

National Express Group PLC UK Purchasing Policy

1. OBJECTIVE OF POLICY

The objective of this policy is to provide UK Operating Companies within the National Express Group PLC with some flexible and practical guidelines for the purchasing of goods and services.

2. THIS DOCUMENT

There are various overlaps between the different parts of this document but the document does split into three main sections –

2.1 The Statutory Section which covers the things that must be done because of law and /or regulation.

2.2. The Good Practice Section which explains the best practice that National Express Group PLC wants UK Operating Companies to follow.

2.3. The Help Section which identifies where UK Operating Companies can find assistance.

3. THE STATUTORY SECTION

This section identifies the main statutory requirements that must be adhered to when purchasing goods and services. These requirements are largely based on law and / or regulation:-

3.1. Safety

Safety is our prime concern when procuring goods and services, as in all other aspects of our operations. The Health and Safety at Work Act 1974 imposes duties upon those procuring and providing goods and services, and we have processes in place to ensure that these duties, together with those imposed by specific Regulations, are complied with.

Further duties apply in respect of our railway operations, and Train Operating Company Railway Safety Cases contain details of the local processes and procedures, which exist to control any risks arising from the procurement of goods and services. Individual company safety managers and purchasing managers are responsible for administering these processes.

3.2. Legislation

Inevitably there is a large amount of legislation and other regulations that can impact on the purchasing process. When involved in the purchasing of goods and services it is particularly important to bear in mind –

- The Railways Act and the role of the Rail Regulator. If required further information is available on either www.sra.gov.uk or www.hmsso.gov.uk
- The Franchise Agreement and, for example, Key Contracts requiring SRA approval. Again further information is available on either www.sra.gov.uk or www.hmsso.gov.uk.

- EU Procurement Legislation – see the separate section below.
- Transfer of Undertaking (Protection of Employment) – the TUPE rules which cover employee's rights in cases of transfer of or termination of an undertaking. Whilst in no way restricted to the likes of cleaning and security contracts these are good examples of where TUPE rules may apply.

3.3. EU Procurement Rules

The Utilities Directives (93/38/EEC and 92/13/EEC) are enacted into UK law by Statutory Instrument. The legislation lays down a strict set of regulation which applies to contract over the threshold values currently at :

Works Projects - 5,000,000 Euros i.e. c £3.2m
Supplies and Services - 400,000 Euros i.e. c £250k

There are some circumstances where EU Procurement Rules do not apply however, Operating Companies must be mindful of these EU Procurement Rules and, in the event of any doubt, Operating Companies should either –

- a. Adhere to EU procurement rules
- b. Discuss with National Express Group PLC Procurement

Failure to comply may lead to prosecution and a range of penalties being imposed which could include a fine of up to 10% of a company's world wide annual turnover. Further information on EU procurement is available on the procurement website – please see the Help Section at the end of this document for more details.

3.4. Environment

The provision of goods and services must be done so in accordance with the requirements of the National Express Group environmental policy and corporate objectives. Goods and services must comply with relevant environmental legislation and, where relevant, consideration should be given to the costs and benefits of environmentally friendly alternatives.

Further information on the National Express Group PLC environmental policy is available on the procurement website – please see the Help Section at the end of this document for more details.

3.5. Corporate Social Responsibility

National Express Group is committed to operating in a socially responsible manner. Suppliers of goods and services must comply with relevant legislation and international standards relating to: trading policy, child labour, forced labour, health and safety of workers, non-discrimination, employment law, collective bargaining, grievance procedure, human rights and bribery and corruption.

Further information on the National Express Group PLC corporate social responsibility policy is available on the procurement website – please see the Help Section at the end of this document for more details.

4. THE GOOD PRACTICE SECTION

This section identifies the good practice that National Express Group PLC wants to see its Operating Companies following. These good practices are to be followed unless specific agreement to vary from these practices has been agreed and incorporated into the minutes of Operating Company Board Meetings.

