

Schedule 3 – Credit Support Maximum Credit Recommendation

between

**Yorkshire Water Services
Limited**

and

Arla Foods Limited

THIS AGREEMENT is made on

BETWEEN

- (1) Yorkshire Water Services Limited, a company incorporated in England and Wales (No. 02366682) whose registered office is at Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ (the "**Contracting Wholesaler**"); and
- (2) Arla Foods Limited, a company incorporated in England and Wales (No. 02143253) whose registered office is at Arla House, 4 Savannah Wat, Leeds Valley Park, Leeds, Yorkshire, LS10 1AB (the "**Contracting Retailer**")

BACKGROUND:

- (A) Pursuant to Schedule 3 of the Business Terms contained within the Wholesale Contract, a wholesaler and a retailer may agree to an Alternative Eligible Credit Support arrangement.
- (B) This Agreement is an Alternative Eligible Credit Support arrangement between the Contracting Wholesaler and the Contracting Retailer, the purpose of which is to reduce the Eligible Credit Support required to be provided by the Contracting Retailer in connection with its wholesale contract with the Wholesaler dated 12.10.2021 and made under section 66E or section 117E of the Water Industry Act 1991 ("**the Contract**").
- (C) The Business Terms require that an Unsecured Credit Allowance shall be available to the Contracting Retailer, where the Contracting Retailer holds a Current Credit Rating or Current Credit Score. In addition, the Contracting Retailer is required to ensure the remainder of the Credit Support Amount is met through additional Eligible Credit Support and/or Alternative Eligible Credit Support.
- (D) The Business Terms further state that the parties may agree Alternative Eligible Credit Support for all or part of the Credit

Support Amount.

- (E) Accordingly, the Contracting Wholesaler and the Contracting Retailer agree to enter into this Alternative Eligible Credit Support Agreement (the “**Agreement**”) to supplement the Wholesale Contract by enabling the Contracting Wholesaler to provide an Alternative Unsecured Allowance linked to the Maximum Credit Recommendation and Overall Business Risk as recommended by the Nominated Credit Scoring Agency.

1 DEFINITIONS AND INTERPRETATION

1.1 In the Agreement

1.1.1 Alternative Unsecured Allowance means:

- an amount equal to 2% (two per cent) of the Maximum Credit Recommendation (save that the Alternative Unsecured Allowance shall not exceed £500,000 pounds) if the Overall Business Risk is Low or Low/Moderate as detailed in the Nominated Credit Scoring Agency’s report; or
- an amount equal to 1% (one per cent) of the Maximum Credit Recommendation (save that the Alternative Unsecured Allowance shall not exceed £250,000 pounds) if the Overall Business Risk is Moderate as detailed in the Nominated Credit Scoring Agency’s report.

1.1.2 **Code** means the Wholesale–Retail Code issued by the Water Services Regulation Authority under sections 66DA and 117F of the Water Industry Act 1991;

1.1.3 **Maximum Credit Recommendation** means the figure set out in the Nominated Credit Scoring Agency’s Report.

1.1.4 **Nominated Credit Scoring Agency** means Dun and Bradstreet Limited, company number 160043, with its registered office located at The Point, 37 North Wharf Road, London, W2 1AF.

1.1.5 **Other Unsecured Arrangement** means any other arrangement for unsecured credit that the Contracting Wholesaler makes available to retailers and for which the Contracting Retailer meets the applicable eligibility criteria.

1.1.6 **Overall Business Risk** means the risk assessment carried out by the Nominated Credit Scoring Agency’s system as detailed in

reports made available to customers, including the Contracting Wholesaler.

1.1.7 **Nominated Credit Scoring Agency Rating** means the credit rating given by the Nominated Credit Scoring Agency's system as detailed in reports made available to customers, including the Contracting Wholesaler.

1.1.8 **Wholesale Contract** means the contract between the Contracting Wholesaler and the Contracting Retailer that constitutes:

- I. a Section 66D Agreement; or
- II. a Section 117E Agreement; or
- III. both a Section 66D Agreement and a Section 117E Agreement; and which, in each case, is in the form prescribed by the Wholesale-Retail Code;

1.2 Unless the context requires otherwise, terms not otherwise defined in this Agreement shall have the meaning ascribed to them in the Wholesale Contract or the Code.

1.2.1 **Interpretation:** Headings and titles are for convenience only and do not affect the interpretation of this Agreement. Unless otherwise described, references in this Agreement to sections are to sections of this Agreement.

2 ALTERNATIVE ELIGIBLE CREDIT SUPPORT AGREEMENT

2.1 The Contracting Wholesaler and the Contracting Retailer agree that for such period as this Agreement is in effect, the Contracting Retailer shall (as an alternative to the Unsecured Credit Allowance to which the Contracting Retailer is entitled to under the Business Terms and any Other Unsecured Arrangement from time to time) be entitled to utilise the Alternative Unsecured Allowance, subject to the terms of this Agreement (including without limitation the eligibility criteria set out at clause 2.3 below).

