 Eskom	Policy	
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1. Introduction

The Eskom Procurement and Supply Chain Management Policy establishes the governance framework and gives direction for all procurement and supply chain management activities within Eskom Holdings SOC Limited (Eskom).

Procurement and Supply Chain Management (P&SCM) within Eskom is mandated to align its operations with the strategic objectives of Eskom and all relevant legislation, regulations, policies and procedures and instructions listed in 3.2.1 Normative references.

The P&SCM vision is to provide a world-class procurement and supply chain management function that ensures:

1. customer centricity through a centre-led model;
2. a strong foundation for good governance;
3. a monitoring and reporting function that will make P&SCM a worthy and preferred advisor to the business units it serves;
4. it acts as an enabler of and supporting the Eskom Corporate Plan and Strategy;
5. it is technology enabled, with a strong focus on process and consequence management; and
6. that P&SCM is ideally placed to serve as an incubator for procurement and supply chain management talent in the organisation.

The P&SCM mandate is to optimally, cost effectively and safely manage the procurement and supply chain management organisation, compliant to all relevant regulatory and legislative frameworks that will:

1. have a clear line-of-sight over all external spend, including Eskom wholly-owned subsidiaries;
2. enable Eskom to achieve best in class capabilities in the areas listed in section 2.3
3. provide an appropriate platform for effective and efficient performance; and
4. ensure the right product / service at the right time without causing production interruptions.

2. Policy Content

2.1 Legislative Framework

As a wholly state-owned entity, Eskom is classified as an "organ of state" in accordance with the Constitution of the Republic of South Africa, Act 108 of 1996 (the Constitution).

As an organ of state, Eskom is legally obligated, in terms of Section 217 of the Constitution, to create and maintain an enabling procurement system.

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The Preferential Procurement Policy Framework Act (PPPFA) 5 of 2000 and its associated Regulations give effect to S217 (3) of the Constitution by prescribing the legislative and regulatory framework to implement standardised tendering (bidding) processes in the procurement of goods and services by organs of state. The PPPFA is intrinsically linked to the Public Finance Management Act (Act 1 of 1999), by subjecting all Schedule 2 PFMA entities, which includes Eskom, to the applicability of the PPPFA Regulations.

Both the Constitution and the PPPFA require organs of state to develop procurement policies that align with the prescribed framework set out in the PPPFA, with exemption only being received with respect to procurement authorised by Development Funding Institutions (DFIs). In addition, The Broad-Based Black Economic Empowerment Act, 53 of 2003 requires Eskom to apply the B-BBEE Codes of Good Practice of 2013 in developing and implementing a preferential procurement policy.

This Policy (32-1033) and the Procedure (32-1034) therefore seek to ensure constitutional and PPPFA alignment in all P&SCM processes.

Eskom's Delegation of Authority (DoA) Policy 240-62072907 (as approved by the Eskom Board of Directors and updated from time to time) sets the financial and commercial parameters for decision-making, approvals and consents across Eskom. All purchases, and/or leasing of assets, goods or services and disposals are to be authorised and approved strictly in accordance with the DoA.

The latest revisions of Eskom's Conflict of Interest Policy, the Eskom Code of Ethics (The Way – Standard), and the Eskom Lifesaving Rules are applicable to all P&SCM related activities, with a zero-tolerance approach to unethical and unsafe practices.

The development of the Approved Procurement Framework is based on the Normative and Informative References listed below. The specific processes and operational aspects of the P&SCM environment are set out in detail for use by Eskom within the latest revision of the Procurement and Supply Chain Management Procedure (32-1034) and the applicable Process Control Manuals (PCMs).

