



## CENTUM INVESTMENT COMPANY PLC

### Procurement Policy

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## CONTENTS

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1.	Introduction.....	3
2.	Acronyms.....	4
3.	Legal framework.....	4
4.	Periodic review and changes to the procurement policy.....	4
5.	Objectives of the Company Procurement Policy .....	4
6.	Value for money assessments.....	5
7.	Ethical Conduct.....	5
8.	Declaration of interest.....	6
9.	Procurement Policy .....	6
9.1.	Involvement of Finance Department .....	6
9.2.	Supplier registration.....	6
9.3.	Contracting.....	6
9.4.	Authority and Responsibility .....	7
10.	Internal controls.....	7
11.	Relationships .....	7
12.	Disqualification, suspension or debarment of bidders .....	8
13.	Record of Procurement Proceedings.....	8
14.	Procurement Organs, Structure and Organization.....	9
14.1.	Departmental head.....	9
14.2.	Procurement champions .....	9
14.3.	Finance Department.....	9
14.4.	Tender Evaluation Committee.....	10
14.5.	Board of Directors.....	10
15.	Supplier Selection Process.....	10
	DEFINITIONS.....	12

## 1. Introduction

Centum Investment Company Limited (“Centum” is East Africa's leading listed investment company.

In its business model, the Company identifies compelling opportunities, deploys capital, creates and grows value and exits to monetize value created to lock in superior returns for our stakeholders. Capital budgeting is a complex and significant undertaking across the Company.

The Company approach to capital budgeting is set out in a separate document: “Centum Capital Budgeting Framework”. This document sets out guidelines on approach to procurement across the Company. Complementary procedures that may be developed at subsidiary level must be done in accordance with the principles set out in this document.

## 2. Acronyms

The following acronyms are used in this document and should only be interpreted as follows:

SRF	Supplier Registration Form
FD	Group Finance Director
BU	Business Unit
CEO	Group Chief Executive Officer
MD	Managing Director of a Business Unit
RFQ	Request for Quotation
PR	Purchase Requisition
LPO	Local Purchase Order
PE	Procuring Entity

## 3. Legal framework

This policy is compiled within the legal framework established by the Laws, Acts, Regulations, Policies, Procedures and Guidelines of the Republic of Kenya.

## 4. Periodic review and changes to the procurement policy

The Company Procurement Policy shall be reviewed and revised at least every two (2) years or earlier, should a significant change necessitate revision before the expiry of the two years.

## 5. Objectives of the Company Procurement Policy

The Company's Procurement Policy sets out the required probity standards in the procurement of goods and services across the company. It is also sets out the tone and governance standards required to promote an open and fair procurement process whilst mitigating against the risk of financial loss from a faulty procurement process.

Centum's goal in the procurement of goods and services is to achieve the best value possible and in the most transparent manner.

A combination of price, quality, multi-sourcing, reliable service and delivery terms are some of the key factors that are considered to serve this goal.

We strive to procure all goods and services using appropriate contracts and terms and conditions to protect the Company. Our policy therefore requires that goods and services are acquired in an open and competitive basis and without favouritism to obtain the maximum value for each expenditure. In accordance with our policy, interested suppliers will receive fair and impartial consideration and all business relationships will be conducted at arms-length.

## 6. Value for money assessments

In accordance with the objective of ensuring value for money in our procurement and ensuring quality in the provision of all procured services, a value for money assessment shall be carried out annually by the Finance department in conjunction with the requisitioning departments and in any case, prior to renewal of any contract.

