

PROPOSED PROCUREMENT POLICIES AND PROCEDURES

EXECUTIVE SUMMARY.

The Proposed Car & General Procurement Policies and Procedures Manual is a guide for implementing the sustainable procurement strategies through professional procurement and supplies management. It is on the basis of the policies and procedures stipulated that functional interdependence and managing suppliers' relationships will yield total supply chain cost optimization. The manual advocates for uniformity, professionalism, fairness and transparency in the management of procurement and supply activities within the context of the company's corporate policies. The Proposed Manual sets out procurement policies, procurement procedures, instructions and regulations which the company's employees must adhere to in all matters relating to Procurement Management.

The policies and procedures will assist the Procurement Department to be more effective and efficient in providing procurement services to all the divisions within the Company. The manual will also assist the Procurement Department to optimize costs by managing supplier's relationships, developing suppliers, negotiating purchase contracts and thereby contribute to the efficient financial and customer service performance. Furthermore, the manual will ensure uniformity and continuous improvement of procurement practices across the company by clarifying and disseminating the policies and procedures.

The Procurement Policies are geared to ensuring that a common and harmonised approach is adopted to leverage the full value from the procurement spend by adopting strategies such as consolidation of requirements and centralisation of purchases to achieve quantity discounts. All members of staff shall be required to be familiar with and to follow the documented policies and procedures for the benefit of the Company.

DEFINITIONS

Contract - is any agreement between two or more parties which creates an obligation to perform or refrain from performing some act. Acceptance of a purchase order constitutes a contract.

Contractors - means a person, consultant, firm, company or an organization who undertakes to supply goods, works, services and consultancies.

Emergency - means natural calamities, disasters, accidents, war and operational emergencies which may give rise to an abnormal situation that requires prompt and immediate action to limit or avoid damage to person, property or the environment.

Goods - means articles and objects of every kind and description including raw materials, product, equipment, machinery, spares and commodities in a form and include services incidental to installation, transport port, maintenance and similar obligations related to supply of goods.

Petty Purchases/Petty Cash - are procurements that are of a routine nature and cannot be accurately budgeted for or predicted due to their recurring nature, including nominally priced items, are classified as petty cash procurements.

Services - means any object of procurement other than goods and works.

Request for Proposal - means set of bidding documents sent to the interested and shortlisted contractors and include at least; i) Letter of Invitation; ii) Invitation to bidders; iii) Terms of Reference; and iv) evaluation criteria.

Single Source Selection - is adopted only in exception cases, in hiring of consultants, where it provides clear advantage on competition in natural continuation, repeat order, emergency and where only one consultant has experience of exceptional worth.

Works - means any construction work consisting of erection, assembly, repair, renovation or demolition of a building or structure or part thereof. Such as, site preparation, excavation, installation of equipment or material and decoration, finishing and include incidental services such as drilling, mapping, satellite, photography, seismic investigation and similar activities.

PREFACE.

The Proposed Procurement Manual is a policy instrument which spells out procedures for managing the procurement function within Car & General. It stipulates procurement strategies, systems and procedures which would enable functional integration, effective management of suppliers and customer's relations, uniformity, professionalism, fairness and transparency in performance of procurement activities. Requisitioning, specification and acquisition procedures are spelt out for adherence by both end users and procurement personnel.

The proposal includes procurement policies which are the basis for setting targets against which the procurement process as well as supplier's performance would be measured. Emphasis is made on procurement planning to enhance budgetary discipline and to eliminate or minimize quality, time and costs related risks in the procurement process. Procurement decisions will be made in a fair, professional, and transparent manner among other issues that will help reduce any possible conflict of interest during the execution of the procurement process. Included are approaches for market assessment and continual updating of findings to enhance realistic budgeting, procurement planning, bids evaluation and contract negotiations.

1. OBJECTIVE

The objective of the Procurement policy is to provide fundamental guidance to the business on best practice in conducting procurement for goods and services.

