

Internal Procurement Policy

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1. PURPOSE

1.1. The purpose of this policy is to ensure a sufficient and uninterrupted flow of the right quality and quantity of goods and services to the company, procured on a competitive basis at optimum cost and to ensure that the procurement process is conducted in a controlled environment thereby intentionally protecting the company's resources from consequential losses due to mismanagement of the procurement process.

2. SCOPE

2.1. The policy shall apply to all procurement of services and goods for Ohorongo-Cement, except for those exclusions listed in Appendix 1. The exclusions may however, at times merit procurement review. Obtaining firm quotations, obtaining tenders, RFP, drawing up of contracts and placing of orders, shall only be made through the PROCUREMENT DEPARTMENT.

3. ABBREVIATIONS AND DEFINITIONS

- 3.1. VAT shall mean Value Added Tax
- 3.2. ERP SYSTEM shall mean Ohorongo-Cement's Enterprise Resource Planning System
- 3.3. IT shall mean Information Technology
- 3.4. FPA's shall mean Forward Purchasing Agreements
- 3.5. RFP shall mean Request for Proposal
- 3.6. All references to Ohorongo-Cement shall include Ohorongo-Cement and EFF.

4. PROCESS

This policy should be read in conjunction with the Ohorongo-Cement Delegation of Authorities and Authority Limits.

4.1 Responsibility and Application

- 4.1.1. This policy applies to all Ohorongo-Cement employees (including temporary employees and contract employees employed by Ohorongo-Cement).
- 4.1.2. The Procurement Department has the functional responsibility and authority to ensure compliance with and interpretation of this policy. Any non-conformance shall be reported to the Procurement Manager.
- 4.1.3. Departmental Managers are responsible to ensure that all employees, temporary employees and contract employees under their control are aware of and comply with this policy.

- 4.1.4. It is the responsibility of the originator and approver of a requisition to ensure that the description and specifications provided on the requisition will enable the Procurement Office to source the correct quality and quantity of the requirement at optimum cost. The originator and controlling must further ensure that the correct cost centre is used, capital procedures are followed and requisition splitting is not done.
- 4.1.5. All correspondence with Suppliers regarding any order or contract or firm quotations must be routed through the Procurement Office. Contract/Project Owners and End-users may engage with contractors on issues of technical nature, and provide copies of any correspondence with the contractor in this regard to the Procurement Department
- 4.1.6. All procurement information such as agreed prices, terms and conditions shall be regarded and treated as confidential.
- 4.1.7. Only personnel from the Procurement Department may obtain firm quotations for the provision of goods and services for Ohorongo-Cement. Budget holders may request price estimates for requisition purposes or quotes from vendors for budget purposes only, but must ensure that the vendor is clearly informed that the quotation is for budget purposes. This concession is subject to the requirement that prior to engaging a vendor for a budget quotation the Procurement Team is informed and/or involved in the process.

4.2. Requisitioning

- 4.2.1. Requirements have to be described and specified comprehensively to enable competitive / optimum cost procurement. Where a service is required for a period of time, the start and completion dates must be included in the description. The requisition must also be accompanied by a detailed scope of work.
- 4.2.2. It is the responsibility of the relevant Managers, Supervisors and Contractor Owners to ensure that the Hazmat introduction process is followed when new hazmat substances are introduced to site. All hazardous substances must be bought through the stock application process; no special orders will be processed as per Procurement rules.
- 4.2.3. Originators of requisitions may suggest a supplier, but this will not oblige the Procurement Office to purchase from the suggested supplier. The use of an alternative supplier will be discussed with originator. The final decision will be taken by Procurement.
- 4.2.4. The estimated cost of the goods / services has to be specified in the estimated cost field on the requisition (excluding VAT).
- 4.2.5. Originators are allowed to obtain estimates from suppliers, but only the Procurement Office is authorised to obtain official firm quotes, except for the exclusions in Appendix 1.

