

Supply Policies Are Changing... Here's What You Need to Know

What: Supply will be implementing several enhancements to organization-wide policies, processes and controls related to company expenditures to continue to strengthen enterprise-wide compliance and controls, and manage organizational costs more effectively moving forward.

When: Changes will occur from November 2020 through Q1 2021.

Why: To best serve and maintain the trust of our customers, communities, regulators and shareholders, Exelon must ensure that we maintain the highest standards of integrity, accountability and financial responsibility in everything we do, including our procurement practices.

A recent review of expenditures found several opportunities to improve diligence in our spending practices throughout the organization, including in several key areas:

- Supply-managed spend and use of appropriate spend and payment channels;
- Travel and entertainment policy; and
- Business consulting

Additionally, processes will be updated to support the new policy regarding [Vendor Affiliations and Referrals](#).

How? The changes fall into several categories, as detailed below and on the next page.

Supply-managed Spend: Improve and clarify spend-related processes and policies, while providing additional protections for Exelon.

Enhancements include:

- A single policy outlining when spend must go through Supply and the appropriate channel to use for various types of purchases, including appropriate use of vouchers and credit cards.
- Enhanced policy compliance for voucher use through system updates and controls, as well as required training for all employees with voucher access.
- The transition of specific areas of spend into Supply-managed processes. Supply is working directly with impacted departments to bring certain materials and services into the Supply Managed Spend process.



Why Work Through Supply?

Supply-management of procurements drives many benefits, including ensuring proper controls (such as appropriate Exelon Terms and Conditions) are in place. Purchasing through Supply's consistent and defensible sourcing processes mitigates Exelon's risks, leverages Exelon's collective purchasing power to drive down costs, and supports Exelon's diverse business spend goals and diverse supplier development objectives.

Travel and Entertainment (T&E) Policy: Our Exelon T&E policy will be updated with new standards limiting costs. We are also putting in place new monitoring and auditing tools.



Enhancements include:

- Policy changes, including cost control guidelines, to reduce volume of travel and other T&E spend.
- Expanded monitoring and auditing capabilities to drive compliance, including providing better spend visibility to leadership and leveraging artificial intelligence software to audit 100 percent of expense reports submitted.

Reduced Travel Sustainable Moving Forward

T&E has historically been a significant cost driver for Exelon; and the company's T&E costs are significantly lower in 2020 due to the dramatic change in our travel behaviors. We believe some level of reduced travel needs will be sustainable going forward due to the increased adoption of virtual interaction.

Business Consulting: We will be instituting a new process to help limit reliance on external consultants and ensure that consulting engagements are contracted through the Supply process.

Enhancements include:

- Implementing specific guidelines and a process to ensure the use of business consultants is approved by senior executives.
- Requiring engagement with the Supply organization early in the sourcing process to ensure competitive sourcing and alignment with agreed-upon rate cards and risk management in order to minimize cost and risk exposure to Exelon.



Vendor Affiliations and Referrals: To support our new policy regarding [Vendor Affiliations and Referrals](#), we are implementing processes and tools to identify, evaluate and monitor any vendors referred to Exelon by, or affiliated with, public officials.



Enhancements include:

- Suppliers will be sent certification questionnaires requiring them to disclose affiliations with public officials for further evaluation by the Ethics office.
- Exelon employees who interact with public officials have been trained to capture any Supplier-related requests from public officials through a new Ethics tracking system, called PORT, for evaluation by the Ethics office.

Supply Contacts & Resources

Please reach out to your local Supply professional or [Supply Category Manager](#) for further assistance in the procurement of materials and services. Please visit the [Supply Optimized Solutions](#) site for additional resources.