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## **SUPPLY CHAIN MANAGEMENT POLICY**

## DOCUMENT INFORMATION SHEET

<b>Title of document:</b>	Supply Chain Management Policy
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<b>Division:</b>	Finance
<b>Approval:</b>	Executive Committee
<b>Approval:</b>	Board of Directors
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**DOCUMENT CONTROL SHEET**

The purpose of this form is to ensure that documents are reviewed and approved prior to issue. The form is to be bound into the front of all policy documents released by the **Sentech Ltd** Supply Chain Management Unit.

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**APPROVAL OF THE ORIGINAL DOCUMENT**

We, the undersigned, accept this document as a formal organisational/enterprise policy to be placed under formal change control as described by the Change Control Procedure document.

<b>Prepared by:</b>
Supply Chain Management Unit

Approved by	Signature	Date
Head : Supply Chain Management		

EXCO approval	Signature	Date
Chief Financial Officer		
Chief Operating Officer		
Chief Executive Officer		

Chairperson of the Board: Mr. C. Hickling		
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**Abbreviations**

BEE	Black Economic Empowerment
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
HDI	Historically Disadvantaged Individuals
PFMA	Public Finance Management Act, Act 1 of 1999 (as amended)
PPPFA	Preferential Procurement Policy Framework Act, Act 5 of 2000
SARS	South African Revenue Services
SCM	Supply Chain Management
SCMU	Supply Chain Management Unit
SMME	Small, Medium and Micro Enterprises
VAT	Value Added Tax
OEM	Original Equipment Manufacturer
QSE	Qualifying Small Enterprise
EME	Exempted Micro Enterprise

**Supply chain management definitions and key terminology**

**“Acceptable Bid”** – means any bid, which, in all respects, complies with the specifications and conditions of the request for bid as set out in the RFP/Q (Tender/Bid documentation).

**“Bid/Tender”** – means a written offer in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services or goods.

**“Consortium or Joint Venture”** – means an association of persons, whether incorporated or unincorporated, for the purpose of combining their expertise, property, capital, efforts, skills and knowledge in an activity for the execution of a contract.

**“Consultant”** – includes, among others, consulting firms, engineering firms, construction managers, management firms, procurement agents, inspection agents, auditors, other multi-national organisation, investment and merchant banks, universities, research agencies, government agencies, non-governmental organisations, and individuals.

**“Firm Price”** – means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition or abolition of customs or excise duty and any other duty, levy or tax which, in terms of a law or regulation is binding on the contractor and demonstrably has an influence on the price of any supplies or the rendering cost of any service, for the execution of a contract.

**”Goods”** – means any work, equipment, machinery, tools, materials or anything of whatever nature to be rendered to Sentech or Sentech delegate by the successful vendor in terms of the proposal.

**“Historically Disadvantaged Individual” (HDI)** – means a South African citizen who:

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- Due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa.
  - Who is a black female;
  - Who has a disability.

**“Licenses”** – means conditional use of another party’s intellectual property rights.

**“Management”** – in relation to an enterprise or business, means an activity inclusive of control, and performed on a daily basis, by any person who is a principal executive officer of the company, by whatever name that person may be designated, and whether or not that person is a director.

**“Non-firm price/s”** – means all price/s other than “firm” price/s.

**“Organ of State”** – means a constitutional institution defined in the PFMA.

**“Person/s”** – refers to a natural and/or juristic person/s.

**“Prime Vendor”** – means any person (natural or juristic) who forwards an acceptable proposal in response to a RFP with the intention of being the main contractor should the bid be awarded to him/her/it.

**“Rand Value”** – means the total estimated value of a contract in Rand denomination, which is calculated at the time of proposal invitations and includes all applicable taxes and excise duties.

**“RFP/Q”** – means a Request for Proposal/Quotation, which is a written official enquiry document encompassing all the terms and conditions of the bid.

**“SMME”** – bears the same meaning assigned to this expression in the National Small Business Act, Act 102 of 1996.

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**“Sub-Contracting”** – means the primary contractor’s assigning or leasing or making out work to, or employing another person to support such primary contractor in executing part of a project in terms of a contract.

**“Successful Vendor/ Bidder”** – means an organisation or person with whom the order is placed or who is contracted to execute the work as detailed in the bid.

**“Support Partners”** – means any successful vendor who entered into partnership agreement with Sentech and/or its clients for the provision of support services to a specific solution.

**“To bid/tender”** – means to submit an offer to carry out work, render a service or to supply goods at a stated price.

**“Trust”** – means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person.

**“Vendor/Supplier”** - means any enterprise, consortium or person, partnership, company, close corporation, firm or any other form of enterprise or person, legal or natural, which has been invited by Sentech to submit a bid in response to a bid invitation.

**“Vendor Agent”** – means any person mandated by a prime vendor or consortium/joint venture to do business for and on behalf of, or to represent in a business transaction, the prime vendor and thereby acquire rights for the prime vendor or consortium/joint venture in relation to Sentech.

## **SECTION 1: PREAMBLE**

## 1. Preamble

**Sentech** aims to contribute to the improvement of the quality of life of all South African citizens by empowering its communities and effectively contributing towards Black Economic Empowerment (BEE) through a supply chain management system that would enable all stakeholders to participate in a fair, equitable, transparent and competitive manner.

**Sentech** strives to continually work on a number of progressive procurement policies and procedures specifically designed to attract meaningful contribution from previously disadvantaged groups and also create an environment within the organisation where these individuals enjoy preference in terms of the supply of goods and services in all spheres of supply chain.

**Sentech's** supply chain management systems, therefore, takes into account the need for a transparent and effective procurement system that gives effect to the objectives of the Preferential Procurement Policy Framework Act, Act 5 of 2000 and the National Treasury Regulations Framework for the Supply Chain Management (as a best practice model). This Policy must be read in conjunction with all other relevant policies, laws and regulations.

### **Treasury Regulations, 2001**

These regulations were issued in terms of section 76 of the PFMA, and deal with a wide range of financial management issues, but also refer to and deal with procurement issues. Part 4 (Revenue and expenditure management) provides specifically for expenditure management which applies directly to procurement.

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## **SECTION 2: INTRODUCTION**

## **2. Introduction**

### **2.1 Background**

Sentech is all about connecting people to their world and connecting the world to people. Sentech does this through a wide range of communication solutions, including but not limited to, the sounds of radio and the visions of television. In just a few years Sentech re-invented itself and evolved from being the technical and broadcast arm of the SABC, into a competitive information communication technology (“ICT”) company.

Sentech is State-owned and a fully commercial enterprise holding a number of licenses. These licenses and Sentech’s technical skills and expertise allow Sentech to bring to its customers, in South Africa and beyond, a host of high-end communication products and services.

Sentech owns and operates a large number of terrestrial broadcasting transmitter sites in combination with the latest satellite developments. A strategically important undertaking ahead is the change from analogue to digital format within the broadcast signal distribution services.

### **2.2 Aims**

The supply chain management framework within Sentech has been developed ensuring that emphasis is placed on compliance to the relevant sections of legislation, regulations and prescripts.

This policy ensures that all employees of Sentech and its subsidiaries have proper guidelines to follow when involved in procurement processes. These processes must ensure that:

- All individuals become accountable for their actions;
- The organisation maintains systems which are effective, efficient and transparent; and
- The transactions entered into are neither irregular, fruitless not wasteful.

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This policy forms the basis for the procuring of all goods and services used by Sentech and should always be used in conjunction with procurement, inventory management and stores procedures.

This policy sets out ethical procurement practices aligned with current legislation.

Procuring services and commodities of desired quality and best value for money are derived benefits of this policy, enabling Sentech to retain its competitive advantage.

### **2.3 Legislative Framework**

The policy has been developed to give effect to provisions of the South African Constitution, subsequent legislation, the enabling environment as well as the internal objectives of Sentech.

#### **2.3.1 The Constitution of South Africa, Act 108 of 1996**

Chapter 13 of the Constitution of South Africa, Act 108 of 1996 (Constitution) determines that when an organ of state or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

#### **2.3.2 The Public Finance Management Act, Act 1 of 1999 (as amended)**

The Public Finance Management Act, Act 1 of 1999 (as amended) (PFMA) gives effect to the majority of issues referred to in Chapter 13 of the Constitution. Section 216 of the Constitution requires national legislation to establish a national treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government, by introducing:

- Generally recognised accounting practices;
- Uniform expenditure classifications; and
- Uniform treasury norms and standards.

#### **2.3.3 Preferential Procurement Policy Framework Act, Act 5 of 2000**

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The Preferential Procurement Policy Framework Act, Act 5 of 2000 (PPPFA) sets out the formulas for the point system and stipulates the rules and procedures governing the preferences that might be claimed in terms of this Act.

### **2.3.4 Treasury Regulations, 2001**

These regulations were issued in terms of section 76 of the PFMA, and deal with a wide range of financial management issues, but also refer to and deal with procurement issues. Part 4 (Revenue and expenditure management) provides specifically for expenditure management which applies directly to procurement.

### **2.3.5 Broad Based Black Economic Empowerment Act, Act 53 of 2003**

The Broad Based Black Economic Empowerment Act, Act 53 of 2003 (BBBEE Act) states that preferential procurement by the state and the private sector is an effective and efficient instrument to drive BEE as it provides emerging black enterprises with opportunities to expand.

## **2.4 Supply Chain Management Overview**

Supply chain management is an integral part of financial management, which aims at applying international commercial best practice. It seeks to bridge the gap between traditional methods of procuring goods and services and the balance of the supply chain and at the same time address procurement-related matters that are of strategic importance.

The introduction of the principles of supply chain management requires of the Chief Executive Officer and the Board of Directors to extract accurate commercial and other relevant information, so as to effectively measure the achievement of government's procurement objectives.

The supply chain management system referred to should meet the following requirements:

- It must be fair, equitable, transparent, competitive and cost-effective;
- It must be consistent with PPPFA and the BBBEE;

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- It must be able to provide for the following aspects depicted in the model below:
  - Demand Management;
  - Acquisition Management;
  - Logistics Management;
  - Disposal Management;
  - Risk Management; and
  - Monitoring of supply chain performance.

