

Confidential

The Land and Agricultural Development Bank of South Africa
P O Box 375 Pretoria 0001
Block D Eco Glades 2 Office Park, 420 Witch Hazel Avenue Eco Park
CENTURION



Tel: +27 (0)12 686 0500
Fax: +27 (0)12 686 0682
www.landbank.co.za

Registered credit provider: Reg number NCRCP18

SUPPLY CHAIN MANAGEMENT POLICY



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1 PURPOSE

1.1. The purpose of this policy is to:

- 1.1.1 Set guidelines for all Land Bank Group personnel engaged in Supply Chain Management (SCM) processes to ensure compliance with governance requirements;
- 1.1.2 Ensure the efficient, effective, economic and uniform procurement of goods and services required for the functioning of the Land Bank Group whilst conforming to all relevant legislation;
- 1.1.3 Prescribe a minimum set of standards which will ensure effective service delivery, value for money, open and effective competition, ethical behaviour and fair dealing, equity and accountability;
- 1.1.4 Eliminate fruitless and wasteful, and irregular expenditure; and
- 1.1.5 Improve Land Bank Group's BEE scorecard in terms of the B-BBEE strategy.

2 OBJECTIVES

2.1 The objectives of this policy are to:

- 2.1.1 Ensure adherence of constitutional principles such as fair, equitable, transparent, competitive and cost effective procurement processes;
- 2.1.2 Achieve continuous improvement on all procurement transactions;
- 2.1.3 Promote transformation; and
- 2.1.4 Achieve value for money in all procurement activities.

3 SCOPE

3.1 The Policy covers:

- 3.1.1 The procurement of goods, services and the appointment of service providers.
- 3.1.2 This policy is applicable to employees and Board members of the Land Bank and its subsidiaries including Land Bank Insurance Company (LBIC) and Land Bank Life Insurance Company (LBLIC), who are both regulated by the Financial Sector Conduct Authority.

3.2 Policy Exclusions

3.2.1 The following, due to the nature of the services, are excluded from this policy. It should however be noted that while excluded from the policy these exceptions are subject to normal governance and operational expenditure approval processes in terms of the Delegation of Powers (DOP). The relevant policy or applicable approval process is indicated below.

- a) Income generating contracts including but not limited to Land Bank Treasury activities (i.e. fund raising, hedging and listed debt programmes), Intermediaries (Service Level Agreements), Brokers, Underwriting Managers and Binder holders (Relevant Policy and Procedure documents to be developed and approved by the appropriate Committees and/or Board where applicable;
- b) Professional memberships, subscriptions and software licenses procured on a subscription model;
 - A memo must be drafted by the requesting business unit that will need to be signed in terms of Section 2 of the DoP
- c) Water and electricity;
 - This is managed in terms of the Accounts Payable Policy and Standard Operating Procedure Manual (SOPM)
- d) Rates and taxes, other levies and other services only rendered by local authorities or provincial national government administrations;
 - This is managed in terms of the Accounts Payable Policy and Standard Operating Procedure Manual (SOPM)
- e) Procurement from National, Provincial and Local Government and State owned entities (i.e. Purchase of certain ICT hardware, software and licensing from SITA in terms of National Treasury Practice Notes; Participation in Transversal Terms Agreements between National Treasury and National, Provincial and Local Government and State Owned Entities; Purchase of established systems in line with Land Bank operations; Purchase of data sets and information specific to Land Bank operations;
 - A memo must be drafted by the requesting business unit and submitted to Procurement Committee and the CEO/MD in terms of Section 2 of the DoP

- f) The provision of degree or diploma or certificate by tertiary educational institutions and business schools, attendance of training courses, seminars and conferences which are required on a once-off basis, provided that such transactions are approved by the person with the required DOP. Such quotes must be sourced and processed by the end user department requiring the training;
- This is managed in line with the Learning and Development Policy
 - This does not cover generic training which will follow normal SCM processes
- g) Human resources remuneration and employee benefits such as medical insurance or pension benefits;
- This is managed in terms of the Bank's remuneration policies, procedures and framework
- h) Procurement from Regulatory Authorities;
- A memo must be drafted by the requesting business unit that will need to be signed in terms of Section 2 of the DoP
- i) Parts, spares and equipment available only from Original Equipment Manufacturers (OEMs).
- This is managed in terms of the agreement between the Bank and the OEMs or any warranties or guarantees in place
 - A memo must be drafted by the requesting business unit that will need to be signed in terms of Section 2 of the DoP
- j) Petty cash;
- This is managed in terms of the Petty Cash Policy
- k) Accommodations and conferences (including venue hire, car hire and travel bookings);
- This is managed in terms of the Travel Policy and the National Treasury guidelines
- l) Educational grants;
- This is managed in terms of Human Capital policies and processes
- m) Appointment of auctioneers;

- A memo must be drafted by the requesting business unit that will need to be signed in terms of Section 2 of the DoP
- n) Letting, hiring, acquisition and alienation of land and fixed property;
- This is managed in terms of the Immovable Assets Management Policy
- o) Sponsorships, donations and partner marketing events such as print advertisements; radio advertisements, TV advertisements;
- This is managed in terms of Marketing policies and processes
 - A memo must be drafted by the requesting business unit that will need to be signed in terms of Section 2 of the DoP
 - Partner marketing events such as print advertisements; radio advertisements and TV advertisements only apply to direct advertising. The use of any agencies to advertise will follow normal SCM processes
- p) Sensitive and confidential transactions;
- This can be handled as an RFQ process regardless of value depending on the level of sensitivity and confidentiality involved
 - A memo must be drafted by the requesting business unit and submitted to the Procurement Committee and/or the CFO and/or the CEO/MD depending on the level of sensitivity and confidentiality involved.
- q) Leasing of property;
- This is managed in terms of Properties and Facilities policies and processes
- r) Enterprise and Supplier Development;
- This is managed in terms of the B-BBEE policy, B-BBEE Act, Regulations and Codes of Good Practice
- s) Telephone costs to Telkom; and
- This will be managed as a sole source

