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SCHEDULE 2 - CHARGES AND INVOICING

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1. DEFINITIONS

In this Schedule 2, the following definitions shall apply:

“Agreed Costs”	means the cost categories agreed and set out in the Financial Response Template at the Commencement Date as such cost categories may be amended from time to time in accordance with the Change Control Procedure;
“Delay Payment Rate”	has the meaning given in Paragraph 1.1.1 of Part C;
“Direct Other Costs”	all the other costs (excluding the Direct People Costs, Direct People Overheads and Direct Other Overheads) identified in the Agreed Cost category of the Financial Response Template incurred by the Supplier during its delivery of the Services under the Contract during the Contract Period;
“Direct Other Overheads”	the costs (excluding Direct Other Costs, Direct People Costs and Direct People Overheads) identified in the Agreed Cost category of the Financial Response Template as overheads relating to the Direct Other Costs incurred by the Supplier under this Contract during the Contract Period that the Supplier is entitled to charge the Buyer; and such costs are capped at a percentage proportion of the Direct Other Costs (as such percentage is identified in Paragraph 2.2.2 of Part B of this Schedule), such percentage is [REDACTED];
“Direct Other Profit”	the profit that the Supplier is entitled to charge the Buyer on the cumulative value of the Direct Other Costs and Direct Other Overheads, which is capped as further described in Paragraph 2.2.3 of Part B of this Schedule below, such percentage is [REDACTED];
“Direct People Costs”	the total employment costs (excluding the Direct Other Costs, Direct Other Overheads and Direct People Overheads) identified in the Agreed Cost category of the Financial Response Template of the FTE providing Services to the Buyer under this Contract during the Contract Period;
“Direct People Overheads”	the costs (excluding Direct Other Costs, Direct Other Overheads and Direct People Costs) identified in the Agreed Cost category of the Financial Response Template as overheads relating to the FTE providing Services under this Contract during the Contract Period that the Supplier is entitled to charge the Buyer; and such costs are capped at a percentage proportion of the Direct People Costs (as such percentage is identified in Paragraph 2.2.2 of Part B of this Schedule), such percentage is [REDACTED];

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“Direct People Profit”	the profit that the Supplier is entitled to charge the Buyer on the cumulative value of the Direct People Costs and Direct People Overheads, which is capped as further described in Paragraph 2.2.3 of Part B of this Schedule below, such percentage is [REDACTED];
“Financial Assurance Auditor”	the auditor appointed by the Buyer from the list of auditors set out in Paragraph 8.3.2 of Part A of this Schedule to carry out the audit described in Paragraph 8.3 (Financial Assurance Mechanism) of Part A of this Schedule;
“Indexation” and “Index”	the adjustment of an amount or sum in accordance with the index Paragraph 3 of Part C;
“Open Book Data”	<p>complete and accurate financial and non-financial information (to be provided in accordance with the Financial Transparency Objectives under Paragraph 7 below) which is sufficient to enable: (i) a Regulatory Auditor under Clause 29; and/or (ii) the Financial Assurance Auditor on behalf of the Buyer, to verify the Charges already paid or payable and Charges forecast to be paid during the remainder of the Contract Period, as applicable, including at the level of detail and breakdown contained on the Agreed Costs in the Financial Response Template and also including details and all assumptions relating to:</p> <ul style="list-style-type: none">(a) the Supplier’s costs broken down against each Good and/or Service and/or Deliverable, including actual capital expenditure (including capital replacement costs) and the unit cost and total actual costs of all hardware and Software;(b) operating expenditure relating to the provision of the Goods and Services including an analysis showing:<ul style="list-style-type: none">(i) the unit costs and quantity of consumables and bought-in services;(ii) personnel resources broken down into the number and grade/role of all Supplier Personnel (free of any contingency) together with a list of agreed costs/rates against each manpower grade;(iii) solely in connection with a Regulatory Auditor under Clause 29 and the Financial Assurance Auditor acting on behalf of the Buyer under Paragraph 8.3 of Part A below, the individual salaries of Supplier Personnel on which the Charges are based (for the avoidance of doubt,

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the Supplier shall not be required to directly provide individual salary information of Supplier Personnel to the Buyer under this Contract);

- (iv) a list of costs underpinning those rates for each manpower grade, being the agreed rate less the Supplier's profit margin; and
- (v) Reimbursable Expenses;
- (c) the Direct People Overheads and the Direct Other Overheads;
- (d) all interest, expenses and any other third party financing costs incurred in relation to the provision of the Goods and Services;
- (e) confirmation that all methods of cost apportionment and overhead allocation are consistent with and not more onerous than such methods applied generally by the Supplier;
- (f) an explanation of the type and value of risk and contingencies associated with the provision of the Goods and Services, including the amount of money attributed to each risk and/or contingency; and
- (g) the actual costs profile for each Service Period.

"Regulatory Auditor"

means

- (a) the Buyer's statutory or regulatory auditors;
- (b) the Comptroller and Auditor General, their staff and/or any appointed representatives of the National Audit Office; and
- (c) HM Treasury or the Cabinet Office.

