

## **PROCUREMENT POLICY**

<b>Version</b>	<b>Date of Approval / Reviewal</b>
V.1	21-08-2018
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Sonata Finance Private Limited (“the Company”) is a large-scale procurer of goods and services. To ensure continued accountability and robust governance, it is critical that the procurement function and activities are carried out within a clearly defined framework that is fair, robust and transparent.

The purpose of this procurement policy is to structure the company’s procurement processes and sourcing strategies to ensure that the services and goods we acquire are the result of transparent, objective, time- and cost-effective decision making and risk management.

The Company is required to undertake its responsibility towards the public and investors for the expenditure involved and the manner in which the procurement is made.

### **Exceptions to this Policy include:**

- Disposal or acquisition of property.
- Disposal of assets.
- The power to recruit and make employment related decisions.

### **Purpose**

**The purpose of this policy is to set out a framework within which the Sonata can:**

- (a) Meet a justifiable and approved business requirement proposal.
- (b) Maximize efficiency of procurement and distribution.
- (c) Standardize procurement processes by providing certainty to employees of their obligations.
- (d) Negotiate with suppliers in a fair, open and transparent manner; and
- (e) Ensure maximum value taking into consideration Total Cost of ownership in the procurement of goods and services.

### **Scope of Policy:**

This policy applies to all employees, vendors and/or consultants procuring goods or services on behalf of the Company.

## 1. Ethical Procurement

### 1.1 Principles of Procurement

- a) Employees of the Company involved in procurement must demonstrate high ethical standards based on honesty, integrity and transparency. The principle underlying all sonata procurement is that it must be (and must be seen to be) beyond reproach.
- b) Procurement activity must be conducted in a manner which ensures that Sonata maintains a reputation of being fair, transparent and unbiased towards suppliers and evidenced through sound and robust record keeping.

### 1.2 Sonata Procurement Principles

- a) Plan and manage for great results.
- b) Be fair to all suppliers.
- c) Get the right supplier.
- d) Get the best deal for everyone.
- e) Procure by the rules.

### 1.3 Responsibilities

- Representatives of the Company involved in procurement must be mindful of the fact that the Sonata is subject to and should comply with, all applicable legislation. The Government Rules and RBI outsourcing guidelines must be complied with.
- Representatives of the Company involved in procurement must declare any perceived or actual conflicts of interest to the Procurement Group as soon as practicable.
- Representatives of the Company involved in procurement must respect the confidentiality of information they are exposed to in the course of their work, and must not disclose this information to third-parties. Furthermore, this information must not be used for personal gain.
- Representatives of the Company involved in procurement should not accept gifts or hospitality from suppliers, other than items of a minor value as permitted by the Sonata code of conduct. It should be noted that where staff are involved in a tender process, it is **not** acceptable to accept any gifts or hospitality from a tenderer.

### 1.4 Sustainability in Procurement

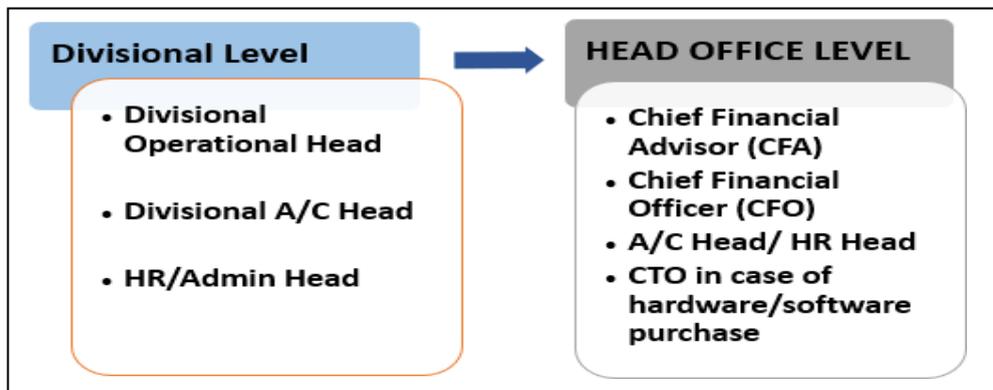
In essence, sustainability is about meeting the needs of today without compromising the ability of future generations to meet their requirements. Social, environmental and economic context all impact on sustainability.

**Sustainable procurement means that when buying goods/services the company will consider:**

- Strategies to avoid unnecessary consumption and manage demand.
- Minimizing environmental impacts of the goods/services over the whole-of-life.
- Suppliers' socially responsible practices including compliance with legislative obligations to employees.
- Value for money over the whole-of-life, rather than just the initial cost.