### **2.5 Core Principles and Objectives of the Supply Chain Management Policy**

In achieving value for money, Sentech will base procurement outcomes around core principles of government procurement. This means that Sentech is committed to:

- Ensuring that transactions achieve the best net value for money outcomes for Sentech;
- Providing suppliers with the opportunity to compete for business in an open, fair and transparent manner;
- Encouraging effective competition through procurement methods suited to market circumstances. In addition, ethics and fair dealing considerations require Sentech to conduct procurement so as to ensure that:
  - Suppliers are dealt with in a fair, equitable and ethical manner;
  - Staff, contractors or consultants do not compromise Sentech through unethical behaviour;
  - Conflicts of interest are identified and managed at all levels;

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- There is effective use of Sentech property; and
  - Appropriate communication channels and support exist to prevent fraud and corruption across the organisation.
- Ensuring accountability for decisions, actions and responsibilities.

National competitiveness and industry development principles involve Sentech in:

- Strictly observing the requirements of the Preferential Procurement Policy Framework Act, Act 5 of 2000;
- Providing ease of access to government business by keeping low the costs of doing business, especially for Small, Medium and Micro Enterprises (SMME);
- Promoting value-added activities and skills development of the workforce; and
- Encouraging competitive South African businesses with enhanced capacity to grow, invest, innovate and export.

The objectives of this policy are to establish supply chain management guidelines and parameters for Sentech by which goods and services are procured. The following are the main objectives of the Supply Chain Management Policy:

- To promote fiscal discipline associated with the procurement of goods and/or services;
- To give effect to the provisions of the Constitution, the PFMA, the National Treasury Framework and other related legislation;
- To transform the procurement and provisioning function in Sentech, into an integrated supply chain management function;

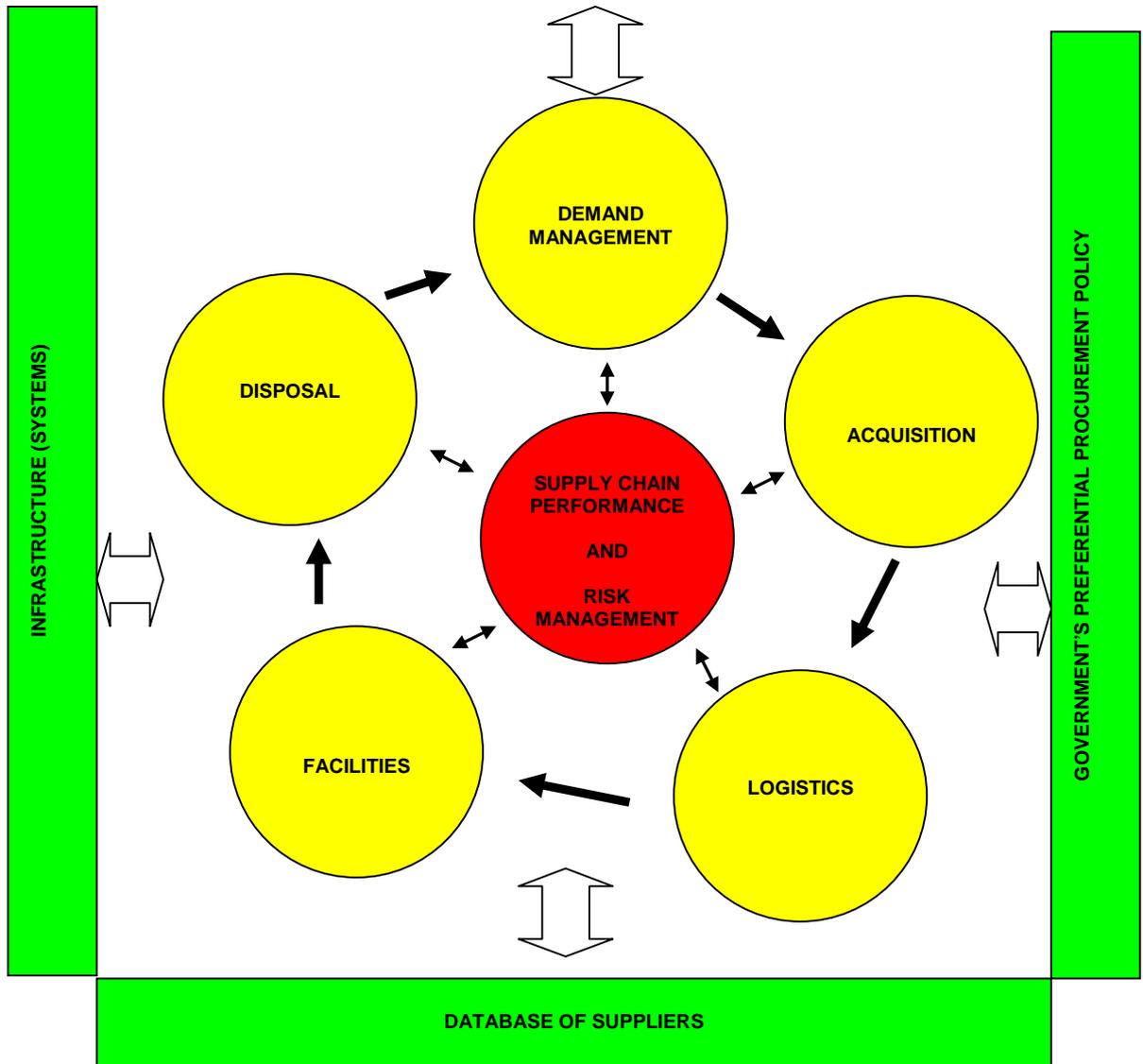
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- To promote BEE towards achieving commercial and economic access to all South African and trading enterprises;
- To reduce financial exposure and risk to all parties;
- To improve efficiency of supply chain management functions and control processes;
- To create a common understanding and interpretation of government's preferential procurement policy objectives;
- To promote consistency in respect of supply chain management and other related policy initiatives in Sentech;
- To promote supply chain management best practices; and
- To reduce operational costs and ensure optimum utilisation of human and associated material resources.

### **2.6 Supply Chain Management Model**

The Supply Chain Management Model of Sentech is a combination of the requirements of the Supply Chain Management Framework Policy as recommended by the Minister of Finance and the environmental context in which Sentech operates. This model is reflected below, in the process flow:

### SUPPLY CHAIN MANAGEMENT



Summary of key terminology and definitions of the Supply Chain Management Model

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### **Demand Management**

This is the beginning of the supply chain process where a detailed assessment of the requirements takes place to identify the need, establish the specification and determine the availability of the budget. This is to ensure that Sentech is able to:

- Provide an uninterrupted flow of goods and services required for operating the organisation;
- Keep inventory investment and loss at a minimum by:
  - Undertaking a history and expenditure analysis of the requirements;
  - Identifying alternatives based on the results of the commodity analysis;
  - Understanding the needs and the frequency thereof; and
  - Identifying critical delivery dates.
- Determine specifications, standardise, where possible, the items bought and maintain adequate quality standards;
- Achieve harmonious, productive working relationships; and
- Accomplish the purchasing objectives within the available budget at the lowest possible level of administrative costs.

This is a cross-functional exercise that brings the relevant key role players within supply chain management closer to the end user and ensuring that several goals of Sentech are achieved simultaneously, while value for money is also obtained.

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### **Acquisition Management**

The acquisition process is the next and important activity to be followed when the need has been identified, the specification established and budget determined. This is the process where the best supplier, that suits the set preferential criteria and has the required goods or services to supply the various needs, is selected. The process is a complex one because of the variety of factors to be considered when making such a decision. The process involves the following aspects:

- Utilisation of the co-ordinated list of Sentech's requirements, including the relevant specifications to plan and pre-determine the most suitable sourcing strategy for procuring the required goods and services;
- Setting the purchase and usage criteria, and depending on the decision taken;
- Identifying the preferential policy objectives to be met through the process;
- Ensuring that the Total Cost of Ownership principle is applied;
- Assessing the market for alternatives;
- Evaluating alternative buying actions;
- Determining the bid evaluation criteria;
- Evaluating alternative buying actions;
- Ensuring strict compliance to the approved supply chain management policies and procedures;
- Compiling bidding documents containing the above; and
- Administering the contract and its performance.
- Ensuring that goods and services are procured only from approved sources of supply.

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### **Logistics Management**

This process ensures that the goods and services planned and budgeted for at the demand stage, and acquired, are delivered according to the agreed contract. It involves the flow of goods and services from the contracted supplier to the end user. The activities involved in this process are:

- Ensuring that there is uniform identification of goods and services through codification;
- Customer service;
- Order processing;
- Inventory control and movable asset registration;
- Demand forecasting;
- Warehousing and storage;
- Distribution and Transport Management;
- Parts and service support;
- Packaging;
- Return goods handling;
- Vendor performance; and
- Payment processing.

For fixed capital items (construction, immovable property) a similar process has to be adopted i.e. appropriate classification, valuations, additions to asset, property register etc.

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### **Fleet /Transport Management**

This process ensures that the administration of Sentech's owned or leased vehicles are adequate, effective and efficient. The activities involved in this process are:

- Guideline and procedures development and implementation;
- Administration and Management;
- Monitoring; and
- Co-ordination.

### **Facilities Management**

This process ensures the effective functionality of the office building by integrating people, place, process and technology. The activities involved in this process are:

- Development of guidelines, policies and procedures on the management of lease agreements for office space and associated services; and
- Development and promulgation of policies and procedures for construction, operations and maintenance of buildings, safety and security, environmental factors and technology integration.
- Administration of relevant contracts and lease agreements.

### **Disposal Management**

This is the final stage of the supply chain management process when assets have reached the point of redundancy, obsolescence or unserviceable and Sentech needs to get rid of them. This process involves the following aspects:

- Obsolescence planning;
- Calculating and monitoring the depreciation rate of items;

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- Maintaining a database of all redundant material;
- Inspection of material for potential re-use;
- Determining a disposal strategy; and
- Disposing of items in terms of the determined strategy.

This procedure is also applicable to fixed capital stock, i.e. depreciation, maintenance and replacement planning and costing, etc.