"Reimbursable Expenses"

reasonable out of pocket travel and subsistence (for example, hotel and food) expenses, properly and necessarily incurred in the performance of the Services, calculated at the rates and in accordance with the Buyer's expenses policy current from time to time, but not including:

- (a) travel expenses incurred as a result of Supplier Personnel travelling to and from their usual place of work, or to and from the premises at which the Services are principally to be performed, even if any such travel involves travelling from overseas, unless the Buyer otherwise agrees in advance in writing; and

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- (b) subsistence expenses incurred by Supplier Personnel whilst performing the Services at their usual place of work, or to and from the premises at which the Services are principally to be performed; and

**“Supporting
Documentation”**

sufficient information in writing to enable the Buyer reasonably to assess whether the Charges, Reimbursable Expenses and other sums due from the Buyer detailed in the information are properly payable, including copies of any applicable Milestone Achievement Certificates or receipts, including individual salary information of Supplier Personnel on which the Charges are based if such information is being provided to the Regulatory Auditor in connection with Clause 29 and/or the Financial Assurance Auditor in connection with the Financial Assurance Mechanism under Paragraph 8.3 of Part A below, as applicable, but not including the provision of individual salary information of Supplier Personnel directly to the Buyer.

PART A – PRICING

1. GENERAL

- 1.1 This Schedule sets out the provisions relating to:
 - 1.1.1 the Charges applicable to the Services;
 - 1.1.2 invoicing matters; and
 - 1.1.3 other financial and economic matters relating to this Contract.
- 1.2 The following Charges shall be payable by the Buyer in accordance with this Contract:
 - 1.2.1 the **Implementation Charges**, comprising of ten (10) separate Milestone Payments, as such Milestone Payments are set out in Part A (Implementation Charges) of Attachment 2 (Charges and Invoicing);
 - 1.2.2 the **Service Charges**;
 - 1.2.3 the **early termination fee**; and
 - 1.2.4 the payment of **Entry Redundancy Costs**.

2. TIME AND MATERIAL CHARGES

- 2.1 Where Part B of this Schedule below indicates, or the Parties otherwise agree in writing in accordance with the Change Control Procedure that a particular Charge is to be calculated by reference to a Time and Materials pricing mechanism:
 - 2.1.1 the Direct People Costs set out in the table in Part B (Service Charges) of Attachment 2 (Charges and Invoicing) of the Order Form shall be used to calculate the relevant Charges, provided that the Supplier (or its Sub-Contractor) shall:
 - (a) not be entitled to include any uplift for risks or contingencies within its Direct People Costs;
 - (b) not be paid any Charges to the extent that they would otherwise exceed any cap on such Charges agreed in writing by the Parties unless the Supplier has obtained the Buyer's prior written consent. The Supplier shall monitor the amount of each Charge incurred in relation to the relevant cap and notify the Buyer immediately in the event of any risk that the cap may be exceeded and the Buyer shall instruct the Supplier on how to proceed;
 - (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;
 - (d) where the Supplier resource works for less than seven and a half (7.5) hours in a day, only charge the Buyer for the number

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of hours worked on a pro rata basis against seven and a half (7.5) hours for one day of labour;

- (e) unless otherwise agreed with the Buyer, where the Supplier resource works for more than seven and a half (7.5) hours in a day, only charge the Buyer for the relevant Direct People Costs for such day (whether or not such hours are worked consecutively and whether or not they are worked on the same day);
- (f) use the appropriate SFIA grade resource for carrying out the relevant activity, and in the event that the appropriate SFIA grade resource is not used by the Supplier to carry out such activity, the Supplier shall only be entitled to invoice the Buyer for the amount equivalent to the cost of the appropriate SIFA grade resource which should have been used to carry out the activity; and

2.1.2 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 the Buyer requests copies of such records, the Supplier shall make them available to the Buyer within ten (10) Working Days of the Buyer's request.

3. REIMBURSEABLE EXPENSES

3.1 Subject to Paragraph 2.6 of Part B below, where:

3.1.1 Services are to be charged using the Time and Materials pricing mechanism; and

3.1.2 the Buyer so agrees in writing,

the Supplier shall be entitled to be reimbursed by the Buyer for Reimbursable Expenses (in addition to being paid the relevant Charges), provided that such Reimbursable Expenses are supported by Supporting Documentation.

3.2 The Buyer shall provide a copy of its current expenses policy to the Supplier upon request.

3.3 Except as expressly set out in Paragraph 3.1 of this Part A above, subject to Paragraph 2.6 of Part B below, the Charges shall include all costs and expenses relating to the Deliverables, the Services and/or the Supplier's performance of its obligations under this Contract and no further amounts shall be payable by the Buyer to the Supplier in respect of such performance, including in respect of matters such as:

3.3.1 any incidental expenses that the Supplier incurs, including travel, subsistence and lodging, document and report reproduction, shipping, desktop and office equipment costs required by the Supplier Personnel, including network or data interchange costs or other telecommunications charges; or

3.3.2 any amount for any services provided or costs incurred by the Supplier prior to the Commencement Date.

4. **VOLUME BASED SERVICE CHARGES**

- 4.1 Where Part B of this Schedule below indicates that a Charge is to be calculated by reference to a volume-based pricing mechanism, the relevant Charge shall be calculated using the relevant Charge multiplied by the aggregate volume of the corresponding Services used.
- 4.2 Unless expressly stated otherwise below, where the volume of any Services that are to be calculated by reference to a volume based pricing mechanism falls outside the volume bands set out against the relevant Charge as identified in Part B of this Schedule below, the relevant Charge shall be calculated in accordance with the Change Control Procedure.

5. **INDEXATION**

- 5.1 The provisions of Paragraph 3 of Part C of this Schedule below shall apply if expressly stated against the relevant Charges in Part B of this Schedule below.

