



EDFI MANAGEMENT COMPANY SA

("EDFI MC")

# Procurement Policy

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Name	Function
Luc Cool	CFO

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<sup>1</sup> "Document owner" means the person within EDFI Management Company responsible for periodically reviewing the document, incorporate small changes and advise the Board of Directors on material changes to be made, for example in accordance with legal evolutions or for improvement of internal procedures.

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# 1. Introduction

EDFI Management Company (“**EDFI MC**”) is partnering on an ongoing basis with external providers for the delivery of goods and services or execution of works. This procurement policy defines the principles, rules and procedures applied to the process of purchasing such goods, services or works.

This policy is published online (website) to provide transparency on the procurement practices to external stakeholders.<sup>2</sup>

As the company’s expenses are to a significant extent financed by budgets made available by the European Union (EU) on which behalf it performs investment management and related services, directly or indirectly, the principles, rules and regulations of this procurement policy are designed to meet the requirement of the EU Financial Regulation<sup>3</sup> and are based on the Practical Guide on contract procedures for EU external action (also known as “PRAG”).<sup>4</sup>

In addition, EDFI Management Company is also bound by Belgian laws and regulations and various other contractual obligations. Terms of this procurement policy may be adjusted from time to time to comply with applicable legal rules or EDFI Management Company’s contractual arrangements, accommodate changing circumstances or more proportionate practices, while fully maintaining the fundamentals laid down by the procurement policy.

While procurement by EDFI Management Company is performed within the framework of this procurement policy, it also is subject to the company’s overall internal control system, including its corporate governance, its internal control procedures, its accounting system and the external audit.

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<sup>2</sup> The annex to this policy contains clarifications for internal usage. Although they form part of the policy, they are not published externally.

<sup>3</sup> European Union Financial Regulation, Art. 154

<sup>4</sup> The Practical Guide (PRAG) provides guidance for procurement and grant award procedures applying to so-called external actions from the European Union financed by the European Union. This policy is based on the PRAG2021.1 version effective as of June 2022. The PRAG can be consulted at: <https://wikis.ec.europa.eu/display/ExactExternalWiki/ePRAG>

## 2. Procurement policy scope

All procurement engaged in by EDFI Management Company is in scope of this procurement policy unless it has been determined otherwise below.

Procurement is defined as the activities performed by EDFI Management Company to conclude a contract in writing to obtain, against payment of a price, the supply of goods, the provision of services or the execution of works by a third-party supplier:<sup>5</sup>

- 1) Supply contracts cover the purchase, leasing, and rental of equipment and physical goods.
- 2) Service contracts cover the delivery of studies or expertise or of automated data management solutions and the provision of project management, administrative, advisory, audit and communication services.
- 3) Works contracts cover construction and civil engineering activities.

The principles, rules and regulations set in this policy are the same for the 3 types of procurement.

### **Activities out of scope of the procurement policy:**

- 1) Staff expenses are not considered as expenses for procurement contracts but as expenses related to the retention of staff and are governed by the rules defined in the company's Compensation Policy.<sup>6</sup> Hence, the procurement policy is not applicable.
- 2) The procurement of services in which EDFI Management Company is involved for practical reasons but for which it was agreed with a third-party to charge the cost fully and directly to that third-party is considered as out of scope of the policy. For instance, audit or legal advisory services related to investment transactions either directly paid by a third-party (e.g., an investee) or paid by EDFI Management Company and paid back by a third-party (e.g., by the investee, often retained from the amount disbursed by EDFI Management Company to an investee). In such cases, the procurement policy is not applicable.
- 3) Procurement of standard bank or financial services needed for the day-to-day operations.

### **Activities in scope of the policy for which specific procedures apply:**

Due to their specific nature, for certain activities and expenses specific procedures apply. These exceptions from the general procedural framework are defined in annex 2.

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<sup>5</sup> Referred to in art. 101 of the EU Financial Regulation, art. 3.1. and 4.1 and 5.1 of the EU PRAG and, for works, activities referred to in Annex II to Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement.

<sup>6</sup> Reference is made to General Conditions for PA Grants or Delegation Agreements (an included as Annex II art 18.1 of delegation agreement Energy/2015/371-073).

### 3. Procurement policy principles

The overall goal of this procurement policy is to achieve fair and reasonable prices and overall value for money, while also ensuring compliance with relevant rules and regulations and contractual obligations.