- A memo must be drafted by the requesting business unit that will need to be signed in terms of Section 2 of the DoP
- t) Specific services requested by Board and Board sub-committees (i.e. Legal, Recruitment and Technical Training Services).
- Board and/or Board sub-committees will submit the request, technical requirements and/or scope of work to the SCM Manager
 - The normal supply chain processes and approval will follow depending on the value of the transaction
 - The current panels for these services will be utilised if the service providers have the requisite skill
 - Should the existing panels not have the requisite skill based on a recommendation from the Board or Board Committees, other accredited services providers or services providers nominated by the Board or Board Committees will be invited to participate
 - Board members will not be invited to attend the evaluation committee and presentations and/or to make representations for input and guidance into the recommendation with the exception of the appointment of the Bank's external auditors and any executive appointment.
 - A minimum turnaround time will be agreed with Board or Board Committee members
- 3.3 The authority of the MD is restricted to Procurement decisions pertaining to the Land Bank subsidiaries {Land Bank Insurance (Soc) Ltd Company (LBIC) and Land Bank Life Insurance Company (Soc) Ltd (LBLIC)}.
- 3.4 Authority of the CEO is restricted to Procurement decisions pertaining to the Land Bank.

4 DEFINITIONS

B-BBEE	Broad Based Black Economic Empowerment.
Black People	A generic term which means African, Coloureds and Indians who are citizens of the Republic of South Africa by birth or descent, or who became citizens of the RSA by naturalization before 27 April 1994 and who would have been entitled to acquire citizenship by naturalization prior to that date
Bid	A written offer in a prescribed or stipulated form in response to an invitation by/from the company for the provision of goods and services, through formal written price quotations, advertised competitive bidding processes or proposals.
BU	Business Unit
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Closed Bid	A competitive bidding process, limited only to a list of qualified pre-selected individuals/companies.
Contract	A formal written agreement, which results from the acceptance of a bid.
DoP	Delegation of Powers
EME	Under BBBEE Legislation, companies are classified as Exempted Micro Enterprises or EMEs according to their annual turnover. EMEs are the smallest entities, with an annual turnover of R10 million or less. By default, all EMEs receive a level 4 BBBEE status upon declaring their turnover.
Evaluation Committee	The committee is responsible for evaluating all bids received; reducing the number of tenders to a shortlist and making a recommendation to the Procurement Committee.
EXCO	The Executive Committee of the Land Bank Group inclusive of employees acting in such capacity.

Irregular Expenditure	Expenditure other than unauthorized expenditure incurred in contravention of/or that is not in accordance with a requirement of any applicable legislation, including the PFMA.
Land Bank	The Land and Agricultural Development Bank of South Africa, established in terms of the Land and Agricultural Development Bank Act, 2002.
Land Bank Group	Land Bank and its subsidiaries including Land Bank Insurance (Soc) Ltd Company (LBIC) and Land Bank Life Insurance Company (Soc) Ltd (LBLIC).
MD	Managing Director of Subsidiary companies
Open bid	A competitive bidding process, which provides for appropriate levels of competition by advertising in the print media and government tender bulletin.
SCM Department	Includes the Procurement Officers/Specialist and the SCM Manager.
SCM Specialist	An employee of Land Bank Group whose responsibility is to source goods and services or to manage supplier contracts on behalf of the Land Bank Group.
PEP	Politically Exposed Persons
PPPFA	Preferential Procurement Policy Framework Act
Procurement Committee	A Committee mandated by the CEO/MD to take full responsibility for all decisions falling within its mandate.
QSEs	Under BBBEE legislation, companies are classified as Qualifying Small Enterprises or QSEs according to their annual turnover. QSEs are those with an annual turnover of between R10 million and R50 million. QSEs that are able to show 51% or higher black ownership are classed as Level 2 BBBEE contributors, lower than 51% need to prove compliance with the five BBBEE categories (Ownership, management control, skills development, enterprise and supplier

development and socio-economic development for their level to be calculated.

Single Source

A form of bidding where a pre selection analysis identifies only one amongst a few prospective service providers to be requested to submit a final proposal.

SCM

Supply Chain Management

Unauthorized Expenditure

Expenditure incurred in excess of the approved amount and usage of allocated funds for purposes other than originally intended.

5 CONTEXTUAL BACKGROUND

- 5.1 This policy is intended to facilitate the general rules, regulations and understanding of SCM practices together with the changes to SCM practices as per relevant legislation and regulation including but not limited to the National Treasury Regulations, B-BBEE Act, PPPFA and other related legislation.
- 5.2 This policy must be seen as a tool to guide and assist in the seamless implementation of SCM practices within the Land Bank Group.
- 5.3 The Supply Chain Management Policy and Procedure Manual also strive to ensure that the Land Bank Group procures from corporate and professional entities owned by blacks (as defined by the B-BBEE Act of 2003) and small and medium enterprises (SMEs).
- 5.4 Ensure that the Land Bank Group obtains value for money in the procurement of goods and services whilst contributing to government’s target in redressing the economic imbalances that have been caused by unfair discrimination in the past.
- 5.5 The Land Bank Group subscribes to practices, legislation and regulations that prohibits amongst others anti-competitive practices including collusive bidding, money laundering, fraud and corruption, and ensures, through its SCM procedures and bid requirements, that all bidders commit to avoid any and all anti-competitive practices.
- 5.6 Furthermore, the Land Bank Group has a zero tolerance to any collusive practices by not only requiring bidders to declare whether they have recently been found guilty of such practices but also in collaboration with the Land Bank Group PEP

Policy to do sanction and PEP checks and instituting blacklisting proceedings against such bidders that are found guilty.

