



Standardisation of Vendor base

DMS Powders will use to the following approach in the standardisation of Vendor base:

Reconditioning and Manufacturing

- ◆ The preferred method of procurement will be based on long-term beneficial partnering relationships with Vendors on the grounds of capability, service, quality, reliability and cost effectiveness.
- ◆ Vendors will be graded as Approved, Preferred, Certified or Specialist.
- ◆ Specialist and Certified Vendors will have 'first refusal' of the business, followed by Preferred and then Approved Vendors.

Commodities bought in large quantities

- ◆ The ideal method of procurement for Vendors will be long-term agreements.

Commodities bought in small quantities

- ◆ The sourcing of items will be as wide as possible.
- ◆ Long term Vendor relationships will not necessarily be pursued.
- ◆ These Vendors will not necessarily be approved or developed.

Original Equipment Manufacturer (OEM) Approach

- ◆ As a rule, orders will be placed according to the Original Equipment Manufacturer (OEM) approach. Exceptions could, however, be made.

Definitions

- ◆ Any Vendor that renders a service on or off site and/or supplies products (consumables, new and reconditioned items) to DMS Powders that can have a direct impact on DMS Powders products or service levels will be classified as a Core Vendor.

Any Vendor that DOES NOT have a direct impact on DMS Powders products or service levels will be classified as a Non-Core Vendor.

Core Vendor Classification

The purpose of this guideline is to explain the process of Vendors qualification (existing and new Vendors), leading to the appointment of Approved, Preferred and Certified Vendors.

Approved Vendors

Aim: To identify and select potential Vendors and assist them, where necessary, to become DMS Powders Approved Vendors.

Critical Performance Criteria (CPC)

DMS Powders commits itself towards openness and trust with Vendors and expects the same in return.

An Approved Vendor should:

- ◆ Be technically capable of meeting DMS Powders requirements. The auditor will assess the following:
 - design capabilities,
 - technical expertise,
 - skilled labour complement,
 - suitable manufacturing and storage facilities,
 - suitability, capability, capacity, condition and reliability of equipment and
 - manufacturing processes and capacities.
- ◆ Have or be in the process of establishing and implementing management systems, based upon ISO 9001, ISO 14001 and the OHSACT. The systems will be assessed by certified systems auditors. A DMS Powders Vendor rating > 60% must be obtained.
- ◆ Be financially stable and capable of handling the potential workload. During the evaluation of the Vendor the following information will be obtained and assessed:
 - financial statements,
 - bank reports and
 - credit information.
- ◆ Be commercially viable and easy to deal with. This will be evaluated from information obtained from within the company and from present customers to assess the following:
 - management ability,
 - price performance and
 - delivery and service record, with an on time delivery rate of > 90%.
- ◆ Have a Broad Based Black Economic Empowerment programme in place and/or be Broad Based Black Economic Empowerment compliant.
- ◆ Have the following performance levels

- < 3 NCR's (Non-conformance Reports) per quarter
 - Safety record of < 3 IOD's/year (Injury on Duty)
 - Less than < 3 concessions/month.
- ◆ Not use entertainment or gifts for the sourcing of work. Misuse will result in the company being removed from the Vendors list.

The DMS Powders approach for awarding the status of Approved Vendor is as follows:

1. Products and product groups where Approved Vendors are needed are identified.
2. Potential Vendors that could possibly recondition manufacture or supply these products or product groups are identified.
3. The potential Vendors are evaluated according to predetermined criteria.
4. Vendors that qualify will be graded as approved Vendors and will receive enquiries and orders for the reconditioning, manufacturing or supplying of the identified products and product groups.
5. Approved Vendors will be closely monitored and may receive assistance to develop into Preferred or Certified Vendors.

If a Vendor is approached by DMS Powders personnel requesting any form of entertainment or gifts and does not inform DMS Powders management, it will seriously jeopardise future dealings with DMS Powders and/or result in removal from the Vendors list.

