



STO Policy

Procurement Policy

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This Policy ensures efficient, transparent, and value-driven processes, aligning with the Company's economic, environmental, and social goals while maintaining integrity and compliance.

The Procurement Policy of STO establishes a framework for efficient and compliant procurement of goods and services, excluding legal consultancy. It focuses on maximizing value for money, fostering collaboration, and aligning with the company's economic, environmental, and social goals. Key methods include direct purchase for specific items, quotation-based procurement, and competitive bidding for larger projects. Emergency procurement allows for expedited action with required approvals. The Policy ensures transparency, integrity, and avoidance of conflicts of interest.



Procurement Policy

Purpose

To establish a framework to be applied in compliance with the relevant international best practices, and to maximize the benefits to the Company that can be delivered through an effective and efficient procurement process. This Policy does not apply to Legal Consultancy Services acquired by the Company.

Effective date

Since August 2017.

Scope

This Policy applies to the procurement of all goods and services by the Company and its controlled entities, regardless of the funding source or method of settlement. Settlement methods include purchasing, leasing, renting, and hiring activities.

Policy Statement

This Policy and its associated procedures are designed to ensure effective, efficient, and compliant procurement outcomes. All procurement activities must be carried out by properly trained staff in accordance with the approved purchasing delegations.



1. General Guidelines

In carrying out procurement and purchasing, the Company will strive to:

- 1.1. *Maximize value for money in its procurement activities by:*
 - a. Choosing the procurement option that delivers the best value for money outcomes.
 - b. Implementing the most suitable processes to ensure optimal procurement outcomes.
- 1.2. *Collaborate across agency boundaries to achieve cost savings and benefits by:*
 - a. Fostering cooperation and synergy.

- b. Reducing duplication

1.3. *Develop a deep understanding of its requirements, the market, and suppliers, and enhance the capability to deliver better outcomes by:*

- a. Strengthening capability and performance within the Company.
- b. Monitoring and managing procurement expenditure.
- c. Focusing on achieving results.
- d. Assessing each procurement activity for opportunities to innovate and enhance performance.
- e. Engaging with clients to understand their

procurement needs and deliver efficient, effective outcomes.

1.4. *Utilize procurement processes to advance STO's economic, environmental, and social goals, aligned with the Company's vision, mission, and strategic objectives.*

1.5. *Manage procurement responsibly and adaptivity by:*

- a. Adopting a strategic approach to procurement planning.
- b. Managing risk through effective oversight, accountability, and robust internal controls.



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- 1.6. *Conduct procurement with integrity, ensuring accountability for outcomes by:*
 - a. Taking responsibility for delivering timely results using public resources.
 - b. Ensuring procurement decisions are transparent and justifiable.
 - c. Adhering to expected standards of probity and accountability.
- 1.7. *All purchasing-related tasks, including contracting and obtaining necessary approvals, must be handled by the Procurement Department.*
- 1.8. *The Procurement Department is responsible for developing Procurement Procedures under this Procurement Policy to establish standards and processes for conducting procurement activities.*
- 1.9. *The Company will establish a Tender Evaluation Committee and create a charter to govern its operations.*
- 1.10. *All procurement and purchasing activities within the Company must adhere to the Company's Procurement Policy and Procedures.*



2. Policy Guideline

2.1. Allowed procurement method

The Company shall select an appropriate procurement method from the approved options based on the specific nature of the product or service required. The Procurement Procedures shall outline the details of each method, including guidelines for determining the most suitable option and the steps for implementation.

2.2. Petroleum Products

The purchase of petroleum products may

utilize the direct purchase method, where negotiations are conducted with selected suppliers who meet specific criteria, such as offering an open credit facility to STO.

2.3. Staple Foods

- i. The purchase of staple food items (such as rice, wheat flour, and sugar) may follow the direct purchase method, where negotiations are conducted with identified mills or their authorized distributors offering favorable payment terms, such as DA Payment terms with

- ii. payment in Maldivian Rufiyaa.
- ii. If no favorable payment terms are secured from a mill or authorized distributors, a competitive bidding process must be followed for the procurement of staple food items (rice, wheat flour, and sugar) from third-party suppliers.