### **Supply Chain Performance**

The Supply Chain Management Policy emphasises an integrated approach to planning and managing performance. This is a process where continuous monitoring and evaluation of the overall plan of the organisation is done to ensure that:

- The set objectives and time frames are achieved;
- The objectives are consistent with government's broader policy focus;
- Compliance to policies, procedures, norms and standards is maintained;
- Savings are generated;
- Supply of goods and services is operating efficiently;
- Contracts are adhered to;
- That the principles of co-operative governance as expounded in the Constitution are observed; and
- That the reductions of regional economic disparities are promoted.

### **Risk Management**

The activities of the Supply Chain Management Unit will allow better risk management in their processes. The policy is to share risks, assigning

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responsibility for each particular risk to Sentech or to the supplier/contractor, depending on who is best able to manage that risk.

Risk needs to be addressed when the relevant key role players within Sentech's supply chain management process have defined their requirements. In complex or high value supply chain management; official will need to adopt a systematic approach to identifying, analysing, evaluating and monitoring supply chain management risks.

It is imperative to take cognisance of potential risks during the supply chain management process. Due consideration should ideally be given to:

- Identification of procurement/ acquisition risks on a case-by-case basis;
- Allocation of risks to the party best equipped to manage such;
- Sentech bearing the cost of risks where in the cost of transferring them is greater than that of retaining them; and
- The exercise of risk management in a proactive manner and providing adequately for the cover of residual risk.

Risk Management should, therefore, form part of the process for the acquisition of all goods and services within Sentech.

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## **SECTION 3: POLICY**

### **3. Policy**

#### **3.1 Purpose**

Sentech recognises the merit of values and benefit of an adequate and effective Supply Chain Management Policy so as to:

- Remain focused on its core functions and objectives; and
- Adopt supply chain management practices that:
  - Take advantage of available economies of scale; and
  - Improve risk management in high value-high risk, supply chain management activities.
- Position Sentech to take advantage of emerging technologies.

In order to achieve the aforesaid, Sentech consolidated its supply chain management through a single Supply Chain Management Policy to guide and assist the relevant stakeholders in the development of their respective policies and procedures in line with legislative provisions.

#### **Value for money**

Value for money remains the essential test against which supply chain management outcomes in Sentech must be justified. While it is not a criterion, it is nonetheless the basis for comparing supply chain management alternatives and offers from suppliers in order to identify the one that meets the needs in the most cost-effective manner when all costs and benefits are taken into account.

#### **Fraud and Corruption**

Sentech's policy is to require that Sentech employees and contractors, including consultants, observe the highest standards of ethics during the selection and execution of contracts. In pursuance of this policy, Sentech defines, for the purposes of this provision, the terms set forth below:

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- “Corrupt practice” means the offering, giving, receiving, or soliciting of any thing of value, to influence the action of any Sentech official involved in the selection process or in contract execution; and
- “Fraudulent practice” means a misrepresentation of facts in order to influence a selection process or the execution of a contract to the detriment of the organisation, and includes collusive practices among bidders/contractors (prior to or after submission of proposals) designed to establish prices at artificial, non-competitive levels and to deprive the organisation of the benefits of free and open competition.

Sentech will, therefore:

- Reject a proposal for award if it determines that the supplier/service provider recommended for award, has engaged in corrupt or fraudulent activities in competing for the contract in question; and
- May insist that a provision is included in the contract agreement with contractors, requiring contractors to permit a representative of Sentech to inspect their accounts and records relating to the performance of the contract and have them audited by auditors appointed by Sentech.
- Include in the Conditions of Contracting requirements of full disclosure of interests by service providers.
- Sentech’s employees are required to familiarize themselves with the company’s Fraud Prevention Plan as well as other relevant policies

### **3.2 Roles and Responsibilities**

#### **Chief Executive Officer**

The Chief Executive Officer, as the Accounting Officer of Sentech, is overall accountable and responsible for the procurement of goods and services for Sentech, arranges the hiring or letting of anything, the acquisition or granting of any right for or on behalf of Sentech and disposes of movable Sentech property.

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The Chief Executive officer has, however, delegated certain functions as reflected in Sentech's financial delegations.

### **Executive Committee**

The Executive Committee of Sentech, together with the Chief Executive Officer will provide an oversight role to the supply chain management processes as well as the Supply Chain Management Committees.

### **Sentech Tender Committee**

The Sentech Tender Committee is empowered to make recommendations to the Executive Committee on the procurement of goods and services for Sentech, and recommend on the hiring or letting of anything or the acquisition or granting of any right for, or on behalf of Sentech, and to recommend the disposal of moveable Sentech property.

In respect of amounts in excess of five hundred thousand rands (R250 000.00) inclusive of Value Added Tax, the involvement of the relevant Sentech Tender Committee is prescribed.

The Sentech Tender Committee shall be responsible for the evaluation of tenders and bids received, which shall include verification of:

- The capability/ability of the bidder to execute the contract;
- Tax clearance certificates issued by the South African Revenue Services;
- Location of the suppliers;
- Skills output; and
- Preferential procurement requirements, including equity, employment equity, etc.
- Total Cost of ownership (purchase price inclusive of the running and maintenance costs)

### **Supply Chain Management Unit**

The Supply Chain Management Unit will have to maintain a role as a centre of supply chain management excellence and develop Sentech's Supply Chain Management Policy, establish contracts, manage bidding processes effectively, provide a centralised supply chain management service for Sentech and provide assistance and advice to Sentech officials.

These responsibilities encompass:

- Establishing, maintaining and monitoring sources of supply for Sentech;
- Assist in developing bid specifications, bid evaluation methodologies and plans, and the briefing and debriefing of bidders.

To enable the Supply Chain Management Unit to manage Sentech's bidding and contract processes more effectively, the Supply Chain Management Unit will have to operate within a set of monetary value limits as set by the Chief Executive Officer and National Treasury

The Head of the Supply Chain Management Unit is responsible for ensuring that Sentech's Supply Chain Management Policy is effectively implemented, and leading the Supply Chain Management Unit in its operations.

The Head of the Supply Chain Management Unit may, from time to time, establish an ad hoc cross functional committee to fulfil a specific required function.

### **Relevant stakeholders in the supply chain management processes within Sentech**

The relevant stakeholders within the supply chain management process should adhere to supply chain approved practices within Sentech and any deviation should be properly authorised by the designated committee or staff members as per the Delegation of Authority document.

### **Detail of Approval Authority**

Please refer to the Delegation of Authority document for the details of approval authority.

The Executive Committee, the Legal division, finance, the originating department other relevant stakeholders and the Tender Committee are authorised to jointly negotiate national agreements for Sentech, in line with delegations from the Board.

### **3.3 Good Governance**

To ensure that supply chain management operates effectively and standards are above reproach, Sentech has acknowledged the need for values and a code of conduct to govern supply chain management behaviour of all role players and the need to ensure the value-adding capacity of the Supply Chain Management Unit.

#### **Values and Code of Conduct**

The values and code of conduct are premised on the belief that all Sentech employees, who are involved in the supply chain management function, must possess high levels of professional ethics and have the highest standards of personal integrity. Sentech expects a standard of behaviour in relation to supply chain management based on:

- Open, honest and co-operative business relations with colleagues and suppliers;
- Confidentiality of both government and commercial information;
- Avoidance of conflict of interest or a perception of bias;
- Disclosure of possible conflicts of interest, whether real or capable of being perceived, to the Head of the Supply Chain Management Unit as soon as they arise;

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- Fair dealing and impartiality in the conduct of bid evaluations; and
- The highest possible standard of professional competence and the encouragement of similar standards among all Sentech employees.

### **Code of Ethics**

A general code of ethical standards is hereby established for supply chain employees and other role players who participate in Sentech's supply chain management system in order to promote:

- Mutual trust and respect and,
- An environment where business can be conducted with integrity and in a fair and reasonable manner.

All Sentech employees and other role players involved in the implementation of the overall supply chain activities, including the dealing with suppliers or potential suppliers, are expected to adhere to the following ethics:

- Diligently follow supply chain policies, procedures and other associated laws and regulations, exercising reasonable care;
- Must treat all suppliers and potential providers equitably; may not use his or her position for private gain or to improperly benefit another person;
- Promote positive supplier relationships through courtesy and impartiality in all phases of the procurement cycle;
- Refrain from any private business or professional activity that would create an actual and/or potential conflict between personal interests and the interests of Sentech;
- Refrain from soliciting or accepting money, loans, credits or prejudicial discounts, and the acceptance of personal gifts, entertainment, favours or services from existing or potential suppliers, which might influence, or appear to influence, procurement decisions;

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- May not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person when involved in the tender process;
- Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest
- Must immediately declare the possible conflict of interest and request recusal from participating in the tender process
- Must declare, in writing, to their line managers details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person by the suppliers;
- Must immediately declare all gifts, rewards etc up to the value of R500, to business unit head/manager. All the gifts must be recorded in a register which the business unit head must keep for this purpose;
- Where gifts exceed R500 in value, prior written approval must be obtained from the relevant department manager as well as the Executive Committee
- Refrain from reciprocal agreements, which restrain competition;
- Confidential or proprietary procurement information must be handled with due care, and proper consideration of ethical and legal ramifications and governmental regulations;
- Conduct international procurement with due regard to the laws and practices of foreign countries, consistent with the South African Customs' laws, Sentech's company policies and these ethical standards and guidelines;
- Know and obey all the laws governing the procurement function, and remain alert to the legal ramifications of purchasing decisions;

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- All members of involved in the supply chain management activities must declare their financial interest and potential conflict of interest annually;
- Encourage all segments of society to participate, by demonstrating support for businesses owned by members(s) of previously disadvantaged communities;
- Enhance the proficiency and stature of the supply chain profession by maintaining the highest standards of ethical behaviour;
- Must be scrupulous in his or her use of property belonging to Sentech;
- Must assist the Chief Executive Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management process; and
- Must report to the Chief Executive Officer any alleged irregular conduct, which that person may become aware of, including:
  - Any alleged fraud, corruption, favouritism or unfair conduct;
  - Any alleged contravention of Sentech's policy; and
  - Any alleged breach of this code of ethical standards.
- Sentech has made available an anonymous reporting facility (hotline) for individuals who would want to remain anonymous when reporting incidents of fraud, corruption and related irregularities.