The main objectives of preparing this document are to:

- a) Define the Car & General procurement procedures and controls - defining who does what, how and in what sequence;
- b) Ensure transparent procedures are followed in the selection of the suppliers of goods and services, including sub-contractors. Where requests for proposals (RFP)/invitation to tenders (ITT) are required, they are requested under conditions of transparency and equal treatment i.e. in an open and competitive way and without favouritism;
- c) Help in ensuring purchasing decisions are made in the most efficient and cost-effective manner i.e. with due regard to value for money;
- d) Ensure consistency in processing procurement transactions; and
- e) Act as reference guide for all Car & General staff particularly those who make or approve purchases.

2. PURPOSE

Car & General members of staff involved at every stage of the procurement process are required to have a thorough understanding of Car & General procurement policies and procedures. This manual has therefore been prepared to provide guidance on Car & General procurement policies and procedures that should be followed in procuring goods and services on behalf of Car & General. It describes Car & General procurement policies and procedures, lists the documentations required for making purchases, and describes the process for obtaining approval before and after the purchase.

The purpose of the procurement policy and procedure is to structure sustainable business procurement processes and sourcing strategies to ensure that the goods and services acquired are the result of transparent, objective, time and cost-effective decision making and risk management. This will be achieved through the following:

- a. Having an annual procurement plan, prepared and approved to manage timely procurements.
- b. Procuring quality goods and services from reliable and well-established Suppliers.
- c. Effective negotiations with the suppliers to obtain quantity discounts; and favorable credit terms.
- d. Locating, evaluating, and developing economical and supply sources for the group through an elaborate vendor prequalification.
- e. Continuous investigations on new suppliers and market price trend on goods and services the business continuously requires.
- f. Procuring prudently by placing emphasis on competition and selection of vendors whose offers confirms to the terms and conditions as well as the technical requirements and specifications stated on purchase requisitions;
- g. Management of stock inventory to provide best service to users by ensuring supply continuity.
- h. Minimizing the value of stock held to avoid tying funds unnecessarily.
- i. Providing timely information to user department and the management on procurement status.

3. SCOPE

This part of the Policy and Procedure Manual covers the Procurement function. The procurement function involves the procurement by all business units of Car and general Kenya. The procedures outlined in this manual are applicable but not limited to the procurement of:

- a. Goods
- b. Services
- c. Works

The procurement policy is applicable to all Business units and any other individual who may be given authority to commit the Group's funds by purchasing goods and services for the group.

The Policy Statement

Car & General is committed to adhere to high ethical and professional standards in the management of the financial resources entrusted to it. These include procuring goods and services in an open, fair and transparent manner. Some of the principles that Car & General employees are required to strictly adhere to are:

Integrity: Car & General employees shall be straightforward and honest in all professional and business relationships.

Objectivity: Car & General employees shall not allow bias, conflicts of interest or the undue influence of others to compromise their judgement.

Confidentiality: Car & General employees shall respect the confidentiality of information acquired as a result of professional and business relationships, and shall not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose.

PROCUREMENT POLICY AND RESPONSIBILITY

3.1 Responsibility

3.1.1. The Procurement department has the responsibility to maintain an open and competitive process for procuring goods and services.

3.1.2. The Procurement department has the responsibility to negotiate/engage with the vendors for quotations and favorable terms thereafter to be approved by Line Manager.

3.1.3. Bids, proposals, and quotations from competing vendors will be obtained and evaluated by procurement unit after which the contracts/orders will be awarded.

3.1.4. The procurement department has the responsibility to source and prequalify suppliers who meets company requirements.

3.1.5. The end user department must communicate to the procurement department of their needs with full specification in due time and at least give three days for first purchases and two days for regular orders.

3.1.6. The user department **MUST** communicate urgent orders/service as soon as they receive the request for the procurement department to expedite. Urgent orders are those that stem from unforeseeable events and not poor procurement planning.

3.1.7. Departmental end users where technicality is involved /scarce commodities in market, may share the list of suppliers to Procurement department for further engagement and provide detailed technical specifications.

