

Red = There are lost customer hours or engineering overrun costs for which the contractor's labour are wholly or partly responsible or the frequency of 'poor quality incidents' indicates a trend of unacceptable performance.

For the avoidance of doubt the words 'poor quality incidents' shall mean anything that requires re-work as a result of the personnel supplied by the contractor.

v) **Financial Accuracy**

Financial Accuracy shall be measured by the timely and accurate submission of all requested financial information to include but not be limited by 1) Quotations and Tenders, 2) Applications for Payment and 3) Final Accounts.

Green = The contractor provides all financial information by the due dates and the accuracy of the information is consistent with good practice.

Amber = The contractor occasionally misses submission dates and/or the accuracy of the information is occasionally inconsistent with good practice.

Red = The contractor frequently misses submissions dates and/or the accuracy of the information is frequently inconsistent with good practice.

For the avoidance of doubt 'good practice' shall be understood to mean that the information is accurately compiled and calculated excepting only minor arithmetical errors, the information is summarised in an intelligible manner, all supportive backup material is included and, where applicable, all backup material will have the necessary authorising signatures. For the avoidance of doubt the word 'occasionally' shall mean that there is no discernable trend or pattern to the occurrences and the word 'frequently' shall mean that there IS a discernable trend or pattern to the occurrences due to the regularity of their appearance.

6. Escalation Procedure

6.1 In the event of unsatisfactory performance standards, including (but not limited to) failure to reach the targets set by the Service Delivery Indicators and any other deficiencies in performance, the escalation procedure shall be invoked by the Company in their absolute discretion.

6.2 The purpose of the escalation procedure is to provide a structured framework within which the parties can resolve grievances against timescales and deliverable targets. For the purposes of this procedure notified levels of poor performance will be termed “Non-Conformances”.

6.3 This procedure operates with four levels; the lowest level Non-Conformance being Level 1. Should Non-Conformances escalate they shall receive an appropriate level of management intervention from the Company and the Contractor. Level 3 gives final review and an opportunity for remedial actions to resolve issues before the Non-Conformance reaches Level 4, which will entitle the Company to terminate in accordance with Clause 16 of the Conditions of Contract.

6.4 In the event that a performance issue is not resolved between the Company and the Contractor then the Non-Conformance may be raised formally to a Level 1 or Level 2 Non-Conformance, depending upon the severity of the performance failure. It is possible for a number of Level 1 and/or Level 2 issues to be in hand at any one time.

Table 2 – Summary of Escalation Procedure

TRIGGER	LEVEL	ACTION	BY	RESULT
Failure to rectify identified non-conformance issued as part of SDIs	1	Improvement plan with precise end date required. On going review dates specified.	i) The Company ii) The Contractor	Satisfactory - Stop Unsatisfactory - Level 2
Level 1 re-occurrence	2	Improvement plan with precise end date required. On going review dates specified.	i) The Company ii) The Contractor	Satisfactory - Stop Unsatisfactory - Level 3
Consistent failure to meet required requirement				
Safety Condition infringements.				
Level 2 re-occurrence	3	Final review. Final opportunity for remedial action. Precise end date required. Possible notice of termination or other remedy if appropriate.	i) The Company ii) The Contractor	Satisfactory - Stop Unsatisfactory - Level 4
Level 3 re-occurrence	4	TERMINATION		

6.5 Issues shall be resolved locally on a day-to-day basis to the mutual satisfaction of all parties and shall not be raised to Level 1 without prior endeavours to resolve. At this stage of the process, the Contractor may be required to supply a Root Cause Analysis and a Recovery Plan. Performance standards to be achieved and associated processes for measuring and recording Contractor's performance are detailed in Paragraphs 3 and 5 of this Schedule.

6.6 Level 1

6.6.1 The Level 1 Non-Conformance will be recorded by the Company and a notice submitted to the Contractor in the form attached as Appendix E to this Schedule. The Contractor shall in response (such response to be within five (5) Business Days of service of the notice by the Company) prepare and submit to the Company a Level 1 Non-Conformance Report. Such report will contain:

- a) confirmation of the date and details of the Level 1 Non-Conformance;
- b) the steps to be taken by the Contractor to ensure there is no repetition of such Level 1 Non-Conformance the "Level 1 Required Action"; and
- c) the time within such Level 1 Required Action is to be completed (which shall be a reasonable period and no longer than the "Level 1 Rectification Period".

