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Handling Instruction – Commercial in Confidence  
SCHEDULE F: PAYMENT AND PERFORMANCE MANAGEMENT  
PART I (PRICING)

**SCHEDULE F**

**PAYMENT AND PERFORMANCE MANAGEMENT**

**PART I (PRICING)**

**1. APPLICATION OF SSCR TO THE EDP AGREEMENT AND APPROVED TASKING ORDERS**

- 1.1 The EDP Agreement will be regarded as the Qualifying Defence Contract (QDC). The value of the QDC will be calculated on an aggregate basis as work is tasked through the EDP Agreement.
- 1.2 Work sub-contracted to the Aurora Partner Sub-contractors will be through sub-contract agreements that are reflective of the EDP Agreement. The sub-contract agreements will be Qualifying Defence Sub-Contracts. The value of the QDSCs will be calculated on an aggregate basis as work is tasked through the sub-contract agreements.
- 1.3 The Contractor will calculate the Contract Profit Rate in accordance with the Regulations Six Step Process using the prevailing Baseline Profit Rate (BPR) at the time of pricing. Such pricing shall be “severable” and will not therefore trigger a profit recalculation on other extant Tasks. This approach shall also apply to additional work added to a Task via an Amendment/Change.
- 1.4 [REDACTED].

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PART II (PAYMENT AND INVOICING)

**PART II (PAYMENT AND INVOICING)**

**2. PART 2 - PAYMENT AND INVOICING**

- 2.1 For all Modes of Operation the Contractor will submit an invoice on the 15th of the Month, or effective from the proceeding working day.

In addition the following shall apply:

- 2.2 Mode 1 - Critical Resource Augmentation

Invoicing and payment will be on accrued resource, and associated costs, through to the proceeding Friday to the 10th of the Month.

- 2.3 Mode 2 - Critical Output Delivery

Invoicing and payment will be made against agreed output delivery milestones.

- 2.4 Mode 3 - Programmes of Critical Outputs

Invoicing and payment will be made against an agreed programme of output delivery milestones; this will be articulated in the Tasking form and agreed with the DT/Project Manager.

- 2.5 Mode 4 - Engineering Services Delivery

Processes to be developed by IOC, pursuant to Clause 5 of the Agreement.

- 2.6 Innovation

For Approved Innovation Tasks that result in payment to the Contractor, the payment arrangements will be set out in the Approved Tasking Order, in accordance with the process described in Schedule Q (Innovation).

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PART III (PERFORMANCE MANAGEMENT)

**PART III (PERFORMANCE MANAGEMENT)**

**1. PERFORMANCE MANAGEMENT**

- 1.1 The Parties shall comply with the provisions of this Schedule F (Payment and Performance Management) and any performance management metrics contained in Appendix 1 (Key Performance Indicators) and Appendix 2 (Performance Indicators) to this Part II (Performance Management).
- 1.2 The performance of the Contractor in providing the Services shall be monitored:
- 1.2.1 from the Agreement Commencement Date (the "**KPI Review Period**"), through the use of the Key Performance Indicators ("**KPIs**") set out in Appendix 1 (Key Performance Indicators) to this Part II (Performance Management) of Schedule F (Payment and Performance Management); and
  - 1.2.2 for the period from [REDACTED] after the Agreement Commencement Date (the "**PI Review Period**"), through the use of the Performance Indicators ("**PIs**") set out in Appendix 2 (Performance Indicators) to this Part II (Performance Management) of Schedule F (Payment and Performance Management).
    - (A) Within [REDACTED] of the Agreement Commence Date, the Parties will agree, with evidence provided to support any amendments, if any amendments to the PI targets are required.

**2. KEY PERFORMANCE INDICATORS**

- 2.1 The Contractor shall monitor its performance against each KPI and, within [REDACTED] Business Days of the end of each Contract Quarter (a "**KPI Period**"), shall issue to the Authority a report (a "**KPI Report**") detailing the level of performance actually achieved in that KPI Period. The KPI Report will be used to discuss the performance of the Contractor against each KPI at the Delivery Partner Steering Group.
- 2.2 The Key Performance Indicators shall be measured by reference to the corresponding descriptions set out below and in the table set out in Appendix 1 (*Key Performance Indicators*) to this Part II (*Performance Management*) of Schedule F (*Payment and Performance Management*) in order to determine a weighted performance score applicable to that KPI Period which shall be expressed as a percentage (the "**KPI Score**").

**3. KPI INCENTIVE**

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PART III (PERFORMANCE MANAGEMENT)

3.1 The Contractor shall be entitled to

4. **PERFORMANCE INDICATORS**

- 4.1 The Contractor shall monitor its performance against each PI and, within Business Days of the end of each Contract Quarter (a "**PI Period**"), shall issue to the Authority a report (a "**PI Report**") detailing the level of performance actually achieved. The PI Report will be used to discuss the performance of the Contractor against each PI at the Engineering Hub Operations Board and the Delivery Partner Steering Group.
- 4.2 The Performance Indicators shall be measured by reference to the corresponding descriptions set out below and in the table set out in Appendix 2 (*Performance Indicators*) to this Part II (*Performance Management*) of Schedule F (*Payment and Performance Management*) in order to determine whether each applicable performance target has been achieved.

5. **PI RETENTIONS**

- 5.1 If the Contractor fails to achieve the performance target in respect of a Performance Indicator then a "**PI Failure**" will arise. In respect of each PI Failure, the Authority will be entitled to a Withheld Amount as described in the table set out in Appendix 2 (*Performance Indicators*) to this Part II (*Performance Management*) of Schedule F (*Payment and Performance Management*).

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- 5.2 In relation to each PI Period the aggregate of all Withheld Amounts retained by the Authority relating to that PI Period shall not exceed [REDACTED] of the total invoices paid for the Engineering Hub Service in the PI Period.
- 5.3 Subject to Paragraph 5.1 each and all [REDACTED], the Contractor achieves the PI relevant to such [REDACTED]. The Authority will inform the Contractor that the Contractor is now entitled to such Withheld Amounts and the Contractor shall be entitled to invoice the Authority for an amount equal to such Withheld Amounts in accordance with Clause 53 (Invoicing and Payment).
- 5.4 Withheld Amounts relating to the Contractor's performance shall be retained by the Authority until the Contractor becomes entitled to such Withheld Amounts pursuant to Paragraph 5.2.
- 5.5 The PIs and KPIs set out in Appendix 1 and Appendix 2 to this Schedule F shall be reviewed at the Agreement Commencement Date + [REDACTED], the Agreement Commencement Date + [REDACTED] months, [REDACTED], by the Parties with a view to agreeing amendments to:
- 5.5.1 The Weightings of the PIs and KPI in particular in respect of the balance across the Modes of Operation;
  - 5.5.2 The addition of new relevant PIs and KPIs, and removal of PIs and KPIs which are no longer relevant; and
  - 5.5.3 Amendments to the performance targets for the PIs and KPIs.

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Appendix 1: Key Performance Indicators

**TABLE DELETED**

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SCHEDULE F: PAYMENT AND PERFORMANCE MANAGEMENT (PART II)  
Appendix 2: Performance Indicators

**TABLE DELETED**