

Commercial Directorate

Conduct of Operations Manual



Section	Title	Page
1	Introduction	2
2	The Commercial Directorate	2
2.1	Our supply chain engagement strategy	2
2.2	Commercial's procurement philosophy	3
2.3	Supplier relationships	3
2.4	Our legislative environment	3
2.5	Vision	4
2.6	Mission	4
2.7	Policies	4
2.8	Code of Ethics	4
2.9	Training and development of staff	4
2.10	Resource and budgetary management	4
2.11	Performance management	4
2.12	Compliance management and assurance	4
2.13	Delegated powers	5
2.14	Organisation	5
2.15	Reporting requirements	6
2.16	Staff meetings	6
2.17	Commercial's Management System components	7
2.18	Supporting activities	7
3	Definitions/Abbreviations	8
4	References	9
5	Amendment Record	10

1 Introduction

The purpose of this manual is to present an outline of the approach and arrangements in place for the provision of externally sourced goods and services for Sellafield - from mission through to policy, principles, strategy, process, organisation and governance. The manual is written within the context of the recent organisational changes arising from projectisation.

In delivering its mission Commercial has to manage relationships with both the supply chain and the Nuclear Decommissioning Authority (NDA) customer. Both sets of relationships exist within an environment regulated by principles of robust corporate governance, legislation and by specific rights and obligations set out in the Management & Operations (M&O) Contract with the NDA. These are complex areas, which can appear at times to hinder the business due to the fact that a number of the processes are mandatory and therefore have potential to cause frustration amongst our clients. In such circumstances it is Commercial's role to work with our

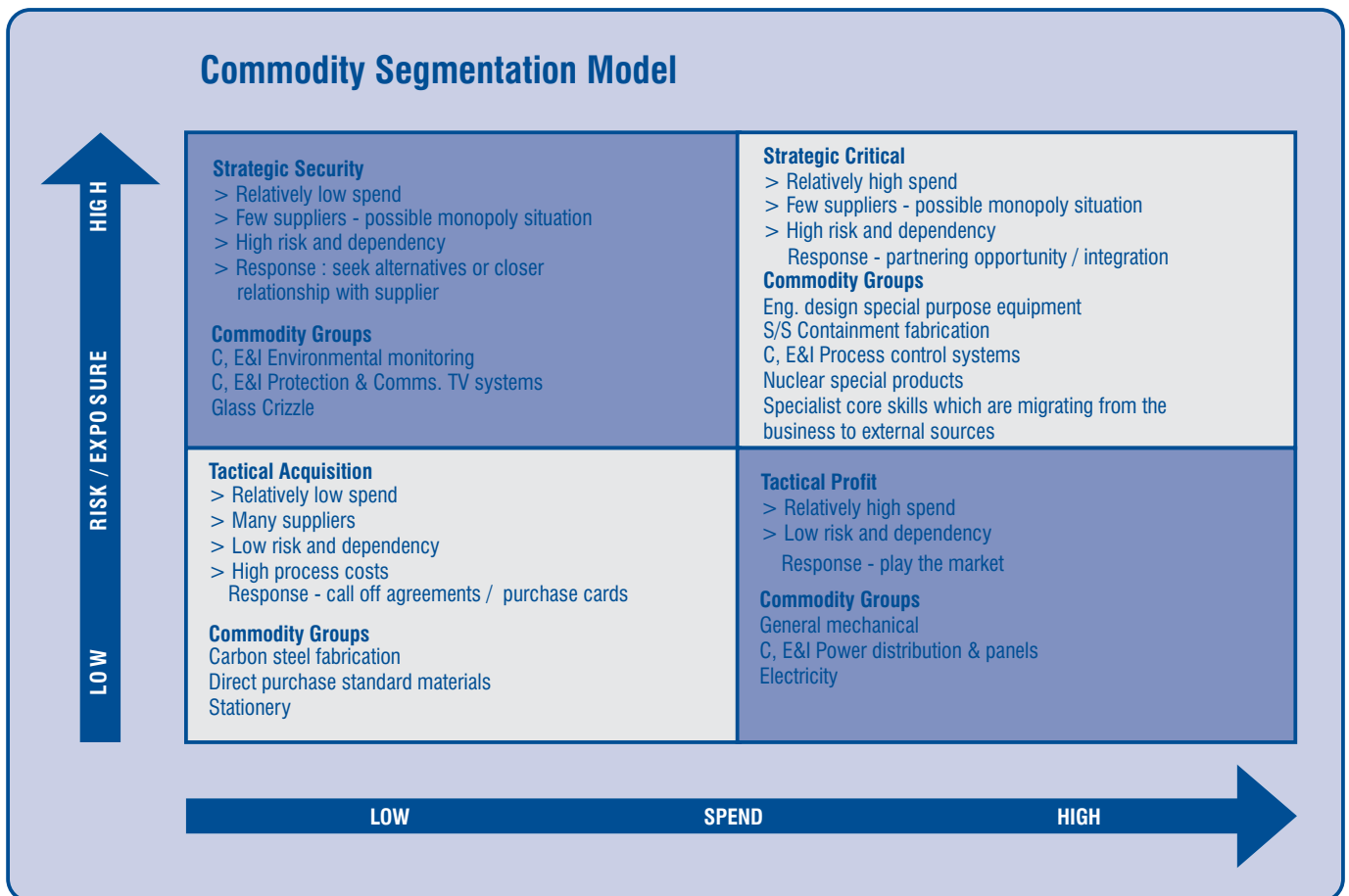
clients, explaining to them what steps are involved in a particular process, why the steps have to be followed and providing commercial guidance as to how best they can be completed.