To achieve this goal, EDFI Management Company applies the principles of transparency, competition, non-discrimination, proportionality, sound financial management and adequate governance. These principles are to be understood as follows:

1) Transparency:

The company provides an appropriate level of openness and clarity on the procurement policy and its delivery. A sufficient degree of advertising is in place to promote procurement to be opened to competition, as is a sufficient degree of ex-post publication of contractors.

2) Competition:

The company performs all material procurement by use of competition unless there are justified reason(s) for deviation. The estimated value of a contract is not set in a way to avoid competitive negotiation or tendering, nor are contracts split into smaller contracts for that purpose.

3) Equal treatment and non-discrimination:

The company takes reasonable measures to treat interested parties in the same way. Candidates are afforded equal opportunities when formulating their offers or tenders and competing offers and tenders are subject to the same conditions. Tender specifications do not contain unjustified obstacles to access for candidates, e.g., in terms of technical requirements or with respect to deadlines. Procedures are in place to deal with conflicts of interests.<sup>7</sup> Participation in tenders is free of charge.

4) Sound financial management:

The company takes procurement decisions in accordance with the principles of economy, efficiency, and effectiveness. Suppliers are selected based on price/quality assessment and the assessed value for money. Unduly paid expenses are to be recovered.

5) Adequate governance:

The company deploys formal procedures and controls for both individual procurement decisions and for general oversight to ensure compliance with procurement policy principles and, where applicable, to ensure compliance with the rules for access to funding from the European Union.

6) Proportionality:

The company adopts measures to apply the procurement policy principles to such an extent that they do not exceed the limits of what is necessary to obtain the overall procurement goals of fair and reasonable prices and overall value for money and of

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<sup>7</sup> It is referred to Conflict of interest scenarios defined in PRAG section 2.5.4.

compliance with relevant rules and regulations. Principles are not absolute but exceptions are clearly stated, reasonable and justified. When there is a choice between several appropriate measures, preference is given to the least onerous.

Staff members are bound by the internal Code of Conduct and its requirements of integrity, transparency, respect, and professionalism. The code also sets the restrictive framework for accepting gifts and hospitality, among other matters.

### 3.1. Procurement procedures

EDFI Management Company applies its procedures according to the (estimated) contract value of the transaction, as summarised in the grid below. The principles for determining the contract value are provided further in this policy.

As a rule, all procedures will be held in the English language. Exceptions can be accepted on a case-by-case basis depending on practical or legal circumstances.

The procurement procedures do not make a difference whether the procurement relates to the supply of goods, the provision of services or the execution of works.<sup>8</sup>

Type	Contract EUR	Minimum competitive tender requirement	Minimum tender document requirements	Decision authority
A	< 300,000	Min. 3 candidates to be invited to submit formal bid under closed envelope (regulated procedure). No negotiation allowed.	PRAG compliant tender dossier	Procurement committee
B	≥ 300,000	Published tender procedure; all suppliers may request to participate. Candidates who meet selection criteria to be invited to submit a formal bid under closed envelope (regulated procedure). No negotiation allowed.		

For procurement contracts of limited value, type A may be replaced by type C or D, as below:

Type	Contract EUR	Minimum competitive tender requirement	Minimum tender document requirements	Decision authority
C	≤ 20,000 or in defined exceptional circumstances	Negotiation with at least 3 candidates (no regulated format). Less than 3 candidates possible only for duly motivated exceptions (e.g., specific technical requirements).	Internal negotiation report to motivate supplier selection. Declaration on honour signed by the service provider. Duly signed contract.	2 persons as per internal delegation rules

<sup>8</sup> Most procurement within EDFI Management Company relates to service contracts. When minor (construction) works would be needed for the refurbishment of the company's office spaces, the related construction work contracts will be considered as service contracts. When supply of goods is involved, it relates to office supplies and equipment of limited value and for own usage.



