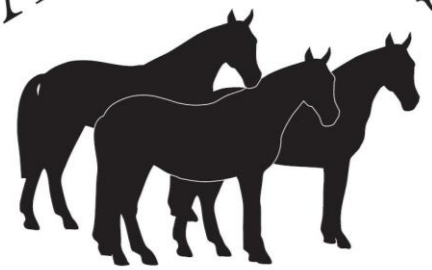
CART HORSE



PROTECTION ASSOCIATION

PROCUREMENT PROCEDURES

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Procurement procedures

The Procurement Policy provides guidelines for the procurement of goods and services, to ensure that ethical and professional practices are adhered to.

The policy is applicable to all management and staff members ordering goods or services for the Cart Horse Protection Association (CHPA), or any other person involved in the procurement process.

Purchasing is not centralised at CHPA and there is thus no purchasing department, this policy needs to be read and understood in that context.

Policy statement:

- This Procurement Policy has been approved by the Management Committee
- Procedures and processes must reflect a procurement system that is fair, equitable, transparent, competitive and cost effective and provides a quality product or service.
- CHPA will take appropriate action against corrupt or unethical activities and acts of financial misconduct
- All transactions should be properly documented
- Guidelines related to the receipt of gifts must be adhered to

Procedures to be followed:

1. In principle, when the need for a specific item or service arises or has been requested, the procurement process may not commence before proper internal approval has been obtained from either a team leader, General Manager or the Treasurer on the Management Committee.
2. All requisitions must be accompanied by the correct request forms, supplier details and approval in writing.
3. It is essential that items/services fall within the approved budget – anything required over budget is to be approved by the Management Committee
4. As far as possible, three (3) quotes should be obtained for all requisitions over R50 000; however, a minimum of two (2) quotes is required for requisitions over this amount. Any request to accept a quote that is not the lowest price must be presented to the Management Committee for approval.
5. Wherever possible approved suppliers are to be used. Generally these suppliers are VAT registered, have a business bank account and follow a sound business practise. They are reliable and well-established.
6. Whilst we have a policy of using preferred suppliers, such supplier prices must still be tested against comparative quotes from time to time.
7. All original records must be kept on file and be readily available.

Contracting Principles:

All contracts for the acquisition of any goods or services must be in writing, with an invoice from a supplier being an absolute minimum requirement for all contracts.

Purchasing is managed differently depending on the nature or duration of the goods and/or services and is divided into the following broad categories:

- Day to day goods where a valid invoice defining the purchase is sufficient
- Day to day services which are for a short duration and which have a value of less than R50 000 need to be supported by a value quote that has been pre-approved. Any emergency services are excluded from this requirement.
- Non-day to day goods i.e. the purchase of goods that will have an estimated life of at least 2 years
- Non-day to day services i.e. service projects that are either of longer duration or are higher in value (at least R 50 000)

The following contracting principles should be adhered to for all contracts that are non-day to day in nature:

- Parties – clearly identify the legal entity being contracted with (include registration number);
- Performance – detail precisely each party's duties, rights and obligations, in particular any special conditions. If possible, build a service level obligation to ensure that contractual performance meets an agreed standard.
- Price – show the make-up of the price in detail. Clarity over whether a price is inclusive or exclusive of VAT is essential. As a rule, payment of goods or services should only be made after delivery. Upfront payments should be kept to a minimum.
- Period and termination – in general, contracts should not be longer than three (3) years. Contracts must be subject to a right of cancellation if counter-party is in material breach or has not complied with its obligation when measured against the agreed service level. Contract that are signed for three years may be extended for a further two (five years in total) where approved by the Management Committee. After five years, the service should go out to tender again.

Code of ethics and conflicts of interests

- CHPA employees may not supply or tender for CHPA business
- Suppliers or bidders should be asked to declare any direct or indirect family relationships as well as any personal relationships with CHPA employees. Failure to disclose relevant information will entitle CHPA to cancel the relevant contract.

Gifts and entertainment

- The exchange or gifts and entertainment is discouraged but is acceptable if such courtesies are not intended to influence any procurement decision, are declared to the person to whom the recipient reports and are recorded in writing.
- Bribes, incentives or any other form of 'kickbacks' of any kind must never be solicited, accepted or offered, whether directly or indirectly.

Future policy amendments

This policy may be amended from time to time. Such amendments must be presented to the Management Committee for approval.