The importance of early dialogue with Commercial staff on matters relating to the procurement of goods and services cannot be overstated. Clients are encouraged to identify and introduce themselves to the Commercial staff allocated to their respective business area, as early as reasonably practicable. This will assist Commercial in formulating strategies, plans and actions relative to each requirement, in order to best serve the needs of the business.

2 The Commercial Directorate

2.1 Our supply chain engagement strategy

Our supply chain engagement strategy is based upon the four box value and risk commodity segmentation model, as illustrated below.



Applying this model helps us deploy sourcing strategies which best manage business risk and opportunity whilst assisting in the identification of those commodities which are suitable for sourcing direct by our clients using agreements, set up by Commercial for this purpose, and reflected in our philosophy, described below.

2.2 Commercial's procurement philosophy

Commercial maintains a number of efficient, value driving arrangements which facilitate the direct ordering of goods and services from suppliers by clients. Where such arrangements are inappropriate or unsuitable, professional procurement services are available to clients which enable indirect ordering of requirements via Commercial staff. We are continuously looking to expand the range of goods and services which can be ordered direct by those in the business. This approach is underpinned by a framework of specific procurement routes for goods and services, which are summarised below.

Purchase Routes Devolved to Clients:

- Purchase Cards – Used by a small number of authorised employees to purchase ad-hoc requirements and / or specific commodity requirements.
- Catalogue Purchase Orders (POs) – Purchase orders raised in the e-catalogue IT system SAP SRM. These purchase orders are subject to value based approval workflow procedures.
- Demander POs - Purchase orders raised in the SAP R3 system. (Plans are being prepared to transfer these to the e-catalogue environment.) The maximum value of "low value" demander purchase orders is currently £10k.
- Call-Off POs – Purchase orders raised in the SAP R3 system, against specific site-wide service contracts. For example, scaffolding and minor civils contracts. Users of this route are typically attached to service centres on the Sellafield site, such as the FM Help Desk.

Purchase Routes not devolved, i.e. operated by Commercial staff:

- Stock POs – Purchase orders for stock items by procurement staff or the auto-replenishment system in SAP. These are typically triggered by a stock reservation submitted by or on behalf of a client.
- ASW POs – Purchase orders raised by procurement staff for Agency Supplied Workers.
- Standard POs – Purchase orders raised by procurement staff for goods and services not yet devolved to SAP Demanders.

More detailed information on these routes can be found within SLP 1.10.402

2.3 Supplier relationships

To promote good supplier relationships we meet with

suppliers at a number of levels: -

- Supplier forums – held regularly, annually or biannually, depending upon demand, hosted by Sellafield Ltd, providing open opportunities to update the supply chain on our direction as well as current and future business opportunities, learn from experience and receive feedback to help us improve our supply chain working practices.
- Supply Chain Improvement Forum – monthly forum consisting of Tier 2 Contractors providing a venue to learn from experience and assist us in developing our current supply chain working practices.

