

PROCUREMENT AND PURCHASING POLICY La Sentinelle Group

Corporate Procurement and Purchasing Policy

1.0 Statement of Policy

The policy of La Sentinelle Group is to obtain the best value for the materials, goods, and services that the Group purchases from, and to maintain highest ethical standards in dealing with, its suppliers. Value includes price, quality, reliability, and service.

2.0 Overall Goal

The overall goal is to maintain at all times, and under all conditions, **a continuous supply of materials, goods and services necessary to support the operations of all the business units** of the Group; while seeking to maintain long-term, mutually profitable ethical supplier relationships.

3.0 Background

The Group acknowledges that the purchase of materials, goods and services is the largest expense area. It therefore considers that it is imperative to use its purchasing leverage to ensure that materials, goods and services are procured at the lowest cost, highest quality, and optimal service, including delivery.

4.0 The Ethics of Purchasing

It is Group policy that all purchasing activity is carried out in a manner consistent with the highest professional, ethical, moral and legal standards. **Transgression of these standards can lead to immediate dismissal.** In all transactions, the main consideration must be the interests of the Group.

- 4.1 Under no circumstances may an employee solicit/accept a cash sum/commission from a supplier.

PROCUREMENT AND PURCHASING POLICY

- 4.2 Under no circumstances may an employee of the Group solicit discounts/trade-offs from regular Company Suppliers, against personal purchases.
- 4.3 An employee may accept small advertising gifts, bearing the supplier's name or logo, the occasional meal, or a bottle of wine or spirits at Christmas, but has the responsibility to disclose to the Chairman of the Procurement Committee.
- 4.4 Any other gift or offer of a gift from a Supplier, up to an including air – fares and holidays, must be disclosed by the employee to his Head of Department, who will decide whether the employee may accept the gift. If there is any doubt then the employee must declare the gift to the Head of Department who in turn will inform the Chairman of the Procurement Committee.
- 4.5 All employees involved in any part of the procurement procedure must comply with the letter and spirit of the “Laws of Mauritius” concerning the purchase of goods and services and the contractual obligations covering such transactions.
- 4.6 All employees involved in any part of the procurement procedure must reject any business practice which might reasonably be deemed improper.

5.0 Responsibility

The Procurement Committee is solely responsible for the procurement of materials, goods, and services for the Group. **All purchases, including commitments to purchase and related activities, will be handled by the Procurement Committee.** The Committee may delegate a Sub-Committee for some purchases as outlined and officialised in this policy. **To this effect, purchasing is under the Procurement Committee.**

6.0 Accountability

PROCUREMENT AND PURCHASING POLICY

The Procurement Committee and the Sub-Committees are accountable to the Board of Directors, who has the authority to evaluate the performance of the Procurement Committee and make recommendations to enhance efficiency and effectiveness.

7.0 Objectives

- 7.1 Ensure the **uninterrupted delivery of acceptable quality of materials, goods and services, at the right time, price and terms and conditions.**
- 7.2 Develop reliable alternate sources of supply to meet the Group's requirements.
- 7.3 Treat all prices quotes and technical information submitted by suppliers **as confidential in order to preserve good business reputation and obtain competitive prices.**
- 7.4 Purchase materials, goods and services at the maximum end-user value under the 'Economic Order Quantity' principle so as to avoid capital being tied up in stocks and also to reduce related cost such as handling, transportation, warehousing and safe-keeping.
- 7.5 Take note of complaints submitted by end-users.
- 7.6 Consider the Vendor/Supplier Satisfaction Index; which is carried out by end-users on a quarterly basis.
- 7.7 Update the Preferred Vendor/Supplier List on a quarterly basis.

8.0 Procurement Committee

The Procurement Committee will be chaired by the General Manager; or any Group Manager as delegated by him. The Committee will be constituted of FIVE members;

PROCUREMENT AND PURCHASING POLICY

1. Group Production & Technical Manager
2. Group Human Resource Director
3. Group Finance Director
4. Group Publishing Manager

The Secretary to the Group Human Resource Director will act as Secretary.

The Quorum for the meeting shall be ANY 3 MEMBERS.