## 7. Ethical Conduct

- a) All procurement transactions are governed by ethical business standards as outlined in Centum's Code of Ethics and Business Standards. Infractions of Centum's procurement policy are to be reported to the Department Head and the Risk Department. Reporting should also be done in accordance with the Whistle Blowing Policy.
- b) Disciplinary action for those violating ethical business standards will be taken in accordance with applicable staff policy.
- c) Centum staff may not solicit any gift or accept any significant gift from any supplier or prospective supplier. A 'significant gift' is defined as any item, service, favor, monies, credits, or discounts not available to others and/or which could influence procurement decisions. Offers of significant gifts must be logged in the Gift Register, which is maintained by the Risk Department, and the Managing Director must be notified.
- d) Centum personnel may accept trivial items as a matter of courtesy, but may not solicit them. Acceptance of social invitations to occasional business meals, entertainment, and hospitality will be subject to prudent judgment as to whether the invitation places or appears to place the recipient under any obligation to guarantee future business.
- e) Staff should refer to the Gift Policy on questions about the value of a gift or the appropriateness of an invitation to ensure compliance with Centum's guidelines.
- f) Centum's Code of Conduct requires that employees do not make decisions for the company if their personal economic interests are directly affected by the outcome. A business entity in which an employee has an economic interest represents a conflict of interest if the employee has any involvement in the selection of that entity as a Centum's vendor.
- g) An economic interest includes an employee's or a relative's ownership or partnership in the business, including serving as stockholder, director, or officer. Engaging a relative as an independent contractor is also a conflict of interest for an employee.
- h) Centum asks for and offers confidentiality from/to its suppliers. All quotations, proposals, suggestions, and proprietary information are to be held in the strictest confidence. Proprietary information exchanged during transactions shall be identified and treatment of that information clearly agreed upon by both the Centum and the supplier.

## 8. Declaration of interest

Staff members are prohibited from being suppliers of goods and services to Centum and its subsidiaries.

Under rare circumstances, a staff member may be related to other individuals who own or control entities that under this policy qualifies as a supplier to the Group. Such an interest is also widely defined to include members of the staff's family being employed by the supplier in senior positions. Under these circumstance, staff are required to Declare that interest through the Declaration of Interest Register that is maintained by the Risk Department.

For purposes of this policy, family member refers to spouse, spouse equivalent, siblings, parent, grandparents, son or daughter, cousin, uncle or aunt. There may be instances where a staff member is unaware of a relative working for a supplier of Centum. In such cases declaration should be made as soon as the staff member becomes aware of these circumstances.

In addition to the above, all staff involved in procurement should sign a specially designed declaration (a specimen is attached under the appendices)

## 9. Procurement Policy

### 9.1. Involvement of Finance Department

Achievement of the Company's goals in procurement is achieved through a well-structured and documented procurement process that is managed and coordinated through the Finance Function. Transaction processing for the procurement of all non-project related goods and services, including all office supplies and services, is centralized within the Finance Department. However, the Procuring Department is still responsible for initiating the procurement transaction, obtaining relevant approvals and submitted approved Purchase Orders to Finance for processing. In this respect, Finance is responsible for reviewing the purchase order to ensure relevant controls have been adhered. The department is not responsible for procurement of goods and services outside of its own department

The procurement process flow for these goods and services is set out under the Procurement Procedures Manual.

### 9.2. Supplier registration

The Company requires that suppliers are identified, evaluated on their ability to supply, manage and execute our requirements in an effective and efficient manner and then selected. All suppliers are required to be registered as Business Partners in our Enterprise Resource Planning platform (SAP) and in the Procurement system Procure .ke. A Supplier Registration Form that requires all suppliers to confirm their understanding of our Supplier Code of Ethics is available and is to be applied on all suppliers.

The Supplier Registration Form is provided as an appendix to this document.

### 9.3. Contracting

Where the acquisition of goods and services requires contracting, the Head of Legal must review the contracts prior to their issue and signing. The requirement for this review ensures that the company manages its risks effectively and that there is standardization of the contracting framework.

#### 9.4. Authority and Responsibility

Only committees or employees with delegated authority are permitted to make commitments to third parties on behalf of Centum. Unless otherwise advised through a Board resolution, the responsibility to enter such commitments lies with the Director level staff and their respective delegates, Delegation shall be communicated in writing. However, approval for all expenditure is obtained annually from the Board of Directors through the budget process. Director level staff authority to commit the company is therefore derived from the budgets as approved by the Board of Directors.

### 10. Internal controls

This procurement policy, together with other internal controls have been designed to ensure that: -

- a) More than one person is involved in and responsible for a procurement transaction;
- b) There is transparency in the procurement process;
- c) A clearly defined documented audit trail exists for all procurement activities; and
- d) The appropriate authorizations are obtained and documented.

### 11. Relationships

Centum Finance Department has developed a template for continuous vetting of suppliers. Finance is responsible for activating suppliers and contractors that are selected to supply the Company in our ERP.