		Terms to be negotiated in sufficient and demonstrated way.		
D	≤ 2,000	Negotiation with a single supplier suffices (terms and conditions should be reasonable).	Written order form preferred. No (additional) contract or tender report required. Payment can be made against invoice/debit note.	1 person as per internal delegation rules

### Procedure type A:

- For contracts with value below EUR 300,000 ex VAT (< 300,000), the process type A must be conducted.<sup>9</sup> It includes a (restricted) competitive tender procedure with minimum 3 candidate suppliers involved selected by the Procurement Committee. For contracts for the supply of goods, the maximum contract value for procedure type A is EUR 100,000. The process type A may be changed to type C or D for low value contracts (as per thresholds in the procedure grid set out above).
- Tender requirements: tender requests (tender dossiers) are sent to shortlisted candidates simultaneously and in the same manner. Tenders are to be submitted under closed envelope or through a specifically designed e-mail process based on the instruction document provided to the candidates. After that, the tenders are examined, the eligibility and the financial, economic, technical, and professional capacity of the tenderers are checked to arrive at a selection, the tenders are evaluated, and the contract is awarded. No negotiation is allowed.
- Documentation requirements: tender dossier as per templates provided in the EU PRAG <sup>10</sup> (see annex 7). Documents should be reviewed by the internal team or department in charge of the procurement. The legal team can be consulted on a need-basis. All documents need to be maintained in the central procurement folder held by the finance team.
- Procurement decision authority: Procurement committee. It is the responsibility of the relevant head of department to ensure early-stage liaison with the senior manager in charge of the procurement function to ensure the process is completed adequately.

### Procedure type B:

- For contracts with value from EUR 300,000 VAT (>= 300.000 EUR), the process type B is applied. It is a (restricted) competitive tender procedure in which all candidate suppliers may submit a request to participate. The contract is given publicity prior to launch the

<sup>9</sup> Corresponds to the so called PRAG 'simplified procedure'. PRAG sections 3.3.2, 4.2.3 and 5.2.3.

<sup>10</sup> Reference to annexes B of the PRAG. The templates may be adjusted if deemed appropriate taking into account the individual circumstances.

tender. Those who satisfy the selection criteria will be shortlisted and invited to submit a tender. <sup>11</sup>

- Tender requirements: similar to procedure A.
- Documentation requirements: similar to procedure A.
- Procurement decision authority: similar to procedure A.

### **Procedure type C:**

- Procedure type C can be applied for contract values up to EUR 20,000 ex VAT ( $\leq 20,000$ ). <sup>12</sup> The contract price and terms are negotiated on a bilateral basis with several competing suppliers to get the best value for money. The procedure can also be applied for higher contract values in case of exceptional circumstances as defined in annex of this policy.
- Tender requirements:
  - o No formal tender procedure is to be organised but offers from 3 candidate suppliers are to be obtained (no fixed format template). On best-effort basis, the invitation to submit the offer is requested in the same timeframe and manner. Reasonable effort should be made to treat candidates in a non-discriminative way (principle of equal treatment and non-discrimination). As a rule, terms should be negotiated with 1 or more suppliers by using competitive elements as much as possible. When contacting candidate suppliers, the identity of other candidate suppliers is not to be disclosed to avoid bid rigging.<sup>13</sup> Supplier selection is to be based on the best value for money offer (sound financial management).
  - o If well-motivated, less than 3 offers may exceptionally suffice, e.g., in case of very specific functional requirements. This also applies to the procurement of business travel to destinations with few reasonable travel options, training and membership of professional organisations (subject to proper motivation).
  - o Proper supplier due diligence should be performed (see further in this policy) and reflected in an internal negotiation report.
  - o The decision-takers should seek internal confirmation from the budget owner of the finance team, whichever is appropriate, that the intended procurement activity is in line with the budget and long-term resource plan for the intended funding source and that no conflict of interest has arisen.
- Documentation requirements:
 

The following are the key documents:

  - o Signed contract including at least the description of goods, services or works, the price and terms and conditions.

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<sup>11</sup> Corresponds to the so called PRAG 'international restricted procedure'. PRAG 3.3.1 and 3.4, 4.2.1, 4.3, 5.2.1.2 and 5.4.

<sup>12</sup> Corresponds to the so called PRAG 'single tender procedure' and 'negotiated procedure'. Reference to PRAG sections 2.6.8, 3.3.3, 3.3.5.1, 4.2.4, 4.2.6.1, 5.2.4 and 5.2.5.1.

<sup>13</sup> Bid rigging occurs when candidates agree among themselves to eliminate competition.

- Internal Negotiation Report to motivate the supplier selection (the template<sup>14</sup> is maintained by the finance team and may be changed from time to time). It should be explained how participants in the negotiations were chosen by using a comparative table in which score points are attributed to each of the selection parameters for each of the candidates, considering different weights allocated to the individual selection parameters, as deemed appropriate. Price should always be one of the parameters. Eligibility rules (nationality as well as exclusion situations mentioned in the EU PRAG) must be duly complied with. As a principle, the Negotiation Report should be prepared and signed before (or at the same time) the purchase contract is signed.
- “Declaration on honour” signed by the service provider (template is maintained by the finance function and may be changed from time to time). In exceptional circumstances, the declaration requirement may be replaced by an alternative way of supplier due diligence (as described in annex 4 of this policy).