5.7 Applicable legislation refers to the following, amongst others, as amended from time to time;

- a) The Constitution of South Africa, 108 of 1996
- b) The Land and Agricultural Development Bank Act, 2002;
- c) Public Finance Management Act No1. of 1999 (“PFMA”);
- d) The Preferential Procurement Policy Framework Act of 2000 (“PPPFA”);
- e) Preferential Procurement Regulations;
- f) National Treasury Regulation, Instruction Notes, Circulars and Guidelines;
- g) Core Global Reporting Initiative (GRI) Standards;
- h) Broad Based Black Economic Empowerment Act No 53 of 2003 and Codes of Good Practice;
- i) Supply Chain Management – A Guide for Accounting Officers / Authorities (February 2004);
- j) Financial Advisory and Intermediary Services (FAIS) Act of 2002; and
- k) Long–Term Insurance Act of 1998; Short–Term Insurance Act of 1998; Insurance Act of 2017 and subordinate legislation.

5.8 This policy must be read in conjunction with, amongst others, the:

- a) Land Bank Group’s Materiality Framework;
- b) Incident Management Policy;
- c) Politically Exposed Persons Policy;
- d) Enterprise Risk Management Policy;
- e) Asset Management Policy;
- f) B–BBEE Policy;
- g) Ethics Policy;
- h) Code of Ethics and Business Conduct Policy;

- i) B-BBEE Strategy;
- j) Delegation of Powers;
- k) Conflict of Interest Policy;
- l) Fraud and Corruption Policy;
- m) Incident Management Policy;
- n) Transaction Advisors Policy
- o) Applicable legislation;
- p) Learning and Development Policy and Standard Operating Procedure; and
- q) SCM Standard Operating Procedure Manual.

5.9 Changes to the FAIS Act and Insurance Act and subordinate legislation as amended from time to time may result in additional procurement requirements that have to be complied with. It remains the responsibility of the Managing Director of the Land Bank Insurance Companies to ensure that these requirements are complied with.

5.10 The Land Bank Group as a whole, including LBIC and LBLIC must follow group SCM standards before submission to the Procurement Committee.

6 POLICY

6.1 The SCM Department within the Finance Division is charged with the sole responsibility of performing all duties relating to the engagement and management of suppliers including sourcing of goods and/or services in Land Bank Group.

6.2 No other employee within the Land Bank Group including all Land Bank Group Regional Office shall take on the responsibility of engaging with suppliers and procuring goods and/or services without such request being managed through the Land Bank Group SCM Department.

6.3 Suppliers shall only be permitted to deliver goods and/or services through the issue of a purchase order/contract/instruction issued by the SCM Department.

6.4 Expenditure incurred for goods and/or services without an official order/contract/instruction from the SCM Department (as per 6.3 above) shall be deemed as irregular expenditure (Refer to section 24 below) and employee(s) responsible

for the expenditure shall be held liable for their actions and appropriate steps to be taken against the responsible individuals.

- 6.5 The SCM Department, Procurement Committee and all BU's are jointly responsible for the successful implementation of this policy and procedures.
- 6.6 The CEO/MD has the power to enact and enforce SCM decisions in line with the policy and such powers are delegated to the CFO and to the Procurement Committee in accordance with the provisions as detailed in this policy for good governance.
- 6.7 Any deviations from SCM Policy must be approved in advance (prior to the sourcing of goods and/or services and engaging with Suppliers) by the Procurement Committee or as delegated in this policy.
- 6.8 All employees involved in any aspect of SCM at Land Bank Group must comply with the Land Bank Act (in particular section 21 and section 47), the Declaration of Interest Policy, Land Bank Group's Code of Ethics and Business Conduct and other applicable policies and regulatory requirements.

a) Employees are required to:

- Declare any interests (direct or indirect) that may or could interfere or give rise to potential or perceived conflict with the performance of their duties e.g. business or private relationships or other circumstances that could affect the exercising of objective judgement
- Declare as soon as they become aware that a subject, to be discussed at the Procurement Committee meeting, may give rise to conflict of interest at the beginning of the proceedings of the meeting.

b) The conflicted employee shall not participate further in the discussions of that subject, nor take part in the decision-making process

- 6.9 The SCM Department is the owner of the policy and any amendments to the policy will be recommended by EXCO to the Board for approval.

6.10 SCM Principles

6.10.1 Value for money

- a) Price alone is not the only reliable indicator and the best value for money will not necessarily be obtained by accepting the lowest price that meets

mandatory requirements, nonetheless the National Treasury Regulations and the Public Finance Management Act shall still apply to ensure compliance.

- b) Value for money means the best available outcome when all relevant cost and benefits over the SCM cycle are considered.
- c) SCM should:
 - i) Avoid any unnecessary cost and delays for the Land Bank Group or suppliers;
 - ii) Monitor the supply arrangements and reconsider them if expected benefits cease to be provided; and
 - iii) Ensure continuous improvement in the efficiency of internal processes and systems.

6.10.2 Open and effective competition

Land Bank Group shall ensure:

- a) A framework of SCM policies, practice and procedures that is transparent;
- b) Openness and transparency in the SCM process;
- c) That effective competition through SCM methods suited to market circumstances is encouraged;
- d) Bias and favouritisms are eliminated; and
- e) Conflict of interest is declared and avoided.

6.10.3 Ethical behaviour and fair dealing

- a) The Land Bank Group commits itself to a policy of fair dealing and integrity in the functioning of its SCM activities;
- b) The Land Bank Group shall conduct business with suppliers in a manner that promotes and encourage good supplier relations within an environment that promotes competition and compliance with regulatory requirements.
- c) All employees dealing with SCM are required to:

- i) Recognize and deal with conflict of interest or the potential thereof;
 - ii) Deal with suppliers even-handedly / impartially;
 - iii) Ensure not to compromise the standing of Land Bank Group through any act of bribery;
 - iv) Provide assistance in the elimination of fraud and corruption; and
 - v) Keep confidential proprietary information and pricing unless otherwise agreed to with the suppliers concerned.
- d) The SCM Department subscribes to Land Bank Group's Code of Ethics and Business Conduct Policy and non-compliance herewith will be subject to appropriate disciplinary action.
- e) A high standard of ethics must be maintained by all SCM staff, and functionaries involved in making purchasing decisions. In return, Land Bank Group expects the same high standard of ethical conduct from suppliers who will be required to formally subscribe to Land Bank Group's Code of Ethics.
- f) No functionary of the SCM Department shall use his/her authority or office for personal gain but must put Land Bank Group's interests foremost in all transactions.
- g) Any unethical business practice and any attempt by a supplier or potential supplier to exert undue influence on SCM decisions, which is factually proven, must be rejected and brought to the attention of the Procurement Committee. Such suppliers may be blacklisted and not receive future business.