6.6.2 The Contractor and the Company will use all reasonable endeavours to agree the Level 1 Rectification Period and the Level 1 Required Action. If the agreed Level 1 Required Action is carried out within the agreed Level 1 Rectification Period then the Non-Conformance will be classed as closed.

6.6.3 All Level 1 Non-Conformances will be reviewed every Accounting Period at the Senior Manager Level Governance Group meetings (whether resolved or not) to ensure that reoccurrence is (where possible) eliminated.

6.7 Level 2

6.7.1 Paragraph 6.7.2 shall apply where:

- a) the Company determines, having regard to the gravity of the Non-Conformance, that a Non-Conformance should be treated as a Level 2 Non-Conformance; or
- b) the Contractor fails to notify the Company of the occurrence of a Level 1 Non-Conformance prior to the Company notifying the same to the Contractor (provided that the Company shall be entitled, having regard to the gravity of the Non-Conformance, to treat this as a Level 3 Non-Conformance rather than a Level 2 Non-Conformance); or
- c) the Contractor fails to make available to the Company a Level 1 Non-Conformance Report within five (5) Business Days of service by the Company of the notice referred to in Paragraph 6.6.1; or
- d) the Contractor fails to undertake the Level 1 Required Action within the Level 1 Rectification Period; or
- e) the Contractor fails to rectify the Level 1 Non-Conformance within the Level 1 Rectification Period; or
- f) a further Non-Conformance occurs after the Level 1 Rectification Period but within 1 month of the end of the Level 1 Rectification Period and that is a Non-Conformance in relation to the same SDI ("Same Type") as the Level 1 Non-Conformance; or
- g) a further Non-Conformance occurs during the Level 1 Rectification Period that is of the Same Type as the Level 1 Non-Conformance and the Contractor has wilfully permitted the occurrence of such further Non Compliance; or
- h) failure to meet the requirements of Schedule 6 [Quality, Environmental, Safety and Health (QUENSH) Conditions].

6.7.2 Where one or more of the circumstances described in Paragraph 6.7.1 applies, then this shall be a "Level 2 Non-Conformance" and the Company may submit a notice to the Contractor in the form attached as Appendix E to this Schedule. The Contractor shall determine (acting reasonably) the steps to be taken by the Contractor to ensure there is no repetition of such Level 2 Non-Conformance (the "Level 2 Required Action") and the time within which such Level 2 Required Action is to be completed (which shall be a reasonable period and no longer than five (5) Days (the "Level 2 Rectification Period"), and prepare and make available to the Company a report (the "Level 2 Non-Conformance Report"), which shall set out the following information:

- a) the date and details of the Level 2 Non-Conformance;
- b) the Level 2 Required Action; and
- c) the Level 2 Rectification Period.

6.7.3 The Contractor and the Company will use all reasonable endeavours to agree the Level 2 Rectification Period and the Level 2 Required Action.

6.7.4 If the Level 2 Required Action is taken within the agreed Level 2 Rectification Period then the Non-Conformance will be considered resolved. However, a record of the Non-Conformance will be made and Level 2 trends monitored.

6.7.5 All Level 2 Non-Conformances will be reviewed every Accounting Period at the Senior Manager Level Governance Group meetings (whether resolved or not) to ensure reoccurrence is (where possible) eliminated.

6.8 Level 3

6.8.1 Paragraph 6.8.2 shall apply where:

- a) the Company determines, having regard to the gravity of the Non-Conformance, that a Non-Conformance should be treated as a Level 3 Non-Conformance; or
- b) the Contractor fails to make available to the Company a Level 2 Non-Conformance Report within five (5) Business Days of service by the Company of the notice referred to in Paragraph 6.7.2; or
- c) the Contractor fails to undertake the Level 2 Required Action within the Level 2 Rectification Period; or
- d) the Contractor fails to rectify the Level 2 Non-Conformance within the Level 2 Rectification Period; or
- e) a further Non-Conformance occurs after the Level 2 Rectification Period but within one (1) month of the end of the Level 2 Rectification Period and which is of the Same Type as the Level 2 Non-Conformance; or
- f) a further Non-Conformance occurs during the Level 2 Rectification Period that is of the Same Type as the Level 2 Non-Conformance and the

Contractor has wilfully permitted the occurrence of such further Non-Conformance.

6.8.2 Where one or more of the circumstances described in Paragraph 6.8.1 applies, then this shall be a “Level 3 Non-Conformance” and the Company shall inform the Contractor of the same by written notice.