Note: The above-mentioned Critical Performance Criteria (CPC) are only used as evaluation criteria and are not fixed for all Vendor orders and/or contracts.. Vendors that have attained Approved Vendor status will retain this status while their performance meets the criteria. During the evaluation and assessment of Vendors, all relevant proprietary information will be handled with complete confidentiality.

Preferred Vendors

Aim: To identify and select Approved Vendors and assist them, where necessary, to become DMS Powders Preferred Vendor.

Critical Performance Criteria (CPC)

DMS Powders commits itself to openness and trust with Vendors and expects the same in return.

A preferred Vendor should:

- ◆ Have management systems in place, based upon ISO 9001, ISO 14001 and the OHSACT and a system rating above 80%.
- ◆ Have a Non-Conformance Report (NCR) rate of < 2 / quarter. The demerit value that is linked to NCR's will be taken into consideration if a Vendor is to comply with this criterion.
- ◆ Have a formal corrective and preventative action system in place to resolve and close off all DMS Powders NCR's within a specified time.
- ◆ Be responsible and in control of all inspections and tests, with DMS Powders surveillance only.
- ◆ Have an on time delivery rate of > 95%.
- ◆ Have no price deviations from agreed prices.
- ◆ Demonstrate continuous improvement in product/service.
- ◆ Have no under/over supplies.
- ◆ < 2 concessions per month due to an oversight or a mistake by the Vendor.
- ◆ Have a safety record of < 2 IOD's/year (Injury on Duty)
- ◆ Not use entertainment or gifts for the sourcing of work. Misuse will result in the company being removed from the Vendors list.

The DMS Powders approach for awarding a Approved Vendor to receive the status of Preferred Vendor is as follows:

1. DMS Powder identifies Approved Vendors with an above average performance that exceeds all requirements for Approved Vendor and invites them to participate in a development programme to achieve Preferred Vendor status.
2. Agreement is reached between DMS Powders and the Vendor concerning criteria and additional goals that must be met.
3. DMS Powders and the Vendor identify areas that need attention to improve performance and DMS Powders assist the Vendor by providing guidance and advice.
4. The Vendor's performance is closely monitored and if the defined criteria and goals are met, the Vendor will receive the status of a Preferred Vendor for the specific product or product groups.

If a Vendor is approached by DMS Powders personnel requesting any form of entertainment or gifts and does not inform DMS Powders management, it will seriously jeopardise future dealings with DMS Powders and/or result in removal from the Vendors list.

Note: The above-mentioned Critical Performance Criteria (CPC) are only used as evaluation criteria and are not fixed for all Vendor orders and/or contracts. Vendors that have attained Preferred Vendor status will retain this status while their performance meets the criteria. During the evaluation and assessment of Vendors all relevant proprietary information will be handled with complete confidentiality.

Certified Vendors

Aim: To identify and select Certified Vendors and assist them, where necessary, to become DMS Powders Certified Vendor.

Critical Performance Criteria (CPC)

DMS Powders commits itself to openness and trust with Vendors and expects the same in return.

A Certified Vendor should:

- ◆ Have a management systems in place, based upon ISO 9001, ISO 14001 and the OHSACT and a system rating above >95%.
- ◆ Have ZERO Non-Conformance Reports (NCR).
- ◆ Have an on time delivery rate of > 98%.
- ◆ Resolve and acknowledge any technical, commercial or accounting queries within the specified time.
- ◆ Have no price deviations from agreed prices.
- ◆ Demonstrate continuous improvement in product/service.
- ◆ Have no under/over supplies.
- ◆ No concessions per month due to an oversight or a mistake by the Vendor.
- ◆ Have a safety record of ZERO IOD's/year (Injury on Duty).
- ◆ Not use entertainment or gifts for the sourcing of work. Misuse will result in the company being removed from the Vendors list.