For recurrent contracts, supplier pre-qualification is to be carried out every 2 years or as may be deemed necessary.

In cases of existing supplier non-performance, de-registration or debarring, users may want to include new suppliers for provision of goods and services. The selection of new suppliers for inclusion in the pre-qualified suppliers shall follow the same quotations procedure set out under this policy and under the Company Procurement Procedure Manuals, including involvement of the Finance department.

## 12. Disqualification, suspension or debarment of bidders

Any debarment shall be preceded by a reasonable notice made by the Procuring Department to the bidder involved. A bidder may be debarred from participation for various reasons including:

- a) Providing false information in the bidding documents;
- b) Fraudulent pricing and collusion between the bidder and an official of Centum concerning the connivance to interrupt a fair competition;
- c) In case of breach of laws and regulations to obtain a contract or subcontract; and
- d) Non-performance of a procurement contract.

## 13. Record of Procurement Proceedings

The procuring department shall keep records of all procurement proceedings containing the following information for a minimum period of 10 years from the period of the award of tender relating to capital projects and works, goods or services:

- a) Approved Procurement Requisition;
- e) Advertisement/Invitation to tender/ Tender documents;
- f) Bids/Bids Opening/Evaluation reports;
- g) Copies of notification of tender award and tender loss;
- h) Contract of the successful bidder;
- i) Copy of the certificate of the completion of the contract;
- j) All correspondences between the company and the bidder/contractor; and
- k) Any other useful information, instruction and reports that are related to the Tender/Contract.
- l) Auditing the Conduct of Procurement Proceedings and Contract Execution.

The Procurement Proceedings shall be subject to regular monitoring by the Internal Audit function at any time considered suitable to ensure compliance with this manual.



## 14. Procurement Organs, Structure and Organization

The procurement organs are as follows:

### 14.1. Departmental head

The departmental head shall be responsible for: -

- a) Awarding contracts, rejecting proposals or cancelling the completion of contracts for services & supplies or works;
- b) Negotiating with any chosen bidder before entering a contract;
- c) Obtaining external legal or other independent professional advice in relation to procurement and securing the attendance of outsiders with relevant experience and expertise if it considers this necessary;
- d) Appointing Sub – Committees for technical procurement; and
- e) Approving purchase orders

### 14.2. Procurement champions

Procurement champions in the Procuring Department, shall be responsible for all day to day procurement transaction processing, including but not limited to:

- a. Creation of LPOs for approved procurement requests and only to qualifying suppliers (as selected through the supplier qualification process);
- b. Engagement with the Procuring Entity and suppliers on queries relating to supply of goods and services;.
- c. Processing of procurement documentation and subsequent liaison with Finance on payments processing;
- d. Generation of Requests For Quotations, Purchase Requests and receipt of invoices.

### 14.3. Finance Department

The key roles and responsibilities shall include:

- a) Prequalifying suppliers every two years;
- b) Approving purchase orders within Procure.ke
- c) Requiring any Officer /Manager to attend a meeting and provide information and/or explanation as required.

#### 14.4. Tender Evaluation Committee

A Tender Evaluation Committee shall be established at the point of pre-qualifying suppliers / reviewing terms.

The key roles of a Tender Evaluation Committee are:

- a) Developing and applying key selection criteria and agreed weights;
- b) Reviewing / evaluating bids received from the Tender Committee;
- c) Reviewing and awarding scores;
- d) Ranking and shortlisting successful bidders;
- e) Providing a report to the Finance department on the shortlisted bidders.
- f) Facilitating any necessary inspections, briefings or site inductions to prospective bidders.

Composition shall be an odd number to avoid a tie.

#### 14.5. Board of Directors

The Board of Directors bear the overall responsibility over the Corporate Governance of Centum and hence overall responsibility over the procurement process and use of resources. The Board of Directors and the relevant Board Committees approve the annual capital and operating budgets for Centum and its subsidiaries. In addition, one off expenditure item above KES 15 million that is outside the annual budget has to be tabled to the Board of Directors for approval.

### 15. Supplier Selection Process

Pre-qualification of suppliers shall take place every two (2) years.

This shall involve placing an advertisement through nationwide-published media inviting bids for pre-qualification of suppliers.

