

Cardinal Rules Reiterated | Commercial

- All items to be purchased /services availed (Including consultancy, legal and admin services) against an approved budget and valid Purchase /Service order.
- All payments to be made only against valid purchase/service orders and duly certified invoices.
- Business partners are extremely important for our volume, cost and growth. All the O&M contracts to be changed to end-to-end contracts linked to business outcome. We need to embrace the business partner and make him part of Vedanta family in letter and spirit. Follow 2 partners approach for each service category to create competition in service delivery.
- 100% Online Buying. All buying to be done through EOI and auctions for price discovery. Offline negotiations to be completely discouraged and reported as exceptions (to be approved by respective BU mancom)
- We don't want to do logistics. We want the material procured to be delivered at our plants. The entire logistics process needs to be automated (ITMS).
- Entire procurement process to be made faceless and touchless by P2P automation and Use and Pay.
- Quality of products/services in buying is extremely important and needs to be assured 100%.
- Continuous Peer benchmarking and market intelligence.

Key Definitions - Reiterated | Commercial

Price Discovery:

- Price to be discovered with Business Partner through online platform only. No offline one-to-one negotiation / communication (e-mails, phone calls, etc.)
- Mode of price discovery should be through e-auction / e-tendering / bids received in digital envelope
- E-auctions can be done through various types of auctions (English, Japanese, Dutch, etc.) with multiple Business Partners or with single Business Partner, as required.
- Participation in auctions conducted by Business Partner (NMDC, Coal India) to be considered as price discovery
- List prices as per Govt. circulars/tariffs to be considered as price discovery
- Auto POs - System based callouts made against the ARCs/Outline Agreements to be considered as price discovery

Non-Commercial Business Partners - Category of Business Partner where the partner selection is not led through a techno-commercial process are termed as Non-Commercial Vendors. e.g.,:

- Professional Charges for experts/trainings (lawyers, guest speakers, trainers, advisors, educational institutes etc.)
- Statutory government vendors for payments made towards royalty, GST, Income tax etc.
- Sponsorships, seminar participation, Donations etc.

Balance all partners will be considered as Commercial Business Partners. All orders placed to Non-commercial Business Partners will be considered as Non-Commercial order.

Commercial Business Partners have been categorised (Raw Material, Spares & Consumables, Capex, Services, Logistics, Others) and the businesses to ensure the correct categorisation in their vendor master for the right MIS

Communication with Business Partners for technical scope clarifications, taxation issues, etc., except price negotiations can be done and the same to be recorded and documented

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End To End Contract Coverage Definition:

- One partner for End-to-End Coverage of activities (O&M, R&M, etc.). E.g., for entire plant (Smelter, Power Plant), sub-plant (Carbon plant), Mine/area in mine
- 100% Outcome linked payment structure on Rs./MT, Rs./kwh, Rs./bbl, Rs./MIC, Rs./MIO etc., based on the nature of operation
- KPI scorecard linked to Key Parameters (Safety, MIP, AO, Skills & Digitization)
- Inclusion of Spares
- Inclusion of Sustaining Capex (Outcome linked)

DAP / CIF Procurement:

- DAP: Delivered at Plant by the supplier
- CIF (Imports) : Delivery of material by supplier at the nearest Port of Discharge

Any exceptions to / deviations from Cardinal rules and above definitions to be duly approved by respective business CEOs & CFOs. A copy of the approval to be shared with the Buying Committee for concurrence with rationale / feedback