## **2. Purchase/ Procurement Committee**

Normally, no purchases for goods and services will be made without approval of purchase committee. Purchase committee shall consists of following people-



**Note - HR/Admin Head will be secretary of the committee**

## **3. Power Delegation**

- Divisional purchase committee can purchase goods/service up to Rs.100,000/-, any purchase beyond the limit will be refer to HO purchase committee
- HO purchase committee can take decision up to any amount however final approval on all the purchases will be from Managing Director.
- Software and hardware purchase decision will be made at HO only

## **4. Procurement Methodology (by value of purchase)**

The Company procurement methodology by value of purchase provides a systematic basis for determining the appropriate procurement method to apply in a given situation.

The application of a particular procurement methodology reflects the Delegations Document and the diagram below identifies the value threshold and associated procurement process.

## Procurement Process

VALUE		PROCESS	Purchase Committee
<5000	➔	Direct	Direct
5001<20000	➔	At least 3 Written Quotations	Purchase Order (All Levels)
20001<100000	➔	At least 3 Written Quotations	Purchase Order (All Levels)
Over 100001	➔	At least 3 Written Quotations	Establish Contract and Purchase order Head Office

**Note: Sonata’s preferred procurement process is open to competitive tendering.**

Purchase relating to software/ hardware and IT related items to be purchased at **Head office level** only.

### **5. Approvals**

#### **5.1 Appropriate internal approval**

The procurement methodology (by value of purchase) above is not a comprehensive or exclusive process and should not be treated as such. Sonata wish to introduce stricter rules and/or processes; they can produce.

Before any procurement activity is undertaken the following internal processes should be completed:

- Budget identified and approved.
- Appropriate committee identified and consulted.
- Procurement plan are prepared for all purchases over Rs. 1, 00,000/- and (must be authorized by the CEO/ MD).

### **6. Exemption from standard policy or procedures**

The Company procurement is normally subject to the approved delegation, but selective procurement may be possible under following conditions.

#### **6.1 Selective Procurement**

Procurement is selective or pre-qualified when it is procured through a supplier without having invited competing quotes from any other supplier. This is an

acceptable procurement process for certain purchases under Rs. 20,000/-. This is subject to purchase/ procurement committee approval.

At times, the cost of tendering for goods or services can exceed the benefits of the tendering process. Given this, the procurement procedures provide sufficient flexibility to use an alternative procurement process such as selective purchase.

The Procurement Group/ committee must be consulted prior to the selective procurement.

Where a departure is made from the standard procurement procedures, documentation is required, justifying the rationale for this approach including the suitability of the supplier and the evidence of the approvals from the appropriate delegated authority.

**A selective purchase may be justified:**

- When there is a limited supply market.
- When the cost of tendering for goods or services exceeds the benefits of the tendering process.
- If only one supplier has the capacity to deliver at the time required.

**6.2 Emergency Procurement**

In a genuine emergency the Company may be permitted to forego routine procurement procedures for goods or services that are urgently required to provide emergency assistance. Emergency procurement is to be used in genuinely unforeseen circumstances only and not in the case of poor planning or avoiding Sonata's policy or guidelines.

**In the context of this policy an emergency is defined as an event which puts:**

- Life, property or equipment at immediate risk; or
- Standards of public health, welfare or safety having to be re- established without delay, such as in the case of disaster relief; or
- The Sonata's service delivery would be significantly impaired if it failed to respond promptly.

Emergency procurement should be limited to what is required to cope with the particular emergency and should be carried out with the same due diligence and robustness as standard procurement activity.

## **7. Risk**

The Company must identify potential and actual risks relating to each particular procurement process prior to its commencement. Steps to mitigate risks should be taken wherever possible. Risks could include but not be limited to:

- Inadvertently creating a premature contractual relationship.
- A business risk to the Sonata.

## **8. Full and Fair Opportunity**

The Company is obligated to promote open and effective competition in the market place, and provide full and fair opportunity to all suppliers. In particular, potential suppliers:

- Must not be unreasonably denied the opportunity to bid for the Sonata's business; and
- All bids received must be evaluated and selected in a fair and unbiased manner.

## **9. Compliance**

### **9.1 Monitoring of Compliance**

It is the responsibility of the CEO/MD, CFO, CFA or their designate to ensure that there are adequate controls over the Sonata procurement processes including adequate financial controls over those procurement processes to safeguard the financial resources of the company.

### **9.2 Consequences of Non-Compliance**

- (a) Full compliance with this policy is required. A breach of this policy may constitute misconduct or, depending on the circumstances, serious misconduct under the Staff Conduct Policy.
- (b) Where an employee breaches the policy, the Company may apply to seek recovery of costs directly from the employee.

### **9.3 Supporting Documentation for Procurement Activity**

Staffs who undertake procurement must maintain comprehensive documentation of any procurement activity, including but not limited to; the procurement process and any subsequent decision(s) must be appropriately recorded and stored.