

Joint Schedule 7 – Financial Difficulties

1. Definitions

1.1. In this Schedule, the following words shall have the following meanings and they shall supplement Joint Schedule 1 (Definitions):

"Credit Rating Threshold"	the minimum credit rating level for the Monitored Company as set out in Annex 2;
"Financial Distress Event"	the occurrence of one or more of the following events: <ol style="list-style-type: none"> the credit rating of the Monitored Company dropping below the applicable Credit Rating Threshold; the Monitored Company issuing a profits warning to a stock exchange or making any other public announcement about a material deterioration in its financial position or prospects; there being a public investigation into improper financial accounting and reporting, suspected fraud or any other impropriety of the Monitored Company; Monitored Company committing a material breach of covenant to its lenders; a Key Subcontractor (where applicable) notifying the Buyer that the Supplier has not satisfied any sums properly due under a specified invoice and not subject to a genuine dispute; or any of the following <ol style="list-style-type: none"> commencement of any litigation against the Monitored Company with respect to financial indebtedness or obligations under a contract; non-payment by the Monitored Company of any financial indebtedness; any financial indebtedness of the Monitored Company becoming due as a result of an event of default; or the cancellation or suspension of any financial indebtedness in respect of the Monitored Company in each case which the Buyer reasonably believes (or would be likely reasonably to believe) could directly impact on the continued performance of any Contract and delivery of the Deliverables in accordance with any Order Contract;
"Financial Distress Service Continuity Plan"	a plan setting out how the Supplier will ensure the continued performance and delivery of the Deliverables in accordance with [each Order] Contract in the event that a Financial Distress Event occurs;
"Monitored"	Supplier [the DPS Guarantor/ [and Order Company"] Guarantor] or any Key Subcontractor]
"Rating Agencies"	the rating agencies listed in Annex 1

2. When this Schedule applies

2.1. The Parties shall comply with the provisions of this Schedule in relation to the assessment of the financial standing of the Monitored Companies and the consequences of a change to that financial standing.

2.2. The terms of this Schedule shall survive termination or expiry of this Contract:

PS25001 – Scientific Research and Advice for Government DPS

V1.0

Joint Schedule 7 – Financial Difficulties

- 2.2.1. under the DPS Contract until the later of (a) the termination or expiry of the DPS Contract or (b) the latest date of termination or expiry of any Order Contract entered into under the DPS Contract (which might be after the date of termination or expiry of the DPS Contract); and
- 2.2.2. under the Order Contract until the termination or expiry of the Order Contract.

3. What happens when your credit rating changes

- 3.1. The Agency warrants and represents to the Buyer that as at the Start Date the long term credit ratings issued for the Monitored Companies by each of the Rating Agencies are as set out in Annex 2.
- 3.2. The Agency shall promptly (and in any event within five (5) Working Days) notify the Buyer in writing if there is any downgrade in the credit rating issued by any Rating Agency for a Monitored Company.
- 3.3. The Agency shall:
 - 3.3.1. regularly monitor the credit ratings of each Monitored Company with the Rating Agencies; and
 - 3.3.2. promptly notify (or shall procure that its auditors promptly notify) the Buyer in writing following the occurrence of a Financial Distress Event or any fact, circumstance or matter which could cause a Financial Distress Event and, in any event, ensure that such notification is made within 10 Working Days of the date on which the Agency first becomes aware of the Financial Distress Event or the fact, circumstance or matter which could cause a Financial Distress Event.
- 3.4. For the purposes of determining whether a Financial Distress Event has occurred the credit rating of the Monitored Company shall be deemed to have dropped below the applicable Credit Rating Threshold if any of the Rating Agencies have rated the Monitored Company at or below the applicable Credit Rating Threshold.

4. What happens if there is a financial distress event

- 4.1. In the event of a Financial Distress Event then, immediately upon notification of the Financial Distress Event (or if the Buyer becomes aware of the Financial Distress Event without notification and brings the event to the attention of the Supplier), the Supplier shall have the obligations and the Buyer shall have the rights and remedies as set out in Paragraphs 4.3 to 4.6.

delete this clause if there are no Key Subcontractors or the Key Subcontractors are not Monitored Company]

- 4.2. [In the event that a Financial Distress Event arises due to a Key Subcontractor notifying the Buyer that the Supplier has not satisfied any sums properly due under a specified invoice and not subject to a genuine dispute then, the Buyer shall not exercise any of its rights or remedies under Paragraph 4.3 without first giving the Supplier ten (10) Working Days to:
 - 4.2.1. rectify such late or non-payment; or
 - 4.2.2. demonstrate to the Buyer's reasonable satisfaction that there is a valid reason for late or non-payment.]
- 4.3. The Supplier shall and shall procure that the other Monitored Companies shall:
 - 4.3.1. at the request of the Buyer meet the Buyer as soon as reasonably practicable (and in any event within three (3) Working Days of the initial notification (or awareness) of the Financial Distress Event) to review the effect of the Financial Distress Event on the continued performance of each Contract and delivery of the Deliverables in accordance each Order Contract; and
 - 4.3.2. where the Buyer reasonably believes (taking into account the discussions and any representations made under Paragraph 4.3.1) that the Financial Distress Event could impact on the continued performance of each Contract and delivery of the Deliverables in accordance with each Order Contract:

