SCHEDULE 7.1

CHARGES AND INVOICING

VERSION CONTROL

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APPENDIX 1 – MILESTONE PAYMENTS

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SCHEDULE 7.1 – CHARGES AND INVOICING

1. PURPOSE

1.1 The purpose of this Schedule is to set out the Charges under this Agreement and to describe the invoicing and payment mechanisms relating to the Charges, and is structured as follows:

1.1.1 Part A: Charges;

1.1.2 Part B: Pricing Mechanisms;

1.1.3 Part C: Adjustments to the Charges; and

1.1.4 Part D: Invoicing and Payment Terms.

PART A: CHARGES

2. MILESTONE PAYMENTS

2.1 Upon the issue of a Milestone Achievement Certificate by TTL for each Payment Milestone in accordance with paragraph 7 Schedule 6.1 (Transition), the Supplier shall be entitled to invoice TTL in accordance with paragraph 12 of this Schedule for:

2.1.1 the Milestone Payment associated with that Payment Milestone, such Milestone Payment being as set out in:

(a) Appendix 1, in respect of the Transition Milestones;

(b) the relevant Agreed Project Proposal, in respect of the Project Milestones; and

(c) where applicable, the relevant Change Authorisation Note (or the Impact Assessment appended to it), in respect of the Contract Change Milestones; and

2.1.2 the On-time Delivery Payment associated with that Payment Milestone (if applicable), but only in the event that the Payment Milestone has been Achieved on or before the associated Milestone Date.

2.2 Each Invoice relating to a Milestone Payment shall be supported by:

2.2.1 a Milestone Achievement Certificate;

2.2.2 where the Milestone Payment is to be calculated by reference to Guaranteed Maximum Price with Target Cost or Time and Materials, a Certificate of Costs;

2.2.3 the Supporting Information; and

2.2.4 such other information as TTL may specify from time to time.

3. SUPPORT CHARGES

3.1 The Supplier shall commence provision of the Support Services on the date on which Milestone MS7A is Achieved. Subject to paragraph 3.3, the Supplier shall be entitled to invoice TTL in accordance with paragraph 12 for the Support Charges for each Support Period in arrears following the completion of that Support Period as detailed in Appendix 2.

3.2 If a Support Charge is to be calculated by reference to Fixed Price as identified in Appendix 2 and the relevant Support Service:

3.2.1 commences on a day other than the first day of a Support Period; and/or

3.2.2 ends on a day other than the last day of a Support Period,

the Support Charge for the relevant Support Period shall be pro-rated based on the proportion which the number of days in the Support Period for which the Support Service is provided bears to the total number of days in that Support Period.

3.3 Subject to paragraph 3.4, an invoice for a Support Charge shall not be payable by TTL unless all adjustments (including Service Credits) relating to the Support Charges for the immediately preceding Support Period have been agreed.

3.4 In the event that any adjustments (including Service Credits) relating to the Support Charges for a Support Period have not been agreed by the Parties within ten (10) Working Days following the end of that Support Period, the Supplier shall be entitled to submit an invoice for the Support Charges for the relevant Support Period with any adjustments not agreed carried over to the calculation of the invoice for the next Support Period.

3.5 The Support Charges:

3.5.1 are subject to:

(a) adjustment in accordance with Part C of this Schedule; and

(b) the Support Charge Reviews in accordance with Schedule 7.2 (Value for Money);

3.5.2 at the Effective Date include the charges for:

(a) all Operational Changes to be effected by the Supplier under this Agreement; and

(b) all Support Services to be provided by the Supplier in connection with the Contractual Roadmap Projects,

and shall not be increased due to the provision of any Operational Change or any Contractual Roadmap Project unless:

(c) there is a material change to this Agreement (including to the scope of any Contractual Roadmap Project as set out in Appendix 2 of Schedule 6.4 (Product Roadmap)); and

(d) the Supplier demonstrates to TTL's reasonable satisfaction that as a consequence the costs incurred by the Supplier in the performance of the Operational Changes and/or the Support Services to be provided by the Supplier in connection with the Contractual Roadmap Projects will materially increase when compared with the relevant costs forecast by the Supplier at the Effective Date.

3.6 Any adjustment to the Support Charges pursuant to paragraph 3.5 shall be processed by the Parties in accordance with the Change Control Procedure.