6.10.4 Equity

Equity refers to the application and observance of legislation and policies, which are designed to advance persons, or categories of persons disadvantaged by unfair discrimination.

6.10.5 B-BBEE

Preference shall be given to B-BBEE suppliers with a level 1 to level 4 contribution factors, verified by an accredited verification agency. This is an important component of the Group's desire to enhance its B-BBEE objectives and credentials.

- 6.11 The requesting BU is responsible for identifying the need for goods, works or services including the scoping thereof.
- 6.12 It is the responsibility of the SCM Department to identify suppliers and obtain quotations for goods, works or services for Land Bank Group.
- 6.13 Where required, the SCM Department will solicit the services of the requesting BU for their technical knowledge on the requested goods, works or service.
- 6.14 The SCM function is centralized at Head Office and purchase orders can only be effected by the SCM Department through the generation of a purchase requisition from the requesting BU against appropriate approved budgets.
- 6.15 Procurement of goods, works and services will be done using the accredited suppliers on Land Bank Group's supplier database (with the exception of public tenders).
- 6.16 In the event that no suitable supplier is available on the supplier database, suppliers will be sourced externally.
- 6.17 Externally sourced suppliers will be required to undergo a Supplier accreditation process prior to the procurement of any goods, works or services.

6.18 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

- 6.18.1 Land Bank Group, through its SCM activities must support entities owned by black people in line with government policy objectives.
- 6.18.2 Partnerships or joint-ventures which will lead to skills or technology transfer to black entrepreneurs with a view to the formation of separate businesses may be supported in line with applicable legislation if the black partner/s own at least 51% of the business.

- 6.18.3 The SCM Manager must issue regular reports to EXCO detailing the amount spent on commodities and services and the proportion of that amount spent with regards to BEE.
- 6.18.4 The Land Bank Group may negotiate BEE commitment plans with suppliers in instances where the BEE level of the Supplier falls below level 4. Such commitment or development plan shall have clear timelines and will be monitored regularly. And it shall form part of the agreement the Land Bank Group has with the Supplier.
- 6.18.5 The Land Bank Group shall be entitled to terminate the relationship in instances where the supplier is unwilling to work towards achieving a better BEE level or adhere to the agreed upon BEE commitment plan unless strong motivation is given why the supplier cannot improve i.e. use of some international IT systems (e.g. SAP)

7 ANNUAL PROCUREMENT PLANS

- 7.1 BU's are responsible to submit annual Procurement plans to the SCM Manager on an annual basis.
- 7.2 The annual procurement plan will be reviewed by the SCM Manager, recommended by the Procurement Committee and submitted to the Executive Committee for approval.
- 7.3 The CEO shall sign the plans for the Land Bank Group before submission to National Treasury.
- 7.4 Performance against the annual Procurement Plans shall be reported to the National Treasury on a quarterly basis.

8 AVAILABILITY OF BUDGET

- 8.1 Procurement of goods, works and services must be done against approved available budget.
- 8.2 Where no budget is available, a memorandum must be submitted by the requesting BU to the CFO for the authorization of the expenditure. The CEO/MD should be notified of any such expenditure.

- 8.3 BU is responsible to ensure that sufficient budget is available when requesting for the procurement of goods and or services.

9 PROCUREMENT OF GOODS, WORKS AND SERVICES UP TO A VALUE OF R10 000 (VAT INCLUSIVE)

- 9.1 Goods, works and services up to the value of R10 000 (VAT inclusive) must be procured, in an equitable manner, by obtaining one (1) quotation from prospective suppliers.
- 9.2 The order for these goods, works and services must be generated via the procurement system (SAP) and authorized in line with the DOP.
- 9.3 Under no circumstances may an order be split so that it falls under this threshold.

10 PROCUREMENT OF GOODS, WORKS AND SERVICES ABOVE THE VALUE OF R10 000 BUT NOT EXCEEDING R500 000 (VAT INCLUSIVE)

- 10.1 Goods, works and services above the value of R10 000 and but not exceeding R500 000 (VAT inclusive) must be procured by obtaining three (3) written quotations from prospective suppliers.
- 10.2 The order for these goods, works and services must be generated via the procurement system (SAP) and authorized in line with the DOP.
- 10.3 Under no circumstances may an order be split so that it falls under this threshold or within another threshold.
- 10.4 If it is not possible to obtain three (3) written price quotations, the reasons should be recorded and approved by the SCM Manager and CFO and reported to the Procurement Committee.

11 PROCUREMENT OF GOODS, WORKS AND SERVICES ABOVE THE VALUE OF R500 000 (VAT INCLUSIVE)

- 11.1 For all goods, works and services above the value of R500 000 (VAT inclusive), an open bid process must be followed.
- 11.2 Under no circumstances may an order be split to avoid the open bid process.

- 11.3 The order for these goods, works and services must be generated via the procurement system (SAP) and authorized in accordance with the DOP.

