the costs for each Phase of the Proof of Concept remain within the indicative costs provided, and in any event will not exceed the indicative costs by more than 10% in total for the PoC as a whole. Charges can only be adjusted following successful completion of a Phase.
- 4.2 The Supplier shall give the Buyer notice of at least the period between completion of the final milestone for a Phase and completion of the Phase itself in writing where it wants to request an increase. If the Supplier does

not give notice in time then it will only be able to request an increase prior to the next Phase final milestone completion.

- 4.3 Any notice requesting an increase shall include:
 - 4.3.1 a list of the Charges to be reviewed;
 - 4.3.2 for each of the Charges under review, written evidence of the justification for the requested increase including:
 - a) a breakdown of the profit and cost components that comprise the relevant part of the Charges;
 - b) details of the movement in the different identified cost components of the relevant Charge;
 - c) reasons for the movement in the different identified cost components of the relevant Charge;
 - d) evidence that the Supplier has attempted to mitigate against the increase in the relevant cost components; and
 - e) evidence that the Supplier's profit component of the relevant Charge is no greater than that applying to Charges using the same pricing mechanism as at the Start Date.
- 4.4 The Buyer shall consider each request for a price increase. The Buyer may grant Approval to an increase at its sole discretion.
- 4.5 Any Approval granted by the Buyer pursuant to Paragraph 4.4 shall be on the condition that the change to the Charges will not result in the Supplier Profit Margin exceeding the Maximum Permitted Profit Margin.
- 4.6 Where the Buyer approves an increase then it will be implemented from the first (1st) Working Day following completion of the relevant Phase or such later date as the Buyer may determine at its sole discretion and Annex 1 shall be updated accordingly.

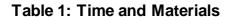
5. Other events that allow the Supplier to change the Charges

- 5.1 The Charges can also be varied (and Annex 1 will be updated accordingly) due to:
 - 5.1.1 a Specific Change in Law in accordance with Clauses 28.6 to 28.8;
 - 5.1.2 a review in accordance with insurance requirements in Clause 17;
 - 5.1.3 a request from the Supplier, which it can make at any time, to decrease the Charges;
 - 5.1.4 following verification of the Allowable Assumptions in accordance with Paragraph 6; and
 - 5.1.5 indexation, where Annex 1 states that a particular Charge or any component is "subject to Indexation" in which event Paragraph **Error! Reference source not found.** below shall apply.

6. Allowable Assumptions

- 6.1 Before the end of its associated Verification Period, the Supplier will determine whether each Allowable Assumption is accurate.
- 6.2 The Buyer will provide the Supplier with reasonable assistance when it is determining if an Allowable Assumption is accurate.
- 6.3 Within 10 Working Days following the end of a Verification Period, the Supplier will send a written report to the Buyer setting out its verification results for the relevant Allowable Assumption, including whether the Charges or Development Plan (if applicable) require adjustment.
- 6.4 Each Allowable Assumption will be deemed to be accurate if the Supplier cannot show has an impact on the Charges or the Development Plan to the reasonable satisfaction of the Buyer.
- 6.5 If the Supplier can show that an Allowable Assumption has an impact on either the Charges or the Development Plan (if applicable) then:
 - 6.5.1 the Supplier will take all reasonable steps to mitigate the impact of the Allowable Assumption;
 - 6.5.2 the Supplier may propose a reasonable Variation arising as a direct result of such impact and such Variation shall be limited by any constraints set out in the table in Annex 2.

Annex 1: Rates and Prices



Indicative costs for each Phase as provided in Suppliers tender proposal

The Supplier (and its Sub-Contractor) shall not be entitled to include any uplift for risks or contingencies within its day rates

The rates above shall not be subject to variation by way of Indexation

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Annex 2: Allowable Assumptions

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
Ref	Description	Potential time impact if not accurate	Potential cost impact if not accurate	How it will be tested	Maximum impact period	Verification period