4. EXPLOITATION BUSINESS

The financial arrangements relating to the operation of the Exploitation Business, including in relation to the costs of Exploitation Business and the associated revenue, are set out in Schedule 6.5 (Commercial Exploitation).

PART B: PRICING MECHANISMS

5. PRICING MECHANISMS

5.1 Milestone Payments and Support Charges shall be calculated using the pricing mechanisms set out in this Part B, as specified in:

5.1.1 Appendix 1, in respect of the Milestone Payments for the Transition Milestones;

5.1.2 Appendix 2, in respect of the Support Charges; and

5.1.3 the relevant Agreed Project Proposal, in respect of the Milestone Payments for the Project Milestones.

5.1.4 the relevant Change Authorisation Note (or the Impact Assessment appended to it), in respect of the Milestone Payments for the Contract Change Milestones.

6. TIME AND MATERIALS

6.1 Where Time and Materials applies to Charges pursuant to this Agreement:

6.1.1 the Rate Card set out in Appendix 3 shall be used to calculate the relevant Charges, provided that the Supplier shall:

(a) not be entitled to include any uplift for risks or contingencies within its day rates;

(b) not be paid any Charges to the extent that they would otherwise exceed the cap specified against the relevant Charge in this Agreement (as such cap may be amended by the Parties under the Change Control Procedure) unless the Supplier has obtained TTL's prior written consent. The Supplier shall monitor the amount of each Charge incurred in relation to the relevant cap and notify TTL immediately in the event of any risk that the cap may be exceeded and TTL shall instruct the Supplier on how to proceed; and

(c) only be entitled to be paid Charges that have been properly and reasonably incurred, taking into account the Supplier's obligation to deliver the Services in a proportionate and efficient manner;

6.1.2 the Supplier shall keep records of hours properly worked by Supplier Personnel (in the form of timesheets) and expenses incurred and submit a summary of the relevant records with each invoice. If TTL requests copies of such records, the Supplier shall make them available to TTL within ten (10) Working Days of TTL's request;

6.1.3 the Supplier shall provide details of any materials to be used, including full details of any third party quotations where applicable and requested by TTL; and

6.1.4 in the event that any applicable rate required as part of Time and Materials is not set out in the Rate Card, the Parties shall agree the relevant Charges (and if necessary the relevant rate) as part of the relevant Agreed Project Proposal.

7. **GUARANTEED MAXIMUM PRICE WITH TARGET COST**

Where a Milestone Payment is to be calculated by reference to Guaranteed Maximum Price with Target Cost, the Milestone Payment shall be calculated as follows:

$$Milestone\ Payment = \mathrm{MIN}\left[\mathrm{TP} + \frac{IC - TC}{2}, \quad GMP\right]$$

where:

TP is the Target Price for the relevant Payment Milestone;

TC is the Target Cost for the relevant Payment Milestone;

IC is the Incurred Costs relating to the relevant Payment Milestone; and

GMP is the Guaranteed Maximum Price for the relevant Payment Milestone, equal to TP x 110%.

7.1 If the Incurred Costs exceed or fall short of the Target Cost for the relevant Payment Milestone, the difference shall be borne equally between TTL and the Supplier provided that the maximum Milestone Payment payable by TTL for the relevant Payment Milestone shall not exceed an amount equal to the Guaranteed Maximum Price for that Payment Milestone.

7.2 The Supplier shall be entitled to Index the day costs set out in Appendix 3 annually, but the Target Cost, Target Price and Guaranteed Maximum Price shall not be subject to Indexation.

8. **FIXED PRICE**

Where Milestone Payments and/or Support Charges are calculated by reference to Fixed Price, the relevant Charge shall be the agreed amount specified for that Milestone Payment and/or Support Charge in this Agreement.

PART C: ADJUSTMENTS TO THE CHARGES

9. SERVICE CREDITS

9.1 Service Credits shall be expressed as a percentage of the aggregate Support Charges paid and/or payable in respect of the relevant Support Period ("**Support Charge Percentage**") and shall be incurred if there is one or more Service Level Failure(s) in respect of a Support Period.

9.2 For each Support Period the Service Credits (in the form of the Support Charge Percentage) shall be calculated as follows:

9.2.1 If any Service Level Failure occurs in respect of a Support Period, that failure shall be determined as falling within one of the Bands associated with the relevant Service Level in accordance with Appendix 1 of Schedule 2.2A (Performance Levels).