We also have a presence on a number supplier groups including: -

- NDA National Forum for Tier 3, Tier 4 and Small to Medium sizes Enterprises (SME)
- North West Supply Chain Project
- Supply Chain Working Group
- West Cumbria Business Cluster

2.4 Our legislative environment

Our commercial activities, and in particular those involving our use of the supply chain, are subject to both common and statute law, with the latter tending to have greatest potential to impact on our operations. In terms of recent legislation, the Public Contracts Regulations has had a significant impact upon public procurement, of which our procurement activities are a part, and is based upon principles agreed amongst the European Community member states and enshrined in the Treaty of Rome 1957. These principles are:

- Non-discrimination
- Equal treatment
- Transparency
- Mutual recognition
- Proportionality

Whilst the thresholds above which the regulations apply are currently ~£156K for supplies and services and ~£3.9M for works, the principles continue to apply to procurement activities below these thresholds, on a proportionate basis. There is no point below which discriminatory, unfair or opaque practices can be considered acceptable to the business, our customer, or our stakeholders in the supply chain.

With these as guiding principles, our procurement processes are designed to support regulatory compliance, whilst enabling Commercial Practitioners to take advantage of options available under the regulations, to minimise the effects of compliance upon our business. In order to do this, Commercial needs the support of our Clients in understanding business requirements clearly.

2.5 Vision

Commercial's vision is:

- To be a leading change agent for the business.
- To be a highly qualified and respected professional function, providing recognised expert leadership in all aspects of commercial and contract management.
- To be recognised as a centre of excellence in the development and application of commercial processes and systems.
- To serve as an exemplar for ethical and professional behaviour, seeking fair and equitable treatment for all stakeholders, our clients, the customer, the supply chain and our staff.

2.6 Mission

Commercial's mission is to deliver sustainable commercial solutions to meet or exceed stakeholder requirements:

- Allowing us to maximise value
- Allowing us to maximise fee
- Balancing risk and opportunity
- Working to our values and developing our people

2.7 Policies

The key principles that underpin the mission and which guide our policies are:

- Meet legal requirements
- Comply with health, safety, quality and environmental requirements
- Meet contractual obligations with the NDA
- Meet the agreed requirements of our Clients in the business
- Provide value for money, based upon lifetime cost concept
- Use of the supply chain in a manner which delivers sustainable solutions
- Ensure that all goods and services purchased conform to specified requirements at point of use
- Demonstrate the highest professional ethics, standards and conduct
- Provide effective commercial financial control
- Ensure robust corporate governance

Commercial's Sharepoint intranet site carries more information on these Policies.

2.8 Code of Ethics

Commercial's staff shall demonstrate:

- Personal integrity
- Professional ethics and standards
- Honesty, fairness and courtesy when dealing with colleagues, clients, the customer and the supply chain
- Sound judgement in the interests of the business

We work to the Chartered Institute of Purchasing and Supply ethical standards and will demonstrate probity through the application of robust systems, the competence of our people, sound governance and selective audit of Sellafield Ltd's commercial activities.

2.9 Training and development of staff

All organisational posts within Commercial are defined by reference to a set of formal profiles covering:

- Role
- Responsibilities
- Accountabilities
- Authorities

These are known as Commercial's 'R2A2' documents; they are formally controlled and may not be subjected to local variation.

2.10 Resource and budgetary management

All Commercial staff resources are captured within the Commercial Directorate Lifetime Plan and hence are currently not costed to resource centres in the delivery areas. Commercial is responsible for resourcing commercial activity in the delivery areas and for professional development, in the form of succession planning, rotation and refreshment, and for performance management of its staff, whilst recognising that operational work scopes for its staff will be driven by business area requirements and that local accountability in relation to such work scopes will apply accordingly.

2.11 Performance management

Staff performance management is conducted in accordance with standard company procedures. Work scopes undertaken by Commercial teams are set and prioritised by the relevant business area Director(s) or their nominees to whom they are assigned. Commercial Leads (2.13) are responsible to the business area Director(s) for delivery of that work and for the management of their teams, including assignment of work. Members of the Commercial teams are responsible to the Commercial Leads for delivery of the work assigned to them. Those within the Commercial teams responsible for performance management activities will seek the input of client representatives in formulating performance reviews however client representatives will themselves not be directly involved in the review process.

2.12 Compliance management and assurance

All commercial activities undertaken by and authorised by the Directorate are subject to routine and ad hoc surveillance activities, led by bodies internal and external to the Directorate. These activities and their outputs are authorised and / or reviewed, as appropriate, by the Commercial Governance Committee (see 2.13.10)

Internally led activities take the form of:

- Management oversight activities by Commercial Team Leads/Supervisors
- Systems compliance checking by Procurement Support staff
- Process compliance checking by Procurement Support staff
- Deep dive reviews by Procurement Support staff
- Audits of devolved buying activities

These activities are intended to provide ongoing evidence of compliance as well as identifying improvement(s) and/or development opportunities.

