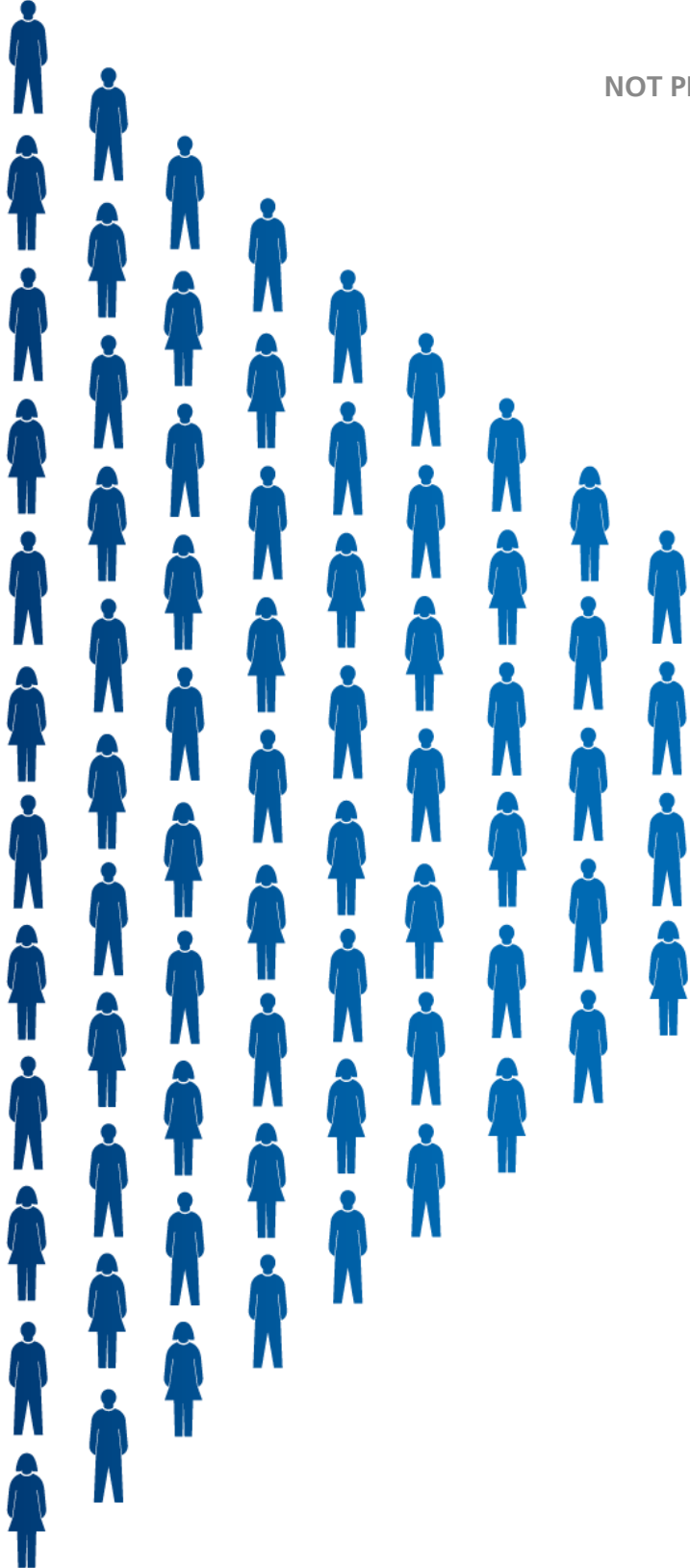


NOT PROTECTIVELY MARKED



## Company Policy: Supply Chain

NOT PROTECTIVELY MARKED

# 1 Company Policy: Supply Chain

## Policy Statement

The purpose of this policy is to state the strategic objectives and to identify the minimum standards that must be implemented across Supply Chain activities to ensure that EDF Energy realises best value from its aggregated Supply Chain expenditure whilst controlling risk exposure for the benefit of its shareholders and customers.