3.1.8. All activities pertaining procurement should be communicated to procurement department.

3.1.9. All Purchase Orders must be generated from the procurement department for approval by responsible party as follows based on spend;

Table 1: Delegation of Authority

Value Spend (Kshs)	Approver
0 - 10,000	Small Procurement (Petty Cash) to be reconciled within 24 hours within Nairobi & 48 hours for purchases outside Nairobi
0 - 50,000	Procurement officer, Business Leader / Manager
50,001 - 250,000	Procurement Officer, Business Leader / Manager & Head of Department
250,001 & above	Procurement Officer, Business Leader / Manager, Head of Department & Managing Director

Regular weekly communication should be established between users and Procurement Department to provide feedback to users with regards to the procurement progress. The feedback should be provided by the particular buyer processing the procurement in writing.

Whereas price paid is important for obtaining value for money, Procurement should strictly observe and adhere to the prescribed specifications and delivery schedules.

Procurement Department has the overall responsibility for the procurement process in collaboration with user departments in a transparent manner.

3.1.20 Only the Procurement Officer is allowed to send out requests for quotations and to solicit bids for supply of goods, services and works.

3.1.21 Measurement of procurement effectiveness and control should be continuous through systematic analysis of spend, stock levels and consumption trends.

This is to address the extent to which procurement function satisfies the users' needs and expectations in ensuring;

- a. Supply continuity.
- b. Effectiveness of lead time management.
- c. Service level.
- d. Appropriateness of quality of requirements.
- e. Cost reduction initiatives.

Performance evaluation and measurement tools developed by Procurement Department will be used for this purpose.

4. APPLICATION

The policy regulations shall apply to procurement of all goods and/or services. It is therefore the responsibility of all Car & General employees who are involved in the approval or making of purchases to know this policy.

4.1.1 Any deviation from these guidelines must be authorized in writing by the Approver on Delegation of Authority based on value spend.

4.1.2 These policies and any modifications thereof, shall be effective from the date approved by the Management and communicated by Procurement Officer.

4.1.3 All staff involved in the buying process, including managers and supervisors are responsible for reading and understanding these regulations and any amendments made to them.

4.1.4 Ignorance of any of these regulations will not be accepted as an excuse for failure to act appropriately upon any matter or comply with the regulations as stated in the policies herein.

4.1.5 The procurement policy will be reviewed and updated annually, unless a change is triggered through Audit recommendations or reorganization within the group necessitating radical changes in processes, roles, and responsibilities.

4.1.6 The employees, officers or agents of the group should not solicit money, credits, gifts, entertainment, or favors from current or-prospective suppliers.

5. THE PROCUREMENT PROCESS

The Purpose

The purpose of this provision is to highlight steps to be followed once the Master Procurement Plan has been approved.

The Procedures

- 5.1.1 The users should complete internal purchase requisition on SAP.
- 5.1.2 The user must indicate the budgeted amount and item code (where available) for the goods or services to be acquired and give clear and accurate specifications of the requirement.
- 5.1.3 The Procurement Department should study the specifications on the Purchase requisitions to ensure their clarity and completeness with a view to minimizing restrictive specifications such as brand or trade names, patent, design or type, specific origin, producer or service provider unless there is no Sufficient or intelligible way of describing the requirements and provided that Words such as 'or equivalent' are included in the specifications.
- 5.1.4 The supply market should be investigated in order to establish sources of supply, improve on specifications where necessary, market prices, technology issues and any other relevant market information in case prequalification of potential suppliers might not have been carried out.
- 5.1.5 Once there is concurrence on correctness of specifications Procurement Department should choose the appropriate procurement sourcing method.
- 5.1.6 Purchase Orders (POs) should be issued by Procurement Officer and approved as per delegation of authority before being sent to the selected supplier.
- 5.1.7 Reports to facilitate continuous review of all outstanding orders should be maintained. This report should include as a minimum:
 - a. PO Number
 - b. PO date
 - c. Name of Supplier
 - d. Requisition Number
 - e. Requisition date
 - f. Description of goods
 - g. Quantity ordered
 - h. Quantity received (for partial receipts).