The Manager/BUM/HoD's for whom the purchase is being made will be in a TECHNICAL COMMITTEE that submits its recommendations to the Procurement Committee.

The users will always be co-opted so as to share their concerns and experience.

8.1 Frequency of Meetings

The Procurement Committee shall meet as and when required.

The President and the Secretary may call a meeting in cases of urgencies.

The Secretary shall confidentially circulate to all members of the committee an agenda, minutes of meeting and an Evaluation Sheet one day before the meeting.

9.0 Terms of Reference

The Procurement Committee shall:

- 9.1 Establish, implement, review and update the Corporate Purchasing Policy.
- 9.2 Ensure that the Purchasing Policy is enhancing efficiency and effectiveness.
- 9.3 Approve criteria for selection and rating methodology.
- 9.4 Listen to complaints by end-users.

PROCUREMENT AND PURCHASING POLICY

- 9.5 Facilitate the purchasing activities.
- 9.6 Ensure probity of all staff of the Group.
- 9.7 Pursue the principles of lowest total costs.
- 9.8 Avoid contracts irregularities.
- 9.9 Ensure governance principles that seclude conflicts of interests.
- 9.10 Promote best practices in Procurement.

10.0 Guiding Principles

- 10.1 Purchasing needs arise in a variety of contexts. In some cases, the business unit with a purchasing need may wish to engage prospective suppliers in preliminary discussions.

In other cases, the business unit may decide to ask Purchasing Department to deal with prospective suppliers.

In no case should a business unit commit the Group to a purchase without the approval of the Procurement Committee, unless authorised to do so.

- 10.2 Approved purchasing processes must be used in every case, to ensure that the supplier is selected objectively. Frequently, competitive bids will be used in order to obtain best value.
- 10.3 Approved contracts, developed by Purchasing and the Legal Department, including approved purchase orders, will be used to ensure that the Group's
 - (i) interests are fully protected and
 - (ii) purchasing initiatives are appropriately implemented.

PROCUREMENT AND PURCHASING POLICY

Forms provided by suppliers should be used only in exceptional circumstances, and only with the prior approval of Procurement Committee.

Letters of Intent, which are by definition non-binding, are discouraged, and should not be used without the prior approval of the Procurement Committee.

- 10.4 Purchasing Department will provide details to the Group Finance Director, of contracts or purchase orders obligating the Group to unique financial arrangements as required by the Group Finance Director.
- 10.5 Procurement Committee is responsible for managing the financial and administrative aspects of contracts and purchase orders; beneficiary business unit or department is responsible for managing the operational aspects.
- 10.6 Only employees specifically authorized may sign purchase agreements on behalf of the business unit or Group. Agreements signed by unauthorized personnel, as well as oral commitments, compromise the Group's ability to control the process by which it incurs obligations, and expose the Group to unnecessary risks.
- 10.7 Once a decision is taken by the Procurement Committee, the decision will be a final one.**
- 10.8 Renewal of contracts is not and cannot be automatic. All contracts will have to be renegotiated and approved by the Procurement Committee.**

PROCUMENT AND PURCHASING POLICY

11.0 Procurement Value Table

Rs	Petty Cash	Crossed cheque/ bank transfer/LC	Documents required before purchase/ Selection of supplier	Check by Finance Department	Purchase Order	Receipt Note	Responsibility
I) Less than 200	√	×	None	×	×	√	Manager/ BUM/ HoD
II) 200 to 5,000	√	×	None	√	×	√	Manager/ BUM/ HoD
III) 5,000 to 25,000	×	√	Pro forma invoice from preferred supplier	√	√	√	Manager/ BUM/ HoD
IV) 25,000 to 100,000	×	√	One quote needed	√	√	√	Approval of GM However, the second purchase of the same item will have to be approved by the Chairman of the Procurement Committee so as to avoid breaking down the purchase through procurement by buying in smaller quantities.
V) 100,000 to 500,000	×	√	At least two bids are needed	√	√	√	Procurement Committee
VI) >500,000 and above	×	√	At least three bids are needed or number of bids at deadline date	√	√	√	Procurement Committee with Final Approval of General Manager