EDF Energy is committed to ensuring that its Supply Chain activities are carried out safely and ethically in a controlled and sustainable manner to deliver consistent quality outcomes in support of our Ambitions and in accordance with our Values.

EDF Energy Supply Chain activities shall be consistent with EDF SA policies collaborating with EDF Group-wide initiatives and contracts to deliver best overall value.

Through the combination of always having a clear definition of our requirements, maximising the leverage of our spending power through collaboration, effective communications, improving efficiency, seeking innovation, driving continuous improvement and risk management, we will achieve best 'through life' value from our Supply Chain.



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**Vincent de Rivaz CBE**, Chief Executive Officer  
For and on behalf of the EDF Energy Executive Team

## 2 Company Policy: Supply Chain

### Policy Standards

1. This policy covers all Supply Chain activities undertaken by anyone across EDF Energy with the exception of energy trading transactions (namely the purchase of fuel inputs to or outputs from the energy production process). For all nuclear related Supply Chain activities, Nuclear Safety is our overriding priority.
2. All Supply Chain activities shall be conducted safely and ethically in a controlled and sustainable manner to deliver consistent quality outcomes that deliver best 'through life' value for EDF Energy, always consistent with our Ambitions and in accordance with our Values and in accordance with the associated Framework and Mandatory Practices.
3. All Supply Chain activities shall be in relation to the fulfilment of Legitimate Business Needs within Financial Authority Levels (FAL).
4. All contracts and orders shall be placed with vendors that have been pre-qualified in line with defined criteria and registered on EDF Energy's Master Data Base.
5. All contracts and orders shall be placed using approved processes and shall be awarded on the basis of Terms and Conditions established by Supply Chain Functions in consultation with EDF Energy's Legal department.
6. Contract management activities shall be in accordance with approved processes.
7. For all projects, Supply Chain activities should respect and follow the principles of EDF Energy Project Way (EEPW) corresponding to the relative scale and risk.
8. Authorisation shall follow the principles of Requisition Authority and Commitment Authority. The use of Retrospective Orders or Retrospective Vendors is expressly forbidden.
9. Payment terms for all Products must be a minimum of 60 days within all new contracts and contract extensions of any value, save where delegated authority from the Supply Chain Director has been given. All payments shall be in accordance with approved methods.
10. The Supply Chain Director shall be responsible for maintaining and assuring this policy and its associated Framework and Mandatory Practices.

### Definition

Word or Phrase	Definition
<b>Commitment</b>	<p>The contractual commitment of EDF Energy to vendors, including contract signature and encompasses the following:</p> <ul style="list-style-type: none"> <li>• The award of a contract which commits EDF Energy to a specific level of expenditure.</li> <li>• The award of a framework agreement which commits EDF Energy to terms and conditions of purchase over an agreed period and, in some circumstances, to an estimated value of expenditure.</li> <li>• The issue of a purchase order.</li> <li>• The variation of an existing contract or framework agreement.</li> </ul>
<b>Commitment Authority</b>	<p>Means the authority granted on behalf of EDF Energy to make a Commitment. This Commitment Authority can only be granted once the necessary Requisition Authority has been provided. The individual providing Commitment Authority is responsible for ensuring that:</p> <ul style="list-style-type: none"> <li>• The vendor is sufficiently and appropriately pre-qualified in relation to the delivery of the Product; and</li> </ul>