- 4.2.6. A requisition serves for the approval of expenditure for goods or services at an estimated maximum value against a specific cost centre and it indicates the priority assigned to purchase it. The requisition is not a purchase order and therefore does not commit the company to any expenses. Employees are not allowed to give information on requisitions to suppliers.
- 4.2.7. It is the responsibility of the originator to ensure that requisitions (stock items or direct purchase requisitions) are approved. The Procurement Department will only action items once approved.
- 4.2.8. Where descriptions on requisitions are inadequate, the Procurement Office shall advise Originators per e-mail. Originators have three working days; from the date the e-mail was sent, to rectify the descriptions on the requisitions. Failure to rectify these requisitions within the three days period will then allow the Procurement Office to reject and delete the requisition in the ERP SYSTEM. Where requisitions have been deleted, it is the responsibility of the end-user to raise a new requisition once adequate specifications have been obtained.

4.3 Purchasing Priorities

4.3.1 Priority (Breakdown) Non Stock items

- 4.3.1.1 This priority provides for the procurement of services and / or goods in case of an emergency and or breakdown with a significant impact on production.
- 4.3.1.2 It is the responsibility of the originator of the requisition to communicate the reason for the urgency to the Procurement Office to enable them to action this requisition on an emergency basis.
- 4.3.1.3 The originators cost centre will cover the cost of all emergency transport arrangements.
- 4.3.1.4 These orders shall enjoy highest priority in the Procurement Office.
- 4.3.1.5 In extreme cases where a supplier request an order during periods where no one of the Procurement Department is at work (during weekends, public holidays and after hours), a manual Purchase Order can be created by the Plant Manager as well as the Mechanical Maintenance Manager, subject to the condition that the usual Procurement process is activated within 72 hours from creation of a manual Order.

4.3.2 Priority 02 (Normal) Non Stock items

- 4.3.2.1 It allows the Procurement Office 3 working days as an average (from the day the requisition was authorized) to place an order, except for purchases where detailed analysis is required, site inspections or new supplier registration, Note for Approval and instances where quotes for repair work are to be obtained.

4.3.3 Critical Stock items

4.3.3.1 The Procurement Office shall assign top priority to the purchasing and delivery of priority stock items such as raw materials, packaging and pallets. The emergency transport arrangements cost for these items will be for the cost centre of the End-user.

a. Requisitioning Authority Limits

Catalogue items		
Value		Type
As assigned by the relevant HOD		Any ERP SYSTEM User per HOD's approval
Direct purchase requisitions		
Value		Type
Maximum	T.B.C.	Supervisor / Controller and equivalent level
Maximum	T.B.C.	Section Manager and equivalent level
Maximum	T.B.C.	Head of Department
In excess of	T.B.C.	Plant Manager

4.4 DELEGATION OF AUTHORITY

The authority to contractually commit Ohorongo Cement is delegated by the Managing Director to the Procurement Manager, who in turn delegates this authority on an operational level.

- 4.4.1 All Ohorongo Cement's employees shall ensure that they are authorized to execute the Transaction at hand.
- 4.4.2 Clear segregation of duties must be ensured when sub delegating authority to contractually commit Ohorongo Cement and setting up authority profiles within SAP e.g. as illustrated:

	Value
Senior Procurement Officer	T.B.C
Alternative Fuels and Technical Procurement Manager	T.B.C
Procurement Manager	T.B.C.
Managing Director	T.B.C.

4.5 Supplier Types

The Supplier status of suppliers shall remain strictly confidential within the Procurement Department.

4.5.1 Approved Procurement Supplier

4.5.1.1 A approved supplier must be registered on the vendor master on the ERP SYSTEM.

4.5.1.2 Any additions are subject to approval by the Procurement Manager.

4.5.2 Non Preferred Supplier

4.5.2.1 This is a supplier who provided poor services / quality, is involved in illegal and/or unsound business practices, is involved in disputes with the company or is excluded from the approved suppliers list due to confidential reasons.