PROCUREMENT AND PURCHASING POLICY

- I) Manager/Business Unit Manager/Head of Department submits a Petty Cash Request to the Cashier. Signs the receipt and sends to Finance Department.
- II) Manager/Business Unit Manager/Head of Department submits a request to Finance Department. After verification of the request, Finance Department will remit cash. The transaction is closed when a signed receipt is sent to Finance Department.
- III) Manager/Business Unit Manager/Head of Department receives a Proforma Invoice from supplier and authorizes the issue of a Purchase Order. The Purchasing Officer issues the Purchase Order.
- IV) One quote received. The Manager/Business Unit Manager/Head of Department **approves the** Purchase Order with the approval of General Manager. The Purchasing Officer issues the Purchase Order. When the invoice is received, it is matched with the Purchase Order, signed by the Manager/Business Unit Manager/Head of Department who authorized the purchase and is sent to Finance Department.
- V) At least two bids/quotes are received. The Procurement Committee selects the supplier and authorizes the Group Finance Director to place the order and follow-up on payments.
- VI) The Procurement Committee **follows all the steps until the purchase order is issued.**

12.0 Bid Policy

A competitive bid with three vendors is recommended for ALL purchases of Rs500,000 or more. There are two types of bids.

Request for Quotation (RFQ) and
Request for Proposal (RFP)

PROCUREMENT AND PURCHASING POLICY

13.0 Bid Guidelines

When dealing with Vendors/Suppliers or their representatives/agents, it is important to conduct a fair and ethical process.

Key Points

- *Do not disclose previous prices.
- *Do not disclose name of other bidders.
- *Do not disclose the amount that should be submitted.
- *Do not allow any vendor to resubmit a bid.
- *Do not exchange information with bidders or their representative/s.
- *Do not accept any kind of external influence.

14.0 Tendering Procedures for Local Purchases

- 14.1 Tendering procedures will only be initiated for purchases above Rs. 100,000/-. However, the second purchase of the same item will have to be approved by the Chairman of the Procurement Committee **so as to avoid** breaking down the purchase through procurement by buying in smaller quantities.
- 14.2 A selection of suitable suppliers is identified based on reliability of products, past experience, capacity to deliver and after sales support, etc.
- 14.3 Proper specifications are given by the appropriate technical person or head of department and are verified by the Group Production & Technical Manager.
- 14.4 Invitation to tender is sent to the potential suppliers and those who are interested should collect 3 copies of the tender documents (which provide full details of the tender, technical specifications, terms and conditions) from the Registry.

PROCUREMENT AND PURCHASING POLICY

- 14.5 Registry keeps a log of tender documents released with their closing date.
- 14.6 Tenders are received in sealed envelopes in the tender box found at the company's reception at Riche Terre. If possible, a proposal should be split into technical and financial and are submitted in two separate sealed envelopes.
- 14.7 Both the Group Finance Director and Secretary to the Procurement Committee keep the different tender box keys.
- 14.8 The Procurement Committee opens the tender box after the closing date as directed by the Secretary.
- 14.9 Tenders are received in three copies. One is given to Manager/BUM/HOD (end-user) for technical evaluation and the other two are given to the Group Finance Director and General Manager for financial analysis
- 14.10 The Group Finance Director and the General Manager will then prepare a financial report with recommendations and analysis of each tender and submits to Procurement Committee; as well as a technical report is submitted by the end-user
- 14.11 The Procurement Committee will then deliberate for final approval. **Once a decision is taken, it is final.**
- 14.12 The Group Finance Director sends a letter of award with terms and conditions to the chosen supplier who is given a closing date to respond.
- 14.13 If the supplier agrees to deliver the goods as per the terms and conditions stipulated in the letter of award and as per tender terms and conditions, they will sign a contract of agreement prepared by the Secretary.
- 14.14 If the supplier does not agree, then the Group Finance Director, with the approval of the General Manager sends a letter of award to the next chosen supplier listed and so on.

