

SECTION 2: VENDOR SELECTION STANDARD

2.1 Purpose and Scope

This standard implements the *Accounting Policy*.

2.1.1 Overview

Vendor selection is a critical component of responsible procurement practices. Vendors shall be selected based on their ability to service the needs of Smooth Sailing Solutions in the most effective and efficient manner. Smooth Sailing Solutions will provide equal opportunity to all vendors.

2.1.2 Purpose

The purpose of this standard is to ensure that the selection of suppliers used for the procurement of all goods and services is conducted in an honest, competitive, fair, and transparent manner that delivers the best value for money outcome whilst at the same time protecting the reputation of Smooth Sailing Solutions, taking into account the required specification, quality, service, delivery, reliability, environmental, and social issues as well as the total cost of ownership.

2.1.3 Scope

This standard applies to all employees, contractors, consultants, temporary and other workers at Smooth Sailing Solutions and its subsidiaries, and any other person or entity who is involved the procurement of goods and services on behalf of Smooth Sailing Solutions.

Document Name

2.2 Standard

2.2.1 Selection

Buying shall be competitive with a select number of vendors allowed to bid. Past performance of vendors and cooperation with Smooth Sailing Solutions are important factors in vendor selection. Whenever a vendor base is not sufficient to fulfill the organization's needs, additional research and solicitation must be conducted to increase vendor participation.

The individual responsible for making procurement requests is known as the *Requestor*. Requestors may indicate suggested vendors. The final selection of the vendor is made by the Procurement Agent in collaboration with the Requestor.

2.2.2 Due Diligence

The Procurement Agent in collaboration with the Requestor performs due diligence on prospective vendors. Due diligence should serve as a verification and analysis tool, providing assurance that the vendor meets the needs of the Requestor.

Due diligence should confirm and assess the following information regarding the vendor:

- Existence and organizational history;
- Qualifications, backgrounds and reputations of company principals, including background checks where necessary;
- Verification of references;
- Service Delivery capability, status and effectiveness;
- Internal controls environment, security history, and audit coverage (see *Vendor Security Standard*);
- Information security/risk assessment, off boarding requirements (see *Vendor Security Standard*);
- Legal and regulatory compliance;
- Insurance Coverage;
- Diversity;
- Conflicts checks, for vendors with an anticipated total expenditure or more than \$25,000, accumulated over the term of the contract or a three-year period, whichever is the shorter period.

The depth and formality of the due diligence performed may vary according to the risk of the outsourced relationship, Smooth Sailing Solutions's familiarity with the prospective vendors, and the stage of the vendor selection process.

Document Name

The Procurement Agent may not be able to fully assess the due diligence results. Procurement Agents should flag and escalate high-risk vendors for additional review by their supervisor.

2.2.3 Procedures

ACCOUNTING will establish and document procedures to implement this standard.

2.3 Compliance and Control

FINANCE DEPARTMENT will verify compliance to this standard through various methods, including but not limited to, business tool reports, internal and external audits, and feedback to the policy owner.

Any exception to the standard must be approved by FINANCE DEPARTMENT in advance. Any exception to due diligence referring to the *Vendor Security Standard* must be approved by INFOSEC in advance.

An employee found to have violated this standard may be subject to disciplinary action, up to and including termination of employment.

Section 2: *Vendor Selection Standard* is a controlled document. While this document may be printed, the electronic version maintained on the Smooth Sailing Solutions POLICY DOCS LOCATION is the controlled copy. Any printed copies of this document are not controlled.

Document Section Classification: Internal Only

2.3.1 Related Policies, Standards, and Procedures

- *Procurement Standard*
- *Purchase Approval Authority Standard*
- *Vendor Security Standard*

Document Name

2.3.2 Change Control

Table 2-1: Amendment History

Version	Date	Person	Description of Change
0.1	June 11 2019	T. Ryng	Initialization per template.
0.2	June 12 2019	T. Ryng	Minor corrections for consistency.
0.3	June 24 2019	T. Ryng	Add references to <i>Vendor Security Standard</i> .

2.3.3 Review and Approval

This document is valid as of [date].

The owner of this document is indicated in Table 2-2. This person must review and, if necessary, update the document at least annually.

Table 2-2: Approval

Name	Title	Signature	Date