### **3.4 Broad Based Black Economic Empowerment**

Sentech has instituted a number of progressive procurement policy and procedures specifically designed to attract meaningful participation from the BEE compliant suppliers.

The following factors form part of Sentech's Preferential Procurement Policy:

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- Bid information, received by the Supply Chain Management Unit or the Supply Chain Management Committees, will also be utilised to identify potential BEE enterprise development candidates and other avenues in which empowerment companies may be assisted;
- Setting and achieving specific targets for preferential procurement including targets for EME's, QSE's, and Black women owned businesses and disabled businesses;
- Provision of relevant information to BEE suppliers, with regards to Sentech's indirect spends business opportunities and other enterprise development initiatives;
- Sentech's procurement officials will attend trade shows, conferences and meetings conducted by other stakeholders representing BEE businesses to establish possible partnerships;
- Soliciting input from the BEE business communities regarding other appropriate outreach activities; and
- Performance of vendor site visits as required to facilitate the verification process, to assess capabilities, training, mentoring requirements and to emphasise Sentech's interests in encouraging BEE.

The supply chain management activities must also comply with relevant legislation and government policies, and include:

- The provisions of the *Preferential Procurement Policy Framework Act*, and the *Broad Based Black Economic Empowerment Act*.
- Occupational health and safety requirements;
- Matters relating to the environment;
- Circumstances where Sentech are precluded from doing business with suppliers who have failed to fulfil past government contracts or who have failed to meet their taxation or affirmative action obligations; and

- The government's trade and foreign policies.

### **3.5 Recording and Reporting**

Standards of accountability expect officials to record their decisions and the reasons for taking actions that are not consistent with relevant legislation, policy and procedures and prescripts.

Records must be secured for a period of at least seven years for record and audit purposes.

### **3.6 Training**

It is Sentech policy to ensure that Sentech employees undertaking supply chain management responsibilities, including those overseeing and/or approving supply chain management are equipped with the skills and competencies to undertake those duties.

### **3.7 Conditions of Contracting**

The following conditions apply to all levels of procurement. Suppliers will be appointed based on:

- Being suitably qualified and experienced to perform the work;
- Having the necessary resources and capacity to deliver;
- Having registered on the database and having been assessed as a prospective supplier;
- Being in good standing, i.e.
  - The South African Revenue Services; and
  - Labour law requirements, etc.
- Compliance with technical requirements and specified criteria;

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- That organisation/s or individual/s that supply services must also disclose all sponsorships, and are obliged to declare any gifts, rewards or favours to officials as well as any relationship with Sentech employees;
- To furnish information disclosing any non-compliance, non-performance and any dispute with any other organs of state; and
- BEE compliant.

**SECTION 4: COMPONENTS OF SUPPLY CHAIN  
MANAGEMENT**

## **4.1 Demand Management**

### **4.1.1 Introduction**

Demand management is concerned with the analysis of critical resources required for the successful implementation and fulfilment of the objectives. The outcome of this process is the sourcing strategy for Sentech.

### **4.1.2 Objectives**

Establishing the annual requirements, undertaking proper needs assessment and deciding on the appropriate procurement and sourcing strategy enabling:

- To ensure that the resources required to support Sentech's strategic and operational commitments are identified at the beginning of the each financial year and aligned to both the strategic plan and spending plan;
- To ensure that the Sentech's requirements are met, at the right time, at the right place and at the most competitive costs; and
- To ensure that the procured quantities and the quality reflects exact Sentech requirements.

### **4.1.3 Demand Management Activities**

The following steps should be considered within demand management activities:

- Historical Analysis; and

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- Needs Analysis.

### **Historical Analysis**

The analysis of historical statistics/data over a particular period of time when procuring goods and services in any manner plays an important role. The following should be considered:

- Types of goods or services used;
- Consumption figures of the products used and services rendered;
- The cost of goods and services used;
- The relationship of the acquired goods and services to the planned operations;
- Did the actual procurement compare with the procurement envisaged when the budget was compiled; and
- The method of acquisition applied i.e.
  - Transversal contracts;
  - Adhoc contracts;
  - Quotations; and
  - Inter-Sentech transfers, internal (store / warehouse) and external suppliers.

### **Needs Analysis**

The needs analysis when procuring goods and services in any manner plays an important role and the following should be considered:

#### **Identify the needs**

From the operational plans developed by a project manager, identify the type and quantity of goods and services required.

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### **Assessment of requirements**

- Compare the identified needs with the current stock and outstanding orders.
- Compare the list of services required with the available/current service on contract.
- From the above comparison, compile a list of the type and quantity of goods and services required.

### **Forecasting**

- Consider previous suppliers taking due cognisance of government objectives such as promoting greater participation of HDIs and SMMEs.
- Determine the goals to be promoted, i.e. appropriate preference point system to be used and the deliverables or performance indicators in terms of which a bid will be assessed.

### **Identifying and planning for critical lead and delivery dates**

With the implementation of the Supply Chain Management Policy, Sentech will develop a network of quality-assured supply partners who can deliver the right quantity to the right place at the right time, every time. Where it is deemed necessary to store goods, proper asset management systems will be put in place. Sentech must, however, maximise "direct deliveries" to end users and try to limit their warehouses/stores to hold items that must be available on demand.

### **Linking Requirement to both Strategic Plans and Budgets**

The procurement/acquisition plan, which includes a list of all goods and services required for the particular period, should be used when compiling the budget.

The current Medium Term Expenditure Framework introduced by government affords Sentech the opportunity to plan properly when procuring goods and services required for the fulfilment of their objectives. The budget comprises mainly of three elements, viz. quantity, price and time in respect of the plan to

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purchase pre-determined requirements. The budget gives an indication of what, how many and when purchases are planned for. Sentech must ensure that funds are budgeted for correctly.

Provision must also be made in the budget for expenditure that may arise as a result of premiums that may be paid to promote the specified goals as contemplated in the Preferential Procurement Policy Framework Act and implied price escalations.

Contractors should under no circumstances be compelled to delivered goods or services ordered with the arrangement that payment would be kept in abeyance until funds become available at the commencement of the new financial year.

Effective and appropriate steps must be taken to prevent unauthorised expenditure and any overspending.

Managing demand will be a cross-functional exercise that brings the supply chain practitioner closer to the end user and ensures that value for money is achieved.

### **Strategic Sourcing**

The Executive Committee should determine a strategy for Sentech to achieve government's broader policy goals through the Supply Chain Management process. Aspects such as enhancing BEE and promoting HDIs as required in the Preferential Procurement Regulations, 2001, must be taken into account.

Goals to be attained should be identified for each contract individually after the relevant industry and community have been consulted. It should also be borne in mind that adherence to these requirements might lead to a premium being paid by the institution.

The maximum premium for the application of the 80/20 preference point system (for contracts equal to or less than R 500 000.00) amounts to 25%, while the

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maximum for the 90/10 preference point system (for contracts exceeding R500 000.00) amounts to 11%.

### **Determination of the specification of goods/works or services**

Standards and technical specifications quoted in bidding documents should promote the broadest possible competition, while assuring that critical elements of performance or other requirements for the goods, services and/or works being procured are achieved. It is recommended that as far as possible, Sentech should specify accepted standards such as those issued by Standards South Africa (the division of the South African Bureau of Standards responsible for standards), the International Standards Organisation or an authority recognised by the South African National Accreditation System with which the equipment or materials or workmanship should comply.

Specifications should be based on relevant characteristics and/or performance requirements. References to brand names, catalogue numbers, or similar classifications should be avoided. If it is necessary to quote a brand name or catalogue number of a particular manufacturer to clarify an otherwise incomplete specification, the words "or equivalent" should be added after such reference. The specification should permit the acceptance of offers for goods which have similar characteristics and which provide performance at least equivalent to those specified. The quality of goods/services required should, however, not be over-specified to the extent that it will be impossible for others to offer such a product.

## **4.2 Acquisition Management**

### **4.2.1 Introduction**

Acquisition management is charged with the responsibility of conducting all activities relating to procuring all goods and services to be utilised by Sentech within the framework published by National Treasury.

### **4.2.2 Objectives**

In respect of acquisition management, the supply chain's objectives will place more emphasis on the co-ordinated activities mentioned below, aimed at ensuring that Sentech's demands are addressed at (medium and short-term) operational and tactical levels.

The objectives of the acquisition management system are to ensure that:

- The goods and services are procured by Sentech in accordance with the authorised procedures;
- The expenditure on goods and service is incurred in terms of an approved budget and a pre-determined market approach;
- The threshold values of different procurement procedures are complied with;
- The total cost of ownership is established for different assets and commodities;
- The bid process, documentation, evaluation, adjudication criteria and general conditions of awarding contracts are in accordance with the requirements of the relevant legislation and this policy; and
- The procurement guidelines issued by the National Treasury are taken into account.

#### 4.2.3 Acquisition Management Activities

The following steps should be considered within acquisition management activities:

- Assessment and research of the supply market;
- Ongoing benchmarking of the suppliers and products;
- Managing the total cost of ownership (evaluation of cost drivers);
- Implementation of procurement legislation and regulations including Preferential Procurement Policy and BBBEE Objectives;
- Ensuring that effective control mechanisms are in place in all procurement areas to meet audit requirements;
- Developing various relevant sourcing strategies to ensure the timeous supply of the demand at the most competitive costs;
- Supplier management - establishment and maintenance of the supplier data base indicating preferred sources of supply;
- Sourcing Strategy, identification of the most competitive sourcing strategies for Sentech's demands and constant monitoring of market behaviour;
- Development and implementation of the logistics plan, in line with the company's strategy;
- Overall management of the acquisition processes including compliance to Sentech policies, procedures and other applicable legislations; and
- Ensuring that the expenditure on goods and services is incurred according to an approved budget and that the threshold values for different procurement processes are complied with.

#### 4.2.4 Supplier Database

To stimulate the promotion of BEE and the development of HDIs and SMMEs, Sentech, when the need arises, will advertise in the local media for businesses to respond to Sentech's procurement needs as potential suppliers for goods and services to be obtained by means of quotations.