2.2 The Alternative Unsecured Allowance shall at all times be an alternative to the Unsecured Credit Allowance and any Other Unsecured Arrangement and may only be used independently of the

Unsecured Credit Allowance and any Other Unsecured Arrangement from time to time. In no circumstances shall the Contracting Retailer be entitled to combine the Alternative Unsecured Allowance with the Unsecured Credit Allowance and/or any Other Unsecured Arrangement.

- 2.3 To be eligible to use the Alternative Unsecured Allowance as set out in this Agreement, the Contracting Retailer shall at all times;
 - 2.3.1 hold and maintain a Nominated Credit Support Agency Rating of 5A/1 or 5A/2; and
 - 2.3.2 hold and maintain a Low, Low-Moderate or Moderate Overall Business Risk.
- 2.4 The Alternative Unsecured Allowance will be assessed each month and may change each month in accordance with any change in the Nominated Credit Scoring Agency's Report.
- 2.5 The Contracting Wholesaler reserves the right to review, temporarily suspend, or remove the entitlement of the Contracting Retailer to Alternative Eligible Credit Support under this Agreement, if:
 - (a) the Contracting Retailer becomes a Defaulting Trading Party under the Wholesale Contract, and/or is otherwise in breach of the Wholesale Contract; and/or
 - (b) the Contracting Wholesaler otherwise has reasonable grounds to believe that the Contracting Retailer will default on its payment obligations under the Wholesale Contract, and in such circumstances the Contracting Wholesaler shall notify the Contracting Retailer in writing and the requirements of the Wholesale Contract relating to the provision of Eligible Credit Support shall continue as though this Agreement was not in force and effect from the date of the written notice.

2.6 The parties agree that nothing in this Agreement shall prejudice or otherwise undermine the obligation or other liability of the Contracting Retailer to pay any amount to the Contracting Wholesaler under the Wholesale Contract, and the rights and remedies of the Contracting Wholesaler in respect of such obligations and liabilities shall be unaffected.

3 TERMINATION ON THIS AGREEMENT

3.1 This Agreement will automatically terminate if the Wholesale Contract terminates.

3.2 This Agreement may be terminated:

3.2.1 by the Contracting Retailer on written notice to the Contracting Wholesaler at any time; or

3.2.2 by the Contracting Wholesaler on thirty (30) days' written notice to the Contracting Retailer; or

3.2.3 by the Contracting Wholesaler immediately if the Contracting Retailer in any event fails to make a payment (regardless of the amount) due under the Wholesale Contract on or before the due date, in accordance with Business Terms; or

3.2.4 by the Contracting Wholesaler in the event that the Contracting Retailer fails to maintain the required Nominated Credit Support Agency Rating as specified at clause 2.3 above; or

3.2.5 by either Party in the event that replacement credit support arrangements take effect between the Parties.

- 3.2.6 if the Contracting Wholesaler otherwise has reasonable grounds to believe that the contracting retailer will default on its payment obligations under the wholesale contract and in such circumstances the Contracting Wholesaler shall notify the Contracting Retailer in writing and the requirements of the Wholesale Contract relating to the provision of Eligible Credit Support shall continue as though this Agreement was not in force and effect from the date of the written notice.
- 3.3 On expiry or earlier termination of this Agreement the arrangements set out herein shall end and the provision of the Credit Support Amount by the Contracting Retailer shall be governed exclusively by the Wholesale Contract and the Parties agree to co-operate with each other to the extent necessary to ensure compliance with the Wholesale Contract.
- 3.4 This Agreement shall take effect on the date hereof shall continue until 31st March 2024 when it shall automatically terminate unless otherwise agreed in writing by the parties.

4 GENERAL

- 4.1 No variation of this Agreement shall be effective unless it is in writing and signed by or on behalf of each Party.
- 4.2 In the event of any conflict between this Agreement and the Wholesale Contract, the terms of the Wholesale Contract shall take precedence, save as expressly specified otherwise in this Agreement.
- 4.3 The Parties do not intend any third party to have any right to enforce any provision of this Agreement under the Contracts (Rights of Third Parties) Act 1999 or otherwise.
- 4.4 Any notices under this Agreement shall be served in accordance with the provisions of the Wholesale Contract.
- 4.5 Save for the Wholesale Contract, this Agreement is the entire agreement between the Parties and replaces all previous written or

oral agreements, representations, and understandings between them, relating to its subject matter.

- 4.6 This Agreement shall be governed by and construed in accordance with English law, and the English courts shall have exclusive jurisdiction to determine any dispute arising in connection with it (but subject to the powers of the Water Services Regulation Authority to determine disputes).