



SAPPHIRE
LOGISTICS
PROCUREMENT DEPARTMENT

Procurement - Policies and Procedures

1. Purpose of procurement standards

The purpose of these standards is to establish policies and procedures for the procurement of goods and services.

2. Code of conduct

No employee shall participate in the selection, award, or administration of a contract if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, or any member of his or her immediate family, has a financial or other interest in the firm selected for an award.

The employees shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, except for where the gift is an unsolicited item of nominal value, that could, in any way, influence, or appear to influence, business decisions.

All employees shall conduct themselves in a manner conducive to good business and shall not be obtrusive to suppliers achieving targets set, and shall do everything reasonably expected to assist suppliers in achieving targets set.

3. Types of Procurement

3.1. Indirect or Consumables Procurement

Refers to goods and services bought for internal consumption, not for resale to external clients, and not for stock and not subject to inventory management. Categories include, not limited to:

- Travel Management
- IT related services (hardware, software)
- Facilities Management and office services (furniture, cleaning, catering, printers)
- Consumable (Stationary etc.)

3.2. Single Procurement

Single procurement is triggered by a specific customer order and initiates either a stock purchase for resale, or the suppliers' process of production.

3.3. Stock Procurement (Replenishment)

Stock procurement means that goods are shipped to stock in periodically defined terms without any specific order of a customer. The important premise is, that the demand can be forecasted. The goods will be stocked until the next order is received from the customer.

- Core principle of stock replenishment programs is forecasting demand so as to ensure availability of stock as and when needed, and to follow Just-In-Time JIT principle of procurement.
- Product demand and requirements can be forecasted based on sales history of item, sales history similar /predecessor items, client forecast, number of sites i.e. sales base etc.
- Cost and sales prices are generally set for a predetermined period of time, approved internally and by client.
- Stock and sales levels to be monitored continuously to identify changes in sales trends, so that future purchases can be adjusted accordingly to accommodate increases or decreases in sales.

Note: **Apparel** in this document refers to all clothing items, as well as apparel accessory items such as hats, caps, bags, socks etc.

4. Procurement Procedure

4.1. Indirect or Consumables Procurement

For repeat orders:

Preferred suppliers for specific goods and services appointed by relevant manager, with consideration to price, quality and delivery. Price comparisons be done periodically to ensure competitive rates are maintained. Preferred supplier has right of first refusal should a better offer be presented.

For once off orders:

Price quotations to be obtained from a minimum of two qualified sources to ensure that the selection process is competitive in accordance with these policies. Relevant manager to approve order prior to purchase.

4.2. Single and Stock Procurement Process Flow

- All non-stock enquiries over 100 pieces per style to be submitted to central procurement for secondary quote.
- Procurement and sales to decide if order placed through central or decentral procurement.
- All non-stock apparel replenishment enquiries to be handed over to central procurement.



4.3 New Suppliers

For all new suppliers identified, Vendor Application Form (appendix 2) to be completed and submitted to Central Procurement for approval for use before that suppliers can be used for any product purchases.

The purpose of this is to ensure that all supplier details are accurately recorded and that supplier conforms / has intention to conform to BEE policy.

5. Procurement Policy

5.1. Supplier Relations

Agreements for supply shall only be entered into with responsible suppliers who possess the potential ability to perform successfully under the terms and conditions of the proposed agreement. Consideration shall be given to such matters as integrity, record of past performance, financial and technical resources or accessibility to other necessary resources.

Any new suppliers intended to supply items where it is required to disclose confidential information, are required to sign a NDA (Non-Disclosure Agreement), prior to commencing any business relations or disclosing of such confidential information. NDA available from the Procurement Department.

5.2. BEE

In light of the latest BBEE score card Sapphire will not deal with any supplier that does not have a minimum of a level 4 or better.

Should suppliers not have achieved the minimum rating, they need to provide confirmation of intention to comply with a timeline at which such compliance is expected.

In the event that suppliers do not comply, and have no intention of complying, consent required by MD and FD to continue to utilize that supplier.

For all new suppliers, Supplier Information Form (appendix 3) to be completed and submitted with valid BEE Certificate to procurement. Procurement to load supplier onto database and accounts to load supplier onto software system, and BEE sent to accounts for record keeping.

5.3. Make vs Buy

All large volume goods purchased to be reviewed periodically to assess if current method of procurement should still be applicable, or if there is an opportunity to either manufacture or purchase stock item as applicable, taking into consideration, raw materials required, lead time, cost, stock holding etc.

5.4. Cost and price analysis

Cost and price analysis shall be made and documented in the files in connection with every procurement action for resale. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indices. Cost analysis is the review and evaluation of each element of cost, such that unexpected costs are taken into account so that true GP is presented.

5.5. PO Administration

Each PO to be raised against that supplier's code in the system. No POs to be loaded against a General or unspecified supplier.

The system shall be maintained by the relevant buyer to ensure that delivery dates reflected are accurate and updated.

Orders / lines to be closed or cancelled as appropriate such that only relevant Purchase orders are open on the system.