 Eskom	Policy	
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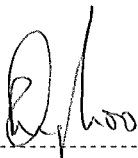
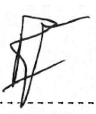
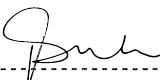

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1. Introduction

Eskom Holdings SOC Limited, ("Eskom") has experienced significant operational and financial challenges, resulting in a need for financial assistance from Government. As part of its turnaround, in order to optimise its working capital cycle, Eskom is embarking on a process of extending its existing payment terms as set out in the Standard Supplier Payment Term Policy.

The Public Finance Management Act 1 of 1999 ("PFMA") has categorised Eskom to be a Schedule 2 entity. Section 76(4) of the PFMA enables the National Treasury to issue regulations or instructions applicable to all institutions and Eskom has accordingly, consulted and obtained necessary authorisation in establishing this Policy.

2. Scope

The Policy aims to provide an appropriate framework within which Eskom officials can apply the Standard Supplier Payment Term Policy. The purpose of this Policy is to ensure that the application of revised payment terms is executed in accordance with necessary legal, financial and approval prescripts as required for a Schedule 2 entity in terms of the Public Finance Management Act 1 of 1999 and that the payment terms are applied uniformly in Eskom.

3. Applicability

This Policy shall apply throughout the Eskom Group and will apply to all functions managing and executing procurement and supply chain management services within Eskom. This includes those functions that are required to procure goods, works and or services or that are required to authorise or manage contracts between Eskom and suppliers of products or services. This Policy shall apply to Eskom Divisions and wholly-owned subsidiaries.

4. Effective date

Date of last signature.

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5. Revision

This Procedure will be subject to amendments from time to time authorised by the CPO or CFO through a formal revision to this Procedure, to align with changes in legislation, business strategy, policy, industry trends, recognised good practice, as well as any other considerations required to maintain the efficiency and integrity of the financial operations and procurement and supply chain management operations of the organisation.

6. Normative/Informative References

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

6.1 Normative

The Constitution of the Republic of South Africa

Public Finance Management Act 1 of 1999

Preferential Procurement Policy Framework Act 5 of 2000

ISO 9001 Quality Management Systems

32-1034 Procurement and Supply Chain Management Procedure

6.2 Informative

240-62072907 Eskom Delegation of Authority Policy

32-1033 Procurement and Supply Chain Management Policy

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7. Definitions

Term	Definition
Approved Procurement Framework	Refers to the approved Eskom Delegation of Authority Policy (240-62072907); Eskom's Procurement and Supply Chain Management Policy (32-1033); this Procedure (32-1034); approved internal Process Control Manuals (PCMs); Standards and Work Instructions governing the procurement process within Eskom; authorised Guidelines, Position Papers and Procurement Instructions, and any other mandatory legislative and policy framework that governs and has a direct impact on Eskom's P&SCM operations.
Delegated Approval Authority	Refers to a delegation of authority to a specific body or person/s assigned to perform a task in accordance with the Eskom Delegation of Authority Policy.
Official	Eskom employee
Threshold	Threshold as determined by the CFO having due regard to enterprise development.
Primary Energy Suppliers	Suppliers of coal, fuel oil and water

8. Abbreviations

Abbreviation	Explanation
CFO	Chief Financial Officer
CPO	Chief Procurement Officer
DE	Divisional Executive of Subsidiary
Eskom	Eskom Holdings SOC Limited and subsidiaries
IPP	Independent Power Producers
NERSA	National Energy Regular of South Africa
P&SCM	Procurement and Supply Chain Management
RG&C	Risk, Governance and Compliance
SDL&I	Supplier Development, Localisation and Industrialisation
SOC	State Owned Company

9. Roles and Responsibilities

9.1 Chief Procurement Officer (CPO)

The official appointed to lead and manage this Policy within Eskom. The CPO shall ensure that this Policy is implemented and that appropriate monitoring and compliance mechanisms are put in place.

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9.2 Chief Financial Officer (CFO)

The CFO or his delegate may approve payment terms falling outside the ambit of this policy.

10. Policy Content**10.1 Policy Statement**

The aim of this policy is to ensure that payment terms within Eskom are standardised and implemented uniformly and that officials obtain necessary approvals for deviations from this Policy.

Every endeavour has been made to make this business rule effective in contributing to an enhanced financial position for the organisation, however it is envisaged that amendments and business enhancements may become necessary in the course of implementing this Policy. Accordingly, this Policy shall be adapted as deemed fit by the appropriate authority within the organisation by way of issuing an Instruction Note to accommodate amendments or business enhancements, as necessary.

10.2 Payment Terms

As from the date of signature, Eskom shall adopt the Standard Supplier Payment Terms as set out below.

10.3 Sixty (60) Day Payment Term

A payment term of 60 days from receipt of invoice shall be applicable to projects where the threshold as determined by the CFO is met having due regard to enterprise development.

10.4 Tender Evaluation

For tender evaluation purposes tender prices will be adjusted to a 60 day from invoice equivalent pricing using Eskom's average cost of funding as disclosed in its most recent financial statements, which in the financial statements for the year ending 31 March 2020 amounted to 9.8%.

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10.5 General Provisions

- 10.5.1 The relevant standard supplier payment term shall apply to all contracts issued to market from the date of last signature of this Policy.
- 10.5.2 A tender issued after the date of signature of this Policy should include a condition in the tender document stipulating the standard supplier payment term.
- 10.5.3 Deviation from the Standard Supplier Payment Term Policy can only take place with the written approval of the CFO or his delegate. Approved deviations from this Policy must be documented and stored for audit and monitoring purposes.
- 10.5.4 Where the goods received date is after the invoice receipt date, the standard supplier payment term will be with reference to the goods received date.
- 10.5.5 Suppliers may not use the payment terms contained in this policy or the signed contract, to mitigate performance management events or any other risk that may arise when executing any work performed as a result of concluding a contract with Eskom. Suppliers are advised to make necessary provision for changes to cash flow caused by extended payment terms as concluded in the contract.
- 10.5.6 The payment term contained in a contract concluded retrospectively to the approval date of this Policy may be renegotiated to comply with this Policy by mutual agreement between the parties.

11. Process for Monitoring

Internal audit will conduct an annual assessment of compliance with the Standard Payment Terms Policy.

12. Authorization

This document has been seen by:

EXCO

13. Revisions

Date	Rev.	Remarks
12 August 2021	Revision 1	

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14. Development Team

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