6. **PRO-RATING**

- 6.1 If a Charge is paid on a Service Period basis and the relevant Services:
- 6.1.1 commences on a day other than the first day of a month; and/or
- 6.1.2 ends on a day other than the last day of a month,
- the relevant Charge for the relevant Service Period shall be pro-rated based on the proportion which the number of days in the month for which the Service is provided bears to the total number of days in that month.
- 6.2 If a Charge is paid on an annual basis and the relevant Services:
- 6.2.1 commences in a month other than the first month of a year; and/or
- 6.2.2 ends in a month other than the last month of a year,
- the relevant Charge for the relevant year shall be pro-rated based on the proportion which the number of months in the year for which the Service is provided bears to the total number of months in that year.

7. **OPEN BOOK DATA INVOICING AND FINANCIAL TRANSPARENCY**

- 7.1 The Supplier acknowledges and agrees that the provisions of this Schedule 2 are designed (inter alia) to facilitate, and the Supplier shall comply with such provisions and co-operate with the Buyer in order to achieve, the following objectives:

7.1.1 **Understanding the Charges**

- (a) for the Buyer to understand any payment sought from it by the Supplier including an analysis of the costs, overhead recoveries (where relevant), time spent by Supplier personnel in providing the Goods and Services and the Supplier profit margin;
- (b) for both Parties to be able to understand the financial model and cost forecasts and to have confidence that

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these are based on justifiable numbers and appropriate forecasting techniques;

7.1.2 Agreeing the impact of Change

- (a) for both Parties to agree the quantitative impact of any Changes that affect ongoing costs and to identify how these could be mitigated and/or reflected in the Supplier's Charges;
- (b) for both Parties to be able to review, address issues with and re-forecast progress in relation to the provision of the Goods and Services;

7.1.3 Continuous improvement

- (a) for the Parties to challenge each other with ideas for efficiency and improvements;
- (b) to enable the Buyer to demonstrate that it is achieving value for money for the taxpayer relative to current market prices; and

7.1.4 Commitment to Transparency

- (a) provide financial information required under this Contract to the Buyer in accordance with the headings, categories, scope and content of the Financial Response Template set out in Appendix 1 (Financial Response Template) of Attachment 2 (Charges and Invoicing) of the Contract at the Commencement Date;
- (b) for the Supplier to provide a fully transparent, Open-Book Data approach under this Contract that demonstrates to a Regulatory Auditor in connection with Clause 29 and the Financial Assurance Auditor acting on behalf of the Buyer in connection with Paragraph 8.3 of Part A below that only the actual costs have been charged; and
- (c) given the confidentiality and data protection provisions and protections that apply between the Parties, which will also be reflected in an agreement(s) with the Regulatory Auditor in connection with Clause 29 and Financial Assurance Auditor in connection with Paragraph 8.3 of Part A below prior to sharing any Open Book Data, in relation to information exchanged between the Parties, for the Supplier not to raise data protection or other obstacles that would limit or hinder the Open Book Data approach under this Contract,

(together the "**Financial Transparency Objectives**").

7.2 Open Book Data

- 7.2.1 The Supplier acknowledges the importance to the Buyer of the Financial Transparency Objectives and the Buyer's need for

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complete transparency in the way in which the Charges are calculated.

7.2.2 The Supplier shall ensure all invoices comply with the provisions of Part D of this Schedule.

7.2.3 During the Contract Period, and for a period of seven (7) years following the end of the Contract Period, the Supplier shall:

- (a) maintain, update and retain the Open Book Data;
- (b) disclose and allow any Regulatory Auditor in connection with Clause 29 access to the Open Book Data;
- (c) disclose and allow the Financial Assurance Auditor access to the Open Book Data for the purposes of carrying out the assurance audits described in Paragraph 8.3 of this Part A below; and
- (d) provide an updated Financial Response Template for the Rolling Quarterly True-Up Mechanism under Paragraph 8.2 of this Part A below.

8. FORECAST; ROLLING QUARTERLY TRUE-UP MECHANISM; AND FINANCIAL ASSURANCE MECHANISM

8.1 Forecast

8.1.1 Using the Financial Response Template and in accordance the provisions of this Schedule, the Supplier shall provide to the Buyer a six (6) month forward looking forecast, each month, to the Buyer containing the monthly forecast amount of the Charges to be paid by the Buyer to the Supplier for each month of such forecast ("**Forecast**").

8.1.2 The first Forecast to be provided by the Supplier under this Contract shall be for the 6 (six) month period beginning on the First OSCD and ending 6 (six) months thereafter.

8.1.3 The Parties acknowledge and agree that the forecast in this Paragraph 8.1 of this Part A, the rolling quarterly true-up mechanism in Paragraph 8.2 of this Part A below and the Financial Assurance Mechanism in Paragraph 8.3 of this Part A below apply to the Service Charges described in Part B below of this Schedule.

8.2 Rolling Quarterly True-Up Mechanism

8.2.1 The Supplier is entitled to invoice the Buyer in arrears for the monthly Charges in the Forecast; and the Buyer shall pay such monthly Charges in the Forecast to the Supplier in accordance with the payment terms of this Schedule.

8.2.2 On a rolling basis, in relation to the relevant month to which the Charges in the Forecast relate, at the end of the period that is 3 (three) months from such relevant month, the Supplier shall:

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- (a) using Open Book Data (excluding individual salary information of Supplier Personnel) to populate the Financial Response Template, report to the Buyer the actual Charges that were incurred for such relevant month ("**Actual Charges**"); and
- (b) check the Actual Charges for such relevant month against the Charges paid under the Forecast for such relevant month and if there is a difference (up or down) in the Charges paid by the Buyer under the Forecast, the invoice for the next month will be adjusted up or down, as applicable, including using a credit note if applicable; and if there is no next invoice due to a termination or expiry, then the relevant Party owing the adjusted sum shall make payment to the other Party within thirty (30) days of the adjustment being identified.

