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Compiled by	Supported By	Functional Responsibility	Authorised by
			
P. Mbele	M. Bowes	J. Sankar	C. Cassim
Middle Manager: Risk Governance and Compliance	Senior Manager: Risk Governance and Compliance	Chief Procurement Officer	Group Chief Executive (Acting)
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1. Introduction

The Eskom Procurement and Supply Chain Management Policy (32-1033) 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 paragraph 3.2.1 Normative References.

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

- is customer-centric through a centre-led model.
- is a strong foundation for good governance.
- has a monitoring and reporting function that will make P&SCM a worthy and preferred advisor to the business units it serves.
- enables and supports Eskom's Corporate Plan and Strategy.
- is technology-enabled with a strong focus on process and consequence management; and
- positions itself to serve as an incubator for procurement and supply chain management talent in Eskom.

The P&SCM mandate is to manage the procurement and supply chain management function optimally, cost effectively, safely, and in compliance with the regulatory and legislative framework, and in particular to:

- have a clear line-of-sight over all external spend, including Eskom's wholly owned subsidiaries.
- enable Eskom to achieve best in class capabilities.
- provide an appropriate platform for effective and efficient performance; and
- ensure that the right product or service is delivered at the right time and without interruptions to operations.

2. Policy Content

2.1 Legislative Framework

Eskom is an "organ of state" as envisaged in the Constitution of the Republic of South Africa, 1996 (the Constitution).

Eskom is required by Section 217 of the Constitution to procure goods and services in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

The Public Finance Management Act 1 of 1999 requires Eskom to create and maintain a procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

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The Preferential Procurement Policy Framework Act 5 of 2000 (the PPPFA) and its Regulations give effect to s 217(3) of the Constitution by prescribing the legislative and regulatory framework within which organs of state must implement a preferential procurement policy developed by an organ of state in accordance with s 217(2) of the Constitution.

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. In addition, the Broad-Based Black Economic Empowerment Act 53 of 2003 requires Eskom to apply the relevant Codes of Good Practice in developing and implementing a preferential procurement policy.

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

Eskom's Delegation of Authority (DoA) Policy (as approved by the Eskom Board of Directors from time to time) sets the financial and commercial parameters for decision-making, approvals and consents across Eskom. All acquisitions of goods, works and services and disposals and leasing of assets must be authorised and approved strictly in accordance with the most recent DoA.

Eskom's Conflict of Interest Policy, Code of Ethics (The Way – Standard), and the 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 principles by implementing 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 Eskom's Shareholder to provide stable and sustainable electricity supply whilst meeting its developmental and social mandate to support socio-economic development, ensuring regulatory compliance, and ensuring commercial viability. This will be done through implementation and monitoring of various Supplier Development and Localisation initiatives, including, but not limited to: B-BBEE, National Industrial Participation Programme (NIPP), and Shareholder's Compact targets.
3. comply with all applicable legislative, regulatory, policy and normative frameworks.
4. align with P&SCM Instruction Notes, and guidelines/ Instruction Notes issued by National Treasury by actively engaging with National Treasury to influence and coordinate its development and timely implementation.
5. establish appropriate delegations of authority, segregation of duties and internal controls aligned to the Eskom DoA.
6. establish appropriate P&SCM capabilities, procedures, and processes.
7. ensure the standardisation, simplification and operation of systems, procedures and processes, performance measurement and management across P&SCM operations.

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8. 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.
9. 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).
10. implement appropriate probity and adjudication to ensure accountability, transparency, and integrity and to establish effective and efficient quality assurance processes throughout P&SCM, particularly for the creation, review and approval of commercial documents.
11. ensure a clear line of sight over external spend (including by subsidiaries) within P&SCM processes, to provide required visibility and audit trails.
12. promote and maintain good corporate governance through a procurement and contract lifecycle management system for products and services.
13. implement ethical business practices to prevent and combat corrupt activities, fruitless and wasteful expenditure, and irregular expenditure.
14. ensure value for money when procuring assets, goods, works 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.
15. provide appropriate structured and on-the-job training for PSCM personnel, appropriate training and accreditation for DAAs, and induction/awareness training when the PSCM Policy/Procedure is revised to enable P&SCM to deliver on its mandate.

2.3 Core Capabilities

P&SCM strives to enable Eskom to achieve best-in-class capabilities in the areas of data management, planning, procurement, inventory management, warehousing and logistics, supplier management and development, and contract lifecycle management.

The following processes are associated with the core P&SCM capabilities: -

- Demand Forecasting
- Procurement (Acquisition)
- Logistics Management and Master Data Management
- Supplier Management; and
- Investment Recovery (Disposals).