The DMS Powders approach for a Preferred Vendor to receive the status of Certified Vendor is as follows:

1. DMS Powder identifies Preferred Vendors with an above average performance and invites them to participate in a development programme to achieve Certified Vendor status.
2. Agreement is reached between DMS Powders and the Vendor concerning criteria and additional goals that must be met.
3. DMS Powders and the Vendor identify areas that need attention to improve performance and DMS Powders assist the Vendor by providing guidance and advice.
4. The Vendor's performance is closely monitored and if the defined criteria and goals are met, the Vendor will receive the status of a Certified Vendor for the specific product or product groups.

If a Vendor is approached by DMS Powders personnel requesting any form of entertainment or gifts and does not inform DMS Powders management, it will seriously jeopardise future dealings with DMS Powders and/or result in removal from the Vendors list.

Note: The above-mentioned Critical Performance Criteria (CPC) are only used as evaluation criteria and are not fixed for all Vendor orders and/or contracts. Vendors that have attained Certified Vendor status will retain this status while their performance meets the criteria. During the evaluation and assessment of Vendors all relevant proprietary information will be handled with complete confidentiality.

Specialist Vendors

The purpose of this guideline is to explain the partnering programme with Vendors who are specialists for certain products or product groups.

Aim: To identify potential, Approved, Preferred or Certified Vendors who are specialists for certain products or product groups.

Criteria for selection

A Specialist Vendor should:

- ◆ Be unique in a specific field of application.
- ◆ Be the sole Vendor that possesses certain technology and equipment to supply specific products or product groups.
- ◆ Be the only Vendor that can be sourced locally and in certain cases internationally.
- ◆ Meet the minimum requirements, Critical Performance Criteria (CPC), for an Approved Vendor.
- ◆ Not use entertainment or gifts for the sourcing of work. Misuse will result in the company being removed from the Vendors list.

The DMS Powders approach for potential, Approved, Preferred or Certified Vendor who are specialists for certain products or product groups is as follows:

1. Products or product groups which can only be supplied by one Vendor are identified.
2. Investigations will be conducted to verify if the products or product groups cannot be sourced from alternative Vendors.
3. Vendors that are identified as the only Vendor for certain products or product groups will be classified as Specialist Vendor.

If a Vendor is approached by DMS Powders personnel requesting any form of entertainment or gifts and does not inform DMS Powders management, it will seriously jeopardise future dealings with DMS Powders and/or result in removal from the Vendors list.

Note: The above-mentioned Critical Performance Criteria (CPC) are only used as evaluation criteria and are not fixed for all Vendor orders and/or contracts. Vendors that have attained Specialist Vendor status will retain this status while their performance meets the criteria. Specialist Vendors get preference over Approved Vendors regarding enquiries and the placing of orders. During the evaluation and assessment of Vendors all relevant proprietary information will be handled with complete confidentiality.

Downgrading Vendors

The purpose of this guideline is to explain the process for downgrading Vendors who no longer qualify for the status for which they have been evaluated.

Aim: To always have capable Vendors by downgrading Approved, Preferred or Certified Vendors who fail to maintain the required standards of excellence and meet Critical Performance Criteria (CPC) while doing business with DMS Powders.

The DMS Powders approach for the downgrading of Approved, Preferred, Certified or Specialist Vendors is as follows:

1. Vendor's performance is closely monitored by the DMS powders Management to detect any deterioration in Vendor performance.
2. A predetermined period of time is given to a Vendor to improve performance. Assistance will be offered by DMS Powders.
3. If the Vendor's performance does not improve, the Vendor will be downgraded to the appropriate level and existing term agreements will be reviewed.

Downgrading a Vendor's Certified status

1. If a Vendor's performance deteriorates and does not comply with any of the critical performance criteria for a Certified Vendor, attempts will be made to assist the Vendor to meet the critical performance criteria. If the Vendor does not improve, the Vendor will be downgraded to Preferred or Approved status. Existing term agreements will be reviewed in terms of the Vendor's new status.