4.5.2.2 Non preferred supplier status is subject to approval by the Procurement Manager.

4.5.2.3 The Procurement Manager maintains the non-Preferred Supplier list.

4.5.3 Sole Supplier

4.5.3.1 This is the only supplier of the specific goods and or services. No suitable Substitutes exist.

4.5.3.2 Sole supplier status is subject to approval by the Procurement Manager.

4.5.3.3 The Procurement Manager maintains the Sole Supplier list.

4.5.4 Preferred Supplier

4.5.4.1 There are sound technical or commercial reasons why this supplier is preferred to be the supplier for specific goods and or services, although alternative suppliers can supply substitutes. This category also applies to developing enterprises and this information stay confidential within the Procurement Department.

4.5.4.2 Preferred supplier status is subject to approval by the Procurement Manager provided that sufficient justifications can be provided.

4.5.4.3 Preference will be given to Namibian S.M.E.'s and entrepreneurs (Traders excluded), who complies with the company standards.

4.6 Modifications to Purchase Orders

Where the purchase order has already been raised and the Procurement Office is notified of a price change that exceeds the order value, the Originator will be notified by e-mail in order to get approval for the price change. All communication in this regard to be done per email.

4.6.1 Only the Purchase Order creator has the authority to amend or cancel purchase orders.

4.7 Purchases Requiring Special Authorization

4.7.1 All IT equipment purchases are subject to approval by the General Administration Manager.

4.7.2 All specialized engineering tools and workshop equipment are subject to approval by the Maintenance/Electrical Manager.

4.7.3 All non-stock corporate clothing are subject to approval by the General Administration Manager and corporate gifts purchases are subject to approval by the Sales Manager.

4.7.4 All furniture and office equipment purchases are subject to approval by the General Administration Manager.

5 TRANSPORT OF ITEMS TO SITE

5.1 All transport requirements to site is scheduled and controlled by the Procurement Department and all transport requirements away from site must be scheduled and controlled by the Warehouse.

5.2 All arrangements related to the packaging, transport, customs clearing and forwarding in the case of imports will be taken care of by the Procurement department. End users are not required nor authorized to make any transport arrangements with suppliers or the contracted Transport Company.

5.3 The Procurement section should be contacted to negotiate preferential rates for the transport component of special orders or turn-key projects. When goods are required on a breakdown basis or as an emergency, special transport is arranged by the Procurement section. It is the Procurement section's responsibility to keep the parties informed as to when the delivery will take place telephonically or via email.

5.4 When making enquiries with regards to the acquisition of goods from foreign destinations, special care must be taken that the transport portion is channelled through the Procurement section to put the modalities in place for such transport requirements. This is important as the Procurement section will ascertain the best and cost effective method to transport of the goods purchased to site (i.e. air freight, sea freight and the local road freight portion).

6 EXPEDITING OF OUTSTANDING / OVERDUE ORDERS

- 6.1 Expediting of purchase orders that are overdue is carried out by the Procurement Department. Procurement will on a continued basis expedite their overdue purchase orders to ensure a timely delivery on site and update the ERP SYSTEM with revised delivery comments. All priority 1 non stock orders and stock critical A items will be expedited as a top priority.

7 FILING OF ORDERS AND CONTRACT DOCUMENTATION

- 7.1 All processed orders/contracts and relevant supporting documentation will be filed centrally (Evita) in such a manner that access would be available for review and audit purposes.

8 CONTRACT / AGREEMENT APPROVALS AND EXTENSIONS

- 8.1 All contracts / agreements shall be drawn up by the Procurement Department.
- 8.2 All contract approvals and/or extensions will be subject to the note for approval authorisation levels. Extension letters for the expired contracts needs to be obtained before the expiry of the contract if the company wishes to continue with the existing supplier.
- 8.3 The responsibility remains with the end-user to identify, verify, protect and safeguard customer or external provider's property.

9 TYPES OF CONTRACTS

9.1 Negotiated Supply Agreement

Supply agreement negotiated with a specific supplier.

The Procurement Manager and End User must always be present when such negotiations take place and notes or recordings of the negotiations sessions shall be kept for audit purposes.

Examples:

- 9.1.1 Contracts where confidential technical development work has to precede the supply of equipment;
- 9.1.2 Contracts where intellectual property rights are involved;
- 9.1.3 Contracts with OEM / SOLE / Preferred suppliers / Approved Repairers / Small Works Contractors.