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This is illustrated in the P&SCM Value Chain Model below:

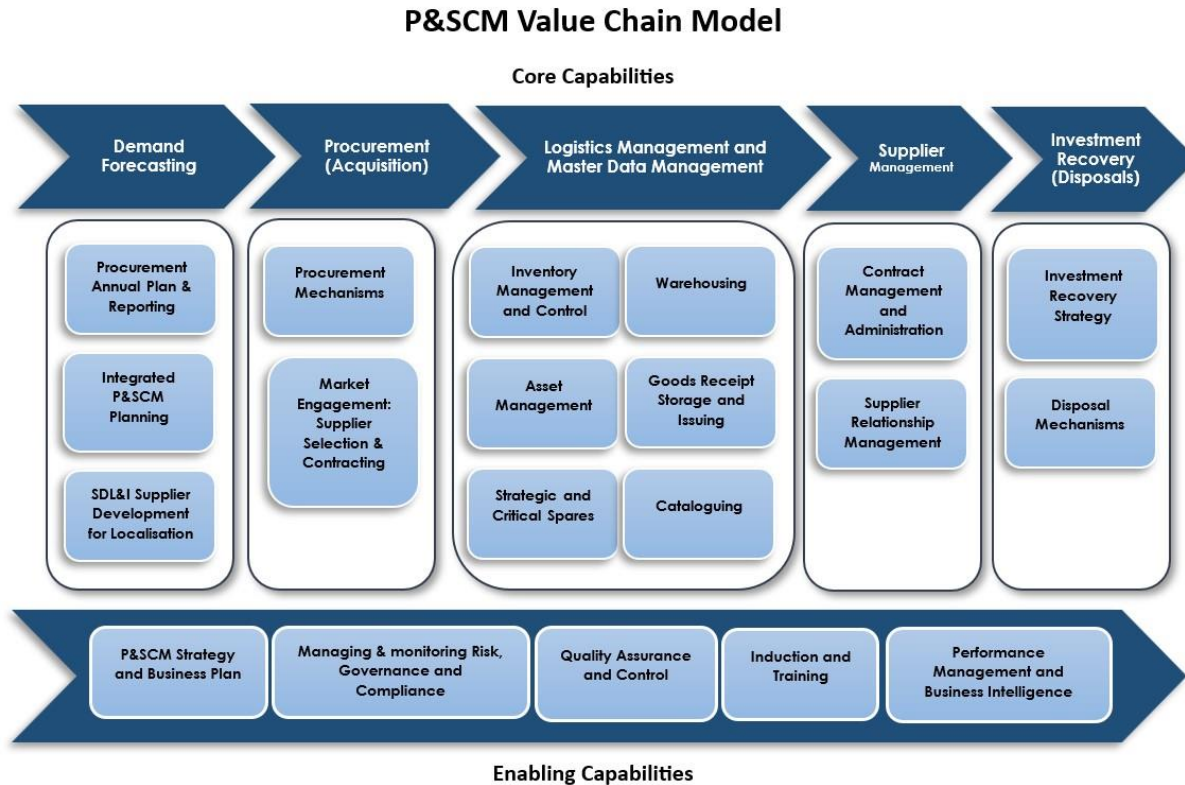


Figure 1: P&SCM Value Chain Model

3. Supporting Clauses

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 Procurement Framework, is to ensure that the processes followed are legally, commercially, financially, and technically sound and that they support the Constitutional principles of fairness, equitability, transparency, competitiveness, and cost-effectiveness.

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3.1.2 Applicability

This Policy applies to Eskom Holdings SOC Limited, its divisions, its wholly owned subsidiaries, and other entities within South Africa wherein Eskom has a controlling interest, and which operate in terms of South African law. Previous versions of this Policy were also applicable to Eskom's wholly owned subsidiaries. However, given that they are separate juristic persons, this Policy only applies to Eskom's wholly owned subsidiaries once they have resolved to adopt it.

3.1.3 Effective date

1 February 2024.

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. ISO 9001 Quality Management Systems
2. The Constitution of the Republic of South Africa, 1996
3. The Public Finance Management Act 1 of 1999 and its Regulations (to the extent indicated in the Regulations)
4. The Preferential Procurement Policy Framework Act 5 of 2000 and its Regulations
5. The Eskom Delegation of Authority
6. The Broad-Based Black Economic Empowerment Act 53 of 2003 as amended by the Broad-Based Black Economic Empowerment Amendment Act 46 of 2013, its Regulations and Codes of Good Practice issued under the Act
7. National Treasury's Framework for Infrastructure Delivery and Procurement Management (FIDPM)
8. National Treasury Instruction Notes and Guidelines
9. National Treasury Regulations (Contract Management Framework)
10. The Promotion of Access to Information Act 2 of 2000 (PAIA)
11. The Protection of Personal Information Act 4 of 2013 (POPIA);
12. The Electronic Communications and Transactions Act 25 of 2002 (ECTA)
13. The Companies Act 71 of 2008 and its Regulations
14. 32-173 Eskom's Conflict of Interest Policy
15. 32-527 The Eskom Code of Ethics Standard
16. 32-1112 Eskom Disciplinary Code Standard
17. 240-62196227 The Eskom Life Saving Rules
18. 32-727 Safety, Health, Environment and Quality (SHE) Policy
19. 32-136 Construction Safety, Health and Environmental Management Procedure