- 4.1. Delegated Authorities – all Operating Companies should establish a framework of delegated authorities that define who is authorised to buy, or commit to, products and services within specified financial limits. It is mandatory for Operating Companies to adhere to their delegated authorities.
- 4.2. Terms and Conditions – National Express Group PLC has created sets of terms and conditions for the purchasing of goods and services. Further information on Terms and Conditions are available on the procurement website is available on the procurement Website
– please see details in the Help Section at the end of this document for more details.
- 4.3. Operating Companies can use either –
 - a. National Express Group PLC Terms and Conditions
 - b. Suppliers Terms and Conditions after agreement from National Express Group PLC Legal or Procurement.
 - c. Terms and Conditions prepared by external lawyers who have been used with the agreement of National Express Group PLC Legal.
- 4.4. With regard to Terms and Conditions there are inevitably a whole series of existing supply arrangements which have historical agreements and / or terms and conditions. It is considered impractical to retrospectively move all of these supply arrangements within this policy however; Operating Companies are expected to review all existing supply agreements which have annual purchases of £100k or more with a view to gradually moving those agreements into line with this policy.
- 4.5. Operating Companies should only source product from suitably approved suppliers.
Approved Suppliers – All Operating Companies should have a list of Approved Suppliers and a defined mechanism for approving and including suppliers on the Approved Supplier List. All goods and services should be sourced from either –
 - a. National Express Group PLC supply agreements
 - b. Suppliers on the Approved Supplier List.

Where National Express Group PLC supply agreements exist these are to be used for the supply of relevant goods and services unless specifically agreed to the contrary with National Express Group PLC Procurement.

Further details and information on National Express Group PLC supply agreements are available on the procurement website – please see the Help Section at the end of this document for more details.

4.6. Large Projects / Contracts – Before undertaking any large projects or contracts, which as a guideline can be defined as having a value of £100k or more, Operating Companies should contact National Express Group PLC Procurement to discuss and agree the appropriate procurement process, for example, a formal tender process. This referral process should be followed regardless of how the project or contract is being funded (for example by third parties).

4.7. When any contract or commitment is likely to have a value of £500k or more then National Express Group PLC Procurement must be proactively involved and be required to be part of the approval process of the final contracts and also hold a copy of the contract and, where appropriate, be involved in ongoing contract/supplier management.

4.8. In addition, the National Express Group Finance Manual contains policies for the preapproval of certain categories of spend including:

- Capital expenditure
- Consultancy
- Property
- IT
- Leases
- Donations
- Contracts for goods and services greater than one year.

Operating Company management are responsible for ensuring that these policies are appropriately communicated within their organisation, and that full compliance is maintained.

4.9. Operating Companies should ensure that there is an appropriately experienced and qualified person(s) managing the procurement function and that the scope of the procurement function is appropriately defined, for example, that there is clarity about who is doing what.

4.10. Personal Conduct and Ethics –

- a. The objective of the procurement process is to secure for National Express Group PLC or its Operating Companies the “Best Value Deal”.
- b. National Express Group PLC expects all individuals involved in the procurement process to operate to high ethical standards.
- c. In particular individuals directly responsible for the procurement of goods and services must not –

- i Use their position or authority for personal gain.
- ii Divulge confidential or sensitive information to any unauthorised persons.
- iii Accept gifts unless of a token value (e.g. diaries and pens)
- iv Accept hospitality which may be deemed to have influenced a business decision.

- d. Any actual or potential conflict of interest must be declared in writing to one’s immediate superior.

5. THE HELP SECTION

This section identifies various sources of information that are there to help make the purchasing of goods and services both easier and more professional.

5.1. Procurement Website – a wide range of information on National Express Group PLC Procurement is available on www.fpadirectory.co.uk. This information includes a copy of the CSR policy, a copy of the National Express Group PLC Terms and Conditions, lists and details of National Express Group PLC supply agreements, OJEC Guidelines Tender Guidance etc, National Express Group PLC Procurement Details. A password is required to gain access to this Website; this can be obtained by contacting either Diane Edge-Robinson or Kevin Pitt. Their contact details are listed below.

5.2. National Express Group PLC Procurement – Help and guidance should be readily available from National Express Group PLC Procurement and their contact details are:

Kevin Pitt: Kevin.pitt@nationalexpress.com

Tel: 0121 609 6238 or 07880787777

Diane-Heather Edge-Robinson: diane.edge-robinson@nationalexpress.com

Tel 0121 609 6240 or 07711 758510

5.3. Other National Express Group PLC Functions – In addition to the expertise and resource available at Operating Companies, National Express Group PLC has a number of specialist functions which, in addition to their other responsibilities, will at times be able and be prepared to offer specialist advice in terms of the procurement of goods and services. Examples of these functions include Property, IT, Legal, Safety, Risk and Environmental.