8.3 Financial Assurance Mechanism

- 8.3.1 On the date that is 6 (six) months from the date of the First OSCD and on the date that is at the end of each 6 (six) month period thereafter for the remainder of the Contract Period (each such 6 (six) month period shall be known as the "**Financial Assurance Period**"), the Buyer is entitled to use the Financial Assurance Auditor to check the Actual Charges (along with the information in the Financial Response Template and all relevant Open Book Data, including individual salaries of the Supplier Personnel on which the Charges are based) reported by the Supplier to the Buyer pursuant to Paragraph 8.2.2 of this Part A above for the relevant Financial Assurance Period, against the Charges paid by the Buyer to the Supplier during such relevant Financial Assurance Period (at all times taking into account any adjustments made in accordance with Paragraph 8.2.2(b) of this Part A above) and, if there is a difference (up or down) in the Charges paid by the Buyer during such Financial Assurance Period, the invoice for the next month will be adjusted up or down, as applicable, including using a credit note if applicable.
- 8.3.2 The Buyer is entitled to select the Financial Assurance Auditor from the list of auditors set out below in this Paragraph 8.3.2 of this Part A. The Buyer is entitled to amend the list of auditors in the list below in this Paragraph 8.3.2 of this Part A at any time in accordance with the Change Control Procedure:
 - (a) BDO LLP;
 - (b) Beever and Struthers, Chartered Accountants & Business Advisors;
 - (c) BRAMBLE HUB LIMITED;
 - (d) CROWE U.K. LLP;
 - (e) DELOITTE LLP;
 - (f) ERNST & YOUNG LLP;
 - (g) FORVIS MAZARS LLP;

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- (h) Grant Thornton UK LLP;
- (i) KPMG LLP;
- (j) PKF LITTLEJOHN LLP;
- (k) PRICEWATERHOUSECOOPERS LLP;
- (l) RSM UK RISK ASSURANCE SERVICES LLP; and
- (m) SUMER AUDITCO NI LIMITED.

8.4 Resetting the Forecast

- 8.4.1 Following the outcome of any Rolling Quarterly True-Up Mechanism, Financial Assurance Mechanism or any performance assurance meetings under Schedule 7 (Governance), the Parties shall discuss and agree in good faith whether the Charges for the months in the next Forecast need to be adjusted. If agreed, the Supplier shall make the applicable adjustments to the Forecast as soon as reasonably practicable after agreement by the Parties. If the Parties are not able to agree the adjustment, either Party may refer the Dispute to the Dispute Resolution Procedure.

8.5 Applicability of the True-Ups

- 8.5.1 Each of the Charges below in Part B of this Schedule identifies whether the Rolling Quarterly True-Up Mechanism and/or Financial Assurance Mechanism applies or not. If either or both of them apply, the provisions of this Paragraph 8 (True-Up mechanism) of this Part A shall apply.

9. FINANCIAL RESPONSE TEMPLATE

- 9.1 The Supplier shall update the Financial Response Template monthly throughout the Contract Period as an active operational document to show the actual resource use, consumption and cost of the Services in accordance with the open book invoicing provisions of this Schedule.
- 9.2 The Financial Response Template is included in Appendix 1 of Attachment 2 (Charges and Invoicing) as a reference document only.
- 9.3 As at the Commencement Date, the Parties agree that the relevant parts of the Financial Response Template have been incorporated (as amended if applicable) into the tables in Attachment 2 (Charges and Invoicing) for all of the Implementation Charges and only the first twelve (12) months of the Service Charges (such twelve (12) month period beginning on the date the first OSCD is Achieved). Subject to changes to the Charges agreed by the Parties as described in the final sentence below of this Paragraph 9.3 of this Part A, the Parties agree that if there is a conflict between: (i) such incorporated parts (as amended as applicable) in the tables of Attachment 2 (Charges and Invoicing); and (ii) the contents of the Financial Response Template itself, then the incorporated parts (as amended as applicable) in the tables of Attachment 2 (Charges and Invoicing) shall apply and prevail. During the Contract Period, the Parties acknowledge and agree that: (a) the Implementation Charges may change if agreed by the Parties through the Change Control Procedure; (b) the

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Service Charges may change if agreed by the Parties through the Change Control Procedure in relation to new scope or changes to the categories of Agreed Cost in the Financial Response Template; (c) the Service Charges may change if agreed by the Parties at the monthly governance meetings in relation to increasing or decreasing, as applicable, the forecast number of FTEs (Direct People Costs) in the then existing Financial Response Template; and/or (d) the Service Charges may increase or decrease, as applicable, if any increase or decreases (excluding increases / decreases under Paragraph 9.3(c) above) to the then existing Agreed Costs are demonstrated by the Supplier to the Buyer in accordance with Paragraph 2.1.6 of Part B of this Schedule.

- 9.4 The columns of the Financial Response Template cannot be changed after the Commencement Date unless the changes to such columns are agreed by the Buyer through the Change Control Procedure.
- 9.5 Each month the Supplier is required to populate the then existing Financial Response Template with updated aggregate information each time it is provided to the Buyer. Individual salary information of the Supplier Personnel will not be set out in the Financial Response Template. The Supplier will separately provide evidence of its Direct People Costs, including individual salary information of the Supplier Personnel on which the Charges are based to the Regulatory Auditor for the purpose of carrying out the audits under Clause 29 and/or the Financial Assurance Auditor for the purpose of carrying out its audits under Paragraph 8.3 of Part A above.