The key documents need to be dated and signed. They are maintained in a non-editable way in a secured central procurement folder held by the finance team (at the latest prior to settlement of the first invoice). All other documents (quotations, email correspondence, meeting minutes, etc.) are to be maintained by the department that procured the goods, services or works.

- Decision authority: at least 2 persons as per delegation rules, or the procurement committee for amounts exceeding EUR 20,000. It is the responsibility of the relevant head of department to ensure early-stage liaison with the decision-takers to ensure the process requirements can be adequately achieved. The candidate suppliers are notified of the award decision in an appropriate way (for instance via e-mail) and without an unreasonable delay.

#### **Procedure type D:**

- Procedure type D can be applied for contract values up to EUR 2,000, ex VAT ( $\leq 2,000$ )<sup>15</sup>
- Tender requirements: no tender process to be held and 1 single candidate supplier can suffice. The purchaser needs to act in good faith and with integrity and according to the principles of the internal code of conduct. The supplier selection is to be based on the assessment that the price is fair and good value for money (principle of sound financial management).
- Document requirements: no specific document requirements; there is also no need for a formal contract. Proof of agreement is advised as supporting document to allow the payment of the invoice (e.g., order form, pro-forma invoice, booking confirmation, quotation etc.).

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<sup>14</sup> Based on PRAG annexes A10a and A10b.

<sup>15</sup> Based on PRAG sections 3.3.4 and 4.2.5.

- Decision authority: at least 1 person as determined in the internal delegation rules. The decision-taker should seek confirmation that the intended procurement activity is in line with the budget and long-term resource plan for the intended funding source.

Framework contracts can be awarded to establish the terms governing specific contracts which may be awarded later during a given period (max. 4 years). A framework contract always needs a type A or B procedure. Once a framework contract has been concluded, the award of individual contracts does not need to follow the individual procurement procedures.

Candidate suppliers have the possibility to lodge a complaint during or after the procurement process via a dedicated e-mail address that can be found on EDFI MC website (preferably in English). The deadline to file a complaint is 1 year after the contract have been awarded. The complaint will be reviewed by use of an internal complaint review template, free of charge (unless translation costs are incurred) and will be approved by a person/function who has not been involved in the procurement transaction.

Suppliers whose offer or tender was unsuccessful can ask for an oral debriefing on the strengths and weaknesses of their offer or tender. The debriefing will be organised, free of charge, preferably in English language, and in an appropriate manner so that no confidential information is disclosed.

### **3.2. Determination of the contract value**

The contract value is the (estimated) monetary value of the contractual expenses to be incurred during the implementation period of the contract. For determining the contract value, the amounts excluding VAT should be considered.

The estimated value of a contract is not set in a way to avoid competitive negotiation or tendering, nor are contracts split in smaller contracts for that purpose.

If the contract is open-ended without end-date, then the calculation of the monetary value should be based on a hypothetical contract duration of 48 months.

If the contract has a fixed duration with a tacit renewal clause, the determination of the contract value can be based on the initial duration under certain conditions, as described in annex 3.

### **3.3. Supplier due diligence**

Supplier due diligence has as the purpose to establish that the supplier is fit for purpose, i.e.:

- That the supplier has the technical capability to deliver the goods or services.
- That, if deemed relevant, the supplier has sufficient operational resilience and means of back-up to deal with adverse circumstances that may impact the delivery.
- That, if deemed relevant, the supplier is sufficiently financially sound to deliver the service.
- That the supplier is not involved in any form of financial crime.
- That the supplier is not excluded for funding by the EU.
- Whether the supplier is exposed to any material adverse news or events that might compromise the reputation of EDFI Management Company.
- Whether conflict of interests arises in dealing with the supplier.

### **Due diligence for type A and B procedures**

For suppliers for which the procurement procedures A and B are followed, the due diligence is based on the documents that are required as part of the tender dossier.

### **Due diligence for type C procedure**

For contracts that are prepared under the type C procedure, a simplified due diligence can take place based on information received during the negotiation with the supplier and the form "Declaration on Honour" to be signed by the supplier.

