



Supply Chain Payment Plan

Exponential-e recognises that we have an obligation - and it is in our own commercial interest - to pay our supply chain partners promptly within the agreed terms for each party. Recognising and applying a robust Supply Chain Payment approach ensures the continuity of service of the entire supply chain and assures that suppliers will be willing to continue providing their services and goods to Exponential-e and our end customers. This in turn creates the environment in which business can be scaled with uninterrupted revenue growth.

Exponential-e pay undisputed supplier invoices once the relevant goods and services are received in full and once the invoices fall due. Contractually we reserve the right to part-pay invoices where legitimate disputes are raised concerning the validity of charges invoiced. Where possible we will always make a payment for the correctly invoiced element on the invoice even if part of it is being disputed.

However, there are circumstances which will mean the prompt payment may not always be possible; some of these circumstances are within our control however most are driven by the supply chain themselves.

Regular Reporting Mechanism & Visibility to Buyers & Suppliers

Due to the company size and revenue levels, Exponential-e Ltd has a duty to report payment practices and performance via a Government-operated website: <https://check-payment-practices.service.gov.uk/company/04499567/reports>. These reports are provided on a six-monthly retrospective basis and the next report is due to be published in August 2024.

Additionally the Finance Dept team specifically responsible for processing supplier invoices and addressing disputes will meet every 4 weeks with the Public Sector and Procurement teams to review the Action Plan and assess whether the proposed improvements are having a material impact on the overall metrics. Any additional improvements will be considered and where specific suppliers are consistently submitting invoices which are subject to disputes we will be able to proactively address this with the supplier(s) themselves. The Chief Financial Officer is required to review this Action Plan every quarter, and the supporting Dispute Resolution & Late Payment Process on an annual basis.

Improvement Action Plan

According to our most recent report published via this Government website, Exponential-e currently pay 94% of all supply chain invoices within 60 days. We have identified that our calculations made to report these statistics should be adjusted as the data collection algorithms for these metrics were not fully compliant against the guidance notes and the above governance. We anticipate therefore that our next reporting return will show a significant improvement to our 60-day payment percentages.

In Feb 2024, Exponential-e moved away from Sage and migrated to Business Central accounting system. Supplier payments are now generated automatically through this system which triggers payment based on invoice due dates. This is a further improvement on our previous payment process where supplier invoices would be manually entered into the payment run. This enhancement is expected to improve the efficiency of supplier payments by a further 1%.

However – and in the spirit of continuous process improvement – we continue to monitor the primary causes of the failure to pay at 95% and the ongoing actions to address are listed below:

Identification of the primary causes of failure to pay 95% of all supply chain invoices within 60 days and actions being taken to improve payment of suppliers within the agreed terms	Actions to address each of these causes



<p>In our industry, suppliers tend to consolidate their payments into bulk invoices which results in numerous costed items and sometimes many thousands of entries on each individual invoice. Consequently, there is an increased possibility that some items are billed incorrectly, and Exponential-e withhold that portion of the cost when making the bulk payment, until the disputed costs are resolved. We pay the undisputed portion within terms agreed. Standard supplier terms allow for the part-payments to reflect the disputed element. Our invoice reporting system only considers the invoice as “paid” is when it’s paid in full, and therefore our six-monthly reporting statistics issued to GOV.UK site do not accurately reflect the true levels of payments being made to our supply chain.</p>	<p>We will amend the reporting procedures by considering the invoice paid as soon as the first payment is made against it as opposed to when last allocation is made.</p>
<p>Delays have previously been encountered where suppliers have emailed their invoices to the ordering department but not the accounts department. Whilst the emails have been forwarded, our internal teams have been largely unaware of the liability until later. We have addressed this issue through awareness, education and improved internal processes. We also advise any suppliers who have sent their invoices to the wrong address, of the correct recipient email and team.</p>	<p>We have now added Purchase Ledger team’s email address onto the New Supplier Form so that new supply chain partners are informed about the correct route for their future invoices.</p>
<p>Delays may be created by suppliers by not obtaining or providing the PO number on the invoice.</p>	<p>We have now added the statement about this contractual requirement on the New Supplier Form to remind suppliers that they must obtain and provide the correct PO on their invoices.</p>
<p>Delays may be created by suppliers not providing evidence of service provided or goods delivered to Procurement department in which case the PO will not be authorised for payment until evidence received.</p>	<p>We have now added the statement about this contractual requirement on the New Supplier Form to remind suppliers they must email Proof of Delivery when issuing invoices.</p> <p>Exponential-e Procurement Team are also reminded of the necessity to mark POs as RECEIVED as soon as possible to enable the prompt release of payments to support this.</p>
<p>We have a small number of suppliers where we have agreed payment terms of 90 days. So those suppliers will be affecting our metrics adversely for the purposes of this reporting requirement. Note: there are very few suppliers who have agreed 90-day terms however these are agreements which the suppliers found acceptable at the time and are not seeking to renegotiate these agreements with Exponential-e.</p>	<p>We will exclude these suppliers from the reporting metrics as payments are made according to agreed terms (but within the 90 agreed period), and only report if there are invoices which remain unpaid beyond 90 days.</p>



<p>A number of suppliers have agreed 60 days payment terms. Depending on the timing of our payment run, these may sometimes be paid in advance of the 60 days or just after the 60 days, thereby adversely affecting our payment metrics.</p>	<p>We will aim to ensure more supplier invoices are paid just before their due date especially where they have already granted us longer payment terms (where 60 days payment terms agreed). Will include the indicator.</p>
<p>Some of the transactions being matched on our ledger use the date of posting as the day of allocation as opposed to matching the date to the actual payment date. Again, this results in a distortion of the actual payment date.</p> <p>Having analysed the payments showing as paid in over 60 days we have concluded that some were posted with the incorrect date several days after supplier actually got paid. In the future reporting periods we will analyse that and correct on the system before generating this report so the report is accurate.</p>	<p>We will ensure we are posting correct allocation dates on the system to match the actual payments dates suppliers get paid</p> <p>This action should improve the statistics by a further 1.3%.</p> <p>Additionally, the Billing Team has been instructed and reminded of how / why this should be done.</p>
<p>A recent trend that has increased in intensity and frequency during 2021/2022 has been an influx of supply chain costs increasing which have not been agreed or communicated before the invoices were raised. Whilst we understand that supply chain partners are responding to their own cost increases and want to pass the cost increases to Exponential-e, it has resulted in an increased level of invoice disputes. Sadly, we expect this to continue during 2024 but we are working to support our partners and customers to ensure best value is maintained and cost increases are minimised.</p>	<p>This is outside of Exponential-e direct control however our Procurement team works closely with the Supply Chain, seeking to anticipate increases in costs and agree in advance when these are liable to be implemented.</p> <p>If suppliers seek to breach their contractual terms with Exponential-e as stipulated by their MSAs then we reserve the right to reject all unacceptable invoices, which will inevitably create delays in payment. Note: the full impact of this trend will not be visible until the next reporting period at the earliest, and we expect this to continue throughout 2024.</p>

Director Approval & Signature

This plan has been approved and accepted by:

Signed: *Henry Pepperall*
 Name: **Henry Pepperall**
 Title: Chief Financial Officer
 Date: February 2024
 Date of Next Review: June 2024