



GROUP PROCUREMENT POLICY

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1 INTRODUCTION

The Corporate Procurement Policy (the Policy) of the Britam Holdings PLC (interchangeably “the Company” and “the Group”) is formulated to govern the procurement process of all goods, works and services including consulting services required for the operation of the Group. The Policy sets out the Group’s objective, principles and approach to purchasing goods, works and services.

1.1 The Objective for the Policy

The objective of the Group’s corporate procurement is to obtain the appropriate goods, works and services for the stated purpose, at the appropriate time and cost and in a manner which balance the overall institutional requirements for economy, efficiency, value for money, transparency, accountability, and environmental and social sustainability.

The principles and rules set out in this Policy are to be followed by all Group personnel. The principles are intended to control, guide and serve as a reference to all personnel authorized to perform or involved in any way with corporate procurement functions. Guidelines and procedures for corporate procurement shall be set out in the **Procurement Operations Manual**. In the event of any inconsistency or discrepancy between the terms of this Policy and the Procurement Operations Manual, the terms of this Policy shall prevail.

2 GENERAL CONSIDERATIONS

- (i) Corporate procurement shall be strategically planned and managed to ensure that it best serves the needs of the Group’s operation and administration and observe the core values of the Group.
- (ii) The Group embraces technology as a facilitator of effectiveness and efficiency, and substantial part of the procurement process is undertaken within; Purchasing, iProcurement & iSupplier Modules in the Oracle Enterprise Resource Planning (ERP). In doing so, the necessary internal controls, which are continuously under review, have been put in place. Meantime, the Group remains aware of the increasing possibilities in terms of new purchasing techniques such as electronic procurement and readily supports such initiatives.
- (iii) Given the specific procurement requirements, certain User Departments of the Group may be granted authority not to apply all or some of the rules of this Policy, and those areas clearly specified in the Procurement Operations Manual and include:
 - a) Services such as the selection of transaction advisors and facilitators for corporate strategic initiatives
 - b) External legal services as required by the Legal Division of the Group.

- (iv) In the event it is unclear whether certain consulting services would fall under the purview of the Group's operational Procurement Framework or under this Policy, the User Department Manager and the business concerned, the Procurement Manager and the divisional management that oversee procurement process shall collaborate to arrive at a reasoned decision as to which policy should govern and which department or office should be responsible for the procurement of such services.

3 VALUE FOR MONEY (VFM)

The Procurement Department shall achieve optimal VFM in all sourcing processes. This means obtaining maximum operational benefits with the resources utilized. This may include not only the initial costs but also costs over the economic life of the procured item, the quality of output, and timeliness. To realize VFM the procurement process must ensure that the procurement methods and procedures applied by the Group are fit for purpose.

4 KEY PRINCIPLES

- (i) The Procurement Department and process shall observe the highest possible standard of business ethics and allow for fair and equal treatment of suppliers and potential suppliers of goods, services and works in line with Britam's core values. The Group will seek to work with suppliers who follow the best practices in environmental management (including energy and resource efficiency, waste reduction and recycling) and human resources management (such as equal opportunity, health and safety).
- (ii) In the course of sourcing, it is prohibited to evade the application of a stricter procurement procedures or the requirement of competition by splitting contracts or purchase orders with the same supplier, or between several suppliers for the same or for a substantially connected subject matter. If separate contracts or purchase orders are to be concluded, then the initial award of all the respective purchase orders and contracts and the form or method of procurement must be selected in accordance with the consolidated initial award.

5 ROLES AND RESPONSIBILITIES

- (i) The respective roles and accountabilities of the Procurement Department, the User Departments and other departments and functions concerned in the corporate procurement shall be governed by this Policy, the Procurement Operations Manual, and the approved Delegation of Authority (DoA) structure.
- (ii) The Procurement Department shall be staffed with experts having sufficient public procurement experience and has exclusive authority to conduct and monitor corporate procurement activity for the Group to ensure proper implementation of this Policy.
- (iii) The Internal Audit Department shall periodically audit the procurement process and activity and the Procurement Department's responsibility to ensure full

compliance of the Policy and the Procurement Operations Manual in accordance with the Group's auditing policy and guidelines.