External led activities take the form of:

- Internal (Sellafield Ltd) audits
- External accreditation audits
- Customer audits

The Head of Supply Chain Management is responsible for the coordination of support to such audits with specific reference to:

- Scope
- Timing
- Commercial process and systems support
- Findings review and follow up work

2.13 Delegated powers

All commercial activities are subject to controls set out in the Financial Control Standard (FCS) on Delegated Powers. Certain powers delegated to the Commercial Director, are sub-delegated to staff within Commercial and to devolved buyers and purchase card holders in the business. All such delegations are subject to formal control in accordance with the FCS. In exercising delegated powers, empowered Staff are under strict instruction not to exceed the limits binding them and to robustly resist any pressures which may be brought to bear to do so. Breaching delegated powers is regarded as a matter of business governance and may give rise to disciplinary action against the individual concerned.

2.14 Organisation

2.14.1 General

Commercial Staff are assigned to teams in six Zones, with staff in zones 1 to 5 assigned to meet the supply chain requirements of specific Delivery Directorates or functions. Each of the commercial teams in Zones 1 - 5 is organised, generally as shown above:

Staff in Zone 6 are organised in teams with responsibilities for Sales Contract Management, Procurement Support and Change Management. The scope of activities covered by



each of the Zones' teams is summarised below.

2.14.2 Zone 1 – Operating plants

The Zone 1 Commercial team serves the operational procurement needs of SFM, WEDD and MOX.

2.14.3 Zone 2 – Major projects

The Zone 2 Commercial team serves the requirements of the Major Projects group, including: -

- EVAP D
- HAST
- EPS 3
- MDSW

2.14.4 Zone 3 – Decommissioning

The Zone 3 Commercial team serves the needs of the major decommissioning projects, including: -

- B29
- B30
- B38
- B41
- BEPPS
- CIEF

In addition, this team provides support to Site Remediation, Decommissioning Programmes and Windscale.

2.14.5 Zone 4 – Infrastructure

The Zone 4 Commercial team serves the needs of a number of infrastructure related activities including:

- Analytical services and technology
- Facilities and transport
- Projects
- Maintenance

2.14.6 Zone 5 – Functions

The Zone 5 Commercial team serves the needs of a number of areas including:-

- Information Technology / Finance
- Environment, Health, Safety and Quality
- Technical
- Human Resources / Transformation
- International Nuclear Services Ltd
- Office of the Managing Director, Strategy & Programmes, Stakeholder Relations
- Engineering
- Commercial Directorate

2.14.7 Zone 6 – Business Management

Sales Contract Management

The Zone 6 Sales Contract Management team serves the needs of the business in the managements of its customer contracts with the predominant activities being that in relation to the M&O Contract with the NDA including: -

- NDA interface for M&O Contract
- M&O Contract & Parent Body Agreement (PBA) management
- M&O Contract & PBA compliance
- Commercial management in respect of fee earning and reporting
- Customer Satisfaction Process management
- Third Party Sales Contract management
- Inter-SLC Service Contract management
- Reachback' resource management

Procurement Support and Change Management

The Zone 6 Procurement Support and Change Management team serves the needs of the Directorate in managing a number of cross-zone/business wide activities:

- Supply Chain improvements
- Supply Chain management (including Professional standards, compliance and assurance, Policy, Procedures, Commercial systems, Programme Management, Supply Chain Ombudsman and Cost and Price Analysis)
- Future Contract strategy
- Portfolio Management
- Inventory systems management

2.14.8 Lead Team

Each Commercial Head of Zone in Zones 1 - 5 and the Team Leads in Zone 6 report to the Commercial Director. The Commercial Director and his direct reports constitute the Commercial Lead Team.

2.14.9 Commercial Governance Committee (CGC)

The role of the CGC, chaired by the Commercial Director, is three fold. Firstly, to ensure that SL remains aligned with commercial legislative, regulatory (including Public Contracts Regulations), M&O contract and customer requirements and to set the commercial direction for the Sellafield site.

Secondly, to ensure SL's commercial relationships with both the NDA customer and the supply chain are under sound management control.

Thirdly, to authorise Commercial's governance arrangements for our activities and to monitor and direct action in relation to their outputs.

The CGC is fully aligned to the structure and general aims of other Governance Committees established by the business.