PROCUREMENT AND PURCHASING POLICY

- 14.15 Once an agreement is reached with a chosen supplier, a correspondence is sent to other suppliers not selected explaining briefly the reasons of the rejection of their tender.

15.0 Creating a Purchase Order

To ensure the effective processing of a requisition, be sure to:

- 15.1 Provide the correct budget reference number.
- 15.2 Include all relevant information.
- 15.3 Enter Estimated Prices when actual costs are not known.
- 15.4 Enter an expected delivery date.
- 15.5 **Obtain** all appropriate signatures.

16.0 Special Types of Purchase Order

- 16.1 **Blanket Purchase Order**
Grouping a number of purchases for different business units. There is here a need to properly designate where each purchase will be charged.
- 16.2 **Open Purchase Order**
Where delivery is over a period of time. Once the order is completed, then Manager/Business Unit Manager/Head of Department has to ensure that the invoice is signed so that Finance Department can effect the payment.
- 16.3 **Emergency Purchase Order**
The placing of orders greater than **Rs100,000** on an emergency basis should be discouraged. However, in exceptional circumstances, a mail may be sent to the Group Finance Manager and the General Manager

PROCUREMENT AND PURCHASING POLICY

to inform about the circumstances calling for an Emergency Purchase Order.

16.4 No Purchase for Items Not Approved in the Budget

No Manager/Business Unit Manager/Head of Department, employee, or agent shall accept any equipment, materials, supplies, or services that have not been approved by the Board of Directors in the annual budget without prior approval of the Executive Chairman.

The end-user/Manager/Head of Department/Business Unit Manager who has to effect the purchase of the non-budgeted item will have to support his request with a fully comprehensive cost-benefit analysis report so as to allow the General Manager to fully evaluate the requirement.

17.0 Economic Order Quantity

The Group Finance Director and the Manager/Business Unit Manager/Head of Department have the joint responsibility of defining the Economic Order Quantity and stock level so as to ensure capital is not tied up in stocks.

18.0 Sample Check

PROCUREMENT AND PURCHASING POLICY

The Manager/Business Unit Manager/Head of Department has to determine the type of verification and/or the percentage (sample) to be checked when receiving materials, goods and equipment.

19.0 Evaluation Criteria

The following may be considered:

- 19.1 Price
- 19.2 Delivery
- 19.3 Transportation
- 19.4 Storage
- 19.5 Service
- 19.6 Technical assistance
- 19.7 Willingness to stock
- 19.8 After-hours availability
- 19.9 Correct invoicing
- 19.10 Past experiences; etc
- 19.11 Terms of payment

20.0 Weighting of Criteria

The Procurement Committee will review the relative priorities and importance of each of the evaluation criteria and determine weighting percentages to be applied to each criterion.

PROCUREMENT AND PURCHASING POLICY

21.0 Negotiations

- 21.1 It is possible to negotiate with Vendors/Suppliers to ensure the timely acquisition at the lowest total cost. However, all Vendors/Suppliers should be given a fair chance and we have to maintain high ethical standards. In such cases, the Procurement Committee will identify different persons to negotiate with different Bidders/Suppliers.
- 21.2 Negotiations may also be a recourse for items required with great urgency. However, the urgency must be justified to the Procurement Committee.
- 21.3 Replacement parts from original supplier; for cars, computers, etc may be negotiated.
- 21.4 Also, when the product is to be designed and produced according to our unique specification.

22.0 Offers for Stock-Lots

- 22.1 The Secretary of the Procurement Committee will inform all vendors/suppliers that they should send their best quotes for stock-lots to the Secretary of the Procurement Committee on the following email address: procurement@lasentinellemu
- 22.2 The vendors/suppliers will be informed that they should also send a mail to the General Manager and the Group Finance Manager to inform them about the offer for stock-lots without disclosing the price and the quantity.
- 22.3 To ensure fairness the Procurement Committee may invite other vendors/suppliers to inform the committee if they have stock-lots, their price and quantity without disclosing the original unsolicited offer.
- 22.4 The final decision remains with the Procurement Committee.

23.0 Vendor Samples

PROCUREMENT AND PURCHASING POLICY

For all major purchases (ink, plates, paper, etc), the Procurement Committee will take into consideration the recommendations of end-users who have seen/tested/tried vendor samples.