Alternative ways of due diligence are described in annex 4 of this policy.

In case it is deemed relevant to assess the financial situation of the supplier, a verification of the supplier financial statements is advised (of Belgian companies, this will be consulted online).

### **Due diligence for type D procedure**

No formal due diligence requirements apply for procurement according to the type D procedure. The purchaser is to act in good faith and with integrity and according to the principles of the internal code of conduct.

## **3.4. External publications**

With a view of providing transparency on its procurement practices, EDFI Management Company maintains on its website the following documents in English language available for the public:

- **The procurement policy:**

The procurement policy contains the principles, rules and procedures applied for procurement within EDFI Management Company. The most recent version is available for the public on the company website. The annexes of the policy are meant for internal clarifications; although they form part of the policy, they are not part of the publication.

- **The procurement plan:**

EDFI MC publishes at the beginning of each calendar year on its website the indicative list of procurement contracts that will be awarded during the calendar year with an expected contract value of EUR 20,000 or more. The plan is made in good faith and may be updated from time to time, as deemed relevant.

- **Contact information related to procurement actions** (email address)

- **Ex-ante publication of high-value tenders:**

As part of procedure type B, EDFI Management Company will make the draft contract notice available on its website prior to launching the tender procedure.

- **Ex-post publication of procurement contracts:**

EDFI Management Company publishes on its website the list of procurement contracts of the previous calendar year. Such list is published at the latest at 30 June of each year. The report lists the suppliers with a corresponding contract value of EUR 15,000 or more.<sup>16</sup> When

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<sup>16</sup> In accordance with Articles 38 and 189 of the EU Financial Regulation. Protection of personal data has to be considered.

establishing the list, protection of personal data is to be duly taken in account. The information is maintained on the website for a period of at least 5 years.

- **Ex-post publication of dispute resolution:**

EDFI MC publishes each year on its website the list of contracts with a contract value of EUR 15,000 or more for which complaints or disputes have arisen during the procurement process, with a short description of the dispute resolution status. When establishing the list, protection of personal data is to be duly taken in account. The information is maintained on the website for a period of at least 5 years.

The CFO (or they delegate) will instruct the communications team accordingly.

## **4. Roles and responsibilities**

### **4.1. Role of the Board of Directors**

The Board of Directors of EDFI Management Company is responsible for:

- Establishment of appropriate principles and rules and the approval of the procurement policy.
- Oversight on the execution of the procurement policy based on the procurement plan and procurement review report provided at least on an annual basis, as well as on audit reports from internal or external auditors as may be requested.

In case of serious procurement-related complaint, the chair of the audit committee of the Board may be consulted on how to review the complaint in an independent manner (i.e., by persons not involved in the procurement procedure).

### **4.2. Role of CEO and senior manager in charge of the procurement function**

The CEO sets up the procurement function and assigns the Chief Financial Officer (CFO) as the senior manager in charge of the procurement function responsible for:

- Implementation of the procurement policy under the oversight of the CEO and for advising the CEO and the Board of Directors on amendments to the procurement policy.
- Maintaining and updating internal procurement operating manuals and documentation templates, advising the departments on the procurement principles, rules, and procedures, and taking necessary actions for raising internal policy awareness.
- Taking necessary actions for the proper functioning of the tenders and of the procurement committees.

### **4.3. Role of the various departments**

The departments that are pursuing the procurement of goods, servicing and works are responsible:

- For liaising with the procurement function and decision-takers to ensure the contract is awarded according to an adequate process and that formal documentation is properly completed and archived.

- In negotiated procedures, for negotiating with candidate suppliers to obtain the best value for money and according to the procurement principles governing this procurement policy.
- For confirming the proper delivery of procured goods, services and works prior to settlement of invoices and to take ownership to recover unduly paid expenses.

#### **4.4. Role of the Procurement Committees**

For each relevant procurement procedure (as defined in the procedure grid in this policy), EDFI MC sets up a dedicated procurement committee to approve the relevant procurement actions.<sup>17</sup>

The voting members have collective responsibility for the decisions taken. All voting members, including the committee chair, have equal voting right. Adequate procedures are in place to ensure the impartiality and confidentiality of the assessments and decisions of the committee. The internal functioning of the procurement committees is clarified in annex 5.

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<sup>17</sup> The EDFIMC procurement committee holds the role of the Evaluation Committee referred to in PRAG Section 2.9.