- (iv) Heads of User Departments shall designate staff members having understanding of the requisition supplies and services required to work with the Procurement Department some respective specific items required. Only authorized nominees may transact with the Procurement Department regarding procurement for their respective departments. During the procurement process, the User Department shall be responsible for conducting evaluation of the technical proposals submitted by shortlisted consulting firms or suppliers and certifying that budget is available before a contract or purchase order is awarded.
- (v) Consistent with the Group's principles of budget and management accountability, User Departments are responsible for ensuring that sufficient funds are available to cover the purchase of supplies and services. User Departments should raise any potential budget issues with the Group's Budget Planning Committee (BPC) at an early stage.
- (vi) User Departments shall be held fully accountable in terms of the technical content of a contract or purchase order, budget and usage of the purchased supplies and services. The Procurement Department shall keep complete records of written solicitations, tenders, offers, evaluations and other documents concerning the decisions making process, and shall ensure that the User Department approves all such decisions.
- (vii) The Tender Committee has the important role of determining which bid provides the best value for money outcome for the Group and is charged with making a recommendation on which supplier should be engaged and therefore awarded a contract and/or by subsequently be issued a Purchase Order to supply the goods/services.
- (viii) The Suppliers Payment Function shall pay for procured goods, services and works within 30 days per the Group's Credit Policy and must observe the 3-way match (Purchase Order (PO), Invoice, and Goods Received Note (GRN), which is also applicable to services and works.
- (ix) The Legal Division shall provide advice and assistance to the Procurement Department on all legal issues relating to procurement and contracts administration.
- (x) The Information and Communications Technology Division shall establish standards and advise the Procurement Department or User Departments on technical specifications for procurement of computer hardware/software and information technology (IT) related goods and/or services.

6 PROCUREMENT METHODS AND THRESHOLDS

6.1 Direct Purchasing

Whereas centralised sourcing is the standard in the Group, judgement may be exercised in exceptional instances where purchasing directly is allowable for goods and services of relatively low value and/or the circumstances so demand, for instance, when the procedure may cause delay. All such purchases are however subject to alternative approval processes guided by the appropriate policies such as the Executive Credit Card, or observe the approval structures for iExpense and Self Service for Human Resources (SSHR) both in ERP and Petty Cash replenishment processes. In all cases, decisions and approval concerning direct contracting shall be documented in the file of the relevant purchase order or contract.

6.2 Competitive Procurement

- (i) Open competitive tendering is the normal method for corporate procurement. The principle of fair and equal competition shall ensure that the Group can obtain the best value for money by soliciting the participation of a number of qualified suppliers. The principle of equality requires that the Group avoid preferring or discriminating against any suppliers to the detriment or benefit of the other suppliers.
- (ii) The Procurement Department has the overall responsibility for competitive tendering of goods, services and works, but the User Departments shall provide technical input in the tendering process, while the overall - including financial - evaluation and oversight shall be provided by the Tender Committee.
- (iii) In order to ensure an adequate level of competition, the threshold for competition shall be determined mainly based on estimated costs of purchase orders and contracts.
- (iv) For all purchase orders and contracts where a tender evaluation is required, a technical evaluation committee on a per item basis shall be set up to evaluate the technical proposals.
- (v) Purchase orders and contracts shall be awarded to the tenderers who submitted the lowest evaluated substantially responsive tenders, if tender evaluation methodology is pass/fail, or to the tenderer with the highest score, if scoring methodology is used. Where, during tender evaluation, the prices offered by the lowest evaluated substantially responsive tenderer are significantly higher than market references, and provided that the Group has explicitly reserved its right to negotiate in the tendering documents, the Tender Committee may authorize negotiations by the Procurement Manager with the lowest evaluated substantially responsive tenderer the Directives with a view to obtaining the best value for money. Negotiations shall be conducted following the procedure established under the principles elucidated in this Policy.

6.3 Exceptions to Competitive Tendering

- (i) Exceptions to the competitive tendering method may only be considered and approved on a case by case basis. The list of the items exempted is maintained in the Procurement Operations Manual, which is updated whenever any additional is approved.
- (ii) For any exception where circumstances do not allow the User Department to submit a formal request for exception from competitive tendering to the Procurement Manager prior to award of the purchase order or the contract, the User Department shall provide such request promptly ex-post and, where possible, before the relevant purchase order or the contract is signed by the Group and the Supplier concerned.

6.4 Framework Agreements

- (i) As an alternative procurement method for saving the time taken for delivery, the Group may make use of framework agreements in cases where it can define in advance the main characteristics of the performance requested but where it does not know at the outset the exact delivery times nor the detailed requirements for the assignment to be performed.
- (ii) The framework agreements shall be concluded following the principles elucidated in this Policy for all phases up to the award of the individual contracts based on the framework agreement.
- (iii) Where a framework agreement is concluded with a single supplier, individual contracts based on that agreement are awarded in accordance with the terms laid down in the framework agreement. For the award of those contracts, the Group may consult the party to the framework agreement in writing, requesting it to supplement its tender as necessary.
- (iv) Where a framework agreement is concluded with several suppliers, the Group ensures that there shall be at an acceptable number of direct contractors by clustering them to manageable groups each headed by a lead contractor.
- (v) When awarding contracts based on a framework agreement, the Group shall not accept to make substantial amendments to the terms set out in that framework agreement.