6.8.3 The notice referred to in Paragraph 6.8.2 shall set out:

- a) the deadline by which it requires the Contractor to serve on the Company a report setting out the steps which the Contractor has taken, or will take, to ensure that no further Non-Conformances of this type shall arise (the “Level 3 Required Action”) (a “Level 3 Non-Conformance Report”); and
- b) the period (being no greater than two (2) months from the time of occurrence of the Level 3 Non-Conformance for the Contractor to put in place steps to ensure that no further Non-Conformances of the Same Type occur (the “Level 3 Rectification Period”).

6.8.4 All Level 3 Non-Conformances will be reviewed every third Accounting Period at the Director Level Governance Group meetings.

6.9 Level 4

6.9.1 Paragraph 6.9.2 shall apply where:

- a) the Contractor fails to make available to the Company by the deadline notified under Paragraph 6.8.3 a Level 3 Non-Conformance Report; or
- b) the Contractor fails to undertake the Level 3 Required Action within the Level 3 Rectification Period; or
- c) the Contractor fails to rectify the Level 3 Non-Conformance within the Level 3 Rectification Period; or
- d) a further Non-Conformance occurs after the Level 3 Rectification Period but within one (1) month of the end of the Level 3 Rectification Period and which is of the Same Type as the Level 3 Non-Conformance; or
- e) a further Non-Conformance occurs during the Level 3 Rectification Period that is of the Same Type as the Level 3 Non-Conformance and the Contractor has wilfully permitted the occurrence of such further Non-Conformance.

6.9.2 Where one or more of the circumstances described in Paragraph 6.9.1 applies, then this shall be a “Level 4 Non-Conformance” and the Company will be entitled to terminate the Framework Agreement or the Contract in whole or in part in accordance with either Clause 23.1.12 or Clause 23A.1.5 of the Conditions of Contract, as applicable.

7 Performance Reporting

7.1 The Contractor shall report on the performance of the Services against Service Delivery Indicators in accordance with the Contract Requirements.

Table 3

**Project Track Labour 2015/2019: Service Delivery Indicators
SUPPLIER SDI's**

1. Safety	Green	Amber	Red
<u>1.1 Principal General Inspection (PGI)</u> Score Measure: PGI Score	Score equal to 75%	75% > 70%	Less than 70%
<u>1.2 Serious Incidents</u> Measure: Occurrence of Serious Incident (defined as damage to LU Assets (including TBTC red cable) or Lost Time Injury)	No Occurrence of Serious Incident		Occurrence of Serious Incident or a trend of unacceptable performance
<u>1.3 Incident Report Form (IRF)</u> Measure: issue of IRF assigned to the Suppliers performance (or lack thereof)	No Incident Report Form (IRF) raised (against Suppliers performance or lack thereof)	1Nr Incident Report Form (IRF) raised (against Suppliers performance or lack thereof)	More than 1Nr Incident Report Form (IRF) raised (against Suppliers performance or lack thereof)
<u>1.4 RIDDOR</u> Measure: Occurrence of a RIDDOR	No Occurrence of RIDDOR		Occurrence of RIDDOR
2. Supply of Labour	Green	Amber	Red
<u>2.1 Supply of Required Labour</u> Measure: Labour supplied in accordance with the Competency Matrix (i.e. correct number of Operatives with correct Competence)	Labour supplied is in accordance with the Competency Matrix		Occurrence of Labour supplied not being in accordance with the Competency Matrix
<u>2.2. Consistency of Labour</u> Measure: number of changes to the regular gang structure	No changes	No more than 1Nr change	More than 1Nr change
<u>2.3. Notification of proposed changes in Labour</u> Measure: formal notification of proposed changes supported by evidence of required competencies	A notice period of greater than or equal to 1-week supported with evidence of required competencies	A notice period of less than 1-week supported with evidence of required competencies	A notice period of less than 1-week supported and no evidence of required competencies

EXCEEDED
Score above 75%
OR Safety innovations (proposals put into practice)
Proactive IRF raised (defined as reporting of assets damaged by others or safety concerns)

EXCEEDED
Competent Labour supplied at short notice in the event of a late instruction from the Company

3. Productivity	Green	Amber	Red
<p>3.1 Achieving agreed productive outputs Measure: equivalent metrics (quantity achieved in the Period v Plan) Clarification: The planned quantity will be adjusted for productivity lost for the following:</p> <ul style="list-style-type: none"> - "Frustrated access" - this includes non-attendance of critical resources from other suppliers; - "Faulty Plant" - the Company provide Plant that is faulty (but not Plant that is damaged – SDI 4.6); - "Plant not provided" - Plant is requested by the SPC and not provided by the Company; - "Materials not provided" - Materials are requested by the SPC and not provided by the Company; 	Quantity achieved as planned	Quantity achieved is less than planned (but less than 10% behind)	Quantity achieved is less than planned (behind by 10% or more)