2.14.10 Commercial Capability Forum (CCF)

The role of the CCF, chaired by the Commercial Director, is twofold. Firstly to ensure through the effective, fair, transparent and consistent management of its workforce, that the Commercial Capability has the appropriate leadership, quality and quantity of resources appropriately deployed in a projectised environment, to underpin Sellafield Ltd's business objectives and the Commercial function's mission.

Secondly, to ensure that an up-to-date and relevant Commercial Capability People Plan is in place

2.15 Reporting requirements

The Directorate maintains a standard set of mandatory reporting requirements for the purposes of measuring and reporting commercial activity and performance relative to quality, scope, schedule and cost. This information is required by both functional management and the NDA. These requirements apply to all Commercial teams and are separate to and independent of any local Zone-specific reporting requirements, such as Project Reports. Mandatory requirements are set out in a Reporting Schedule showing the nature and frequency of reports, including links to report templates. Zone Commercial Leads have discretion to require additional reporting from their teams.

2.16 Staff meetings

To promote effective management, knowledge share and communications, the Directorate operates a framework of internal formal meetings. The schedule of such meetings showing attendance, frequency, typical duration and purpose is managed centrally.

2.17 Commercial's Management System components

The Sellafield Ltd's Management System includes relevant Commercial documentation, as follows:

- Commercial Conduct of Operations Manual (this document)
- Commercial Policies (SLCP documents)
- Commercial Practices (SLP documents)
- Commercial Supporting Procedures (SLSP documents)

Additional information which is not core to Sellafield Management System content is held on Commercial's Sharepoint site and includes:

- Commercial Contract Lifecycle Management Procedures and Guidance Notes
- Commercial Forms
- Commercial Mini Guides

All documents are maintained under strict version control.

2.18 Supporting activities

Commercial maintains its core competencies via a number of cross-zone activities:

- Chartered Institute of Purchasing & Supply (CIPS) Corporate Award Training and competency development
- Commercial Forum
- Commercial Systems and Applications support
- Contract Forms Management Team
- New Engineering Contract 3 (NEC3) Users Group
- Policy and process support
- Supply Chain Relationships in Action (SCRIA) Workshops
- P2P Forum

Staff involvement in such activities forms part of their personal development.

CIPS Corporate Award

The Chartered Institute of Purchasing and Supply (CIPS) Corporate Award is a tailored accredited and applied annual training programme that is designed to develop individuals' professional purchasing expertise. It provides the opportunity for individuals to gain CIPS professional qualifications and furthers the interests of the business in developing and maintaining professional standards. The programme is delivered by CIPS appointed tutors on or near to Sellafield's sites in order to save cost whilst making the training readily accessible.

Training and competency development

Commercial maintains the capability to deliver commercial training in a number of formats from classroom style to distance learning Computer Based Training courses. This courseware is designed to provide Commercial

Practitioners with the business specific technical and behavioural competencies relevant to their current roles, as well as supporting the personal development objectives process and is complementary to the CIPS Corporate award programme.

Commercial Forum

The Commercial Forum comprises a number of Procurement Practitioners of mixed skills and experiences whose role includes the critical review and assessment of procedural documentation, improvement opportunity identification and the provision of informal feedback on the operation of the Directorate.

Commercial Systems and Applications Support (CSAS)

The CSAS team resides in Zone 6 and has responsibility for the ongoing maintenance, development, administration and training associated with the commercial systems in use within Sellafield. These systems include:

SAP – Sellafield uses SAP R/3 as its primary Enterprise Resource Planning (ERP) system. Within Commercial, the Materials Management, Inventory Management, Quality Management and Warehouse Management modules are used. In order to increase e-procurement and enable catalogue purchasing, Sellafield has deployed SAP Supplier Relationship Management (SRM), which enables the use of electronic catalogues as part of an integrated purchasing process.

CTM – In order to reduce tender time scales, ensure compliance with EU Public Contracts Regulations and ensure visibility of supply chain opportunities, Sellafield uses the Complete Tender Management system for e-tendering. In addition to Sellafield employees, suppliers also have access to CTM, at no cost. Opportunities are advertised electronically via CTM and, when appropriate OJEU contract notices and awards are published via CTM. After registering, prospective suppliers can submit tenders via the system, which maintains a full record of documents uploaded and messages sent.

C-PROC – A system used track and report on scheduled Procurement Plan activities. This system contains all planned and current procurements that Sellafield has or will place if costs are circa £100,000 or above (£25,000 for IT and £75,000 for sole source purchases), typically covering a 5 year window. It generates monthly and annual reports for the NDA, both of which are contractual requirements.