6.5 Retroactive Contracts

Retroactive contracts are those contracts and/or purchase orders in which goods, services and works have already been delivered or performed, fully or in part, prior to obtaining the advice of the Procurement Department or the completion of the approval steps required under this Policy. Retroactive contracts shall be avoided and may be justified only in exceptional circumstances.

7 SOCIALLY AND ENVIRONMENTALLY SUSTAINABLE PROCUREMENT

- (i) The Group's Environmental and Social Framework reflects its institutional objectives to address environmental and social risks and impacts in the Group's operations and ensure the environmental and social soundness and sustainability of the Group's operations. The Group is committed to be an environmentally and socially responsible institution.
- (ii) In order to translate the objective to successful practical outcomes, the Group shall ensure that goods and services to be procured conform to applicable legal and other requirements, including international environmental agreements entered into by the country where the goods and services shall be procured. These includes goods and services that maximize the use of durable, reusable and energy efficient products, and low polluting goods and services that produce the minimum level of post-consumer waste and use recyclable content and have minimal impact on the environment. The Group shall likewise apply environmentally responsible procurement principles to construction design process, tendering and materials.
- (iii) The Group will incorporate environmental and social considerations, standards and requirements in procurement planning, specifications, technical specifications and scope of work.
- (iv) The Group shall require contractors and suppliers of goods and services to comply with applicable local and international social standards and requirements that provide for good human conditions of work, protection of occupational safety, reasonable wages and benefits, respect for diversity and other labour standards.

8 BUSINESS ETHICS

- (i) All Group personnel undertaking any procurement activity shall ensure that they comply with the Britam Code of Business Conduct for the Group personnel. Prohibited practices consist of any one or more of a fraudulent practice, corrupt practice, collusive practice and coercive practice. Any occurrence or suspected occurrence by any employees, of a prohibited practice in the procurement process, award or implementation of a Group contract subject to the application of this Policy shall be dealt with in accordance with the provisions of the Group's Human Resources Policy.
- (ii) All suppliers to the Group are required to fully cooperate with the Group in any investigation into an alleged prohibited practice to be carried out Britam Code of Business Conduct for the Group and to permit the Group or its representative to inspect such of their accounts and records as may be relevant for such investigation.
- (iii) The Group will take appropriate actions to manage conflicts of interest involving Group personnel and dependents, suppliers, and consultants, including but not limited to rejection of proposals for award, if the Group determines that a conflict of interest has affected the integrity of any procurement process. Group personnel must declare in writing any actual

and/or potential conflict of interest in the corporate procurement of goods, works or service. This declaration shall be filed with the Procurement Manager and must be reviewed and its impact assessed and determination of whether or not to proceed with the particular process.

Tenderers shall also be required to include in their tenders a disclosure statement of any actual or potential conflict of interest that they may have in the procurement of supplies or services in which they are participating in. The Procurement Manager, in consultation with the User Department Manager and the Tender Committee will determine the best means of handling a particular conflict of interest situation. Group personnel who are or may be perceived to be conflicted shall not exercise any responsibility in relation to the procurement process.

- (iv) The Group requires that all Group's suppliers and their employees observe the highest standard of transparency and integrity during the corporate procurement process, the execution and implementation of their contracts. Any occurrence, or suspected occurrence, of a prohibited practice in the procurement process, award or implementation of a Group contract subject to the application of this Policy shall result in debarring the supplier, besides any other steps that the management might deem appropriate.
- (v) The Group shall not contract with the Group's debarred entities, and entities that shall be cross-debarred by any of the regulators for the business units in the Group and other comparator institutions.
- (vi) Without limiting the generality of the foregoing, Group personnel must not make personal purchases through open contract catalogues, using purchase orders or contracts, either for themselves or anyone else. This restriction does not prevent Group personnel from buying goods from the Group's suppliers, through wholly separate arrangements, at rates that are not specifically favourable to individual Group staff.