Downgrading a Vendor's Preferred status

2. If the Vendor consistently fails to conform to any of the critical performance criteria, the Vendor's status as Preferred will be downgraded to Approved.
3. All existing term agreements will be reviewed.

Removing Vendors from the Vendors list

- ◆ If a Vendor performance deteriorates to the extent that he no longer qualifies to be an Approved Vendor, the Vendor will be removed from the Vendor's list.
- ◆ If an Approved Vendor receives enquiries over a period of one year and is never successful in obtaining orders, his need and status will be questioned and the appropriate action will be taken.

Vendors are urged to continuously ensure that all relevant information in their system corresponds with DMS Powder's internal information. To regain previous status a Vendor will have to demonstrate sustained CPC for at least six months.

Vendor Development Programme for SMME and Broad Based BEE companies

The purpose of this guideline is to explain the Vendor Development Program that has been introduced at DMS Powders in support of national development.

Aim: To positively pursue a Vendor Development Programme by identifying, using and developing previously disadvantaged entrepreneurs and potential Vendors into Approved Vendors, thus assisting with the creation of employment for the semi-skilled and unskilled workforce.

DMS Powders approach for Vendors Development Programme is as follows:

1. Areas are identified where potential exists for the Vendors Development Programme.
2. Potential Vendors and disadvantaged entrepreneurs are identified.
3. Initial tests and projects will be launched to develop potential Vendors and disadvantaged entrepreneurs.
4. Support, guidance, advice and help will be given to potential Vendors and disadvantaged entrepreneurs to help them to get started, thus initially enabling them to conduct business with DMS Powders.

None Core Vendors

Aim: To monitor and manage None Core Vendors and assist them, where necessary, to become DMS Powders Approved Vendors.

Critical Performance Criteria (CPC)

DMS Powders commits itself towards openness and trust with Vendors and expects the same in return.

A None Core Vendor should:

- ◆ Be technically capable of meeting DMS Powders requirements, which will typically include the following:
 - technical expertise,
 - skilled labour complement,
 - suitable manufacturing and storage facilities,
 - suitability, capability, capacity, condition and reliability of equipment and
 - manufacturing processes and capacities (if applicable).
- ◆ Have or be in the process of establishing and implementing management systems, based upon ISO 9001, ISO 14001 and the OHSACT.
- ◆ Be financially stable and capable of handling the potential workload.
- ◆ Be commercially viable and easy to deal with. This will be evaluated from information obtained from within the company and from present customers to assess the following:
 - management ability,
 - price performance and
 - delivery and service record.
- ◆ Have a Broad Based Black Economic Empowerment programme in place and/or be Broad Based Black Economic Empowerment compliant.
- ◆ Have the following performance levels
 - < 4 NCR's (Non-conformance Reports) per quarter
 - Safety record of < 3 IOD's/year (Injury on Duty)
 - Less than < 4 concessions/month
 - On time delivery performance of > 85% .
- ◆ Not use entertainment or gifts for the sourcing of work. Misuse will result in the company being removed from the Vendors list.

The DMS Powders approach for None Core Vendors is as follows:

1. Products and product groups where None Core Vendors are needed are identified.
2. Potential None Core Vendors that could possibly recondition manufacture or supply these products or product groups are identified.
3. The potential None Core Vendors are evaluated according to predetermined criteria.

4. Vendors that qualify as None Core Vendors and will receive enquiries and orders for the reconditioning, manufacturing or supplying of the identified products and product groups.
5. None Core Vendors will be closely monitored and may receive assistance to develop into Approved Vendors.

If a Vendor is approached by DMS Powders personnel requesting any form of entertainment or gifts and does not inform DMS Powders management, it will seriously jeopardise future dealings with DMS Powders and/or result in removal from the Vendors list.

Note: The above-mentioned Critical Performance Criteria (CPC) are only used as evaluation criteria and are not fixed for all Vendor orders and/or contracts..