12 PANEL APPOINTMENTS

- 12.1 Land Bank Group may appoint a panel of Service Providers, to utilize on an ad hoc basis, for a defined set of goods/services and the appointment will be done via an open tender process.
- 12.2 Once a panel has been appointed and contracted, the requesting BU shall be responsible for managing relationship of the Panel members and providing technical specifications/scope of work, SCM will be responsible for oversight of the panel.
- 12.3 Panels are segmented according to Services required by the Bank (i.e. Human Capital, Legal, Consulting, Training, Professional and Technical Services and Improving the utilisation in line with the B-BBEE Act, Regulations and Codes)
- 12.4 Each service is dealt with differently in terms of process depending on the level of confidentiality and sensitivity required
- 12.5 The general process utilised for panel procurement will be as follows:
- 12.5.1 When services from the Panel are required the BU will send a detailed Scope of Work to SCM who will invite all panel members for the panel to respond with a quotation (RFQ). A BU may motivate circulating the quote to one or a selection of members from the panel. Approaching one panel member is relevant for specialised services. This motivation has to be submitted in writing to the SCM Manager for approval and the request must be approved prior to any communication with the panel.
 - 12.5.2 A Memo for each individual engagement, including the cost, must approved in line with the DOP;
 - 12.5.3 An Engagement Letter needs to be signed by SCM before any individual engagement can commence.
- 12.6 The exception to 12.5 above will be applicable to panels that require a level of sensitivity and confidentiality (i.e. Human Capital Panels that involve remuneration; Legal Services Panels; Internal Audit and Forensic Panels). These

panels will be managed in terms of policies and processes of the specific business unit. The EM of the specific BU and the CFO will have oversight of these panels

- 12.7 The Transaction Advisory Panel will be managed in conjunction with the Transaction Advisory Policy; Revenue Generating and Unsolicited Bids policies and processes.
- 12.8 Any new requests for panels to be created will need to be submitted in writing to the SCM Manager for Procurement Committee approval.
- 12.9 The SCM Standard Operating Procedure Manual details the process for the management of different panels within the Land Bank Group.

13 SINGLE SOURCING

- 13.1 This provision is intended for cases of exceptional circumstances prevailing at that time where immediate action is necessary or if the goods and/or services are produced or available from sole service providers.
- 13.2 It is therefore recognized that there will be instances when it would be impractical to invite open bids / follow the standard procurement process.
- 13.3 A request for single source must be approved prior to the appointment of a service provider to deliver goods/services.
- 13.4 The reasons for such action must be recorded and approved as follows:
 - a) Amounts up to and including one hundred thousand rand (\leq R100 000) excluding VAT shall be approved by the CFO;
 - b) Amounts above one hundred thousand Rand ($>$ R100 000) up to and including five hundred thousand Rand ($<$ R500 000) excluding VAT shall be recommended by the CFO and approved by the Procurement Committee; and
 - c) Amount greater than five hundred thousand Rand ($>$ R500 000) excluding VAT shall be approved by the CEO/MD on recommendation from the CFO and Procurement Committee.
- 13.5 Poor planning shall not be acceptable as justification for the use of limited bidding.

14 BIDS

- 14.1 An open bid is recognized as the preferred method of procurement.
- 14.2 Closed bids are limited only to a list of individuals / companies that are selected from pre-selected suppliers either from:
 - 14.2.1 An approved in-house database or sourced from credible rating agency; or industry regulatory affiliate institutions; and/or
 - 14.2.2 Source directly from suppliers/companies that render/offer specialized services/goods or circumstances (i.e. limited suppliers due to right, value, time, risk involved, amongst others).
- 14.3 The reasons for following a closed bid should be clearly articulated in the tender report and approved as a deviation from process
- 14.4 All bids above R500 000 (vat inclusive) shall be advertised on the National Treasury e-Tender Portal and in other appropriate media if required.
- 14.5 Bids will need to be advertised for a minimum of seven (7) calendar days.
- 14.6 The requesting BU Manager must draft a memorandum for the expenditure and the bid, which must be approved and authorized in line with the DOP.
- 14.7 Bids must be submitted using the format prescribed by Land Bank Group.
- 14.8 All bids must be submitted together with all required and requested compliance documentation.
- 14.9 All bids must be hand delivered to Land Bank Group's registered office and placed in the bid box.
- 14.10 Bids or offers received after the closing date and time will not be considered for evaluation and the subsequent awarding of orders or contracts.
- 14.11 Bids will not be re-issued after the closing date if there is at least one acceptable offer.
- 14.12 If the scope of work changes significantly, a new bid must be issued.
- 14.13 Bids shall not be re-issued with the sole purpose of changing the outcome that would have arisen from the original bids.
- 14.14 Where a supplier did not meet the standard terms and conditions of the bid document, the supplier will be disqualified. The reasons for the disqualification must be clearly articulated in the tender report.

- 14.15 The bid box must be opened in the presence of a designated employee from the SCM Department and Internal Audit or Risk/Compliance for the specified bid on the closing date of the bid.
- 14.16 In the presence of a designated employee from Internal Audit or Risk/Compliance, the SCM Department designate must complete a bid register listing the company names of all bids received.
- 14.17 All bids will be assessed by the SCM Department for compliance in respect of completeness of the bid documents and the submission of supporting documents as set out in the terms of reference document.
- 14.18 The awarding of a bid does not constitute a binding contract with Land Bank Group and is subject to the signing of a Service Level Agreement between the Service Provider and the Land Bank Group.

15 BID EVALUATION COMMITTEE

- 15.1 The Bid Evaluation Committee shall constitute a minimum of three (3) members responsible for evaluating the submissions that must individually and collectively have sufficient knowledge and expertise to fulfil their duties. In the event that the procurement expense is expected to exceed R5million, a minimum of five (5) members should be appointed. The Committee must consist of representatives from:
 - 15.1.1 Independent Head Office BU/Department;
 - 15.1.2 The SCM Department (who will attend the meeting in an administrative capacity and not as a voting member),
 - 15.1.3 Internal Audit and/or Compliance (who will attend the meeting in its capacity as an observer), and
 - 15.1.4 The requesting BU.
- 15.2 The SCM Department is responsible for induction training to be provided to the Bid Evaluation Committee members.
- 15.3 The SCM Department should circulate the relevant documentation consisting of at least the Bid, the relevant proposals and the evaluation sheet to members of the Bid Evaluation Committee at least three (3) business days before the Committee meeting.

- 15.4 The Committee must shortlist bidders and evaluate proposals in a closed session prior to forwarding the evaluation report together with a recommendation to the Procurement Committee for adjudication.