6. CODE OF CONDUCT

6.1 Behavior

- 6.1.1 Being representatives of the group, it is expected that employees will conduct themselves in a professional and ethical manner, maintain high standards of integrity, use good judgment in all the dealings, loyalty and respect for rules and regulations, impartiality and fairness, transparency, confidentiality, avoidance of appearance of impropriety and due diligence.
- 6.1.2 All employees are expected to be principled in their business interactions and to act in good faith inside and outside the group.
- 6.1.3 The group shall be governed by the code of conduct in performance, behavior, and actions of all who are engaged in any aspect of procurement including but not limited to purchasing of goods and services, awarding contracts, and the administration and supervision of contracts

7. PROCUREMENT METHODS

The following procedures should be adopted according to the amounts and nature of the procurement of goods or services.

7.1 Small Purchase procurement (Petty Cash):

- 7.1.1 This is relatively simple and informal procurement of services, supplies or other items that do not cost more than kshs. 10,000 (Kenya shillings Ten thousand only).
- 7.1.2 All petty cash transactions need to be pre-approved by the Head of Department using a Petty Cash Requisition that is serialized.
- 7.1.3 Quotations will be obtained from any qualified supplier / contractor who has in the recent past, been fair in pricing and quality.
- 7.1.4 Receipts of goods and or services paid for by petty cash should be handed in within 24 hours in Nairobi and 48 hours for purchases outside Nairobi.
- 7.1.5 All Petty cash purchases, will be compared against other quotations for the same goods/services obtained by the Procurement department to ascertain value for money and confirm purchase is within market price.
- 7.1.6 Any procurement exceeding the amount qualifying for small purchase procurement must go through the General procurement.

7.2 General Procurement

- 7.2.1 After obtaining approval from the authorized officer, written quotations should be sought from at least three suppliers from the prequalified list, including the successful tenderer in the last procurement exercise.

7.2.2 The lowest quotation meeting the technical requirements with favorable payment terms and lead times should be accepted.

7.3 Procurement by non-competitive proposal

7.3.1 This is where procurement is from only one source, or after solicitation of several sources, competition is determined inadequate. This method may be used only:

- a. If the required item is available only from a single source;
- b. The urgency (not arising from poor planning) for the requirement will not permit a delay resulting from competitive solicitation;
- c. After solicitation of several sources, competition is determined inadequate.
- d. In such a case the Procurement Officer initiating the procurement must justify why/how they are no alternative suppliers and therefore proposing sole/single sourcing. This justification will be signed by the approver based on value threshold.

7.4 Supplier Frame Work Agreement

7.4.1 A framework agreement is to be considered for repeat purchases by stipulating and negotiating contractual terms between Car & General and Pre-qualified supplier(s). The terms include fixed price for a defined period preferably annually, specifications and delivery lead times. This agreement does not guarantee the supplier business from Car & General. The agreement will be standard and not quantified, from which orders will be called off when need arises.

7.5 Approval of Asset Procurement

7.5.1 The need for asset procurement will be identified by end user, reviewed by Head of department before it's finally approved by Chief Executive Officer for Procurement. The specifications will be evaluated and approved to be in line with Car & General's short- and long-term goals to avoid obsolesce.

8. PROCUREMENT GUIDELINES

8.1 Requirements

8.1.1 All procurement by the group shall comply with the requirements below:

- a. The group shall avoid purchasing unnecessary items.
- b. Where necessary, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement.
- c. Request for supply of goods and services provide for all the following;
 - I. Clear and accurate description of the technical requirements for the material, product, or service to be procured. In competitive procurements, such description shall not contain features which unduly restrict competition;
 - II. Requirements which must be fulfilled and all other factors to be used in evaluating the proposal submitted in response to solicitations;
 - III. Whenever practicable, a description of technical requirements in terms of functions to be performed or performance required, including minimum acceptable characteristics;
 - IV. The group shall make positive efforts to ensure utilization of small businesses, youth and women enterprises, and minority owned firms.
 - V. Contracts shall only be made with responsible contractors who possess the ability to successfully perform under the terms and conditions of the proposed procurement.
 - VI. Matters such as contractor integrity, past performance record and financial and technical resources.