10. GENERAL PRICING PROVISIONS

- 10.1 The Supplier shall only be entitled to be paid those Charges that have been properly and reasonably incurred and solely to the extent they are within the Agreed Costs in the Financial Response Template, taking into account the Supplier's obligation to deliver the Goods and Services in a proportionate and efficient manner.
- 10.2 All monetary figures in this Schedule are exclusive of VAT.
- 10.3 The currency of the Charges identified in this Schedule is in Pounds Sterling and all invoices provided under this Schedule shall be in Pounds Sterling.
- 10.4 The Parties agree that the Charges shall not be increased to take account of currency fluctuations.
- 10.5 There shall be no double or multiple charging between the different Charges set out in this Schedule.
- 10.6 All information from the Supplier in relation to Charges and any related costs and expenses shall be on an Open Book Data basis.
- 10.7 The Supplier is not entitled to charge the Buyer under this Contract for the CCS Management Charge in the Framework RM6100.

PART B – CHARGING MECHANISMS

The charging mechanisms for: (i) Implementation Charges; (ii) Service Charges; (iii) Early Termination Fee; and (vi) payment of Entry Redundancy Costs are set out below in this Part B.

1. IMPLEMENTATION CHARGES

1.1 Scope and Cost Allocation

1.1.1 The Implementation Charges consist of the ten (10) Milestone Payments identified in the table in Part A of Attachment 2 (Charges and Invoicing). These ten (10) Milestone Payments cover all of the:

- (a) Implementation Services;
- (b) activities set out in Attachment 3 (Outline Implementation Plan) and Schedule S1 (Implementation Plan);
- (c) all other activities (including any sub Milestones which make up the, or were completed before the relevant, Payment Milestones) set out in the Implementation Plan; and
- (d) all risks (unless such risks have been otherwise addressed by another provision in the Contract) associated with the delivery of the Implementation Services, except those listed in the RAID log (which are the Buyer's responsibility).

1.1.2 Any and all management and overhead Charges relating to the Implementation Services and the activities set out in the Implementation Plan are included in the Implementation Charges.

1.2 Cap

The Implementation Charges shall be on a fixed price basis and as such shall be capped at the amount shown for the Milestone Payment in the table in Part A of Attachment 2 (Charges and Invoicing) and the Supplier shall not be entitled to invoice the Buyer for any additional costs or charges above the capped price in respect of the Implementation Services.

1.3 Frequency and Invoicing

1.3.1 Except for the retention element of the Implementation Charges (such retention to be paid by the Buyer in accordance with Paragraph 1.6 (Milestone Retention) of this Part B below), and subject to the provisions of Paragraph 1.2 of Part C of this Schedule 2 (Charges and Invoicing) in relation to the deduction of Delay Payments, on the Achievement of a Milestone the Supplier shall be entitled to invoice the Buyer for the Milestone Payment associated with that Milestone less any applicable Milestone Retention in accordance with Paragraph 1.6 (Milestone Retention) of this Part B below. Each invoice relating to a Milestone Payment shall be supported by a Milestone Achievement Certificate.

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- 1.3.2 The Buyer may make a partial payment towards a Milestone without the Supplier having Achieved a Milestone Achievement Certificate in respect of such Milestone. For the avoidance of doubt, any partial payment towards a Milestone is not deemed to be acceptance of such Milestone.

1.4 Indexation

The Implementation Charges shall not be subject to Indexation.

1.5 True-Up

The Implementation Charges shall not be subject to the Rolling Quarterly True-Up Mechanism or the Financial Assurance Mechanism.

1.6 Milestone Retentions

- 1.6.1 The "**Milestone Retention**" for each Payment Milestone shall be as specified in the table in Part A of Attachment 2 (Charges and Invoicing) for that Milestone and, in the case of such Payment Milestone, prior to the deduction from the Milestone Payment of any Delay Payment attributable to that Payment Milestone and without taking account of any amount payable by the Supplier pursuant to Part C of this Schedule.

1.6.2 Release of Milestone Retentions

Where the Buyer has not terminated this Contract (in whole or in part) pursuant to Clause 35.1 (Buyer Termination Rights) prior to the Final OSCD, the Supplier shall be entitled to invoice the Buyer for an amount equal to any Milestone Retentions that have not been paid for all Milestones on the date that is three (3) months after the Achievement of the Final OSCD provided that the Supplier has received the Milestone Achievement Certificate for all Milestones prior to the Final OSCD and provided there are no outstanding activities or snags to be completed in relation to any of the Milestones.

2. SERVICE CHARGES

2.1 Scope and Cost Allocation

- 2.1.1 The Service Charges shall be paid to the Supplier by the Buyer in accordance with Paragraph 2.1.3 of this Part B below with respect to the provision of the Services to the Buyer in accordance with Attachment 2 (Charges and Invoicing), as such Service Charges may be amended from time to time as described in Paragraph 9.3 of Part A above.

- 2.1.2 Not Used.

- 2.1.3 The Service Charges are made up, as follows:

- 2.1.3.1 Direct People Costs;
- 2.1.3.2 Direct People Overheads;
- 2.1.3.3 Direct People Profit;