16 SCORING OF BIDS

16.1 Planning and stipulation of preference point system to be utilized.

The Bank shall, prior to making an invitation for bids:

- a)
- b) Properly plan for, and as far as possible, accurately estimate the costs of the provision of goods, works or services for which an invitation for bids is to be made;
- c) Determine and stipulate the appropriate preference point system to be utilized in the evaluation and adjudication of the bidders; and
- d) Determine whether the goods, works or services for which an invitation for bids is to be made, has been designated for local production and content in terms of the PPPFA.

16.2 Evaluation of tenders on Functionality.

- 16.2.1 Land Bank Group shall indicate in the invitation to submit a bid whether that bid will be evaluated on functionality.
- 16.2.2 The evaluation criteria for measuring functionality must be objective.
- 16.2.3 When evaluating a bid on functionality, the following must be clearly specified in the invitation to submit a bid:
 - a) Evaluation criteria for measuring functionality;
 - b) Weight of each criterion;
 - c) Applicable values; and
 - d) Minimum qualifying score for functionality.

- 16.2.4 No bids must be regarded as acceptable if it fails to achieve the minimum qualifying score for functionality as indicated in the bid invitation.
- 16.2.5 Bids that have achieved the minimum qualification score for functionality must be evaluated further in terms of the preference point systems prescribed in 16.3 and 16.4.
- 16.2.6 Bids may be disregarded in the following instances:
 - a) when the financial performance and results of a service provider is deemed by the Procurement Committee as insufficient;
 - b) the associated reputational risk is viewed as excessive by the Procurement Committee.

16.3 The 80/20 preference point system for acquisition of services, works or goods up to a Rand value of R50 million

16.3.1 The following formula must be used to calculate the points out of 80 for price in respect of a tender with a Rand value equal to or above R30 000 and up to Rand value of R50 million, inclusive of all applicable taxes:

$$P_s = 80 \left\{ 1 - \frac{P_t - P_{min}}{P_{min}} \right\}$$

Where

P_s = Points scored for price of bid under consideration

P_t = Price of bid under consideration

P_{min} = Price of the lowest acceptable bid

16.3.2 The following table must be used to calculate the score out of 20 for BBEE:

B-BBEE Status Level of Contributor	Number of Points
1	20
2	18

B-BBEE Status Level of Contributor	Number of Points
3	14
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

- a) A tenderer must submit proof of its B-BBEE status level of contributor.
- b) A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but-
 - i) may only score points out of 80 for price; and
 - ii) scores 0 points out of 20 for B-BBEE.
- c) A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.
- d) The points scored by a tenderer for B-BBEE in terms of sub regulation (2) must be added to the points scored for price under sub regulation (1) (PPPFA).
- e) The points scored must be rounded off to the nearest two decimal places.
- f) Subject to sub-regulation 9 and regulation 11 (PPPFA), the contract must be awarded to the tenderer scoring the highest points.
- g) If the price offered by a tenderer scoring the highest points is not market related, the organ of state may not award the contract to that tenderer.

The organs of state may-

- (i) negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;

- (ii) if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;
 - (iii) if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.
- h) If a market-related price is not agreed as envisaged in paragraph (b)(iii), the organ of state must cancel the tender.

16.4 The 90/10 preference point system for acquisition of services, works or goods with a Rand value above R50 million

16.4.1 The following formula shall be used to calculate the points out of 90 for price in respect of bids where the Rand value is above R50 000 000 (VAT inclusive):

$$P_s = 90 \left\{ 1 - \frac{P_t - P_{min}}{P_{min}} \right\}$$

Where

P_s = Points scored for price of bid under consideration

P_t = Price of bid under consideration

P_{min} = Price of the lowest acceptable bid

16.4.2 The following table must be used to calculate the score out of 10 for BBEE:

B-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	6
4	5

B-BBEE Status Level of Contributor	Number of Points
5	4
6	3
7	2
8	1
Non-compliant contributor	0

- a) A tenderer must submit proof of its B-BBEE status level of contributor.
- b) A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but-
 - (i) may only score points out of 90 for price; and
 - (ii) scores 0 points out of 10 for B-BBEE.
- c) A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.
- d) The points scored by a tenderer for B-BBEE in terms of sub regulation (2) must be added to the points scored for price under sub regulation (1) (PPPFA).
- e) The points scored must be rounded off to the nearest two decimal places.
- f) Subject to sub-regulation 9 and regulation 11 (PPPFA), the contract must be awarded to the tenderer scoring the highest points.
- g) If the price offered by a tenderer scoring the highest points is not market related, the organ of state may not award the contract to that tenderer.

The organs of state may-

- (i) negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;

- (ii) if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;
 - (iii) if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.
- h) If a market-related price is not agreed as envisaged in paragraph (b)(iii), the organ of state must cancel the tender.

16.5 Award of contracts to bids not scoring the highest number of points.

- a) A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the PPPFA, provided that the reasons for such a decision are documented and supported by the Procurement Committee.
- b) If an organ of state intends to apply objective criteria in terms of section 2(1)(f) of the PPPFA, the organ of state must stipulate the objective criteria in the tender documents.

16.6 Cancellation and re-invitation of bids

16.6.1 80/20 preference point system

- (a) In the event that, in the application of the 80/20 preference point system as stipulated in the bid documents, all bids received exceed the estimated Rand value of R50 000 000, the bid must be cancelled.
- (b) If one or more of the acceptable bids received are within the prescribed threshold of R50 000 000, all bids received must be evaluated on the 80/20 preference point system.

16.6.2 90/10 preference point system

- (a) In the event that, in the application of the 90/10 preference point system as stipulated in the bid documents, all bids received are equal to, or below R50 000 000, the bid must be cancelled.
- (b) If one or more of the acceptable bids received are above the prescribed threshold of R50 000 000, all bids received must be evaluated on the 90/10 preference point system.

16.6.3 In the event that Land Bank Group cancels a bid invitation as contemplated in sub-regulations (1)(a) and (2)(a) of regulation (8) of PPPFA, Land Bank Group shall re-invite tenders and shall, in the tender documents, stipulate the correct preference point system to be applied.