The Supply Chain Management Unit may further categorise the suppliers according to the goods/services they are capable of supplying. Quotations for the required goods/services should be obtained from all potential suppliers in the specific category or on a rotation basis from various suppliers.

Comprehensive vetting of suppliers shall be performed prior to the registering of a supplier on the supplier database. This vetting shall include:

- Performing information searches, using publicly available sources of information, to identify the following types of potentially irregular associations:
  - Service providers with each other; and
  - Service providers with Sentech employees.
- Verification of statutory information form documentation supplied, e.g. VAT clearance, etc.; and
- Confirmation whether the entity and/or individual is not blacklisted on the database initiated by National Treasury for this purpose.

Only approved suppliers appearing on Sentech's database will be utilised when procuring goods and services. Motivation to engage new or unapproved suppliers to be registered on the database should be submitted to the Supply Chain Management Unit for approval and registration on the database.

The list of suppliers shall be updated on annual basis, to allow for all potential suppliers to register.

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Preference will be given to BEE compliant suppliers, provided that they can deliver the required product at a competitive price and uncompromising quality.

**4.2.5 Methods of Acquisition and threshold values for procurement of goods and services**

The Procurement Officials are the only personnel authorised to generate and issue Sentech's official purchase orders for:

- Capital Equipment (Assets);
- Stock / Inventory (stock replenishment);
- All computer equipment (hardware and software); and
- Services.

Area offices, i.e. all Transmitter Control Centres, Transmission Centres, their Support Services, and the National Transmission Centre are only authorised to create local Purchase Orders up to the limits specified in the Delegation of Authority document.

All procurement expenditure for goods or services must be executed in accordance with this policy, and must be awarded on an official, authorised, Sentech purchase order.

Procurement of goods and services either by way of quotations or through a bid process must be within the threshold values as determined by this Supply Chain Management Policy and the Delegation of Authority document. The splitting of costs of higher priced goods and services in order to avoid the thresholds is not allowed.

Relevant stakeholders within Sentech and in supply chain management shall operate within their delegated authority as prescribed in the Delegation of Authority document. Subdividing of requirements to avoid the invitation of formal competitive bids is not allowed.

**Threshold values for procurement of goods and services**

**4.2.5.1 Petty cash values up to R500 (VAT included)**

Authorized Petty cash may be utilised when procuring goods and services with values not exceeding R500. (VAT included). This should be done in compliance with Sentech's petty cash policy and procedures.

**4.2.5.2 Above the transaction value of R500 but not exceeding R10 000**

**(VAT Included)**

At least three written quotations on the supplier's letterhead, are required for goods or services of a transaction value of above R500 but not exceeding

(R10 000 VAT included).

**4.2.5.3 Above the transaction value of R10 000 but not exceeding R250 000**

**(VAT Included)**

The procurement officers should invite and accept as many written quotations as possible from the list of pre-approved service providers, registered on Sentech's data base suppliers as well other prospective suppliers, written on the supplier's letterhead

Where this is not possible, each case should be dealt with on its own merits. The reasons for not obtaining at least three quotations should be recorded and approved by the Executive Committee.

**4.2.5.4 Above the transaction value of R 250 000 (VAT Included)**

Procurement of goods and/or services with a value of above R250 000.00 (VAT included) must be done on the basis of competitive bids.

Where this is not possible, each case should be dealt with on its own merits. The reasons for not following a competitive bidding process should be recorded and approved by the Executive Committee.

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Competitive bids should be advertised in appropriate media and the government tender bulletin to ensure greater exposure to potential bidders

Goods and services may not be deliberately split into parts or items of lesser value for the sake of bypassing the prescribed threshold values.

### **4.2.6 General Evaluation Criteria**

The evaluation of offers from the suppliers shall be based on the total cost of ownership, service level agreements, functionality, capacity, technical innovations, quality, BEE compliance, tax clearance certificate, etc.

The following considerations will also be taken into account:

- Suppliers should quote fixed prices to Sentech, as far as possible. It is the duty of the Sentech Tender Committee and the Supply Chain Management Unit to obtain quotations, negotiate and procure goods and services from the most competitive suppliers, in consultation with the relevant stakeholders;
- Sentech shall not be bound to accept the lowest offer on quotations or bids, for either part or the whole offer. However, an offer which is financially and technically beneficial to Sentech, over the lifetime of the equipment, may be accepted;
- Purchase Orders for goods that need to be imported may either be placed directly with a foreign Supplier and payable in a foreign currency, or with a local agent and payable in Rands, subject to Rate of Exchange variations and
- The Finance Department shall be responsible for taking out forward cover. Where necessary, the Supply Chain Management Unit shall ask the local agent to obtain a quotation for a forward cover.

#### 4.2.7 Competitive Bids

##### Objectives of competitive bids

The followings are the main objectives:

- Ensure that the bidding process is in accordance with a system which is fair, equitable, transparent, competitive, and cost effective and also complies with Sentech policies as well as the government laws and regulations;
- To promote the use of the following principles when acquiring goods through a bidding process:
  - Value for money;
  - Open and effective competition;
  - Ethics and fair dealing;
  - Accountability and reporting; and
  - Black Economic Empowerment.
- Promote knowledge of and easy accessibility of the bidding system, especially by members of the previously disadvantaged communities;
- Eliminate discrimination in the bidding process, by affording opportunities to empowerment companies;
- Maintain minimum essential bid requirements, to encourage professional efficiency and quality;
- Ensure and monitor participant's commitment, by showing notable progress with respect to affirmative procurement;
- Encourage sub-contracting and enterprise development as much as possible, to enable skills transfer on specialised bids;

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- Offer and provide project management to empowerment businesses, if deemed necessary; and
- Promote transparency and accountability, and ensure that transactions are neither irregular, fruitless nor wasteful.

### **Interpretation of the Supply Chain Management Policy**

The Sentech Supply Chain Management Policy should always be read with the following Acts and regulations which it aims to comply with:

- The Public Finance Management Act;
- Broad Based Economic Empowerment Act;
- Preferential Procurement Policy Framework Act;
- National Treasury Regulations; and
- Any other applicable South African laws or regulations.

### **Sentech Supply Chain Management Committees**

Sentech's EXCO appointed a cross functional Tender Committee to deal with all tender related requests or bids.

### **Request for bids**

- Bids/tenders must be invited for all goods and services exceeding the amount of R250 000.00 (VAT included).
- Planning by the user department is imperative for efficient delivery of the required services, and agreed timelines will be negotiated with the Supply Chain Management Unit.

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### **Pre-bid/ tender preparation**

The user or originating department, must inform procurement and the relevant Sentech Tender Committee of their intention to procure any services or goods with an amount exceeding R250 000.00 amount (VAT included), after an approval of the motivation from the Executive Committee has been obtained.

The Chairperson of the Tender Committee should then send invitations to the relevant Committee members for a meeting to discuss the requirements and the handling of the specific bid. The relevant Sentech Tender Committee must appoint an initiating/evaluation team to assist the originator with the co-ordination and completion of all the necessary tender specifications and/or all the tender documents

The evaluation team should participate in the compilation of the bid/tender documents, detailing the bid specifications, the evaluation criteria, functionality and pricing requirements and other standard documents/certificates that the vendors will be required to submit to qualify for the tender.

The final tender documents ready for publication must be submitted to the Tender Committee and be approved by all the members of the relevant Sentech Tender Committee. The bid documents must contain specifications which promote the broadest possible competition.

The Supply Chain Management Unit shall then issue a bid reference number and register the bid in the bid records book.

An advert shall then be published on the agreed media.

### **Bid/Tender Information**

A document setting out the general conditions of the bid shall be made available to bidders, or any member of the public interested in such information.

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### **Bid/Tender Invitations**

- Advertisements inviting bids must be published via various print media, including the Government Tender Bulletin, to reach all groups, particularly the BEE businesses.
- The bid may also be published on the Sentech's external website. The relevant Sentech Bid Committee must approve the final advert.
- Bid documents may be made available at a non-refundable fee.
- Bid documentation would only be available for collection from the STP offices in Radiokop.
- Bids will close four weeks after the date of advertisement unless stated otherwise.
- All the suppliers wishing to respond to the bid will be required to pay a non-refundable bid fee, unless stated otherwise, before the bid documents are issued to them.
- Bids must be submitted on or before the stipulated closing date. No late bids will be accepted.
- It must always be emphasised that the bid documents must be submitted in a sealed packaging and completed in black ink.
- The official language to be used on all bid documentation and communication is English.
- Bids will be collected and recorded in a bid register by Procurement on the closing date and locked up in the storage room until the opening date.
- Bids will only be opened by the members of the Sentech Tender Committee and the originator or his representative, during a closed meeting.

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### **Awarding the Contract**

- The Tender Committee shall appoint an evaluating team to ensure proper evaluation of the tender.
- The originating department shall co-ordinate a cross-functional team with the purpose of evaluating the bid according to the pre-determined criteria, compiling a detailed report reflecting the followed evaluation process, a short-list, and a recommendation.
- Once the evaluation process has eliminated the suppliers which failed to qualify, the Sentech Tender Committee shall, after due consideration and analysis of the report, containing recommendations, submitted by the evaluating team, make a decision which will be forwarded to the Executive Committee for ratification.
- The minutes of the relevant Sentech Tender Committee or the relevant summary will be forwarded to the Executive Committee to highlight issues which were considered when the Committee decision was made.
- The Executive Committee may appoint an independent specialist to monitor an evaluation of the tender process.

### **Negotiations**

- In the event of awarding a bid especially when the relevant Sentech Tender Committee wants to act affirmatively or obtain the most competitive bid, they may approve simultaneous negotiations with more than one short-listed bidder, to obtain optimum value for Sentech.
- The Sentech Tender Committee may authorise the evaluating team to negotiate the final terms of contract and cost with the short listed bidders provided that such negotiation:
  - Does not allow any short-listed bidder unfair opportunity;
  - Is not to the detriment of any other bidder;

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- Aims at reducing the total cost further and will not lead to a higher pricing adjustment; and
- Aims at promoting Preferential Procurement and BBBEE policies
- Minutes of such negotiations must be kept for record purposes.
- After the negotiations, the Sentech Tender Committee shall make a final recommendation.
- The chairperson of the Sentech Tender Committee must submit the Tender Committee's recommendation to the Executive Committee within seven days.
- Once the Executive Committee ratifies the decision, the bidders will be informed in writing whether they were successful or not. The letters must be authorised by the Chairperson of the Tender Committee.
- The originator must then co-ordinate and submit all the tender documentation required by legal to draft a contract. Legal must ensure that the contract is approved by all stakeholders. The originator should also ensure that the contract is signed by both parties, before the service is provided by the respective service provider.
- An Extract of the Executive Committee's resolution for specific tenders shall be forwarded to the relevant internal stakeholders.