Joint Schedule 7 – Financial Difficulties

- (a) submit to the Buyer for its Approval, a draft Financial Distress Service Continuity Plan as soon as reasonably practicable (and in any event, within ten (10) Working Days of the initial notification (or awareness) of the Financial Distress Event); and
 - (b) provide such financial information relating to the Monitored Company as the Buyer may reasonably require.
- 4.4. If the Buyer does not (acting reasonably) approve the draft Financial Distress Service Continuity Plan, it shall inform the Supplier of its reasons and the Supplier shall take those reasons into account in the preparation of a further draft Financial Distress Service Continuity Plan, which shall be resubmitted to the Buyer within five (5) Working Days of the rejection of the first or subsequent (as the case may be) drafts. This process shall be repeated until the Financial Distress Service Continuity Plan is Approved by the Buyer or referred to the Dispute Resolution Procedure.
- 4.5. If the Buyer considers that the draft Financial Distress Service Continuity Plan is insufficiently detailed to be properly evaluated, will take too long to complete or will not remedy the relevant Financial Distress Event, then it may either agree a further time period for the development and agreement of the Financial Distress Service Continuity Plan or escalate any issues with the draft Financial Distress Service Continuity Plan using the Dispute Resolution Procedure.
- 4.6. Following Approval of the Financial Distress Service Continuity Plan by the Buyer, the Supplier shall:
 - 4.6.1. on a regular basis (which shall not be less than Monthly), review the Financial Distress Service Continuity Plan and assess whether it remains adequate and up to date to ensure the continued performance of each Contract and delivery of the Deliverables in accordance with each Order Contract;
 - 4.6.2. where the Financial Distress Service Continuity Plan is not adequate or up to date in accordance with Paragraph 4.6.1, submit an updated Financial Distress Service Continuity Plan to the Buyer for its Approval, and the provisions of Paragraphs 4.5 and 4.6 shall apply to the review and Approval process for the updated Financial Distress Service Continuity Plan; and
 - 4.6.3. comply with the Financial Distress Service Continuity Plan (including any updated Financial Distress Service Continuity Plan).
- 4.7. Where the Supplier reasonably believes that the relevant Financial Distress Event (or the circumstance or matter which has caused or otherwise led to it) no longer exists, it shall notify the Buyer and subject to the agreement of the Parties, the Supplier may be relieved of its obligations under Paragraph 4.6.
- 4.8. the Buyer shall be able to share any information it receives from the Buyer in accordance with this Paragraph with any Buyer who has entered into an Order Contract with the Supplier.

5. When the Buyer can terminate for financial distress

- 5.1. The Buyer shall be entitled to terminate this Contract and Buyers shall be entitled to terminate their Order Contracts for material Default if:
 - 5.1.1. the Supplier fails to notify the Buyer of a Financial Distress Event in accordance with Paragraph 3.4;
 - 5.1.2. the Buyer and the Supplier fail to agree a Financial Distress Service Continuity Plan (or any updated Financial Distress Service Continuity Plan) in accordance with Paragraphs 4.3 to 4.5; and/or
 - 5.1.3. the Supplier fails to comply with the terms of the Financial Distress Service Continuity Plan (or any updated Financial Distress Service Continuity Plan) in accordance with Paragraph 4.6.3.

Joint Schedule 7 – Financial Difficulties

- 5.2. If the Contract is terminated in accordance with Paragraph 5.1, Clauses 10.6.1 and 10.6.2 of the Core Terms shall apply as if the Contract had been terminated under Clause 10.4.1.

6. What happens if your credit rating is still good

- 6.1. Without prejudice to the Supplier's obligations and the Buyer's rights and remedies under Paragraph 5, if, following the occurrence of a Financial Distress Event, the Rating Agencies review and report subsequently that the credit ratings do not drop below the relevant Credit Rating Threshold, then:
- 6.1.1. the Supplier shall be relieved automatically of its obligations under Paragraphs 4.3 to 4.6; and
 - 6.1.2. the Buyer shall not be entitled to require the Supplier to provide financial information in accordance with Paragraph 4.3.2(b).

Joint Schedule 7 – Financial Difficulties

ANNEX 1: Rating Agencies

[Rating Agency 1]

[Rating Agency 2]

Joint Schedule 7 – Financial Difficulties

ANNEX 2: Credit Ratings & Credit Rating Thresholds**Part 1: Current Rating**

Entity	Credit Rating (long term)
Supplier	[D&B Threshold]
[DPS Guarantor / and Order Guarantor]	
[Key Subcontractor]	