### 3 Company Policy: Supply Chain

	<ul style="list-style-type: none"> <li>The vendor is engaged to deliver the Product on appropriate terms and conditions (including due consideration of price and payment terms).</li> </ul> <p>Commitment Authority is owned by the Supply Chain Function(s) and individual authority levels and contract signing authority levels are specified within the Procurement Authority Schedule (PAS) controlled by the Supply Chain Director.</p>
<b>Delivery Environment</b>	The EDF Energy generation locations, office locations, EDF Energy-occupied sites and customer premises at which Products are delivered or used.
<b>Framework</b>	The document which contains reference to the Standard Operating Procedures and the Mandatory Practices along with terms of reference and standards held in common across the whole of Supply Chain.
<b>Legitimate Business Need</b>	Requirements for the purchase of Products and the maintenance of contracts whose delivery and use are necessary for the fulfilment of EDF Energy's business objectives and which support of EDF Energy's Ambitions and Values.
<b>Mandatory Practices</b>	The defined objectives which deliver this policy and against which the Standard Operating Procedures are measured.
<b>Products</b>	The works, materials, goods and services which are purchased on behalf of EDF Energy and whose delivery characteristics determine the extent of need for contract management.
<b>Requisition Authority</b>	<p>The confirmation from the appropriate budget holder that an expenditure request is authorised. The individual providing Requisition Authority is responsible for ensuring that:</p> <ul style="list-style-type: none"> <li>The request is for a legitimate business expense for which there is a genuine business need; and</li> <li>The correct budget has been selected and that sufficient funds are available in that budget to fulfil the expenditure; and</li> <li>All appropriate company policies have been considered in relation to the delivery and use of the Product.</li> </ul> <p>Requisition Authority is owned by the Business Units and Corporate Steering Functions and individual authority levels are specified within their delegated authority schemes in accordance with Financial Authority Levels (FAL).</p>
<b>Retrospective Order</b>	A formal purchase order which has to be raised as the result of the receipt of an invoice and is required to make a payment to a vendor for a Product ordered without the necessary authorisation.
<b>Retrospective Vendor</b>	A vendor whose pre-qualification is requested following the receipt of an invoice and is required to make a payment to a vendor for a Product ordered without the necessary authorisation and at a time at which the vendor was not included on the Vendor Master Database.
<b>Standard Operating Procedures</b>	The detailed process-based documentation specific to the work undertaken by Supply Chain in each of the Business Units and Corporate Steering Functions. Where appropriate the Standard Operating Procedures shall mandate that Supply Chain activities which span multiple business areas shall be conducted in ways that meet the regulatory and governance requirements of the business areas impacted.

## 4 Company Policy: Supply Chain

<b>Subject Matter Experts</b>	The individuals based in the Business Units and Corporate Steering Functions who provide input to Supply Chain in relation to the risk assessment of Product delivery and use on topics such as Health, Safety and Environment, Sustainability, Diversity, Information Security, Financial Stability and Human Resource Management.
<b>Supply Chain Function</b>	The teams embedded within the Business Units and Corporate Steering Functions reporting to Supply Chain Heads who are responsible for the series of business processes by which Supply Chains are identified, pre-qualified, appointed to fulfil contracts and the processes by which vendors within the Supply Chain are managed and contracts are managed and renewed.
<b>Supply Chain</b>	Any vendor external to EDF Energy that provides Products to EDF Energy through one or more order and/or a contract.
<b>Supply Chain Director</b>	The senior Supply Chain practitioner in EDF Energy.
<b>Supply Chain Heads</b>	The senior Supply Chain practitioners in each of the Business Units (Nuclear Generation, Energy Sourcing and Customer Supply, Nuclear New Build) and the Corporate Steering Functions.

### Governance

- Executive Sponsor – The Chief Financial Officer.
- Lead Policy Owner - The Supply Chain Director.
- Operational Unit Policy Owners - The Supply Chain Heads.
- Operational Unit Policy Owner Representatives – Governance practitioners appointed by each of the Operational Unit Policy Owners.
- Supply Chain Forum – A meeting chaired by the Supply Chain Director and comprising the Supply Chain Heads. Its Terms of Reference are contained within the Framework.
- Operational Supply Chain Forum – A meeting chaired by an appointee of the Supply Chain Director and comprising the governance practitioners and other co-opted stakeholders. Its Terms of Reference are contained within the Framework.
- Pre-qualification Forum – A meeting chaired by an appointee of the Supply Chain Director and comprising the Subject Matter Experts. Its Terms of Reference shall be contained with the Framework.

### Change History

Version	Date	Changes Made
5.0	September 2013	Various drafting amendments
6.0	February 2014	Published version
7.0	March 2015	Updated to reflect change in Executive Sponsor
8.0	April 2015	Minor text update