

### Background

Eric Wright Civil Engineering Limited has an ethical culture, with shared values, objectives and ambitions which align with those of our clients and supply chain partners. We have always been proud of our business ethics. We treat people, and their businesses, with the respect that we would wish to be afforded by them.

### Our current supplier payment performance

Our ethical culture supports our aspiration to outperform the industry norm. Consequently, we have always prided ourselves on our fair commercial practices, paying our suppliers promptly, in line with agreed terms and conditions. This has been managed, for many years, by our well-trained and efficient accounts team, using standard tools and procedures, who respond promptly to any queries.

Our sister company, Eric Wright Construction, is a qualifying signatory to the Government's Prompt Payment Code and have reported their performance since 2018. The latest report records that the average time taken to pay invoices is 39 days, with only 5% of invoice falling beyond 60 days.

We have signed up to the code, but don't meet the qualifying criteria for performance reporting. We have similar accounting and payment processes to Eric Wright Construction, and the data that we produce indicates that we pay 95% of our invoices within 60 days.

But the accuracy of the data means that we cannot be 100% certain. In 2020 we recognised that our existing systems were simply not capable of producing the right data to report our supplier payment performance with a high enough degree of accuracy or certainty.

In early 2021, we invested in new accounting software, EQU2's Evision version 13 (EV13), and appointed a Group Procurement Manager to lead our improvement strategy. This action plan details that strategy.

### Our ambition and objectives

Our **ambition** is to monitor and manage supplier payments in a more proactive way, identifying areas for continuous improvement with the aim of being recognised as a **leader in prompt payment**.

Our ambition relies on the achievement of three key objectives, which align with the key aspects of the action plan.

Our first objective to **establish reliable datasets** which provide us with the capacity and tools to understand our performance in terms of supplier payment. This is a basic starting point.

Our next objective is to **identify the primary causes of any failure to pay:**

- (a) 95% of all supply chain invoices within 60 days: and
- (b) all invoices within agreed terms.

Our third objective is to use the information, that we obtain from our first two objectives, to identify and implement **actions to address each of these causes**.

*"Eric Wright and PJP Plant Hire entered into a formal trading relationship just over 12 years ago. In our experience Eric Wright delivers on their promise to pay their supply chain on time, each time every time. We highly value our long-standing relationship and look forward to continuing this for many years."*

**Sales Director, PJP**

*"With regards to Eric Wright, we have worked with them for over 10 years, they are a great company to deal with and always pay on time. We have a very good working relationship with the team at Eric Wright Group and continue to work with them on a day to-day basis."*

**One Stop Services**

### Our strategy

Our strategy for achieving our ambition and objectives is detailed below. Like all good strategies, it remains flexible to respond to emerging data and the new perspectives that any change might afford to our senior management team and directors.

### Becoming a leader in prompt payment

Historically, our procurement strategy has been managed by our Project Management and Commercial Teams. This approach has resulted in minor, but critical, inconsistencies in communication, information logistics, and how our suppliers are procured and paid.

Providing one single point of contact for our suppliers, with the devolved authority to make improvement decisions, is key to us retaining our reputation as a credible and valuable partner to our suppliers. It's this reputation that will set us at the forefront of fair payment practice.

In February 2021 we appointed a **Group Procurement Manager (GPM)**, whose roles are:

- To develop a standard centralised approach to procurement (including payment)
- To use our systems to extract as much value as possible from the data that they produce.
- To engage our suppliers in open and sustained dialogue via regular business reviews, to ensure that we understand their commercial requirements, and to support them in a sustainable way that benefits us all
- To regularly revisit each of these tasks, identifying areas for further improvement and the measures by which improvements will be realised.

Our GPM is already working with our supply chain to understand their needs and help them to comply with our information requirements. He has aligned our coding structure across the whole of Group and is also working through our strategic supply categories and has already refreshed a number of existing deals with key suppliers.

### Establishing reliable datasets

Our old purchase ledger system was paper-based and relied on manual exchanges of documents and information reconciliation. Our new EV13 accounting system is capable of logging incoming invoices through to final payment making capturing the data much more straightforward and user-friendly.

All our accounts teams have been trained on the system, including familiarisation training and mentoring. The new system went live in March 2021 and in the first few months it was run in parallel with the old system to avoid late payment arising from any technical teething issues. The system is now fully online and ordering using the system is now routine for all types of spend.

EV13 provides a view of our spending throughout the entire procurement process from the initial order, through invoicing, to final payment, and it is already providing much more thorough and accurate reporting than previous systems could. It has a number of new features including Continia, which is capable of receiving invoices electronically, logging them into the system and matching them to receipts and orders automatically. Suppliers can submit copies of their receipts / Goods Received Notes (GRN) alongside their invoices, which can then be simultaneously matched to the order and processed for payment. Incoming invoices are marked with a receipt time and date.

Critically, the EV13 allows us to track and monitor numbers of unpaid invoices by different criteria (e.g., supplier, receipt date, buyer, etc.) so that we can identify trends and respond quickly to queries.

**Timescale** – The EV13 system is already live and operational. Comments from suppliers reflect improvements in payment times and our responsiveness in dealing with queries.

## **Identifying the primary causes of any failure to pay**

**Known Issue** - The greatest challenge for us to date has been identifying all of the causes of failure to pay on time. Whilst the queries that suppliers have raised with us have directed us to the cause of some issues, identifying underlying trends, to inform proactive improvements, has historically been difficult. This has been partly due to the limited functionality our traditional systems, and partly due to the process having multiple owners.