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- 2.1.3.4 Direct Other Costs;
 - 2.1.3.5 Direct Other Overheads; and
 - 2.1.3.6 Direct Other Profit.
 - 2.1.4 Subject to the conflict rule in Paragraph 9.3 of Part A above of this Schedule and notwithstanding any other provisions of this Contract, the Supplier shall only be entitled to charge the Buyer for the Service Charges set out in the tables in Part B of Attachment 2 (Charges and Invoicing) and/or the FRT as such Service Charges are amended by the provisions, adjustments, mechanisms and limitations set out in this Schedule.
 - 2.1.5 The Direct People Costs, Direct People Overheads, Direct People Profit, Direct Other Costs, Direct Other Overheads, and Direct Other Profit charging lines shall be payable in accordance with Part B of Attachment 2 (Charges and Invoicing), which contains a fixed percentage of overhead as more particularly described in Paragraph 2.2.2 of this Part B below and a fixed profit margin as more particularly described in Paragraph 2.2.3 of this Part B below, which shall apply for the Contract Period;
 - 2.1.6 Subject to changes to the Service Charges in accordance with Paragraph 9.3(a), (b) and (c) of Part A above of this Schedule, the Service Charges under this Contract are not fixed but are on a "cost plus" basis. Subject to Paragraph 9.3(a), (b) and (c) of Part A above of this Schedule and notwithstanding that indexation does not apply to the Service Charges as per Paragraph 4.2 of this Part B below, where the costs of any Agreed Costs in the then existing Financial Response Template which make up the Service Charges increase or decrease over time, as applicable, the Supplier will demonstrate this to the Buyer, including at the monthly governance meetings under Schedule 7 (Governance) between the Buyer and the Supplier. Provided such demonstrated increases / decreases, as applicable, to the costs have been sufficiently demonstrated to the Buyer, such increased / decreased costs shall be payable by the Buyer regardless of the value of such increases or decreases, as applicable. Where such cost increases are a result of salary increases or bonus payments determined by the Supplier, the Buyer shall not challenge such increases to the extent that they are within a two percent (2%) variance of the average salary increase for the respective grade / banding or the average bonus awarded for the respective grade / banding by the Supplier to its employees during the relevant financial year. The Supplier shall be entitled to reflect increases to the costs in the FRT.
- 2.2 Cap
- 2.2.1 Non applicable, except for the fixed percentage caps on overhead and profit margin in relation to the costs in the Financial Response Template, as such caps are set out in Paragraphs 2.2.2 and 2.2.3 of this Part B below;

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- 2.2.2 The Direct People Overheads and Direct Other Overheads are capped at 23.973% of the Direct People Costs and Direct Other Costs, respectively.
- 2.2.3 The Direct People Profit and the Direct Other Profit are capped at 18.632% of the Direct People Costs (including Direct People Overhead), and the Direct Other Costs (including Direct Other Overheads), respectively.
- 2.2.4 Unless otherwise agreed in accordance with the provisions of Paragraph 9.3 of Part A above of this Schedule, in no event shall the Supplier be entitled to invoice the Buyer for any additional costs or charges outside of the Agreed Costs in the Financial Response Template.

2.3 Frequency and Invoicing

- 2.3.1 The Supplier is entitled to invoice the Buyer (in accordance with Part D below) for the Service Charges due under the terms of this Paragraph 2 of this Part B, monthly in arrears, for the Services satisfactorily completed for the relevant Service Period, the first of such Service Periods shall be the first month following the month in which the First OSCD has been Achieved by the Supplier.

2.4 Indexation

- 2.4.1 Not Applicable. The Parties acknowledge and agree that the costs may increase in accordance with and subject to the provisions of Paragraph 2.1.6 of Paragraph B above.

2.5 True-Up

- 2.5.1 The Service Charges shall be subject to the Rolling Quarterly True-Up Mechanism, and the Financial Assurance Mechanism, including Service Charges relating to the Direct People Costs, Direct People Overheads, Direct People Profit, Direct Other Costs, Direct Other Overheads, and Direct Other Profit.

2.6 Overtime

- 2.6.1 Notwithstanding any provision in the Buyer's expense policy or the Financial Response Template, overtime shall not be chargeable to the Buyer unless the Buyer has agreed in advance and in writing to such overtime being incurred by the Supplier.
- 2.6.2 Without prejudice to Paragraph 2.6.1 of this Part B above, the Financial Response Template at the Commencement Date identifies the categories of FTE that are eligible for overtime. The Supplier acknowledges and agrees that it will not charge overtime to the Buyer for any FTE categories who have not been identified in the Financial Response Template as being eligible for overtime.

3. EARLY TERMINATION FEE

- 3.1 The provisions relating to whether the early termination fee is payable are set out in Clause 36.2, provided that the following provisions shall also apply:

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- 3.1.1 The early termination fee shall be an amount equal to the aggregate of the Contract Breakage Costs and Termination Costs (and the Parties agree that there shall be no double recovery between the Contract Breakage Costs and the Termination Costs) where:
- 3.1.1.1 **“Contract Breakage Costs”** means the amounts payable by the Supplier to its Key Sub-contractors or other third parties (as applicable) for terminating all relevant Key Sub-contracts or Supplier Third Party Contracts as a direct result of the early termination of this Contract; and
- 3.1.1.2 **“Termination Costs”** means the forecasted Direct People Costs and forecasted Direct Other Costs labour costs (plus, subject to Paragraphs 2.2.2 and 2.2.3 of this Part B above, overhead and profit margin) incurred by the Supplier from the date of issue of the termination notice under Clause 35.1.9 to the date that is three (3) months from the date of issue of such termination notice to the extent that the same remain at the Termination Date to be recovered through Charges.
- 3.1.2 Where there is partial termination of this Contract the principles for calculating the early termination fee shall be applied only to the partially terminated part of the Contract only and the early termination fee shall reflect a fair and reasonable assessment of the costs which apply in respect of the terminated provision of Goods and Services only.