2.2 Policy Principles

P&SCM will execute its mandate in accordance with the following policy principles, through implementation of the required governance and organisation structures, capabilities, processes and procedures necessary to:

1. align P&SCM operations with the strategic objectives contained in the Eskom Corporate Plan;
2. support the relevant objectives of government, as the shareholder, to provide stable and sustainable electricity supply, whilst meeting its developmental and social mandate supporting socio-economic development, ensuring regulatory compliance and commercial viability. This will be done through implementation and monitoring of Supplier Development and Localisation initiatives (e.g. B-BBEE, New Growth Path and CSDP) and targets;
3. comply with all applicable normative legislative, regulatory and policy frameworks and align with the applicable National Treasury instructions, practice notes and guidelines through actively engaging with National Treasury to influence and coordinate the development and timely implementation of applicable P&SCM related instructions and practice notes;

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4. establish appropriate delegations of authority, segregation of duties and internal controls aligned to the Eskom DoA Policy (240-62072907);
5. establish appropriate P&SCM capabilities, procedures and processes;
6. ensure the standardisation, simplification and operation of systems, procedures and processes, performance measurement and management across P&SCM operations;
7. provide a platform for effective and efficient P&SCM performance to ensure the right products and services, that fully satisfy customer requirements and expectations, will be provided at the right time to avoid production interruptions;
8. act as a customer-centric function for its stakeholders, providing strategic inputs to budget planning, effective supplier management, measuring and continuously improving stakeholder satisfaction and to enable Eskom to implement accepted best in class P&SCM capabilities (refer to 2.3 Core Capabilities);
9. implement appropriate probity auditing and adjudication to ensure accountability, transparency and integrity and to establish effective and efficient quality assurance processes throughout P&SCM and in particular, for the creation, review and approval of commercial documents;
10. ensure a clear line of sight over external spend (including by subsidiaries) within P&SCM processes, to provide required visibility and audit trails;
11. promote and maintain good corporate governance through a procurement and contract lifecycle management system for products and services;
12. implement ethical business practices to prevent and combat corrupt activities, fruitless and wasteful and, irregular expenditure;
13. ensure value for money when procuring assets, goods and services. This entails achieving continuous improvement as measured through savings and TCO (Total Cost of Ownership) reduction whilst reducing process cycle time and costs;
14. provide appropriate structured and on-the-job training and accreditation for the P&SCM personnel, members and secretariats of the Tender (Bid) Committees and End-users, to enable P&SCM to deliver on its mandate.

2.3 Core Capabilities

P&SCM is accountable and responsible for the effective planning, organisation, leadership, management and control of the following P&SCM capabilities within Eskom:

1. Demand Management (Needs Analysis and Demand Forecasting);
2. Acquisition Management (Procurement);
3. Logistics Management (Inventory and Warehouse);
4. Supplier Management;

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5. Disposal Management (Investment Recovery);
6. Supply Chain Performance (Enabling Capabilities).