16.7 In addition, Land Bank Group may before the award of a tender, cancel the tender invitation if:

- a) Due to changed circumstances, there is no longer a need for the goods or services specified in the invitation;
- b) Funds are no longer available to cover the total envisaged expenditure;
- c) No acceptable tender is received; or
- d) There is a material irregularity in the tender process.

16.8 The Land Bank Group will publish the decision to cancel the tender invitation in the same manner in which the original tender invitation was advertised;

16.9 Land Bank Group will at all times adhere to the relevant treasury instructions and shall only with the prior approval of the relevant treasury, cancel a tender invitation for the second time.

17 UNSOLICITED BIDS

17.1 Land Bank Group shall reject unsolicited bids during a tender process and shall not be in a position to accept such bids as this will eliminate a competitive process.

17.2 The SCM Department shall not entertain such requests or presentation introductions as this will give the impression of giving a supplier an uncompetitive advantage.

- 17.3 Land Bank Group will review unsolicited bids for new business opportunities that do not relate to any existing tenders in line with National Treasury Regulations.
- 17.4 Should such unsolicited bids provide a potential business opportunity, a proposal will be drafted to the relevant Committees in terms of Land Bank's governance processes and in line with regulations.
 - a) Credit related procurement requests will be referred to the relevant Credit Committee and managed in terms of relevant policies and processes
 - b) SCM related transactions will be presented to Project Portfolio Committee and/or Procurement Committee for consideration.

18 SUPPLIER DATABASE

- 18.1 The SCM Department is responsible for the maintenance of the supplier database and managing the process surrounding the accuracy of information contained in the database to ensure efficiency.
- 18.2 The supplier database should be utilized when requisitioning request for quotes.
- 18.3 If no suitable supplier can be found on the database, supplier may be sourced externally by following the normal procurement rules and processes.
- 18.4 New suppliers will have to complete a Supplier Accreditation Form and meet Land Bank Group's requirements prior to being included in Land Bank Group's database and any business being done with them.
- 18.5 The SCM Department must ensure that suppliers are tax compliant prior to appointment and conducting any business with them.
- 18.6 The service delivery and compliance of all suppliers on the database will be monitored on a regular basis.
- 18.7 No new suppliers shall be added to the database without approval of the SCM Manager.
- 18.8 All new suppliers / service providers will be subjected to background checks (i.e. Politically Exposed Persons, Media Checks, and Business Partner checks). The background checks will be a review on existing suppliers /service providers in terms of the requirements in the PEP policy.
- 18.9 Procurement Specialist should compile a preferential scorecard of prospective suppliers to be used. The list should also be used effectively to promote Black

Economic Empowerment through the participation of black owned enterprises; black-women owned enterprises, Exempt Micro Enterprises, Qualifying Small Enterprises and designated sectors (as defined in the B-BBEE Act and Codes of Good Practice)

- 18.10 The SCM Manager should apply the prescripts of the PPPFA and its associated Regulations for all procurement with a value equal or above R 30 000 (VAT included).

19 SUPPLIER RESTRICTION

- 19.1 The SCM Manager may recommend, under below circumstances, a motivation to the Procurement Committee, for approval to limit a supplier from current and future business with the Land Bank Group for a determined term.
- 19.2 The below list is non exhaustive and suppliers can be restricted for other reasons which the SCM Manager, with the support of EXCO, deems necessary:
- a) Before suppliers are used it should be confirmed on the National Treasury database for restricted bidders. If the supplier is listed on the National Treasury databases such suppliers shall be restricted after following the necessary allowed appeal process;
 - b) Proven non-performance / non-Compliance with contractual obligations when stipulated as a condition;
 - c) Proven unethical actions and behaviour and/or the abuse of the procurement system.

20 PROCUREMENT COMMITTEE

- 20.1 The CEO/MD shall appoint a standing Procurement Committee and the Committees mandate, roles and responsibilities shall be detailed in the Committees Charter.
- 20.2 Procurement Committee discussions will remain confidential and all Members shall sign a non-disclosure agreement.
- 20.3 Procurement Committee governance is regulated through the Procurement Committee Charter

- 20.4 The Procurement Committee is mandated by the Land Bank CEO/MD to take full responsibility for all recommendations and approvals falling within the Committee's mandate, in terms of the Charter and DOP.
- 20.5 It is the responsibility of the Procurement Manager that all spend falling within the Procurement Committee's mandate be submitted to the Committee with all relevant documents and recommendations.
- 20.6 The Procurement Committee must consider the recommendations/reports of the Bid Evaluation Committee and must approve a preferred supplier based on discussions and their evaluation.
- 20.7 The Procurement Committee must ensure that:
- a) A member of the Bid Evaluation Committee or an adviser or person assisting the Bid Evaluation committee may not be a voting member of the Procurement Committee for the specific bid that is being adjudicated;
 - b) All necessary bid documentation has been received;
 - c) Disqualifications are justified and that valid and accountable reasons/motivations were furnished for the rejection of bids;
 - d) All recommendations/reports regarding the amendment variation, contract extension, cancellation or transfer of contracts awarded are considered;
 - e) Scoring of bids has been fair, consistent and correctly calculated and applied; and
 - f) Bidder's declarations of interest have been taken cognizance of.
- 20.8 The Procurement Committee may at their discretion request bidders to prepare a supplementary presentation and stipulate the format and content of the presentation.
- 20.9 The presentation will be used only as a platform to acquire additional information on goods, works or services being offered.
- 20.10 Procurement Committee members may not engage or communicate with potential Service Providers during the period of the bid process, all communications are to be facilitated via the SCM Department.
- 20.11 In addition, the Committee shall be responsible to approve deviation to the Procurement Process prior to the appointment of a service provider to render goods/services.