9.2.2 The Service Credit Percentage for that Service Level Failure shall be the relevant percentage specified as such in Appendix 1 of Schedule 2.2A (Performance Levels) that corresponds with the Band determined pursuant to paragraph 9.2.1.

9.2.3 Subject to the Service Credit Cap, the Support Charge Percentage for that Support Period shall be the aggregate Service Credit Percentages for all applicable Service Level Failures in respect of that Support Period.

9.3 Service Credits shall be in the form of a Support Charge Percentage deduction from the Support Charge due from TTL to the Supplier in the invoice for the Support Period immediately following the Support Period during which the Service Credits have been incurred. If no further Support Charges fall due after Service Credits accrue, the Supplier shall issue a Credit Note to TTL for a sum equal to any such Service Credits then outstanding which shall be repayable by the Supplier to TTL as a debt.

9.4 Service Credits reflect the reduced value of the Support Services actually received and are stated exclusive of VAT.

10. INDEXATION

10.1 On 1 July each Contract Year (commencing on 1 July 2019), any amount in this Agreement which is expressed as being subject to Indexation shall be subject to Indexation in accordance with this paragraph 10.

10.2 The Indexed Amount shall be calculated as follows:

$(\text{Indexed Amount})_N = (1 + \text{Index}_N) \times (\text{Indexed Amount})_{N-1}$

where:

$_N$ = the Contract Year in which Indexation is applied

$_{N-1}$ = the immediately preceding Contract Year

Index_{NP} =

Where this Agreement specifies the **Consumer Price Index** for the relevant amount to be Indexed, the percentage increase or changes in the Consumer Price Index (overall index) published for the twelve (12) month period ending on 31 December immediately preceding the relevant Indexation date, identifying code D7G7 as published by the Office for National Statistics in the dataset accompanying the Consumer Price Index Statistical Bulletin for the year immediately preceding the date of indexation (currently Table 10 of Consumer Price Inflation Detailed Reference Tables)

Where this Agreement specifies the **Average Weekly Earnings Index** for the relevant amount to be Indexed, the mean of the twelve (12) month period ending on 31 December immediately preceding the relevant Indexation date for the "Average Weekly Earnings - Not Seasonally Adjusted Average Weekly Earnings - Growth Including Bonuses, Including Arrears for Information and Communication", identifying code K5EP as published by the Office for National Statistics in the Average Weekly Earnings by Industry dataset (currently EARN03 table 3)

10.3 If any Index, any of the publications or the information derived from any such publication and referred to in this Agreement ceases to be published, then such alternative index or publication or information which the Parties agree produces as nearly as possible the same result or gives the same information shall be substituted therefor, and if the reference date used in the compilation of any such index or information shall change the figure taken to be shown in such index or information shall be the figure which would have been shown in the index or information if the original reference date had been retained.

10.4 If there has been a material change in the basis of information from which the Index is compiled which produces a significant change to the Indexation provisions contained in this Agreement or it becomes impossible, for any reason, to calculate the amounts by which the sums payable should be adjusted by reference to the Index or such information, the Parties shall agree such alternative method of adjusting the relevant sums under this Agreement as most closely reflects the intent of the Index or information in question.

10.5 Except as set out in this paragraph 10, neither the Charges nor any other costs, expenses, fees or charges shall be adjusted to take account of any inflation, change to exchange rate, change to interest rate or any other factor or element which might otherwise increase the cost to the Supplier or Sub-contractors of the performance of their obligations under this Agreement.

11. HOSTING CHARGES

11.1 [redacted]

11.2 [redacted]

11.3 [redacted]

PART D: INVOICING AND PAYMENT TERMS

12. INVOICING

Raising Invoices

12.1 The Supplier shall be entitled to raise Invoices in accordance with Part A of this Schedule.

Format of Invoice

12.2 The Supplier shall ensure that each Invoice contains the following information:

12.2.1 the date of the invoice;

12.2.2 a unique invoice number;

12.2.3 a reference to this Agreement;

12.2.4 the purchase order number and Payment Milestone or Support Charge reference to which it relates (if any);

12.2.5 the dates between which the Services or relevant Transformation forming the subject of each of the Charges detailed on the Invoice were performed;

12.2.6 the total Charges gross and net of any applicable deductions and, separately, the amount of any disbursements properly chargeable to TTL under the terms of this Agreement, and separately, any VAT or other sales tax payable in respect of the same;

12.2.7 details of any Service Credits or similar deductions that shall apply to the Charges detailed on the Invoice as evidenced by a Service Performance Report;

12.2.8 a contact name and telephone number of a responsible person in the Supplier's finance department in the event of administrative queries; and

12.2.9 the bank account details for payments to the Supplier via electronic transfer of funds (i.e. name and address of bank, sort code, account name and number).