P&SCM Value Chain Model

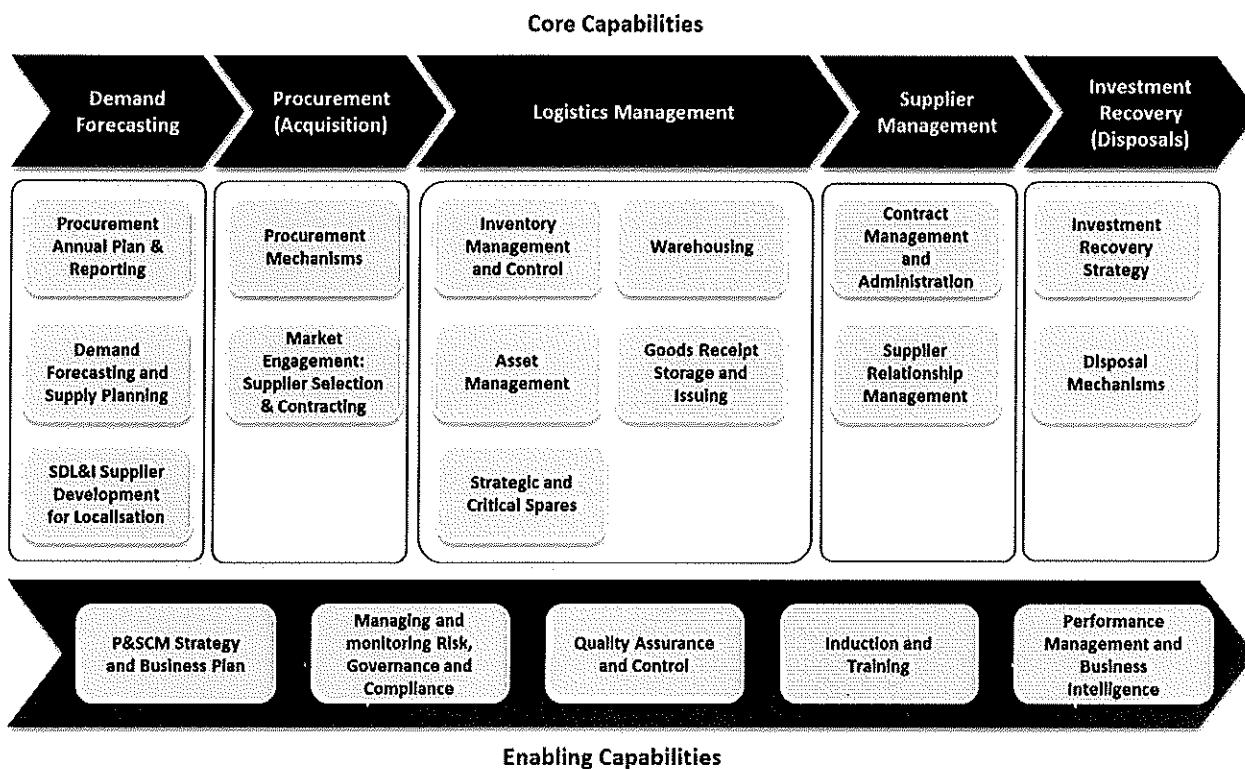


Figure 1: P&SCM Value Chain Model

3. Supporting Clauses

N/A

3.1 Scope

The scope of this Policy is to establish the governance framework and principles to enable and ensure effective governance, legal compliance, strategic alignment, standardisation of procedures and processes, and consistency in decision-making, by all role-players involved in managing and executing procurement and supply chain operations activities within Eskom.

3.1.1 Purpose

The purpose of this Policy, which forms part of the Legal Procurement Framework, is to ensure that the processes followed are legally, commercially, financially and technically sound and which in addition, supports the Constitutional principles of fairness, equitability, transparency, competitiveness and cost-efficiency.

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3.1.2 Applicability

This Policy applies throughout Eskom Holdings SOC Limited, its Divisions, wholly-owned subsidiaries and entities within South Africa wherein Eskom has a controlling interest, operating in terms of South African law.

3.1.3 Effective date

Date of last signature on the Procurement and Supply Chain Management Procedure (32-1034) (Rev 4) and the Procurement and Supply Chain Management Policy (32-1033).

3.2 Normative/Informative References

Parties using this document shall apply the most recent edition of the documents listed in the following paragraphs:

3.2.1 Normative

1. The Constitution of the Republic of South Africa Act 108 of 1996;
2. Public Finance Management Act 1 of 1999;
3. The Preferential Procurement Policy Framework Act 5 of 2000;
4. 240-62072907 The Eskom Delegation of Authority Policy;
5. The Broad-Based Black Economic Empowerment Act 53 of 2003, including the Broad-Based Black Economic Empowerment Regulations, 2016;
6. Preferential Procurement Regulations 2017;
7. National Treasury Regulations (to the extent as indicated in the regulations);
8. National Treasury Standard for Infrastructure Procurement and Delivery Management (SIPDM);
9. National Treasury Instruction Notes and Guidelines;
10. National Treasury Regulations (Contract Management Framework);
11. Promotion of Access to Information Act 2 of 2000 (PAIA);
12. The Protection of Personal Information Act 4, 2013 (POPIA);
13. The Electronic Communications and Transactions Act, 2002 (ECTA);
14. The Companies Act, 2008 and including the Companies Regulations, 2011;