4. PAYMENT OF ENTRY REDUNDANCY COSTS

- 4.1 Within twenty (20) Working Days of the Commencement Date, the Supplier shall submit a workforce plan to the Buyer setting out how many staff the Supplier requires to provide the Services during the Contract Period (**“Workforce Plan”**). The Financial Response Template as at the Commencement Date identifies the number of staff from the Former Supplier personnel list whom the Supplier has identified are likely to be made redundant by the Supplier (**“Entry Redundant Staff”**).
- 4.2 The Parties acknowledge and agree that the Entry Redundancy Costs in Attachment 2 (Charges and Invoicing) of the Order Form are based on the number of Entry Redundancy Staff identified by the Supplier under Paragraph 4.1 of this Part B above.
- 4.3 Subject to Paragraph 4.4 of this Part B below, the Buyer shall pay, as and when they arise, the actual Entry Redundancy Costs incurred by the Supplier if it has to make the relevant Entry Redundant Staff redundant, save that the total aggregate of: (i) the Entry Redundancy Costs; and (ii) number of Entry Redundant Staff to which the Entry Redundancy Costs relate, are capped at the amount of the total Entry Redundancy Costs and number of Entry Redundant Staff, respectively.
- 4.4 Without prejudice to the provisions of the Employment Regulation on entry to this Contract and the provisions of the Incumbent Agreement, the Buyer's obligation to pay in Paragraph 4.3 of this Part B above shall only apply:

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- 4.4.1 if the Supplier provides valid evidence of the actual Entry Redundancy Costs incurred;
 - 4.4.2 provided that any redundancies relating to the Entry Redundancy Costs have taken effect by the date that is two (2) months from the Relevant Transfer Date; and
 - 4.4.3 provided the Supplier has first followed the process set out in Paragraph 4.7 of this Part B below to establish whether the individual should be redeployed rather than made redundant.
- 4.5 The Supplier acknowledges and agrees that:
- 4.5.1 subject to Paragraph 4.7 of this Part B below, all other costs (other than the Entry Redundancy Costs) in connection with the Workforce Plan are deemed to be included within the relevant Implementation Charges in this Schedule; and
 - 4.5.2 it shall not include any overheads or margin in respect of any other costs (other than the Entry Redundancy Costs) arising pursuant to Paragraph 4.4.1 of this Part B above.
- 4.6 The Buyer shall not be liable for any additional redundancy costs (additional to the Entry Redundancy Costs identified in Attachment 2 (Charges and Invoicing) of the Order Form at the Commencement Date) in connection with any additional redundancies made by the Supplier of the Transferring Former Supplier Employees.
- 4.7 If agreed in writing by the Buyer, the Supplier is entitled to use the Entry Redundancy Costs for training and redeployment of Entry Redundancy Staff before making any redundancies for the benefit of the Buyer (provided that such staff are being redeployed within the Supplier's organisation and will no longer be working on the Buyer account in connection with this Contract) ("**Redeployment Employees**").

PART C – ADJUSTMENTS TO THE CHARGES AND RISK REGISTER

1. DELAY PAYMENTS

- 1.1 If a Milestone has not been Achieved on or before the relevant Milestone Date, the Buyer shall be entitled to request in writing that the Supplier pays a Delay Payment to the Buyer in respect of that Milestone. If so requested by the Buyer, the Supplier shall pay a Delay Payment to the Buyer in respect of that Milestone, and such Delay Payment shall be made in accordance with Paragraph 1.3 of this Part C below. Delay Payments shall accrue:
- 1.1.1 at the daily rate (the “**Delay Payment Rate**”) set out in the Milestone Payment table in, as applicable,:
- (a) **for the Implementation Plan:** Part A (Milestone Payments and Delay Payments) of Attachment 2 of the Order Form;
 - (b) **for the Changes:** the relevant Change Authorisation Note or the relevant change documentation/plans for Operational Changes if the Parties agree Milestones and Delay Payments will apply for such Changes; or
 - (c) **for expiries or terminations in connection with the Contract, and/or removal of Services from time to time during the Contract Period:** the relevant Exit Plan or any other relevant related documents/plans if the Parties agree Milestones and Delay Payments will apply for such expiries and terminations;
- 1.1.2 from (but excluding) the relevant Milestone Date to (and including) the earlier of:
- (a) the date on which the Milestone is Achieved;
 - (b) the expiry of the Delay Deduction Period; and
- 1.1.3 on a daily basis, with any part day’s Delay counting as a day.
- 1.2 The Parties agree that Delay Payments calculated in accordance with the applicable Delay Payment Rates are in each case designed to protect the legitimate commercial interests of the Buyer in the event of any failure by the Supplier to Achieve the relevant Milestone by the Milestone Date. Delay Payment Rates are stated exclusive of VAT.
- 1.3 The Delay Payment in respect of a Milestone shall be shown as a deduction from the amount due from the Buyer to the Supplier in the next invoice due to be issued by the Supplier after the date on which the relevant Milestone is Achieved or the expiry of the Delay Deduction Period (as the case may be). If the relevant Milestone is not Achieved by the expiry of the Delay Deduction Period and no invoice is due to be issued by the Supplier within ten (10) Working Days of expiry of the Delay Deduction Period, then the Supplier shall within ten (10) Working Days of expiry of the Delay Deduction Period:
- 1.3.1 issue a credit note to the Buyer in respect of the total amount of the Delay Payment in respect of the Milestone; and
 - 1.3.2 pay to the Buyer as a debt a sum equal to the total amount of the Delay Payment in respect of the Milestone together with interest on

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such amount at the applicable rate under the Late Payment of Commercial Debts (Interest) Act 1998, accruing on a daily basis from (and including) the due date up to (but excluding) the date of actual payment, whether before or after judgment.

2. CHANGES TO CHARGES

- 2.1 Any Changes to the Charges shall be developed and agreed by the Parties in accordance with Schedule 5 (Change Control Procedure), except as expressly set out in Paragraph 9.3 of Part A above of this Schedule.