24.0 Disclosure of Conflicts of Interest

Any member of the Procurement Committee who has any conflict of interest (financial interests, investment interests, compensation arrangement, family relationships, etc.) has the duty to disclose any such conflict.

The Procurement Committee will determine whether there is a conflict of interest and to what extent, and decide upon the participation of the member in the deliberations of the committee.

25.0 Violations of the Conflict of Interest

- 25.1 If the Procurement Committee has reasonable cause to believe that a person has failed to disclose actual or possible conflicts of interest, it shall inform the person of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- 25.2 If, after hearing the response of the person and making such further investigation as may be warranted in the circumstances, the Procurement Committee determines that the person has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Procurement Policy for Emergency Purchases

PROCUREMENT AND PURCHASING POLICY

An Emergency Purchase is one that has to be made for an immediate and unexpected need of goods or services when there is not sufficient time for going through the full process of competitive bidding. An Emergency Purchase arises in a situation where an immediate action is required as a result of an unforeseen circumstance.

The same Policy procedures will be followed, but members will have to react speedily to queries and respect deadline for submitting comments and views. Once a decision is taken by the Procurement Committee, the Purchase Order has to follow immediately.

Essential Rules of Procurement

1. Facilitate our businesses and respect operational requirements (technical, quality & time)
2. Encourage competition
3. Treat suppliers fairly and split orders whenever possible
4. Result in the best value to the Group
5. Stand the test of scrutiny/audit
6. Efficient, Effective and Ethical procurement

PROCUREMENT AND PURCHASING POLICY

7. Accountability and Transparency
8. Consider past performances of suppliers (delivery, quality, etc)
9. Annual Procurement Plan to avoid unnecessary pressure on the Procurement Committee
10. Transparent negotiations for price negotiations by at least two members of Procurement Committee
11. < **100,000** 1 Bid = Ok with the approval of GM
200,000 – 500,000 2 Bids OK but decision with Procurement Committee
> 500,000 and above= min 3 bids, or number of bids at deadline date :
decision procurement committee
Committee can meet with short notice for urgent issues
12. Once decision is taken by Procurement Committee, the Purchase Order should follow on the same day

A Procurement Surveillance Committee will ensure that all procedures are respected to avoid unnecessary perception of bad practices.

Special Offers and Exceptional Opportunities

The Procurement Committee may consider “Special Offers” or “Exceptional Opportunities”.

The ultimate aim of the Committee is to facilitate our businesses and to ensure that our purchases result in the best value to the Group.

PROCUREMENT AND PURCHASING POLICY

To this effect, a special offer may be considered when

1. The price of a currently used item is at least 5% below the prevailing price on the market.
2. The offer has a limited time duration.
3. The quality of the product is as per our technical requirements.
4. The supplier does not have any conditions attached to the offer (such as always having to buy only from them, or an abnormal minimum quantity, etc.)
5. The realisation of the offer represents a real gain to the Group.

Under the same consideration, the Procurement Committee may consider "Exceptional Opportunities".

1. When a product or service is offered at reduced rates or prices resulting mainly under exceptional circumstances.
2. When the supplier is ready to disclose the reasons for offering the reduced rates or prices.
3. When the committee is satisfied by the reasons disclosed by the supplier, such over-production, excess unbooked production capacity, etc.
4. However, the product or service should be of highest quality standards (no rejects or obsolete items, etc.)

The difference between a special offer and an Exceptional Opportunity is that as far as "the offer" is concerned, we are contracted by a supplier. Whereas for the opportunity we come to know or we enquire following an information received.

HOW TO DEAL WITH?

When a special offer or exceptional opportunity is communicated to any member of the Procurement Committee (either internally or externally), the member informs all other members immediately either by mail or orally.

- Then a suggestion is submitted for the consideration of other members.
- A time-limit is fixed for other members to react.

PROCUREMENT AND PURCHASING POLICY

- If no consensus can be reached, an urgent procurement committee is called at short notice.
- A decision is taken and is considered to be a collective decision.