21 TENDER REPORT

21.1 A tender report should be compiled to motivate every open tender decision and should as a minimum include the following:

21.1.1 Details;

21.1.2 Background;

21.1.3 Description of Services;

21.1.4 Scope of Services;

21.1.5 Sourcing Method;

21.1.6 Bids received; and

21.1.7 Shortlisting Process:

- a) First phase of the evaluation process:
 - (i) Technical Criteria
 - (ii) Comments from the Bid Evaluation Committee

- b) Second phase of the evaluation process
 - (i) BEE
 - (ii) Pricing
- c) BEE points
- d) Price points
- e) Recommendation

22 CONTRACTS

22.1 The SCM Department is responsible for the maintenance of all contracts and managing the processes surrounding their renewals.

22.2 All contracts shall be facilitated in terms of the Contract Management Procedure.

22.3 No work may commence before a Service Level Agreement is entered into between the Group and the Service Provider.

- 22.4 Supplier performance management shall be used to measure, analyse and manage the performance of suppliers in an effort to reduce cost, mitigate risk and drive continuous improvement.
- 22.5 The SCM Department shall keep, maintain and manage a comprehensive list of all active term contracts for goods and services sourced by Land Bank Group.
- 22.6 Contracts for goods/services shall be renewed every three (3) years by going out on bid where necessary, in order to test the market or source new service/goods providers/suppliers. The renewal or testing of the market shall be initiated in advance before the expiry of the contract.
- 22.7 The SCM Manager and the affected Department shall assess whether an extension of the contract duration should be initiated or not, by weighing up benefits and risks that could result from the extension, which shall be motivated to the Procurement Committee for recommendation in line with their mandate. Contract extensions shall be limited to 20% of the original contract value for construction contracts and 15% of the original contract value for all other contracts, if there is sufficient reason to extend.
- 22.8 The extension of contracts should not be used to avoid an open tender process. There must be valid grounds why this method should be used which must be presented to the Procurement Committee for approval.
- 22.9 Notwithstanding 13.5 above, Land Bank Group may contract for a period longer than a three (3) year contract cycle to a period that is suitable and/or efficient for economical and/or strategic reasons that are beneficial to Land Bank Group.
- 22.10 The SCM Department shall negotiate contract for goods/services, in conjunction with the requesting BU.
- 22.11 The SCM Department shall be responsible to inform the contractor /service provider of the extended period if approved and the amendment of the agreement shall be reviewed and effected by the Legal Department before being signed.
- 22.12 The supplier *will only commence service delivery* once a contract is approved and signed, unless there are circumstances, which dictate otherwise that is in the best interest of Land Bank Group.
- 22.13 Where an exceptional circumstance arises, an engagement letter containing at least the minimum deliverables, approved pricing; and terms and conditions, which has been signed by the SCM Manager/Chief Financial Officer shall be issued to the supplier to accommodate the signing of the contract.

- 22.14 The SCM Department in consultation with the BU will agree on a supplier performance scorecard, to be included in the contract.
- 22.15 The Legal Department will validate the Service Level Agreement, which will be communicated, agreed to and signed by the Land Bank Group and the supplier.
- 22.16 The requesting BU shall be responsible for the management and monitoring of services in terms of the supplier performance scorecard and these reports shall accompany request for payments in line with the contract.
- 22.17 All contracts must be administered in line with the Contracts Management Process.
- 22.18 It is the responsibility of the requesting BU to engage with SCM Department for a new contract or to make arrangement for a new bid.

23 SUBCONTRACTING

- 23.1 The Land Bank Group will make provision for two types of subcontracting:
 - a. Subcontracting as condition of tender; or
 - b. Subcontracting after during the awarding process.
- 23.2 Bidders must submit documentation in terms of Treasury Regulations as part of their bid submission, stipulating if they will subcontract any portion of the services being rendered.
 - 23.2.1 Subcontracting as conditions of tender:
 - a) For contracts above R30 million, Land Bank Group shall apply subcontracting in order to advance designated groups;
 - b) This will be implemented by advertising the tender with specific tendering conditions that the successful tenderer must subcontract a minimum of 30% of the value of the contract to
 - i) An EME or QSE;
 - ii) An EME or QSE which is at least 51% black owned;
 - iii) EME or QSE at least black youth;

- iv) EME / QSE – at least 51% black women;
- v) EME / QSE – 51% disabilities;
- vi) EME / QSE – 51% rural;
- vii) A cooperative which is at least 51% black owned;
- viii) EME/QSE – 51% black veterans.

23.2.2 Subcontracting during the award of tender:

- a) The bidder that was awarded the contract may only enter in subcontracting arrangement with approval of the Land Bank Group.
- b) The Land Bank Group will subcontract to promote the designated sectors. The Land Bank Group will not subcontract in such manner that the local production and content of the overall value of contract is reduced below minimum threshold.
- c) Land Bank Group will not allow subcontracting if such subcontracting results in more than 25% to enterprises that does not have equal or higher BBBEE level.

24 CONFLICT OF INTEREST

- 24.1 All employees involved in any aspect of SCM, shall make full disclosure of any conflict of interest in writing with regards to the procurement of goods, works and / or services.
- 24.2 Land Bank Group employees shall declare their business and shareholding interest in terms of the Declaration of Interest Policy. The SCM department will engage with the Human Capital department on such declarations.
- 24.3 Employees who have, or may be perceived to have, a vested interest in the outcome of a purchase of goods, works and/or services should disclose any conflict of interest to their line manager and should be excluded from any involvement in that particular transaction.
- 24.4 If a SCM Official or any other member of an adjudication authority (e.g. the Evaluation Committee and/or the Procurement Committee) or their family members have an interest in any potential supplier to whom an enquiry is to be issued or a contract has been awarded, he/she must divulge such interest in writing to the SCM

Manager/Procurement Committee Chairperson and recuse himself/herself from the process.

24.5 Members of the Procurement Committee must have their interest noted and recorded at every meeting of the Committee and should recuse themselves from the meeting while such matter in which they have an interest, is being discussed.

25 Non-compliance with the policy will result in irregular expenditure

26 PROCESS

The process for SCM is detailed in the Standard Operating Procedure Manual for SCM.

27 APPROVAL

The policy was approved by Board and it is effective from 28 January 2020 and will be reviewed 28 January 2021.