

SCHEDULE 5.2

FINANCIAL DISTRESS

1. CREDIT SCORES AND DUTY TO NOTIFY

1.1 The Delivery Partner warrants and represents to Ofwat for the benefit of Ofwat that as at the Effective Date the failure credit scores issued for the Delivery Partner and Sub-contractors by the relevant credit scoring agencies ("**Agency**") are as set out in Annex 2. For the purposes of the Delivery Partner's obligations under this Schedule 5.2, the provisions of this Schedule 5.2 shall not apply to Sub-contractors who are self-employed individuals or sole traders.

1.2 The Delivery Partner shall promptly notify (or shall procure that its auditors promptly notify) Ofwat in writing if there is a deterioration in the credit score issued by any Agency at any time to below the threshold set out in Annex 2 for either the Delivery Partner or any Sub-contractor (and in any event within 5 Working Days of the occurrence of the deterioration).

1.3 If a credit score issued by any Agency at any time shows a deterioration to below the threshold set out in Annex 2 for either the Delivery Partner or any Sub-contractor, then the Delivery Partner shall ensure that the Delivery Partner's auditors or relevant Sub-contractor's auditors (as the case may be) thereafter provide Ofwat within 10 Working Days of the end of each Contract Year and within 10 Working Days of written request by Ofwat (such requests not to exceed 4 in any Contract Year) with such information as may reasonably be required by Ofwat to assess the financial standing of the Delivery Partner or relevant Sub-contractor (as the case may be).

1.4 The Delivery Partner shall:

1.4.1 regularly monitor:

- (a) its credit score ; and
- (b) the ongoing financial stability of each Sub-contractor, including monitoring the credit score of each Sub-contractor with the relevant Agency,

and shall provide assurance to Ofwat of such monitoring on request;

1.4.2 if requested by Ofwat, report to Ofwat on the then current credit score with the relevant Agency of the Delivery Partner and each Sub-contractor; and

1.4.3 promptly notify (or shall procure that its auditors promptly notify) Ofwat in writing following the occurrence of a Financial Distress Event in relation to the Delivery Partner and/or any Sub-contractor or any fact, circumstance or matter which could cause such a Financial Distress Event (and in any event, ensure that such notification is made within 10 Working Days of the date on which the Delivery Partner first becomes aware of the Financial Distress Event or the fact, circumstance or matter which could cause a Financial Distress Event).

2. CONSEQUENCES OF A FINANCIAL DISTRESS EVENT

2.1 In the event of:

2.1.1 the credit score of the Delivery Partner or any Sub-contractor dropping below the applicable threshold set out in Annex 2;

- 2.1.2 the Delivery Partner or any Sub-contractor issuing a profits warning to a stock exchange or making any other public announcement, in each case about a material deterioration in its financial position or prospects;
- 2.1.3 there being a public investigation into improper financial accounting and reporting, suspected fraud or any other impropriety of the Delivery Partner or any Sub-contractor;
- 2.1.4 the Delivery Partner or any Sub-contractor committing a material breach of covenant to its lenders;
- 2.1.5 a Sub-contractor notifying Ofwat that the Delivery Partner has not satisfied any material sums properly due under a specified invoice and not subject to a genuine dispute; or
- 2.1.6 any of the following:
 - (a) commencement of any litigation against the Delivery Partner or any Sub-contractor with respect to financial indebtedness greater than the sum listed in Annex 3 of this Schedule or obligations under a service contract with a total contract value greater than the sum listed in Annex 3 of this Schedule;
 - (b) non-payment by the Delivery Partner or any Sub-contractor of any financial indebtedness greater than the sum listed in Annex 3 of this Schedule;
 - (c) any material financial indebtedness of the Delivery Partner or any Sub-contractor becoming due as a result of an event of default;
 - (d) the cancellation or suspension of any material financial indebtedness in respect of the Delivery Partner or any Sub-contractor;
 - (e) the issue by the Delivery Partner's auditors or any Sub-contractor as the case may be of a qualified audit report;
 - (f) the Delivery Partner or any Sub-contractor as the case may be is not able to meet its liabilities as they fall due; or
 - (g) any formal communications or discussions between the Delivery Partner or a Sub-contractor with the Pensions Regulator concerning a deterioration in the position of the relevant entity's pensions which results in that entity's credit score falling below the relevant threshold in Annex 2,

in each case which Ofwat reasonably believes (or would be likely reasonably to believe) could directly impact on the continued performance and delivery of the Services in accordance with this Agreement,

then, immediately upon notification of the Financial Distress Event (or if Ofwat becomes aware of the Financial Distress Event without notification and brings the event to the attention of the Delivery Partner), the Delivery Partner shall have the obligations and Ofwat shall have the rights and remedies as set out in Paragraphs 2.3 to 2.4.