3. INDEXATION

- 3.1 At the Commencement Date, indexation is not applicable under this Contract. If, at any time, after the Commencement Date, the Parties wish to agree an index to be applied under the Contract, this shall be subject to the agreement of the Parties and, if agreed, such index shall be added to the Contract in accordance with the Change Control Procedure. Notwithstanding the generality of the foregoing, the Parties acknowledge and agree that the costs in the Financial Response Template may increase in accordance with and subject to the provisions of Paragraph 2.1.6 of Paragraph B above and Paragraph 9.3 of Part A above.

4. RISK REGISTER

- 4.1 Not applicable.

PART D – INVOICES AND PAYMENT TERMS

1. SUPPLIER INVOICES

- 1.1 The Buyer shall accept for processing any Electronic Invoice that complies with any standards required by this Contract or otherwise agreed in writing by the Parties, provided that it is valid and undisputed.
- 1.2 If the Supplier proposes to submit for payment an invoice that does not comply with such agreed standards the Supplier shall comply with the requirements of the Buyer's e-invoicing system. In the alternative the Supplier shall:
 - 1.2.1 prepare and provide to the Buyer for approval of the format a template invoice within ten (10) Working Days of the Commencement Date which shall include, as a minimum, the details set out in Paragraph 1.2.3 of this Part D below together with such other information as the Buyer may reasonably require to assess whether the Charges that will be detailed therein are properly payable; and
 - 1.2.2 make such amendments as may be reasonably required by the Buyer if the template invoice outlined in Paragraph 1.2.1 of this Part D above is not approved by the Buyer.
 - 1.2.3 The Supplier shall ensure that each invoice contains the following information:
 - (a) the date of the invoice;
 - (b) a unique invoice number;
 - (c) the Service Period or other period(s) to which the relevant Charge(s) relate;
 - (d) the correct reference for this Contract;
 - (e) the reference number of the purchase order to which it relates (if any);
 - (f) the dates between which the Services subject of each of the Charges detailed on the invoice were performed;
 - (g) a description of the Services;
 - (h) the pricing mechanism used to calculate the Charges (such as fixed price, time and materials etc.);
 - (i) any payments due in respect of Achievement of a Milestone, including the Milestone Achievement Certificate number for each relevant Milestone;
 - (j) the total Charges gross and net of any applicable deductions and, separately, the amount of any Reimbursable Expenses properly chargeable to the Buyer under the terms of this Contract, and, separately, any VAT or other sales tax payable in respect of each of the same;

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- (k) details of any Service Credits or Delay Payments or similar deductions that shall apply to the Charges detailed on the invoice;
 - (l) reference to any reports required by the Buyer in respect of the Services to which the Charges detailed on the invoice relate (or in the case of reports issued by the Supplier for validation by the Buyer, then to any such reports as are validated by the Buyer in respect of the Services);
 - (m) a contact name and telephone number of a responsible person in the Supplier's finance department in the event of administrative queries;
 - (n) the banking details for payment to the Supplier via electronic transfer of funds (i.e. name and address of bank, sort code, account name and number);
 - (o) where the Services have been structured into separate Service lines, the information at Paragraph 1.2.3(a) to Paragraph 1.2.3(n) of this Paragraph 1.2.3 shall be broken down in each invoice per Service line; and
 - (p) and any other information reasonably required by the Buyer, which, for the avoidance of doubt shall not include information pertaining to individual salaries of Supplier Personnel or individual Direct People Costs.
- 1.3 The Supplier shall invoice the Buyer in respect of Services in accordance with the requirements of Part B of Schedule 2 (Charges and Invoicing).
- 1.4 Each invoice shall at all times be accompanied by Supporting Documentation. Any assessment by the Buyer as to what constitutes Supporting Documentation shall not be conclusive (save that in no event shall it include individual salary information of the Supplier Personnel) and the Supplier undertakes to provide to the Buyer any other documentation reasonably required by the Buyer from time to time to substantiate an invoice.
- 1.5 The Supplier shall submit all invoices and Supporting Documentation through the Buyer's electronic system (as notified to the Supplier) or if that is not possible to the address or email set out in the Order Form with a copy (again including any Supporting Documentation) to such other person and at such place as the Buyer may notify to the Supplier from time to time.
- 1.6 All Supplier invoices shall be expressed in sterling or such other currency as shall be permitted by the Buyer in writing.
- 1.7 The Buyer shall regard an invoice as valid only if it complies with the provisions of this Part D. Where any invoice does not conform to the Buyer's requirements set out in this Part D, the Buyer shall promptly return the disputed invoice to the Supplier and the Supplier shall promptly issue a replacement invoice which shall comply with such requirements.
- 1.8 The Supplier shall ensure that each invoice shall at all times set out the reasonable and proper costs and expenses identified (by category in accordance with the relevant Services) on a line by line basis (in accordance with the detail set out in the Financial Response Template) actually incurred by

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the Supplier during that Service Period in performing or for the purpose of performing its obligations under the Contract, apportioning any such costs fairly to reflect to their being incurred during that Service Period only partly in performing or for the purpose of performing such obligations.

2. PAYMENT TERMS

- 2.1 Subject to the relevant provisions of this Schedule 2 (Charges and Invoicing), the Buyer shall make payment to the Supplier within thirty (30) days of verifying that the invoice is valid and undisputed.
- 2.2 Unless the Parties agree otherwise in writing, all Supplier invoices shall be paid in sterling by electronic transfer of funds to the bank account that the Supplier has specified on its invoice.