### **Monitoring Conformity**

It is the duty of the Sentech Tender Committee to ensure compliance to Sentech's Supply Chain Management Policy as well as other associated legislative requirements, regulations and prescripts.

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### **Tender Regulations**

All bid documents must contain, and clearly outline the following:

- The name and title of the person responsible, or whom to contact by the bidders (in case of queries);
- The fact that all bid documents must be submitted on or before the closing date in a firmly sealed;
- Packaging indicating the bid reference number, the closing date and time;
- That no bid shall be considered if it is received after the closing date and time;
- That no amendments in the bid price shall be permitted after receipt, but before awarding, not even a reduction, unless it results from official negotiations for which prior approval has been obtained and authorised by the Executive Committee.
- That no amendments or withdrawal from the bid shall have any legal force, unless accepted in writing;
- That all bids must remain valid for a minimum period of 90 days ;
- That all bidders shall treat the details of the bid document as private and confidential, whether their bid is accepted or not;
- That black ink must be used when completing the bid documents; and
- That Sentech is not obligated to accept the lowest quote;
- Sentech reserves the right to revoke tenders awarded to suppliers;

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### **Supplier Requirements**

All relevant stakeholders, in supply chain management, dealing with the suppliers must that the following are adhered to:

- All goods and services supplied to Sentech are of the type and quality specified.
- Preference will be given to local suppliers and thereafter reference will be made to pricing, delivery, quality, services, etc. Second preference will be given to South African companies who act as agents to manufacturers of foreign origin. When the equipment required is not available locally, the solution will be direct importation. Only in extreme instances (which must be motivated in detail) should equipment/services available locally and marketed by South African companies be imported.
- Long-term partnerships should be developed with manufacturers. These partnerships should enhance and improve after sales service to sustain Sentech's competitive edge on cost, quality and reliability. Other criteria will be based on the BEE compliance, expertise, and commercial and financial viability.
- Finance division must be involved in decisions pertaining to down payments and payments in advance.
- Suppliers must comply with appropriate environmental laws when supplying goods and services to Sentech.
- Local agents for overseas suppliers responding to Sentech's bids must submit a resolution passed by the principal company authorising the agent to act on their behalf.
- Tenderers are not allowed to contact, consult, meet or forward any information to the Sentech employees who are involved in the tender process.
- Tenderers must forward all communication including information requests, in writing to the Tender Committee Chairperson

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Sentech reserves the right to conclude contracts directly with principals (OEMs) should it be in the interest of both parties to do so, but this will not be done to the detriment of the local suppliers

### **Emergency bids**

It may become necessary, during the normal course of business, to procure goods or services as a matter of urgency. The normal bidding processes or procurement process may not be appropriate for such an eventuality. The emergency procurement procedures should not be used in respect of the following:

- To circumvent normal procurement procedures;
- As a result of insufficient stock level for items that are used daily;
- As a result of working programmes not properly planned; and
- As a result of no or insufficient communication between stakeholders and the Supply Chain Management Unit.

Motivations to deviate from the normal Supply Chain Management procedures shall be presented to the appropriate Sentech Tender Committee for consideration and a recommendation to the Executive Committee. Such purchases shall be within thresholds prescribed by the Chief Executive Officer, in terms of the Delegation of Authority document.

The motivation and appropriate record of approval should be attached when processing payment and for bid audit query purposes.

Under no circumstances will the application be supported where it is evident that alternative action is proposed with the purpose of circumventing the Sentech Tender Committee and that urgency is due to negligence or bad planning.

To promote consistence in evaluating cases that are not repetitive and where circumstances were unforeseen, the Sentech Tender Committee shall evaluate the interpretation, transparency of information and evaluation criteria.

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The criteria reflected in the table below may be used by the Sentech Tender Committee during the assessment process:

<b>Cases of emergency</b>	<b>Requirements to satisfy support</b>
Unauthorised actions where emergency is pleaded.	Proof that action was in circumstances of: <ul style="list-style-type: none"><li>• An emergency;</li><li>• Was in the best interest of Sentech;</li><li>• Sentech did not suffer negligence or damages; and</li><li>• Desirable outcomes or objectives will be achieved.</li></ul>
Cases of best interest.	Submission should include: <ul style="list-style-type: none"><li>• Clear motivation and reasons for urgent action;</li><li>• Comparative explanation of negative result that may have occurred against the actual result.</li></ul>
<b>Cases of emergency</b>	<b>Requirements to satisfy support</b>
In a case of both emergency and best interest.	Submissions should include: <ul style="list-style-type: none"><li>• Time scales applicable at the time of action;</li><li>• Attempts to obtain prior authorisation;</li><li>• Compliance with conditions; and</li><li>• Price analysis in comparison with normal prices.</li></ul>

**Extra-ordinary Expenditure**

In the case of extra-ordinary expenditure and emergency only, the adjudication process must not be more than 7 days. Authorisation of expenditure must be in accordance with the Delegation of Authority document and the relevant Sentech Tender Committee must be involved.

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### **BEE Compliance**

All suppliers must submit a verified BEE certificate and supporting documentation, issued by an verification agency. Sentech reserves a right to choose relevant elements from the BEE scorecard to be emphasised when adjudicating tenders.

### **Allocation of preference points**

In the event where two or more bidders score equal points, the bid shall be awarded to the bid scoring the highest points for equity shareholding. Where the points scored for equity shareholding fail to distinguish a clear winner, the bid will be awarded on an equitable distribution basis to the bidders who have been awarded the least number of bids by Sentech, in the past in order to promote a rotating system.

The bidder with the highest number of points will be awarded the contract. Where the bidder with the highest adjudication points is not recommended, full details must be provided to the both the Tender Committee and the Executive Committee. It is therefore important that the detailed evaluation information is always supplied. The BEE scorecard measuring BEE performance will be included in the evaluation criteria of all bids.

The Executive Committee shall notify the Board, within seven days should a contract be awarded to a bidder other than the recommended bidder by the evaluation or the Tender Committee. The notification should include the reasons for deviating from the recommendations.

In order to ensure that the price point allocation is not distorted by unreasonable low prices and to protect the integrity of the budget process, the following additional criteria for consideration of bids shall be applied:

- All bid prices that are 10% above or below the estimated value will not be considered as acceptable in terms of price;
- Points will be recorded to one decimal place and decimal fractions will be rounded off accordingly; and

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- Bids that do not meet the minimum participation goal will be considered unresponsive to the specifications or criteria and therefore liable for rejection.

### **Critical points**

In the case of joint ventures and partnerships, only legally established business entities will be considered.

Bid forms will include a preference certificate and declaration statement in order to obtain certified details of ownership in a specified format for adjudication.

During the adjudication process or subsequent to the award of the contract, where doubt exists regarding any of the statements made in support of preference claim, documentary proof may be called for in substantiation of the statements.

Where a contract has been awarded on the basis of preference points for BBBEE, the contractor may not sub-contract more than 25% of the value of the contract to a person who does not qualify for such preference.

The PPPFA Regulations, 2004 and the Department of Trade and Industry's Broad-Based Black Economic Empowerment Strategy Document provides a basis for the implementation of the Preferential Procurement Policy Framework Act of 2001 and the Broad-Based Black Economic Empowerment Act, respectively, in the following manner:

#### *80:20 preference point system*

The 80:20 preference point system applies to bids with an estimated value of less than or equal to R500 000.00.

80 Points are allocated for price and a maximum of 20 points may be awarded to a bidder for achieving socio-economic and BBBEE objectives set out in this document.

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### *90:10 preference point system*

The 90:10 preference point system applies to all bids in excess of R500 000.00. A maximum of 90 points are allocated for price and a maximum of 10 points may be awarded to a bidder for achieving socio-economic and BBBEE objectives as set out in this document.

The total percentage scored for BBBEE will be converted to a point out of a maximum of 10 points.

The BEE scorecard measuring BEE performance should be included in the evaluation criteria of all bids.

Suppliers are obliged to inform Sentech of any changes to their BEE status where they had claimed equity points. Failure to do so could result in a penalty. A consortium or joint venture may claim preference based on the percentage profit of the contract value enjoyed by the black partner. Where a contract has been awarded, based on BEE preference, such supplier may not sub-contract more than 25% of the value of the contract to a person who does not qualify for the same preference.

No preference points may be applied to public companies or tertiary institutions. No preference points may be claimed if the declaration part of the bid document has not been signed.

### **Closed/Selected bids**

Such bids should only be considered for specialised services and goods, and should be motivated to the Sentech Tender Committee and the Executive Committee for evaluation, thereafter the bids will be dealt with in accordance with the Delegation of Authority document and the Supply Chain Management Policy.

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### **Cancellation of bids**

A bid can be cancelled under the following conditions:

- No offers are received;
- The goods and/or service is no longer required;
- There are errors in the bid invitation documents; and
- The bid prices are deemed to be exorbitant in terms of pre-determined benchmarks.

### **Withdrawal of bids**

A bidder may request in writing after the closing of a bid, but prior to evaluation that their bid be withdrawn. Such a request may be granted at the discretion of the Executive Committee or a duly delegated Supply Chain Management representative.

### **Unsolicited bids**

Unsolicited bids may be accepted where the opportunity/bid demonstrates significant cost savings for Sentech. Unsolicited bids can only be approved by the Executive Committee. Where the unsolicited bid is followed by a competitive bidding process, the supplier (initial bidder) will receive preference points for initiative demonstrated.

#### **4.2.8 Appointment of consultants**

In general, the procedures described in the acquisition of goods and services apply. Only the peculiarities of appointing consultants are dealt with herein, as the services to which this applies are of an intellectual and advisory nature.