- 2.2 In the event of a late or non-payment of a Sub-contractor pursuant to Paragraph 2.1.6(b), Ofwat shall not exercise any of its rights or remedies under Paragraph 2.3 without first giving the Delivery Partner 10 Working Days to:

- 2.2.1 rectify such late or non-payment; or
 - 2.2.2 demonstrate to Ofwat's reasonable satisfaction that there is a valid reason for late or non-payment.
- 2.3 The Delivery Partner shall (and shall procure that any relevant Sub-contractor shall):
- 2.3.1 at the request of Ofwat, meet Ofwat as soon as reasonably practicable (and in any event within 3 Working Days of the initial notification (or awareness) of the Financial Distress Event or such other period as Ofwat may permit and notify to the Delivery Partner in writing) to review the effect of the Financial Distress Event on the continued performance and delivery of the Services in accordance with this Agreement; and
 - 2.3.2 where Ofwat reasonably believes (taking into account the discussions and any representations made under Paragraph 2.3.1) that the Financial Distress Event could impact on the continued performance and delivery of the Services in accordance with this Agreement:
 - (a) submit to Ofwat for its approval, a draft Financial Distress Service Continuity Plan as soon as reasonably practicable (and in any event, within 10 Working Days of the initial notification (or awareness) of the Financial Distress Event or such other period as Ofwat may permit and notify to the Delivery Partner in writing); and
 - (b) provide such financial information relating to the Delivery Partner or relevant Sub-contractor as Ofwat may reasonably require.
- 2.4 Once Ofwat has approved the Financial Distress Service Continuity Plan submitted in accordance with Paragraph 2.3.2(a) above, the Delivery Partner shall (and shall where relevant ensure that the relevant Sub-contractor (as the case may be) shall):
- 2.4.1 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 and delivery of the Services in accordance with this Agreement;
 - 2.4.2 where the Financial Distress Service Continuity Plan is not adequate or up to date in accordance with Paragraph 2.4.1, submit an updated Financial Distress Service Continuity Plan to Ofwat for its approval; and
 - 2.4.3 comply with the Financial Distress Service Continuity Plan (including any updated Financial Distress Service Continuity Plan).
- 2.5 Where the Delivery Partner reasonably believes that the relevant Financial Distress Event under Paragraph 2.1 (or the circumstance or matter which has caused or otherwise led to it) no longer exists, it shall notify Ofwat and the Parties may agree that the Delivery Partner and/or the relevant Sub-contractor shall be relieved of its obligations under Paragraph 2.4.

3. **TERMINATION RIGHTS**

- 3.1 Ofwat shall be entitled to terminate this Agreement under Clause 32.1.1(b) or partially terminate this Agreement under Clause 32.1.2 (Termination by Ofwat) if:
 - 3.1.1 the Delivery Partner or its auditor fails to notify Ofwat of a Financial Distress Event in accordance with Paragraph 1.4.3;

- 3.1.2 the Parties fail to agree a Financial Distress Service Continuity Plan (or any updated Financial Distress Service Continuity Plan) in accordance with Paragraphs 2.3 to 2.4; and/or
- 3.1.3 the Delivery Partner fails to comply (or fails to procure that a Sub-contractor complies) with the terms of the Financial Distress Service Continuity Plan (or any updated Financial Distress Service Continuity Plan) in accordance with Paragraph 2.4.3.

4. **PRIMACY OF CREDIT SCORES**

4.1 Without prejudice to the Delivery Partner's obligations and Ofwat's rights and remedies under this Schedule, if, following the occurrence of a Financial Distress Event pursuant to any of Paragraphs 2.1.2 to 2.1.6, an Agency reviews and reports subsequently that the credit scores for the Delivery Partner or any Sub-contractor (as the case may be) have not dropped below the relevant threshold as set out in Annex 2 then:

- 4.1.1 the Delivery Partner shall be relieved automatically of its obligations under Paragraphs 2.3 to 2.4; and
- 4.1.2 Ofwat shall not be entitled to require the Delivery Partner to provide financial information in accordance with Paragraph 2.3.2(b).

ANNEX 1
AGENCIES

1. Dun & Bradstreet

ANNEX 2

CREDIT SCORE AND CREDIT SCORE THRESHOLDS

Entity	Credit Score (failure)	Credit Score Threshold
PricewaterhouseCoopers LLP	100	50
Europe Economic Research LTD (T/as Europe Economics)	83	50
Mott MacDonald Limited	100	50
SLG Economics Ltd	63	50
Gridlines Group Ltd	23	50
Creoda Consulting Limited	75	50
Maurizio Conti (individual)	N/A	N/A

ANNEX 3

LEVEL OF INDEBTEDNESS