SUPPLIER SELECTION

9.1 The Purpose

This policy spells out the criteria for solicitation and appraisal of potential suppliers with a view to maintaining a database for potential suppliers as well as selection of actual suppliers through the evaluation process.

9.2 The Policy Statement

The Procurement Department should carry out selection of suppliers through appraisal of potential suppliers in order to compile and maintain a suppliers' database or for evaluation of bids and award of contracts for supply of specific goods and services.

9.3 The Procedures

9.3.1 Maintaining supplier data base

The Procurement Department will pre-qualify and regularly update a database of potential suppliers for both operational and capital requirements as captured in the corporate budget and the master procurement plan. Sourcing of potential suppliers will be undertaken by the Procurement Department through questionnaires, expression of interests and invitation to tender. All supplier's documents required for on boarding as listed below, will be counter checked by the Managing Director and Group Commercial Manager for review and approval before supplier account is opened in SAP;

- a. Supplier registration form.
- b. PIN Certificate
- c. VAT Compliance Certificate
- d. Certificate of incorporation
- e. GIT insurance for Transporters
- f. Bank Details on a letter head (Where a supplier is not willing to provide bank details confirmed by their bank on the letter head and there is an emergency and alternative supplier, original bank details on the Company's letter head is permitted provided a call back is done to a senior employee of the company to reconfirm the details.)

9.3.2 Solicitation for offers by methods other than open tendering

Solicitation for offers through Request for Quotations, Request for Proposals and Restricted Tendering as well as Direct Procurement may be carried out from the pre-qualified suppliers' database.

9.3.3 Pre-qualification of Suppliers

The Procurement Department should maintain a list of pre-qualified suppliers classified under various categories and schedules which contain supplier's names, physical and postal addresses, phone numbers, fax number, e-mail and contact persons. The register of pre-qualified suppliers should be updated on an annual basis or where new developments come up in the market and better suppliers emerge. The list should be used for solicitation of offers through use of Request for Quotations, Request for Proposals and Restricted Tendering procurement methods or Direct Procurement (where this would be the most cost-effective method).

New prospective vendors who may request to be evaluated for inclusion in the list of pre-qualified suppliers may be asked to prove their capabilities by completing and returning the appraisal questionnaire. Evaluation committee will be composed of below team members;

- a. The end user
- b. Head of Finance – Chairperson
- c. Procurement Officer – Secretary
- d. Head of Audit, Risk, Compliance
- e. Deputy Chief Operating Officer.

9.3.4 Blacklisting - Removal of a Vendor from list of Pre-qualification of Suppliers

Removal of a vendor from the Pre-Qualified Suppliers list will be occasioned by below reasons.

Any other reason(s) will be at the discretion of Car & General Management;

- a. Failure to respond to more than three consecutive notices to bid.
- b. Failure to perform or fulfil contractual obligations after an award of a bid, or for other reasons that would show that a supplier is incapable at the discretion of Car and General.
- c. Participation of fraudulent & corrupt activities including collusion to gain an upper hand over other supplier.
- d. If the supplier is found to have furnished wrongful information to pass approval of mandatory requirements.
- e. Supplier's Bankruptcy.

The decision to remove a supplier from the suppliers list based on failure to perform contractual obligations as defined, should follow performance management has been carried out on a continuous basis by Procurement Department in accordance with the performance evaluation and measurement tool.

Review and approval of backlisting will be handled by;

- a. End user (the user with complaint) who provides detailed justification for backlisting,
- b. Head of Audit, Risk & Compliance
- c. Procurement Officer
- d. Deputy Chief Operating Officer
- e. Group Commercial Manager.