2.4. Merchandising and Internal Consumption items

- i. The quotation-based procurement method or direct purchase method may be used for merchandising



items (goods/services for resale, including government needs) and for items classified as internal consumption.

a) *Direct Purchase*

Merchandising and internal consumption items may follow the direct purchase method under any of the following circumstances:

- The Purchase is below MVR 14,999.99
- The item is available only from a single source (e.g., due to patent/copyright ownership, manufacturers/distributors/agents, spare parts for existing equipment)

- Single quote purchases for specialized and specific skill work, craftsmanship, or products are permitted when the requesting department provides a qualitative assessment, supported by the HOD explanation and signature on the approved quotation or form. In such cases, the Head of the Procurement Department must validate the justification for the exception. For purchases exceeding MVR 50,000.00, the MD must provide endorsement.

- After soliciting multiple sources, if it is determined that there is insufficient competition, the direct purchase method may be applied.
- Purchases are made from STO subsidiaries, joint ventures, associates, or affiliated companies.
- Purchases are made from state-owned enterprises.
- The public exigency or emergency situations where delays resulting from competitive solicitation could jeopardize public safety or essential operations.



- When a government authority chooses to procure their requirement from a specific supplier, the authority must provide a letter or note, along with the supplier's quotation, stating the supplier's name and quotation number. This letter/note must be signed and stamped by an executive from the respective authority.
- b) *Quotation based method*

RFQs must be sent to multiple suppliers, depending on the nature of the item, for purchases

- starting from MVR 15,000.00 or its USD equivalent.
- ii. For requirements exceeding MVR 1,000,000.00 or its USD equivalent, approval must be obtained from the HOD and endorsed by the MD.

2.5. Maintenance and Investment related works

- i. The quotation-based procurement method, direct purchase method, or competitive bidding may be used for requirements

- classified as Maintenance and Investment related works, depending on the following criteria:
 - a) *Quotation Based*

For purchases ranging from MVR 15,000.00 to MVR 500,000.00, or their USD equivalent, a RFQ or RFP must be sent to multiple suppliers, depending on the nature of the item.



b) *Competitive bidding*

- Competitive bidding (via RFQ or RFP) should be the default method for maintenance and investment-related works exceeding MVR 500,000.00, or its USD equivalent, and must adhere to the Competitive Bidding Procedure developed under this Policy.
- The Tender Evaluation Committee shall undertake evaluation of all such purchases. The Committee may use the services of independent technical experts in the technical evaluation.

- Capital or infrastructure related investments above MVR 1,500,000.00 require approval from the Board of Directors.

c) *Direct Purchase*

Direct purchases for maintenance and investment-related works may follow the direct purchase method under the following conditions:

- The purchase amount is below MVR 14,999.99.
- The item is available exclusively from a single source (e.g., due to patent/copyright ownership, specific manufacturers /

distributors/agents, or spare parts for existing equipment).

- Single quote purchases for specialized or specific skill work, craftsmanship, or products are permitted when the requesting department provides a qualitative assessment, with the HOD offering an explanation and signing the approved quotation or form. In such cases, the Head of Procurement Department must ensure the reasons for the exception are valid. For purchases exceeding



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MVR 50,000.00, the MD must provide endorsement.

- Maintenance requirements, such as engine repairs and overhauls, or repair and dry docking of vessels/vehicles, where obtaining multiple quotations is impractical. All quotations must be approved by the requesting HOD, and purchases exceeding MVR 50,000.00 must be endorsed by the MD.
- After soliciting multiple sources, if competition is deemed inadequate.

- Purchases made from STO subsidiaries, joint ventures, associates, or affiliated companies.
 - Purchases from state-owned enterprises.
 - In cases of public exigency or emergency where delays caused by competitive solicitation are not feasible.
- ii. Variations to projects and services (except merchandizing items) shall be approved as follows:
- a) Variations up to 15% of the contract value shall be approved by the MD.

- b) Variations above 15% of the contract value shall be approved by the Board of Directors.

2.6. Emergency Requirements

- i. In cases where there is a genuine urgent requirement for goods or services (e.g., time-bound projects, unplanned maintenance, disasters, disease outbreaks, urgent fuel and staple needs, etc.), procurement may proceed through an Emergency Declaration.



- ii. An Emergency Declaration should not cover procurement arising from operational or planning deficiencies within the Company. The head of the requesting department must submit an Emergency Declaration to the Procurement Department, including a justification for the nature of the emergency. Such requests should be handled using the most competitive and appropriate method that the urgency allows.

All Emergency Declarations must be approved by both the Head of Procurement Department and the MD.

2.7. General Provisions

- i. Procurement methods must be applied at the appropriate verification levels, ensuring that each party involved at each approval stage performs the necessary due diligence in reviewing and verifying the information. They shall be held accountable for the accuracy of the verification, evaluation, and any decisions based on

- misrepresented information.
- ii. No product or service shall be procured from an employee or any related party of the employee.



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