EXCEEDED
Quantity achieved is higher than planned

4. Quality	Green	Amber	Red
<p>4.1. <u>Lost Customer Hours / Engineering Overruns</u> Measure: the occurrence of Lost Customer Hours or Engineering Overrun</p>	There are no lost customer hours or engineering overruns for which the contractor's labour are wholly or partly responsible		There are lost customer hours or engineering overruns for which the contractor's labour are wholly or partly responsible
<p>4.2. <u>Compliance</u> Measure: Non-Conformance Reports (NCR's)</p>	No Non-Conformance Reports (NCR's) raised	1Nr Non-Conformance Report (NCR) raised	More than 1Nr Non-Conformance Report (NCR) raised
<p>4.3. <u>Plant Inventory</u> Measure: completion of Plant Inventory (every 2-weeks)</p>	Submission of fully compliant Plant Inventory on time	Submission of fully compliant Plant Inventory no more than 2-days late	Submission of fully compliant Plant Inventory more than 2-days late
<p>4.4. <u>Plant within Maintenance</u> Measure: Plant on site is within it's maintenance period</p>	All Plant on site is within it's maintenance period	No more than 1Nr incident of Plant outside its maintenance period	More than 1Nr incident of Plant that is outside its maintenance period

EXCEEDED

4. Quality	Green	Amber	Red
<p>4.5. Plant is on site and returned upon Completion</p> <p>Measure: Plant booked out to the Job is on site and returned (in full) upon completion of the works</p>	All Plant booked out to the Job is on site (and returned upon completion)	1Nr or more incident of Plant found on site that has been booked out to another Projects Job	1Nr or more incident of Plant missing from site OR not returned (in full) upon completion of the works
<p>4.6. Plant Damage</p> <p>Measure: Plant is damaged beyond reasonable wear and tear as assessed by the Company's Plant Services</p>	No incidents of damaged Plant	No more than 1Nr Incident of damage (up to a maximum repair value of £200)	More than 1Nr Incident of damage

EXCEEDED

5. Commercial	Green	Amber	Red
<p>5.1 Financial Accuracy</p> <p>Measure: the timely and accurate submission of all requested financial information to include but be limited to (1) Quotations and tenders (2) Applications for Payment (3) Weekly Shift Report (priced) and (4) Final Accounts</p>	All financial information submitted by the due dates and the accuracy of the information is consistent with good practice	Occurrence of 1Nr submission being late by less than 3 days <u>and/or</u> the accuracy of the information is occasionally inconsistent with good practice	More than 1Nr Occurrence of a submission being late <u>and/or</u> an occurrence of a submission being late by 3 days or more <u>and/or</u> the accuracy of the information is frequently inconsistent with good practice
<p>5.2 Communications</p> <p>Measure: the contractor providing full and detailed formal responses to Communications by the Required Response date</p>	No more than 1Nr response provided after the Required Response date or provided with insufficient detail	2Nr response provided after the Required Response date or provided with insufficient detail	More than 2Nr response provided after the Required Response date or provided with insufficient detail

EXCEEDED

- 1 Further to clause 31.2 of the Framework Agreement the above Key Performance Indicators shall be measured each Period
- 2 Further to clause 31.3, if the Contractor scores Red three times, the Company may terminate the Framework Agreement in accordance with clause 8.1 of the Framework Agreement
- 3 In the event that a SDI is scored Amber for three consecutive Periods it shall receive a Red score (on the third occasion)
- 4 In the event that a SDI is scored Green for three consecutive Periods it shall receive an "Exceeded" score (on the third occasion)
An "Exceeded" Score will be also be measured when Green is scored in the Period and the "Exceeded" criteria is also met (where specified)
- 5 The SDI's above that have more than one sub-category (e.g. Safety which comprises 1.1, 1.2 and 1.3) shall be measured as follows:
A Red score in one of the sub-categories shall result in the overall SDI being measured as Red
In the event that there are no Reds scores but an Amber score in one of the subcategories, the overall SDI shall be measured as Amber
- 6 SDI's 1 to 4 above will be measured by Site
A Red score on one of the Sites shall result in the overall SDI being measured as Red
In the event that there are no Reds scores but an Amber score on one of the Sites, the overall SDI shall be measured as Amber