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This does not apply to general services such as construction work, manufacture of goods, operation and maintenance of facilities or plants, surveys, exploratory drilling, aerial photography, satellite imagery, catering, cleaning and security in which the physical aspects of the activity predominate.

Consultants should be appointed by means of competitive bidding processes, whenever possible and all bids and contracts should be subject to the General Conditions of Contract. Consultants are appointed based on professional, specialist knowledge and capabilities. Consulting work will be fairly distributed.

Consultants should only be engaged when the necessary skills and/or resources to perform a project/duty/study are not available and the Executive Committee cannot be reasonably expected either to train or to recruit people in the time available.

The relationship between Sentech and a consultant should be one of purchaser/provider and not employer/employee. The work undertaken by a consultant should be regulated by a contract. Sentech is, however, responsible for monitoring and evaluating contractor performance and outputs against project specifications and targets and should take remedial action if performance is below standard.

In procuring consulting services Sentech shall satisfy itself that:

- The procedures to be used will result in the selection of consultants who have the necessary professional qualifications;
- The selected consultant will carry out the assignment in accordance with the agreed terms of reference; and compile a detailed report indicating all the proposed solutions addressing specific items.
- The scope of the services is consistent with the needs of the project.

Consultants are required to provide details of their business including:

- Disciplines and sub-disciplines in which the consultant is competent;

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- Resources available;
- BEE compliance;
- Personnel details;
- Locality of offices;
- Professional Indemnity ("PI") Insurance cover; and
- Possible conflict of interests.
- Detailed reporting on all work done

Note: No invoices will be paid without the report of the details of work completed by the consultants.

It is incumbent of the consultant to update their particulars whenever a significant change occurs or every six months. Consultants are expected to submit a proposal in accordance with the detailed brief on terms of reference, outlining details and mode of delivery.

Sentech should establish standard guidelines for disbursements. Due to the size or nature of particular projects, the nominated consultant must provide written proof of professional indemnity insurance.

### *Rotation of suppliers*

This section establishes the general principles and procedures of a roster system for the appointment of professional service providers.

Such roster enables Sentech to;

- Efficiently appoint professional services;
- Ensure that the work is carried out in a professional, competent and cost effective manner; and
- Promote access to business opportunities to black people, i.e. BBBEE.

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### *Principles of assignment from roster*

The roster is a multiple list of companies and offices covering the all major and relevant suppliers of goods and services.

The roster will be updated with information of suppliers with the following information:

- The number of registered professionals employed at the office of the consultant;
- The disciplines and sub-disciplines in which the consultant is competent;
- The geographical location of the office of the consultant; and
- Ranking of companies in accordance with their contribution to Broad based Economic Empowerment.

### *Terms of reference*

Sentech will prepare a preliminary brief of terms of reference for the appointment of consultants. It may not always be possible to draft a brief or terms of reference, in which case, consultants are requested to provide an hourly rate used for adjudication purpose.

Where possible, Sentech will develop a brief requesting:

- The nature and scope of the professional service required;
- A description of the objectives of the project;
- Any specific or exceptional requirements with regards to the performance of the professional services;
- Detailed design, methodology and work plan;
- An estimate of timing, professional fees and the total project cost;
- Relevant key expertise, track record;

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- Empowerment objectives; and
- The conditions of engagement (form of agreement) to be used for the eventual appointment and the manner of determining professional fees, including disbursements.
- All services from consultants procured regarding the correction of processes, data or programs must have documentary proof of the correction, process, program or data fix. Consultants should therefore not be paid unless documentary evidence regarding their specified tasks has been furnished and an overseeing manager signs acceptance of the output from the consultant.

### *Letters of appointment*

Letters of appointment to consultants shall clearly outline the terms of remuneration. Where fees for a particular profession have been pre-determined these fee scales, including time-based fees, shall be applied wherever possible.

#### **4.2.9 Other matters**

Sentech is prohibited from awarding business to persons whose tax matters are not in order. Sentech may not make any award above R15 000.00 (VAT included) to a person whose tax matters have not been declared by the South African Revenue Services to be in order. A tax clearance certificate will be required before a bid or any business of a value in excess of R15 000.00 (incl. VAT) is awarded to a new supplier.

It is prohibited to award business to persons in the service of Sentech, or to award business to close family members of Sentech employees

Particulars of any awards given to the close family members or to a person who is a spouse/partner, child, parent of a Sentech employee or to a person who was employed by Sentech in the last twelve months or more must be disclosed including:

- The name of that person;

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- The capacity in which that person is or was employed by Sentech; and
- The amount of an award/bid.

The contractual terms and conditions, governing purchase orders, contract and tenders must be available to suppliers and must include the following;

- Should a supplier wish to stipulate his/her own terms and conditions they shall not be binding, enforceable, nor valid, in the absence of written acceptance by Sentech, and, failing any such agreed terms or conditions to the contrary, the stipulations hereunder set forth shall apply with full force and effect in regard to the order;
- Nothing herein contained, reflected or implied, shall be deemed a waiver or derogate from the rights, remedies, warranties, guarantees or any other protection or defence to which Sentech may be, or may become entitled, or which may howsoever accrue to it, or in its' favour as purchaser, lessee, client, borrower or the like, whether by statute or common law;
- The supplier shall ensure that all goods supplied ex bond or ex import shall be cleared duty-free, unless duty free entry is not allowed by the Customs Act. Suppliers shall state whether a duty-free certificate is required at the time of bidding.
- If delivery is not effected by the expected delivery date appearing on the face hereof, Sentech reserves the right to cancel this order and claim damages; alternatively to accept late delivery but claim compensation for further expenditure incurred;
- Failure to comply with the request to display Sentech's order numbers on all documentation and packages may result in payment being delayed or refused. Sentech will not, as a result of such late payment, forfeit any settlement discounts, which would otherwise apply, nor be liable for any penalty interest;
- The risk to goods to be supplied in terms of the purchase order shall remain with the supplier, until delivery of the goods has been effected at the point

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of delivery duly stated in the order, and signed for by an authorised representative of Sentech;

- The goods or services to be supplied in terms of the purchase order shall be subject to inspection by authorised representatives of Sentech at all reasonable times and places, with the right of rejection. The making, or failure to make, any inspection of or payment for the goods or work covered by the purchase order, shall in no way limit Sentech's right to reject non-conforming or defective goods or services;
- The supplier warrants that the goods covered by the purchase order will be new (unless otherwise specified), suitable, fit and sufficient for the purposes for which they are intended, of good material, design, workmanship and free from defects. The supplier shall be liable for any loss or damage due to inadequate packing;
- The terms and conditions herein contained shall supersede earlier or different stipulations, representations, undertakings, and shall deem to be accepted by the supplier over and above the supplier's conditions of sale; and
- On acceptance of Sentech's official purchase order form, the supplier is deemed to be fully aware of the terms of conditions stipulated therein, and accepts same.

### **4.3 Logistics Management**

#### **4.3.1 Introduction**

This process ensures that the goods and services planned and budgeted for at the demand stage, and acquired, are delivered according to the agreed contract. It involves the flow of goods and services from the contracted supplier to the end user.

#### **4.3.2 Objectives**

The objective in respect of logistics management is to provide an efficient and integrated link in the flow of the supply chain activities from setting of inventory levels, to requisitions, releasing of requisitions, processing orders, expediting, receiving, issuing, internal distribution, inventory management, storage, warehouse management, transport management, vendor performance, maintenance and contract administration both in system and procedures. This process should also activate the financial system to generate payments.

#### **4.3.3 Logistics Management Activities**

The following steps should be considered within logistics management activities:

- Coding of new stock, non-stock items and assets;
- Setting of inventory re-order levels;
- Requisitions, releasing and approvals;
- Order processing, authorisations and expediting outstanding orders;
- Vendor performance evaluation;
- Receiving and processing of goods receipt notes;
- Issuing of stores items;
- Distribution (internal and external);
- Transport management (inbound and outbound);
- Handling returned goods;
- Stocktaking;
- Storage and warehouse management;

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- Management of losses and surpluses;
- Maintenance and contract administration;
- Linking main stores with the TCC's;
- Obsolescence and depreciation planning; and
- Co-ordinated monthly reporting.

#### **4.3.4 Payment terms**

Suppliers shall clearly reflect their preferred method for payment, which will be negotiated with the Finance Department. The method of payment shall be clearly stated (e.g. cheque or payment direct to the bank account of a supplier, etc.). Sentech's preferred method of payment is Electronic Fund Transfers ("EFT").

Sentech's standard payment terms, unless otherwise negotiated, are as indicated below:

- Local purchase order payments will be effected 30 days after statement date;
- Import payments will be effected on receipt of negotiable documents, by bank electronic transfer;
- Contract terms of payment to be negotiated; and
- Preferential credit facilities may be negotiated with the EME's.

The payment documents, i.e. requisition form, order form, authentic quotes should be accompanied by the original tax invoice for payment stating the same amount appearing on the quotation and order form. In case where the original tax invoice is missing, the copy of the tax invoice has to be attached. However, it has to be certified as a true copy of the original. All payment of accounts will be done through the Finance Department.

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For the authority of releasing EFT's or signing of cheques, please refer to the Delegation of Authority document.

In a situation where late payment has attracted interest, an approval for such payment has to be obtained from the Executive Committee.

### **4.4 Fleet / Transport Management**

#### **4.4.1 Introduction**

The Facilities Management Unit of Sentech is responsible and accountable for fleet/transport management, which includes the administration of Sentech's owned and/or leased vehicles.

#### **4.4.2 Objective**

The objective of fleet/transport management is to ensure that the administration of Sentech's owned and/or leased vehicles are adequate, effective and efficient.

#### **4.4.3 Fleet/Transport Management Activities**

The following are the fleet / transport management activities:

- Guideline and procedures with regards to the use of Sentech leased vehicles in terms of the maximum amounts and the type of vehicles that can be procured;
- Ensuring the correctness of procedures, when requests are made for new vehicle leases, and relevant authorisations;
- Monitoring of the use of Sentech's vehicles;
- Coordination on spending on fleet management and compiling necessary reports; and
- Management of leased vehicles' contracts and vendors.