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15. 32-1033 Eskom Procurement and Supply Chain Management Policy;
16. 32-173 Conflict of Interest Policy;
17. 32-527 The Eskom Code of Ethics Standard;
18. 32-1112 Eskom Disciplinary Code Standard;
19. 240-62196227 The Eskom Life Saving Rules;
20. 32-727 Safety, Health, Environment and Quality (SHE) Policy;
21. 32-136 Construction Safety, Health and Environmental Management Procedure;
22. 32-726 SHE Requirements for Eskom Commercial Process;
23. 240-105658000 Supplier Quality Management Specification (QM58);
24. 32-202 Periods for Retention of Accounting and Other Records;
25. 32-10954 Foreign Exchange and Commodity Exposures Policy;
26. 32-1096 Foreign Exchange and Commodity Procedure for Importation and Exportation of Goods and Services;
27. 240-81328492 Eskom Value Standardisation and Cataloguing Procedure;
28. 240- 82441069 Materials and Services Cataloguing Procedure;
29. 240-45657083 PCM for Manage Material Master Records;
30. 32-644 Eskom Documentation Management Standard;
31. 240-51017584 Group Commercial Documentation Management Procedure;
32. 240-20167556 Execution of Probity Checks within the Procurement and Supply Chain Environment;
33. 240-116154037 Eskom Policy for Infrastructure Procurement and Delivery Management (PIPDM);
34. Prevention and Combating of Corrupt Activities Act 12 of 2004;
35. 32-224 Eskom Interconnected Power System Emergency Response Procedure;
36. National Treasury Instruction Number 02 of 2016/2017: Cost Containment Measures;
37. Consumer Protection Act 68 of 2008.

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3.2.2 Informative

1. 240-53717262 Governance Secretariat Management Procedure;
2. 240-53717264 Tender Office Standard;
3. Eskom's Integrity Pact with Suppliers;
4. ISO 9001 Quality Management Systems;
5. ISO 10845-1:2010 – Construction Procurement;
6. ISO 8000-110:2009 Data quality -- Part 110: Master data: Exchange of characteristic data;
7. ISO 22745-11:2010 Industrial automation systems and integration -- Open technical dictionaries and their application to master data;
8. ISO 14001 (Environment);
9. OHSAS 18001 (Health & Safety) Standard;
10. Eskom Contract Management Framework;
11. B-BBEE Codes of Good Practice of 2013;
12. National Treasury Regulations (to the extent as indicated in the regulations);
13. General Procurement Guidelines (National Treasury, 2003:1-8);
14. National Treasury Regulations (Contract Management Guide);
15. The Construction Industry Development Board Act 38 of 2000;
16. Construction Industry Development Board Regulations and Standard for Uniformity;
17. Promotion of Administrative Justice Act 3 of 2000 (PAJA);
18. King III & IV Report on Corporate Governance;
19. Eskom Materiality and Significance Framework;
20. 240- 82441069 Materials and Services Cataloguing Procedure 20 March 2018 Rev 4;
21. Eskom Corporate Plan;
22. 240-124481999 Group Procurement and Supply Chain Management Business Plan;
23. 240-52381465 Group Commercial Management System Manual;
24. 32-1111 Eskom Disciplinary Procedure;

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25. 240-113650212 Eskom Integrity Pact

3.3 Definitions

Table 1: Definitions

Definition	Explanation
Accreditation	The process of officially recognising and certifying someone as having completed and satisfactorily passed an approved formal structured course of training, qualifying them competent to perform particular work processes or activities.
Approved Procurement Framework	Refers to the approved Eskom Delegation of Authority Policy (240-62072907); this Policy (32-1033); the Procurement and Supply Chain Management Procedure (32-1034); Process Control Manuals (PCMs); Standards and Work Instructions governing the procure-to-pay processes within Eskom; authorised Position Papers and Procurement Instructions, and any other mandatory legislative and policy framework that governs and has a direct impact on P&SCM operations.
Capabilities	Core capabilities define what P&SCM must be able to perform to successfully achieve the outcomes that deliver value to its customers. Enabling capabilities are comprised of the capacity to support P&SCM to achieve the desired outcomes from and the management of the core capabilities.
Eskom Subsidiaries	Eskom Holdings SOC Ltd is the main operating company. The Eskom group comprises the operating company and its wholly-owned subsidiaries.
Procurement and Supply Chain Management	Procurement and supply chain management is the business management function that ensures identification, sourcing, access and management of the external resources that an organisation needs or may need to fulfil its strategic objectives. Procurement and supply management involves buying or leasing or disposing the goods and services that enable an organisation to operate in a profitable and ethical manner.