12.3 The Supplier shall submit all Invoices and supporting documentation in such format as TTL may specify from time to time to the following address (or such other address as TTL may notify to the Supplier from time to time):

Accountspayable@tfl.gov.uk

12.4 All Invoices shall be expressed in pounds sterling.

12.5 An Invoice shall only be valid if it complies with the provisions of this Schedule. Where any Invoice does not conform to TTL's requirements set out in paragraph 12.2, TTL shall promptly return the disputed Invoice to the Supplier. The Supplier shall promptly issue a replacement Invoice which shall comply with the same.

12.6 The final Invoice relating to this Agreement shall only be sent to TTL following agreement between the Parties, such agreement not to be unreasonably withheld or delayed, of any Service Credits.

12.7 Each Invoice shall be accompanied by the Supporting Information.

Payment terms

12.8 TTL shall pay undisputed valid Invoices within thirty (30) days of receipt.

Credit Notes

12.9 The Supplier shall provide TTL with a credit note in respect of Charges it has previously invoiced for (a "**Credit Note**"), including in the following circumstances:

12.9.1 an Invoice in full or in part has been issued in error;

12.9.2 the agreed resolution of a disputed Invoice is that the disputed Charge is too high and a Credit Note is agreed to be issued;

12.9.3 a Payment Milestone has not been Achieved and TTL wishes to recover the related Milestone Payments already made;

12.9.4 TTL is eligible to receive Service Credits and has requested that the Service Credits are realised by a Credit Note; and

12.9.5 other circumstances as agreed between TTL and the Supplier.

12.10 Each Credit Note shall be a valid tax invoice.

Disputed Invoices

12.11 If TTL disputes all or part of an Invoice raised by the Supplier, then TTL shall inform the Supplier at the earliest opportunity. TTL shall set out the nature of the Dispute and reasons for the Dispute.

12.12 At its sole discretion, TTL may postpone payment of the disputed amount (but not any undisputed amount) until the Dispute is resolved and any correcting documentation (replacement Invoice or Credit Note) has been received.

12.13 Payment by TTL of any Invoice submitted by the Supplier shall not signify approval of such Invoice. TTL reserves the right to verify and, where appropriate, dispute Invoices after the date of payment and subsequently to recover any sums which have been overpaid.

12.14 If any part of an Invoice rendered by the Supplier is disputed or subject to question by TTL either before or after payment then TTL may call for the Supplier to provide such further documentary evidence as it may reasonably require to verify its liability to pay the amount which is disputed or subject to question and the Supplier shall promptly provide such evidence in a form satisfactory to TTL.

Waiver on Charges not invoiced

12.15 In the event that the Supplier has not invoiced for any Charges within twelve (12) months of them becoming due and payable by TTL, the Supplier shall waive any rights to be paid for such Charges.

APPENDIX 1 – MILESTONE PAYMENTS

REDACTED

APPENDIX 2 – SUPPORT CHARGES

****REDACTED****

APPENDIX 3 – RATE CARD

REDACTED

APPENDIX 4 – CERTIFICATE OF COSTS

PRO FORMA

I [***name of CFO or Finance Director or equivalent as agreed in advance in writing with TTL***] of Siemens Mobility Limited, certify that the financial information provided as part of this Certificate of Costs, incurred in relation to the Agreement for the Provision and Commercial Exploitation of a Real Time Optimiser System between Transport Trading Limited and Siemens Mobility Limited dated [insert] (the "**Agreement**") in relation to the following [Milestone/Milestone group]:

[***Insert details of Milestone/Milestone group***]

1. has been reasonably and properly incurred in accordance with Siemens Mobility Limited's books, accounts, other documents and records;

2. is accurate and not misleading in all key respects; and

3. is in conformity with the Agreement and with all generally accepted accounting principles within the United Kingdom.

Signed

Finance Director – Siemens Mobility Limited – ITS

Siemens Mobility Limited