## **4.5 Facilities Management**

### **4.5.1 Introduction**

Facilities management is concerned with the management of the building environment within Sentech.

### **4.5.2 Objectives**

The objectives of the Facilities Management Unit encompass multiple disciplines to ensure functionality of the office building environment by integrating people, place, process and technology.

### **4.5.3 Facilities Management Activities**

The objectives of the Facilities Management Unit are achieved through the following activities:

- Management of lease agreements for the office space and associated services (e.g. cleaning services), and office equipment; and
- Development and promulgation of policies and procedures pertaining to construction, operations and maintenance of buildings, safety and security, environmental factors, technology integration, etc.

## **4.6 Disposal Management**

### **4.6.1 Introduction**

Disposal is the final process when Sentech needs to do away with unserviceable, redundant or obsolete movable assets. Asset management staffs are required to identify obsolete assets during the stock-taking process. This process helps Sentech to dispose of assets that are no longer useful. Obsolete assets can also be identified from the asset register.

The co-ordinating of the disposal of assets within Sentech is required to ensure that fixed and/or moveable assets redundant in one department first be made available for internal use by another department.

#### **4.6.2 Objective**

The objective of disposal management is to ensure that the system of disposal within Sentech is adequate and effective.

#### **4.6.3 Disposal Management Activities**

Disposal management activities are focused on the following aspects:

- Unserviceable assets;
- Redundant assets; and
- Obsolete stock and assets, according to Sentech policies.

#### **4.6.4 Responsibility and Accountability**

A Disposal Committee shall be established to manage an effective system for the disposal of assets, and stock unserviceable, redundant assets, obsolete stock and assets. The following relates to the mandate, composition and key role players:

##### **Mandate**

The Disposal Committee will have a mandate to decide when to dispose of and how to dispose of assets and stock.

##### **Composition**

The Disposal Committee shall consist of five members from the following:

- Asset Management;
- Facilities Management/Stores Management;
- Supply Chain Management;
- Occupational Health & Safety Management; and
- A representative from the department with a disposal request.

#### **4.6.5 Method of Disposal**

When disposing of assets the Disposal Committee shall consider the following:

- The fair value of the asset;
- The economic value of the asset; and
- The value the community derives from the asset/s and/or heritage value to the community.

Assets are disposed off by means of the following methods:

- Movable assets may be sold either by way of written price, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- In the case of the free disposal of computer equipment, it must be established whether there are local schools which might be interested in the equipment; and
- Destroying the asset in the most appropriate manner.

The disposal management process shall be initiated by the disposal team by submitting a motivation, to the Disposal Committee, detailing the disposal request, including the disposal method.

The Disposal Committee shall, after performing an investigation, submit a recommendation of a disposal strategy and associated costs to the Executive Committee.

#### **4.6.6 Proceeds from the disposal of assets**

All proceeds from the sale of obsolete assets represent income to Sentech and should be banked in the account of Sentech.

## **4.7 Performance Management**

### **4.7.1 Introduction**

Performance management provides for an effective internal monitoring system in order to determine, on the basis of retrospective analysis, whether the authorised supply chain management processes are being followed and whether the desired objectives are being achieved.

The monitoring and evaluation of performance management from the activities of supply chain management is taking place in a milieu in which, in the first instance, it is the responsibility of the Executive Committee to institute measures to:

- Procure resources of the right quality, in the right quantities, at the right time and place, and at the lowest possible cost (**Economy**);
- Achieve the optimal relationship between the output of goods, services or other results and the resources used to produce them (**Efficiency**); and
- Achieve policy objectives, operational goals and other intended effects (**Effectiveness**).

### **4.7.2 Objective**

An effective internal monitoring system aims, on the basis of a retrospective analysis, to determine whether authorised supply chain management processes were followed or not and whether the desired objectives were achieved.

### **4.7.3 Key role players**

The monitoring and performance of the services received should be done by the relevant business unit. Suppliers should be fully informed of their inclusion (if selected) in the suppliers performance evaluation process, and should receive formal feedback on a regular basis via the relevant business unit. The supplier should be afforded the opportunity to question and respond to the evaluation and

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results. The process should be regarded as an important tool to improve all suppliers' performance and to foster an improved relationship with Sentech.

### **4.7.4 Performance Management Activities**

General supply chain management issues to be measured are as follows:

- Key performance areas in the whole supply chain;
- Conformance to Sentech policies and procedures;
- Compliance to government regulations;
- Audit requirements;
- Achievement of goals set for specific periods;
- Compliance to norms and standards;
- Annual savings generated and cost savings initiatives;
- Cost variance per item;
- Non-compliance with contractual conditions and requirements;
- General efficiency of the procurement process itself;
- Statistical reports;
- Spending reports in respect of different categories;
- BEE statistics including preferential procurement and enterprise development initiatives; and
- Bid reports.

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### **Performance Indicators**

- **Performance indicators in respect of availability**

- Stock out frequency - e.g. how many times does demand for a specific product exceeds its availability?
- Orders complete - how often the customer demand is fully met.
- Fill rate - how much of a specific product is available to satisfy customer demand.

- **Operational performance indicators**

- Speed: order cycle time;
- Flexibility: ability to handle extra ordinary customer requests;
- Malfunction recovery: contingency plans for recovering from service failures;
- Savings generated; and
- Cost efficiency of the procurement process.

- **Reliability performance indicators**

- Ability to comply to planned inventory availability;
- Capability and willingness to provide accurate and timely customer logistical information; and
- Commitment to continuous service quality improvement.

- **Vendor performance**

Supplier's performance should be monitored in terms of the following:

- Adherence to specific delivery dates and lead times;

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- Compliance to specifications;
- Accurate quality and quantity;
- Pro-active communication; and
- Cost reduction initiatives.

### **Feedback from Monitoring and Performance Management**

The suppliers which have conducted their business in an unacceptable and/or improper manner, should be removed from the approved supplier database, blocked from future business dealings with Sentech and recorded in risk register of supply chain management under the authority of the Supply Chain Management Unit.

Any official suspecting supplier misconduct should immediately bring it to the attention of the relevant head of the business unit, Supply Chain Management Unit and then to the Executive Committee, who should decide what course of action to take.

The circumstance giving rise to a supplier being listed, as a high risk supplier should be properly investigated and the conclusions and recommendations recorded. Such supplier should be requested to provide its full co-operation during the investigation. The process should be conducted with much circumspection and on a need-to-know basis, as the creation of wrong perceptions can be potentially harmful both to Sentech and the particular supplier.

The supplier should be advised in writing as to the final decision taken. Due to the sensitive nature of the information contained in the risk register of the Supply Chain Management Unit, it will be regarded as “strictly confidential” and access to this risk register should be limited to a need-to-know basis only. Any enquiries in this regard external to Sentech should be referred to the relevant Head of Business Unit.

## **4.8 Risk Management**

### **4.8.1 Introduction**

Risk management in respect of supply chain management should be seen as a critical link to preventing and detecting fraud which may occur within Sentech. Its primary goal is to have the right risk management strategic in place and to provide for an effective system for the identification, consideration, mitigation, and avoidance of potential risks in the supply chain management process. In turn, it should be escalated at all level within Sentech. Each head of a business unit or senior manager is accountable to the Chief Executive Officer for the implementation of risk management within the operational duties.

### **4.8.2 Objective**

To ensure the implementation of risk management, the head of each business unit should ensure that it is becoming part of the performance evaluation of all officials within the specific business units.

### **4.8.3 Risk Management Activities**

The Supply Chain Management Unit should address risk as a matter of course in the component of supply chain management within Sentech:

- Demand Management;
- Acquisition Management;
- Logistics Management;
- Fleet / Transport Management;
- Facilities Management; and
- Performance Management.

However, the Executive Committee and/or the Risk Management Committee should determine the level of procurement which is in value or which are

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inherently complex or sensitive in order to apply a systematic approach to risk management.

The risk management process should involve the following:

- **Identifying** what, how and why things might go wrong and the potential consequential;
- **Evaluating** how serious the risks are and putting them in order of priority for treatment;
- **Treating** risks, by planning and implementing strategies to reduce the likelihood they will occur and/or mitigate the seriousness of their consequences; accept them; transfer them; retain them; or avoid them;
- **Monitoring** risks by reviewing and documenting their management on a continuing basis to ensure that the overall strategy remains valid; and
- **Reporting** risks to the risk management committee on a continuing basis to ensure that the effectiveness of risk management within supply chain management activity within Sentech

The risk management strategy and framework should make clear Sentech's policy on risk. Responsibility for managing risks should be formally allocated to the party (Sentech/the contracting parties or supplier) that can best manage them through clear and unambiguous contract documentation.

The costs incurred in managing risks should be commensurate with the benefits obtained. Likewise, the level of documentation required needs to be appropriate to the value, importance and type of procurement. A separate risk management plan may not always be needed, but it should be clear that the process has been carried out properly.

The database including all risks linked to supply chain management should be compiled and reviewed from time to time.

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### 4.8.4 Red Flags

The following is an illustration of common red flag within supply chain management:

- Bid fixing – suppliers obtain inside information about a bid process from an employee, usually in return for a payment;
- Bid rigging – suppliers manipulate the purchasing process by acting collusively to fix prices and terms;
- “Kickbacks” – payments made to decision makers to influence choice of supplier or product;
- Connected companies – intermediary companies or agents are used for purchasing which are somehow connected to the purchasing company’s decision makers;
- Supplies for personal use – diversion of product for employees’ own use;
- Dummy suppliers – payments made to non-existent companies; or substandard work/short deliveries – goods/services received not correct;
- Higher prices, lower quality;
- Consistent shortages;
- Regular deviations from established procedures;
- Poor, inaccurate or non-existent record-keeping;
- Inexperienced buyers dealing with overbearing suppliers;
- Excessive entertaining of Supply Chain Management Unit staff by suppliers;
- No segregation of duties, thereby creating a one-to-one relationship with the supplier;

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- Resistance by Supply Chain Management Unit staff to audit and procedural reviews; and
- Informal communication methods between procurement staff and suppliers, such as calls to mobile phones or messages to personal e-mail addresses, and visible evidence of officials living beyond their means.