Contract Forms Management Team (CFMT)

The CFMT is a multi disciplinary unit charged with the upkeep and maintenance of all documents used in our dealings with the supply chain ensuring that they remain in line with relevant legislation, relevant in terms of business operations and reflective of best practice.

NEC3 Users Group (NUG)

The NUG is a cross functional group, led by Commercial, with representation from Legal, Project Management, Cost & Price Analysis, Engineering Design and Capability Group and the Supply Chain Improvements team and which has as its objective the identification and sharing of good practice in all aspects of the management of contracts let under NEC 3 terms and conditions of contract.

Policy & Process Support (PPS)

The PPS unit is charged with the upkeep and maintenance of all Commercial Supporting Procedures and associated documents, including training and competency materials.

SCRIA Workshops

To support our aspirations in relation to establishing

mutually beneficial partnering arrangements with the supply chain Commercial maintains a capability to run workshops with key/strategic suppliers aimed at jointly improving overall cost, quality and schedule performance through an improved understanding of our respective businesses.

P2P Forum

The Sellafield P2P Forum seeks to provide an effective communication vehicle that purchasing processes and procedures can be discussed by end users and Commercial on a regular basis. The Forum does this by having representation from key users of the P2P process to resolve issues and develop procedures to ensure there are consistent and efficient commercial processes across the Sellafield Site.

3 Definitions/Abbreviations

Definitions

Term	Meaning
Client(s)	Internal users of our services.
Contracting Officer	Procurement professional responsible for the direction and management of a portfolio of subcontracts.
Devolved purchasing	Purchasing which is carried out by staff outside the Commercial Directorate under authority delegated by the Commercial Director.
e-catalogue	Electronic ordering (by SAP SRM Demander) via a supplier's catalogue (very similar to internet
Framework agreement	A standing arrangement with a vendor allowing for purchase of materials/services as requirements
Goods and services	A term encompassing all types of items procured and includes supplies, services and works (construction, decommissioning and demolition).
Lifetime cost	The total cost of acquisition – covering all relevant costs and revenues associated with the acquisition, ownership and disposal of an asset.
Material Master	A record within SAP that contains the description/specification of an item to be purchased.
Purchase Card	A cashless system intended for the purchase of low risk/low value items.
Purchase Requisition	A record created within SAP which defines requirements from the supply chain and which initiates procurement action.
Real Demander	The person who defines the requirement prior to it being input onto SAP SRM by the SAP SRM Demander.
SAP Reservation	A request to withdraw a stocked item from stores.

Abbreviations

Abbreviation	Meaning
B29	A facility for the storage of irradiated fuel and isotopes from the two Windscale reactors. The B29 Programme consists of a number of projects to retrieve, treat and store the facility contents.
B30	A facility for the storage of first generation Magnox fuel. The B30 Programme consists of a number of projects to retrieve, treat and store the facility contents
B38	A facility for the storage of Magnox swarf. The B38 Programme consists of a number of projects to retrieve, treat and store the facility contents
B41	A solid waste silo storage facility. The B41 Programme consisting of a number of projects to retrieve, treat and store the facility contents.
BEPPS	Box Encapsulation Plant Product Store.
CIEF	Combined Import and Export Facility.
EPS 3	Third encapsulated Product Store.
EVAP D	Evaporator D – A Major Project for the creation of a facility (the fourth such facility) for the conditioning of Highly Active liquid waste generated through fuel processing.
HAST	Highly Active Storage Tanks (for example in B215 at Sellafield).
M&O	Management & Operations (contract).
MDSW	A family of multi-discipline site-wide frameworks
MOX	A facility for the production of Mixed Oxide Fuel [Reactor fuel consisting of a mixture of plutonium and uranium dioxide]
NDA	Nuclear Decommissioning Authority.
PBA	Parent Body Agreement.
SFM	Spent Fuel Management Directorate.
SCRIA	Supply Chain Relationships In Action – A tool for understanding and improving relationships in the supply chain
WEDD	Waste & Effluent Disposition Directorate.

4 References

None

5 Amendment Record

Date of amendment	Section or paragraph amended	Details of amendment
New document created in response to the review of Commercial documentation and integration of documents into the new Sellafield Ltd Management System.		



Sellafield Site

Sellafield, Seascale,
Cumbria CA20 1PG UK
Tel: +44 (0)19467 28333
Fax: +44 (0)19467 28987
www.sellafieldsites.com