10 CONTRACTS ADMINISTRATION

- 10.1 All Ohorongo-Cement contracts will be safeguarded and administered by the Finance Department.
- 10.2 Minutes or recordings are to be kept of all site meetings and filed in the applicable contract files.
- 10.3 Price escalation, extensions and contract amendments are subject to approval by the Procurement Manager.
- 10.4 Contract additions/changes are subject to approval by the Managing Director.

11 TRANSIT

All goods delivered, collected or sent from Site must be processed through the Warehouse section (Materials Management).

All repairable items delivered, collected or sent from Site must be processed through the Warehouse section (Materials Management).

12 SUPPORTING DOCUMENTATION

Introduction of new hazardous substances on site

13 DOCUMENTATION AND RECORDS

FPA Index and Performance.

All tenders, related documentation and Minutes of Tender Committee meetings shall be maintained for review and audit purposes for a period of 2 (Two) years.

Appendix 1:

- Software licences
- Salary's
- Project contracts

Internal Procurement Policy

	Creation of Purchase Requisition (PR)			PR Approval					Option to Reject	Creation of Purchase Order		
	Section	Department	Matl Group	Step 1	Step 2	Step 3	Step 4	Step 5		Step 1	Step 2	Step 3
<i>OPEX PR Value < N\$ 49,999</i>		X		X	X	X	O	O	Option	X	n/a	O
<i>OPEX PR Value > N\$ 50,000</i>		X		X	X	X	X	O	Option	X	n/a	X
<i>OPEX PR Value > N\$ 200,000</i>		X		X	X	X	X	O	Option	X	n/a	X
<i>CAPEX PR</i>		X		O	X	O	X	X	Option	X	n/a	X
<i>STOCK PR Value < N\$ 49,999</i>		X		X	O	O	O	O	Option	X	X	O
<i>STOCK PR Value > N\$ 50,000</i>		X		X	O	O	X	O	Option	X	X	X
OPEX	Plant Management 1	Plant Safety, Health & Environment Technical Office	OC-MAN1	Warehouse (code W1)	Plant Controlling (code C1)	Plant Manager (code M2)		Procurement Officer (code P3)	Procurement Officer (code P3)	Procurement Manager (code I1)		
OPEX	Plant Management 2	Administration (HR, IMS, IT)	OC-MAN2	Warehouse (code W1)	Plant Controlling (code C1)	GA Manager (code A1)						
OPEX	Windhoek Office	Administration	OC-OFF	Warehouse (code W1)	Sales Controlling (code C1)	Managing Director (code M1)						
		PR and Communications				Managing Director (code M1)						
		Finance Windhoek	OC-FM			Finance Manager (code F1)						
		Logistics	OC-LM			Logistics Manager (code L1)						
		Sales Marketing	OC-SM			Sales Manager (code S1)						
OPEX	Production	Prod. Quarry, Packing, Dispatch	OC-PROD2	Warehouse (code W1)	Plant Controlling (code C1)	QPD-Prod. Manager (code P2)	Plant Manager (code M2)					
		Prod. Grinding and Burning	OC-PROD1			GB-Prod. Manager (code P1)						
OPEX	Maintenance	Mechanical Maintenance	OC-PMM	Warehouse (code W1)	Plant Controlling (code C1)	M-Maint. Manager (code P4)	Plant Manager (code M2)					
		Warehouse										
		Electrical Maintenance				OC-PME		E-Maint. Manager (code P5)				
OPEX	Laboratory	Quality Assurance	OC-LAB	Warehouse (code W1)	Plant Controlling (code C1)	Quality Assurance Manager (code Q1)	Plant Manager (code M2)					
		Technical Advisory										
CAPEX	CAPEX	Projects	CAPEX		Project Controlling (code I4)	Plant Manager (code M2)	Managing Director (code M1)					
STOCK	Stock	Warehouse	STOCK	Warehouse (code W1)		M-Maint. Manager (code P4)	Plant Manager (code M2)	M-Maint. Manager (code P4)				