3.4 Abbreviations

Table 2: Abbreviations

Abbreviation	Explanation
B-BBEE	Broad-Based Black Economic Empowerment
CPO	Chief Procurement Officer
CSDP	Competitive Supplier Development Programme
DFI	Development Funding Institutions
DoA	Delegation of Authority
ISO	International Organization for Standardisation
OHSAS	Occupational Health and Safety Assessment Series
P&SCM	Procurement and Supply Chain Management
PCM	Process Control Manual
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
RG&C	Risk, Governance and Compliance
SHE	Safety, Health and Environment

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Abbreviation	Explanation
SOC	State Owned Company
TCO	Total Cost of Ownership

3.5 Roles and Responsibilities

3.5.1 Chief Procurement Officer (CPO)

The executive appointed to lead and manage P&SCM within Eskom. The CPO will ensure the Procurement and Supply Chain Management Policy (32-1033) and the Procurement and Supply Chain Management Procedure (32-1034) are put into effect and maintained.

3.5.2 Risk, Governance and Compliance Department (RG&C)

RG&C is responsible for the policy and procedure, transactional advice, tender offices, Tender Committees up to and including DTC, compliance and identifying business risks relating to procurement within Eskom. RG&C is responsible for induction of P&SCM employees and Tender Committees and Teams on the 32-1033 Policy and 32-1034 Procedure.

3.6 Process for Monitoring

The RG&C Department within P&SCM is responsible for implementation of effective internal controls and measures to ensure compliance with the Approved P&SCM Policy (32-1033) and Procedure (32-1034). RG&C will facilitate investigations into non-compliance.

The Internal Audit Function within Assurance and Forensics will conduct regular audits of the P&SCM processes to ensure compliance with this Policy.

Employees acting in contravention of the Approved P&SCM Policy (32-1033) and Procedure (32-1034) may be subject to disciplinary action based on the PFMA and Eskom's Disciplinary Code.

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4. Authorisation

This document has been circulated to, seen and accepted by:

Table 3: Authorisations

Name	Designation
MS Tshitangano	CPO
PG Le Roux	General Manager: P&SCM Strategy & Excellence
T Sebola	Acting General Manager: Procurement
A Mammes	Senior Manager P&SCM Business Partner Tx
N Mbiyo	Senior Manager P&SCM Business Partner Dx & CS
M Mathabathe	Senior Manager P&SCM Business Partner SSF
S Prince	Senior Manager ERI
R Venter	Senior Manager ERI
M Lekoto	Senior Manager: Generation
B Naidoo	Acting Senior Manager: Infrastructure
E Thuntsane	Senior Manager: Professional & General Services
J Sankar	Senior Manager: Contracts Management
P Esterhuyzen	Senior Manager: Procurement COE
N Mokoatle	Senior Manager: SD & L
H Langenhoven	Corporate Specialist: Supplier Management
B Changfoot	Senior Manager: Warehousing, Logistics & Materials Management
CD Hendricks	Senior Manager: Integrated P&SCM Planning

5. Revisions

Table 4: Revisions

Date	Rev.	Remarks
October 2010	0	Back 2 Basics Programme (As-Is Phase).
April 2011	1	Revised to align to Back2Basics (To Be Process)
April 2014	2	Revised to align with revised Delegations of Authority, PPPFA application and revised supplier reconsideration processes
June 2017	3	Revised to include legislative requirements and business needs
June 2019	4	Reviewed and revised for Shareholder assurance

6. Development Team

The following people were involved in the development of this document:

RG&C section.

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7. Acknowledgements

- 7.1 P&SCM and Procurement Practitioners who participated in workshops and provided survey feedback for their valuable input; and
- 7.2 Eskom Executive Management.

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