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20. 32-726 SHE Requirements for Eskom Commercial Process
21. 240-105658000 Supplier Quality Management Specification (QM58)
22. 32-202 Periods for Retention of Accounting and Other Records
23. 32-10954 Foreign Exchange and Commodity Exposures Policy
24. 32-1096 Foreign Exchange and Commodity Procedure for Importation and Exportation of Goods and Services
25. 240-81328492 Eskom Value Standardisation and Cataloguing Procedure
26. 240- 82441069 Materials and Services Cataloguing Procedure
27. 32-644 Eskom Documentation Management Standard
28. 240-51017584 Group Commercial Documentation Management Procedure
29. 240-20167556 Execution of Probity Checks within the Procurement and Supply Chain Environment
30. Prevention and Combating of Corrupt Activities Act 12 of 2004
31. 32-224 Eskom Interconnected Power System Emergency Response Procedure
32. Consumer Protection Act 68 of 2008

3.2.2 Informative

1. 240-53717262 Governance Secretariat Management Procedure
2. 240-53717264 Tender Office Standard
3. ISO 9001 Quality Management Systems
4. ISO 10845-1:2010 – Construction Procurement
5. ISO 8000-110:2009 Data quality -- Part 110: Master data: Exchange of characteristic data
6. ISO 22745-11:2010 Industrial automation systems and integration -- Open technical dictionaries and their application to master data
7. ISO 14001 (Environment)
8. OHSAS 18001 (Health & Safety) Standard
9. Eskom Contract Management Framework
10. The Construction Industry Development Board Act 38 of 2000
11. Construction Industry Development Board Regulations and Standard for Uniformity
12. Promotion of Administrative Justice Act 3 of 2000 (PAJA)
13. King III & IV Report on Corporate Governance
14. Eskom Materiality and Significance Framework
15. Eskom Corporate Plan
16. 240-124481999 Group Procurement and Supply Chain Management Business Plan
17. 32-1111 Eskom Disciplinary Procedure
18. 240-113650212 Eskom Integrity Pact

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3.3 Definitions

Table 1: Definitions

Definition	Explanation
Accreditation	Written and official recognition or certification by Eskom or the responsible authority that a natural or juristic person qualifies to perform a particular work process or activity.
Approved Procurement Framework	Refers to the approved Eskom Delegation of Authority Policy; this Policy; the Procurement and Supply Chain Management Procedure; 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 comprise the capacity to support P&SCM to achieve the desired outcomes from and the management of the core capabilities.
Eskom wholly owned 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	P&SCM 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
DAA	Delegated Adjudication Authority
DoA	Delegation of Authority
ISO	International Organization for Standardisation
NIPP	National Industrial Participation Programme
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
SOC	State Owned Company
TCO	Total Cost of Ownership

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3.5 Roles and Responsibilities

3.5.1 Chief Procurement Officer (CPO)

The CPO is the executive appointed to lead and manage P&SCM within Eskom. The CPO will ensure that this Policy and the Procurement and Supply Chain Management Procedure are put into effect and maintained.

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

RG&C is responsible for the drafting, review and revision of this Policy and the Procurement and Supply Chain Management 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 also responsible for the training of P&SCM employees, and respective Delegated Adjudication Authorities (DAAs) with respect to this Policy and the Procurement and Supply Chain Management Procedure.

3.6 Monitoring

Monitoring and evaluation of procurement for compliance with relevant legislation and ethical standards are fundamental to ensuring the integrity of commercial transactions entered into by Eskom.

P&SCM has established defined processes to ensure that all commercial transactions in Eskom are managed, controlled, monitored and executed in accordance with the applicable legislation and internal policies, procedures and controls.

Employees acting in contravention of this Policy and the Procurement and Supply Chain Management Procedure will be subjected to consequence management; which may include disciplinary action as per the PFMA and Eskom's Disciplinary Code.

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4. Authorisation

Relevant stakeholders were consulted.

5. Revisions

Table 3: Revisions

Date	Rev.	Remarks
October 2023	5	Reviewed and revised to align with relevant legislative prescripts and improve business operations
June 2019	4	Reviewed and revised for Shareholder assurance
June 2017	3	Revised to include legislative requirements and business needs
April 2014	2	Revised to align with revised Delegations of Authority, PPPFA application and revised supplier reconsideration processes
April 2011	1	Revised to align to Back2Basics (To Be Process)
October 2010	0	Back 2 Basics Programme (As-Is Phase)

6. Development Team

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

RG&C Policy Team

7. Acknowledgements

7.1 Relevant Stakeholders.

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