**Action to address the cause** - Investing in EV13 and appointing a Group Procurement manager has resolved both issues, providing us with a solid starting point for improvement.

Our GPM has begun to run a weekly report of invoice numbers in various parts of the system (received, received unmatched and paid). The total quantities typically vary throughout a monthly cycle, but it's important for us to understand what 'normal' looks like and get to the bottom of any process-related issues.

The reports will allow us to measure our ongoing procurement and payment performance in great detail, providing us with a clearer picture of our strengths and weaknesses. The report will allow us to monitor trends and focus on any particularly problematic supply categories or suppliers who may need additional help and support with either their invoicing or support documentation administration.

***The reports will form the principal tool for identifying any future primary causes of payment failures and will inform revisions of this action plan.***

**Timescale** – We have already begun to do this, and our GPM is collating a schedule of common issues.

**Known Issue** – varying payment timescales. Our accounts team typically process invoices in batches sorted by date and supplier; Terms are 30 days from the end of the month in which the invoice was submitted, so invoices received in current month are ignored until previous month's batch is processed.

A query can occur where the invoice is received before the receipt, or GRN. This is usually resolved by asking the supplier to provide a copy. This can take up to 1 week (sometimes longer, depending on supplier response times).

A query can occur where the invoice or the receipt do not match the order; this will typically take longer (3-5 days internally to raise query with site; 1-5 days for site to respond plus additional time for the supplier to provide extra information, and a further 1-2 days to amend the order) This potentially means that for every incorrectly ordered (or supplied) product, the invoice could be delayed by one payment cycle.

**Action to address the cause** - The current volume of invoice queries remains a problem. As part of our immediate improvement plan, we are currently operating weekly payment runs to overcome some of the current delays. This means that whilst a payment may be late, we will pay as soon as we are able rather than waiting until the following month end. We have issued a guidance note to all of our suppliers on how to invoice.

**Timescale** – this is already in action. We will monitor system usage to identify any suppliers that require support or coaching in the new process to minimise queries and enable faster processing times.

Aside from the reliable data generated by the EV13 reports, we have identified specific causes for issues which commonly arise during invoice queries, and our GPM's supplier engagement.

## Eric Wright Civil Engineering Limited Fair Payment Action Plan

**Known issue** - Delays in sites passing receipts and GRN's through to accounts

**Action to address the cause** - Provision of receipts or GRN's with invoices will lead to quicker processing of invoices, and queries.

**Timescale** - this is already in action. The next step is a sustained programme of engagement with our suppliers, to get them fully acquainted with the new system, and to use it.

**Known issues** – inaccurate supporting documentation resulting from

- Sites requesting additional goods/works/services that are not detailed on the order or advised as a variation
- Suppliers providing alternative /substitute goods or services, leading to a mismatch between the receipt and the order, or the invoice and the order
- Suppliers not providing the right amount of supporting information with invoices

**Action to address the cause** - To improve communication and record keeping between site and head office we are currently developing a suite of commercial best practice education documents and practical training sessions which we will deliver on a rolling basis to all our sites and operational teams as part of a structured initiative.

**Timescale** - this is in development presently but will be published and regularly reinforced from around October 2021.

**Known issue** – The range, number, and disparate commercial practices/performance of suppliers across our business can create disproportionate payment issues.

**Action to address the cause** – Our GPM has been tasked with rationalising our supply chain via competitive tender and regular performance monitoring via agreed 360° KPI's specifically relating to invoicing and payment performance issues.

**Timescale** - rationalisation is ongoing over the next 12 months. The development of KPI's will evolve once we have enough data from our EV13 reports, to determine suitable metrics. But we aim to have these in place within 12 months from now.

**Known issue** - Due to our current procurement process, our materials and service purchasing procedure is quite wide and overcomplicated.

**Action to address the cause** -We are evaluating the use of P-cards to increase the speed of payment for suppliers of widely used materials and proprietary products.

**Timescale** - This is very much early stages at the moment, but something that we are looking to trial within 6 months (by May 2022 at the latest) on a selected supplier list with a view to opening out thereafter.

Blockers to this are currently material shortages across the industry resulting from world events. We need a wider supply chain than normal due to the need to be flexible and order from the suppliers with the appropriate stock levels.

**Known issue** – our slightly different procurement methods for plant complicate payment. These require longer term analysis. For instance, non-operated plant suppliers auto-generate receipts for ongoing hires. Our relationship with them is such that we have agreed hire rates and direct site call offs via the hirer, who then informs us of the transaction and an order is generated. The issue is not major, but nonetheless exists and needs addressing.

**Action to address the cause** – Our GPM has begun to hold regular catch ups with highest value / highest volume suppliers in addition to ongoing performance monitoring discussions with other suppliers as the roll-out of our procurement improvements continue. Once the outcomes of, currently untried, initiatives are known, we expect to be in a position to dedicate resources to wider issues

## Eric Wright Civil Engineering Limited Fair Payment Action Plan

### **Mechanism for regular reporting on progress**

We hold internal monthly meetings attended by our Group Procurement Manager, our Commercial Director, and our Group finance controller. Our Group Finance Director, and the rest of the board, will receive updates from this meeting at monthly board meetings.

**Timescale** – We have already begun to do this. We will produce monthly summary reports for review by our Board meetings, with the first one targeted for November 2021.

Our GPM regularly attends Group Board and Group Management Team meetings. He also has regular interaction with the Senior Management Teams of all Eric Wright Companies.