9.3.5 Inadequacy of suppliers in a category for effective competitive bidding.

For categories with inadequate or no vendors on the suppliers list or a very limited number, the Procurement Department should be responsible for searching and identifying potential suppliers from, directories of suppliers, other buyers, sourcing agents, existing suppliers, customers, trade journals and publications, internet and any other sources of information.

9.3.6 Supplier performance measurement & Management

Once a supplier has been awarded a contract for supply of goods, services or works, their key performance indicators will be explained to them and measured to determine their competence in accordance with the established measurement criteria. The performance measurement will enhance regular review of the supplier's database in order to delete, renew contracts or include new suppliers capable of meeting the company's needs. Supplier's relationship will be managed through effective feedback communication channels, conducting meetings to iron out any challenges and get proposals on improvements from both sides. This meeting will be necessary to learn market trends, get insights from suppliers that will help in proactively satisfying customer needs and nipping challenges before they bud. Payment terms will be 30 days' credit and tied to review and acceptance of invoice, delivery note, goods and services by Car and General.

9.3.7 Expression of Interest (EOI)

- a. In situations where the company seeks to procure innovative and creative solutions of leading-edge technology or emerging issues, requests for EOI may first be solicited from potential vendors.
- b. An overview of the product or service required should be prepared and forwarded with a covering letter to identified suppliers who will be invited to express their interests.
- c. Alternatively, and particularly where no potential suppliers have been identified, the EOI may be advertised in the media by the Procurement Department. The Procurement Officer in collaboration with the relevant users should develop the criteria to assess the responses. The respondents who shall have submitted relevant and sufficient responses are to be issued with detailed bid documents.
- d. The EOI approach may be used for a two-stage bidding process for Open National or International Tendering or Request for Proposal methods.

9.3.8 Supplier Due Diligence

Supplier Due Diligence in making a choice on suppliers to prequalify, will go beyond mandatory requirements such as Certificate of registration/incorporation, VAT compliance, Bank Details on a bank letter head, signed and stamped, Business Licence to Supplier's financial stability, technical competence, ethical sourcing, environmental management, labour laws and Corporate social responsibility. The supplier's overall health in all the factors listed will go a long way in providing strong and reliable supplier relations. The supplier diligence will be conducted by Head of Audit, Risk & Compliance before approval by Managing Director & Group Commercial Manager to have a supplier account created in SAP.

9.3.9 Conflict of Interest and Non-Disclosure Agreement

Procurement Officer, Evaluation Committee Members and other approvers of Procurement, have an ethical responsibility to declare conflict of interest before handling procurement evaluation. Such as, application by a nuclear or extended relative for consideration of procurement. This will ensure the approver(s) are excused from participating in the named evaluation. Procurement Approvers and evaluators have an ethical responsibility to keep known information in confidence and not share with

competing parties to give an upper hand to one over the others. This will ensure the fairness and integrity of the procurement process is not compromised.

9.3.10 Procurement Documentation

All Procurement communication from receipt of requisition to delivery of goods and or services will be accurately documented to provide a clear oversight of decisions made throughout the procurement process and ease procurement audits. The internal requisition, quotation request, quotations, bid analysis, purchase order / contract, invoice and delivery notes will be well recorded and kept safely for future reference.

9.3.11 Procurement during Emergency Breakdown

In cases of Emergency breakdown of completely unforeseeable events where critical operations may be interrupted if immediate action is not taken and not as a substitute to sound advance planning, the Head of Department will be notified immediately for approval of purchases being the only authorized personnel to make procurement commitment in an emergency situation. The requester will need to fill in a Purchase requisition marked Emergency detailing the circumstances necessitating emergency procurement. All emergency procurement will still ensure best value for money while ensuring integrity of the process is maintained.

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9.5 Approvals

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David Chesoni MD	Sign: <i>[Signature]</i> Date: <i>[Signature]</i>
Vijay Gidoomal CEO	Sign: <i>Vijay Gidoomal</i> Date: 18/8/20