9 SUPPLIER CODE OF CONDUCT

- (i) Britam requires all Suppliers to conduct their business dealings with Britam in compliance with supplier code of conduct and in compliance with all laws applicable to the Supplier's' business, wherever conducted. By entering into business transactions with Britam, the supplier agrees to abide by the terms of code of conduct and acknowledges that compliance with the code is required to maintain the Supplier's status as a Britam supplier. Britam shall have the right to terminate any Supplier's contract for failure to comply with the provisions of supplier code of conduct.
- (ii) Suppliers will be required to comply with applicable antitrust or competition laws and will not engage in any restrictive trade practices. Suppliers will at all-times act in a manner that will uphold and encourage healthy competition. The applicable anti-trust legislation with regard to Kenya operations is the Restrictive Trade Practices, Monopolies and Price Control Act (Cap 504 Laws of Kenya).
- (iii) Suppliers shall not make or offer bribes or payments of money or anything of value to any Britam employee or any other person including officials,

- employees, or representatives of any government or public or international organization, or to any other third party for the purpose of obtaining or retaining business with Britam.
- (iv) Suppliers shall ensure that any expenditure incurred in relation to any particular Britam employee or government official is in the ordinary and proper course of business and cannot reasonably be construed as a bribe or so as to secure unfair preferential treatment.
 - (v) No supplier shall enter into a financial or any other relationship with a Britam employee that creates a conflict of interest for Britam. A conflict of interest arises when the material personal interests of the Britam employee are inconsistent with the responsibilities of his/her position with the company. All such conflicts must be disclosed and approval to the transaction given. Conflicts of interests should be disclosed via electronic mail: Britam@whistleblowing.co.za; reportfraud@britam.com. Texting a whatsapp message can be send to +27 795 129 361. These options have been provided for in our Website: www.britam.com
 - (vi) The Supplier will comply with all local laws relating to labour, employee health and safety and wages.
 - (vii) Britam suppliers and their subcontractors will not hire children, a child being any person below the age of 16 years unless in the case of Kenya operations under apprenticeship and, in a technical institution, unless authorized under the Industrial Training Act (Cap 237 Laws of Kenya) and supervised by a public authority.
 - (viii) Suppliers will not use forced labour nor require any worker whether local or foreign to remain in employment for any period of time against his or her will.
 - (ix) Suppliers will allow and respect their employees' right to form or join trade unions of their own choice and to bargain collectively.
 - (x) Suppliers will meet minimum wage requirements and will ensure that all statutory deductions as required under any local laws from time to time are complied with. Suppliers will ensure that working hours as provided for in any employment legislations or regulations in force from time to time or in any collective bargaining agreement entered into with the employee's trade union are observed. Suppliers will furthermore ensure that workers are provided with at least one day off during any seven day working period.
 - (xi) Suppliers will provide their workers with safe and healthy work environments, clothing and other protective gear which as a minimum standard are in compliance with any local health and safety laws and regulations.
 - (xii) Suppliers will comply with all local environmental laws in force from time to time. Britam encourages its Suppliers to play a role in improving the environment and in so doing Britam shall implement programs that promote a clean environment and reduce waste and seek ways to use and produce products that are environmentally friendly.
 - (xiii) The Supplier will be required to obtain and renew, in accordance with any law or regulations all permits, licenses and authorizations required for it to carry out its business. In addition, The Supplier will be required to prepare and file any returns that it may be required to file under its incorporation statute, the Companies Act (Cap 486 Laws of Kenya) or applicable local or Kenyan revenue legislation.
 - (xiv) Britam is committed to delivering sustained, consistent and exceptional services to its customers and meeting the expectations of all stakeholders even in the event of any disruptions. In view of this; Britam has implemented a Business Continuity Management System (BCMS) according to the requirements of ISO 22301:2012. Britam recognizes the fact that our suppliers play critical roles in the success of our business continuity program. Britam therefore requires its suppliers to develop and establish a robust framework for

documenting, maintaining and testing business continuity and recovery procedures.

(xv) Despite the value delivered by suppliers in delivering crucial skills, services, products and resources, assets that are accessible by suppliers need to be protected. In this regard Britam has implemented an information security management system that mandates Britam to comply with ISO 27001:2013 information security requirements.

(xvi) Whistle Blowing: If a supplier becomes aware of unethical acts either by Britam, its staff or other suppliers they should report all pertinent details via one of the following channels which allow for anonymous reporting;

Toll free numbers;

(xvii) Country	(xviii) Toll Free Numbers
(xix) Kenya	(xx) 0800724966
(xxi) Uganda	(xxii) 0800105060
(xxiii) Tanzania	(xxiv) 0800780072
(xxv) Mozambique	(xxvi) 843203364

a. Website: www.britam.com

(xxvii) Britam reserves the right at its discretion to terminate the contract where there is breach of the provisions of the code of conduct. In other instances, Britam may require that corrective action is carried out before it continues partnership with the supplier.