The Tender Evaluation Committee shall evaluate received bids, score them and shortlist pre-qualified bidders. A report of this committee shall be forwarded to the Executive Management Committee resulting in a contract award or designation of selected suppliers as 'pre-qualified suppliers'.

The Finance Department will maintain a schedule of pre-qualified suppliers, provided the biennial re-evaluation process has been followed. The pre-qualification of suppliers shall be subject to routine audit by Risk, Compliance, and Internal Audit Function.

#### Quotations

Requests for quotations / proposals shall be made only to Pre-Qualified Suppliers by the Procuring Entity. The Request for Quotation should be very clear and should detail the evaluation criteria. The quotations received are reviewed and the most competitive supplier is selected, on both a technical and financial basis. As quotations are received from prequalified suppliers, they are reviewed by the Procuring Entity.

A minimum of three (3) quotations should be obtained in all instances.

A standard evaluation template is included under the appendices to this document.

Certain consultancy services may be specialised or one-off or very occasional and it may therefore not be practical to subject procurement for those services to the biennial advertising and qualification. The Procuring Entity shall send out Requests for Proposals for those services, review and evaluate the proposals received and recommend the most competitive supplier.

### **Single sourcing**

Under very rare circumstances, it may be necessary to single source the supply of a particular service or good.

The basis for single sourcing should be documented through a memo addressed to the Group Finance Director and Risk department clearly setting out underlying reasons.

Single sourcing for amounts above KES 5,000,000 should be approved by the Group CEO and Group Finance Director.

Single sourcing for amounts above KES 15,000,000 should be approved by the Board.

## DEFINITIONS

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The words and expressions defined when used in a tender, contract or order, have the meanings so assigned to them. The words and expressions defined below shall have the meanings hereby assigned to them, unless such meanings are inconsistent with the context of a tender, contract or order.

**Family:** Means but not limited to: an employee's spouse, parent, child and any other person who resides in the same household as the employee and who is a dependant of the employee.

### **Acceptable tender**

Means any tender which, in all respects, complies with the specifications and conditions of tender as set out in the tender document.

### **Acceptance of a tender**

The award of a contract to a tenderer in response to his tender or price quotation

### **Accounting Officer**

Means the officially appointed Accounting Officer in a department or his/her duly authorised delegate.

### **Acquisition**

Means the acquiring by contract of goods and services by and for the use of Centum or its clients through purchase or lease, whether the goods and services are already in existence or must be created, developed, demonstrated, and evaluated. Acquisition begins at the point when Centum needs are established and includes the description of requirements to satisfy those needs, solicitation and selection of sources, award of contracts, contract financing, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling Centum needs by contract.

### **Beneficial use**

The use of a supply or service which has been delivered, partially or completely installed and commissioned, and which is available for use

### **Bid**

Means the response to a published tender.

### **Closed Tender**

Any tender that is not open for general publication and limits the number of possible respondees. See also single and selected tenders.

### **Closing time**

The date and hour specified in the tender documents for the receipt of tenders

### **Complex Tender**

A tender which is either of a high value, has many interested parties, spans across different client influences, is of an involved technical nature, or any combination of these parameters.

## Component

Means any item supplied to Centum as part of an end item or of another component.

## Contract

Means a mutually binding legal relationship obligating the seller to furnish the goods and/or services and the buyer to pay for them. It includes all types of commitments that obligate Centum to an expenditure and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to) awards and notices of awards; job orders or task letters issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and bilateral contract modifications.

## Contracting

Means purchasing, renting, leasing, or otherwise obtaining goods and/or services from interested sources. Contracting includes description (but not determination) of goods and services required, selection and solicitation of sources, preparation and award of contracts, and all phases of contract administration. It does not include making grants or cooperative agreements.

## Day

Means, unless otherwise specified, a calendar day.

## Delivery order

Means an order for goods placed against an established contract.

## Delivery ex stock

Immediate delivery directly from stock on hand.

## Delivery into the store of the consignee or to his site

Delivered and unloaded in the specified store or depot or on the specified site in compliance with the conditions of the contract or order, the contractor bearing all risks and charges involved until the supplies are so delivered and a valid receipt is obtained.

## "In writing" or "written"

Means any worded or numbered expression which can be read, reproduced, and later communicated, and includes electronically transmitted and stored information.

