

**Policy Name: Financial Due Diligence & Vendor Performance Standards**

**Version: 1.8**

**Last Updated:** October 2023

**1. Purpose**

This policy ensures that all vendors maintain **financial stability** and demonstrate **consistent performance** to fulfill their contractual obligations.

**2. Financial Stability Requirements**

- Vendors must provide **audited financial statements** for the last **two fiscal years**.
- Minimum financial health metrics:
  - **Debt-to-equity ratio must not exceed 2.0.**
  - **Liquidity ratio must be above 1.2** to ensure short-term solvency.
  - A **credit rating of BBB or higher** is required for contract eligibility.

**3. Payment Terms & Contractual Obligations**

- Vendors must comply with **net 30-day payment terms** unless otherwise negotiated.
- Late deliveries or service failures will result in **financial penalties**.
- Contracts must include **a performance review clause** allowing periodic assessment.

**4. Performance Monitoring & Termination Conditions**

- Vendors must maintain a **98% or higher SLA (Service Level Agreement) compliance rate**.
- Any performance deviations beyond **5% from agreed KPIs** must be reported immediately.
- Contracts will be **subject to termination if vendor performance drops below 85% for two consecutive quarters**.

**5. Risk Mitigation & Escalation**

- Vendors must have **a contingency plan** in case of operational disruptions.
- If financial health deteriorates, vendors must **notify the company within 10 business days**.

- High-risk vendors will be required to provide **performance bonds or financial guarantees.**