## Offer

Means a response to a solicitation that, if accepted, would bind the contractor to perform the resultant contract. Responses to invitations for bids (sealed bidding) are offers called "bids" or "**sealed bids**;" responses to requests for proposals (negotiation) are offers called "proposals;" responses to requests for quotations (negotiation) are *not* offers and are called "quotes." For unsolicited proposals,

## One-off Tenders

Tenders for one time purchase of goods and/or services of a predetermined quantity. As opposed to period contracts.

**Order**

An official written order issued for the supply of goods or the rendering of a service.

**Price quotation**

A written offer on any documentation which is not necessarily subject to the general conditions and procedures contained in this document, and which is invited and dealt with in any manner.

**Procure**

Means all the actions required to obtain a new product, system or service.

**Production**

The production of products, whether in a factory or not, and includes manufacturing and other activities such as mining and agriculture.

**Selected Tender**

A tender where several pre-selected tenderers are invited to respond. See also closed tenders.

**"Signature" or "signed"**

Means the discrete, verifiable symbol of an individual which, when affixed to a writing with the knowledge and consent of the individual, indicates a present intention to authenticate the writing. This includes electronic symbols.

**Tender**

A written offer on the official tender documents forming part of an invitation to tender, which invitation has been dealt with in accordance with the requirements of the general conditions and procedures contained in this document and, unless otherwise determined by the Procuring Department, which have been advertised in the media.

# Appendices

## EVALUATION OF PROPOSALS

### Proposal Evaluation Guidelines

Proposals will be evaluated on best value based on the **technically most compliant** evaluation criteria as stated below.

When assessing points for technical evaluation, a 100 point scale shall be multiplied by the weight assigned.

The financial proposals will not be reviewed by the review committee until after the qualifications points are awarded.

EVALUATION CRITERIA	SCORING SYSTEM	DESCRIPTION OF SCORE
Excellent	91- 100% (5)	Excellent evidence of ability to exceed contract requirements
Good	80-90% (4)	Good evidence of ability to exceed contract requirements
Satisfactory	50-79% (3)	Satisfactory evidence of ability to exceed contract requirements
Poor	20-49% (2)	Marginally acceptable or weak evidence of ability to support contract
Very poor	10-19% (1)	Lack of evidence to demonstrate ability to comply with contract
No submission	0-9% (0)	Information has not been submitted or is unacceptable

### Proposal Evaluation Form

Weighted Evaluation Criteria	Maximum score	% Awarded	Total Score
<b>Proposed Plan and Approach-Weight of 50%</b>			
a) All aspects of the TOR /RFP have been addressed in sufficient detail			
I. Understanding/interpretation of scope of works	20%		
II. Sufficiency	15%		
III. Project quality assurance measures	10%		
IV. Timelines & related deliverables	5%		
V.			
VI.			
VII.			
VIII.			
<b>Organizational-Weight of 20%</b>			
a) Consultant's reputation from previous clients and referees. <i>(Please provide specifics on calls made to clients)</i>	10%		
b) Experience in related services as per RFP	10%		
c)			
d)			
e)			
f)			
<b>Skill and experience of staff –Weight of 30%</b>			
a) Relevance and sufficiency of key technical skills/ expertise/qualifications	10%		
b) Sufficiency of resources and staff to be allocated (sufficiency of Partner and Team leader time allocations)	10%		



c) Degree to which work is performed in the sector <ul style="list-style-type: none"> <li>▪ Experience at partner/Director level (5)</li> <li>▪ Experience at senior manager level (4)</li> <li>▪ Experience at manager level (3)</li> <li>▪ Experience at senior associate level (2)</li> <li>▪ Experience at Associate level (1)</li> </ul>	10%		
d)			
e)			
f)			
g)			
<b>TOTAL TECHNICAL POINTS</b>	<b>100</b>		
<b>Evaluation of Financial Proposal</b>			
<b>Contract price</b>	<b>Rank</b>		
<b>Recommendation based on the criteria – Pricing , technically compliant offer</b>			

# Centum Investment Company Plc

## Supplier Registration

Form (SRF)



Supplier Registration  
Form V5.doc

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## TENDER EVALUATION COMMITTEE: TERMS OF REFERENCE



TORs Tender  
Evaluation Committ

## PROCUREMENT STAFF DECLARATION FORM



P Staff Declaration  
Form.docx