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Procurement Policy

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Procurement strategy - Why we need one

DMH Interiors Limited acknowledges that the way it operates and behaves has a wide impact on the way it is perceived by its stakeholders - this includes suppliers.

DMH's policy is to source goods and services effectively and fairly and to achieve best possible value, where value includes service, lifetime costs, quality, reliability, and timeliness of delivery. DMH shall procure goods and services in accordance with the law and in a way that can demonstrate compliance with relevant legislation relating to matters such as anti-competitive behaviour, anti-bribery, health and safety regulations and data protection legislation.

Any procurement by DMH must conform to its ethical, environmental and sustainability standards. DMH requires a procurement policy to ensure that it operates to a high professional standard that is consistent across the organisation.

Governance

DMH's Procurement team provides oversight of the business procurement policy to ensure that it is:

- consistent with its strategy and values
- applied consistently across the business
- followed in spirit and process, and
- supported by compliance testing and internal audit.

Procurement Team Role

- To establish and communicate the procurement policy, including the vetting of suppliers, the tender process (when there is a requirement to tender) and contract/supplier management process
- To ensure that DMH utilise its buying power well, monitors best practice in procurement and shares ideas and information on the performance of its suppliers
- To co-ordinate its supplier management expertise and knowledge

Vetting suppliers and the contract process

DMH has policies relating to the classification and choice of suppliers that it uses. These are required to:

- ensure that they meet its policies on matters such as data protection, sustainability, employment practices and health and safety
- deliver a consistently high operating standard, and
- identify any credit or other performance issues before contracts are exchanged with any supplier.

Requirement to tender

DMH has policies regarding the need to put contracts out to tender to ensure that:

- there is transparency and fairness in our choice of suppliers, and
- DMH can verify the quality of the product or service being offered against competitors in the market.

Contract and supplier management

The ongoing management of suppliers and contracts is just as important as the initial engagement. This is often where things can go wrong – or, if properly managed, where strong, long-lasting relationships with suppliers can be forged.

Contract process

Important – DMH’s policy is that signed contracts and purchase orders should be agreed and executed with all suppliers before goods are delivered or services are performed.

Pre-approval: A supplier must have an approved purchase order to be paid. To obtain a purchase order, the proposed new supplier must be registered with DMH, No purchase order, no payment.

All new supplier requests shall be approved by a Senior Manager

Before proposing a new supplier, the following questions should be answered:

1. Are there any other suitable approved suppliers within the classification to provide the goods or services?
2. Is the selected approver the most appropriate person to decide on a new supplier?
3. Have you collaborated with all internal expertise as necessary before deciding to propose the supplier?

Whoever is authorised to approve a new supplier is acknowledging that they have considered the questions listed above before agreeing to proceed.

Important note

The person requiring the service or product which is the subject of the tender should not also be the approver of the supplier – this can compromise independence. The responsibility for approval should be passed to their line manager.

In each case, the procurement Owner is responsible for ensuring that:

- their supplier’s contracts are in date
- managing or directing the schedule of renewals, and
- if the contract expires, notes on the circumstances of the expiry (e.g., terminated or expired or awarded to new supplier).

Service Level Agreements and KPIs

With all service partner contracts, consideration should be given to performance measurement through the use of Service Level Agreements (SLAs) and/or Key Performance Indicators (KPIs) targeted

at our core values.

SLAs will not be suitable or relevant in all circumstances. However, where used, the SLA should adequately define the specification or scope of the goods or services clearly setting out DMH's expectations. Any KPIs should mirror the SLAs so there is no ambiguity or discrepancy between the two. Any SLAs and KPIs should be monitored by the relevant business department and action taken to address any poor performance.

Supplier classification

DMH classifies its suppliers by importance

Strategic Suppliers

Our Strategic Suppliers are those that have particular importance to DMH, by reference to such factors as their supply risk and sourcing difficulty (the difficulty of replacing them if they should fail), the duration of their contract, Executive visibility, and the potential impact to DMH's financial position or reputation if they should fail (or fail to perform).

As such, we apply higher standards to Strategic Suppliers, both before contracts are exchanged and further as part of the ongoing contract management process when they form part of our system.

Strategic Suppliers include those who supply materials to sites, and providers of services to DMH. This includes any combination of goods and service where service forms part of the procurement (for example, where goods require installation rather than just delivery). The number of Strategic Suppliers will represent only a small proportion of the number of suppliers used by DMH.

Non-Strategic Suppliers

All Suppliers to DMH are important but not all carry the same risk or threat should things go wrong. Indeed, most suppliers used by DMH will not be regarded as Strategic Suppliers.

Accordingly, the governance and monitoring of those suppliers not regarded as strategic will be less, with fewer checks, for example on their credit worthiness. This does not mean that these suppliers are not important or that they should not be managed well. We just don't have the resources to apply the same checks to all the suppliers and therefore we rely on the Procurement team to manage.

Tender

This is required to ensure transparency in our choice of suppliers and that DMH can verify the quality of the product or service being offered against the market. It also protects employees from any allegations of conflicts of interest.

A tender process is time-consuming when done properly but will normally result in a better outcome.

Tendering Procedure

The nature of the tender process may depend on the nature or type of goods or service being

procured. It may also apply, for example, where quality is deemed much more important than price.

Gifts and Hospitality during Tenders

In accordance with the Gifts and Hospitality Policy no gifts or hospitality can be accepted by any member of the procurement team from any bidder in the tender process for the duration of the tender and bidders should be informed of this when the tender process begins.

- If an offer of a gift or hospitality is made, the offer should be declined and the individual should immediately report this to the procurement Manager, who in turn should notify the Managing Director.
- A decision will then be made as to whether such an offer has breached the terms of the tender process such that it results in the exclusion of the supplier.

Contract and Supplier Management

The ongoing management of suppliers and contracts is just as important as the initial engagement. This is often where things can go wrong – or, if properly managed, where strong, long-lasting relationships with suppliers can be forged.

The following elements are essential:

- Approval of purchase orders
- Purchase order numbers
- Filing (electronically). Contract variations include any future contract amendments to the original contract (this may be simply email correspondence that varies the contract terms)
- Ongoing supplier management of both the contract and the relationship.

Completion of Purchase Orders and Contract Documents

It is DMH's policy that an approved purchase order and, where appropriate, a signed formal contract/letter of appointment be in place prior to a service commencing or goods being acquired. Failure to do so may end up as a disciplinary issue.

It is preferable to defer the start of a contract than allow it to commence without the appropriate form of contract having been signed by the parties. If terms have been agreed, then we have a speedy contract execution process; if terms have not been agreed then this indicates that there is uncertainty as to what the parties expect and often leads to costly disputes.

Ongoing checks - credit

All suppliers will be credit checked by the procurement team as follows:

- All suppliers at registration
- Supplier Review – at least every year.

Any checks indicating a supplier is at risk of financial failure shall be fully investigated.

A decision shall be made by the procurement team manager as to the risk to DMH of the continuation of the supplier's approved status. The MD shall be informed of the decision and the appropriate action taken e.g., supplier suspended

The procurement team will email suppliers whose documents or information achieve a non-compliant status e.g., document expiry. Any supplier with non-compliant documents will have their status changed to "Unapproved", preventing orders being placed with them. In order to keep our supplier lists current, the procurement team will suspend the account of any supplier with whom an order has not been placed in the previous 18 months. Suspended accounts can be reactivated by contacting the procurement team.

Suspending Suppliers

For various reasons it may be in the best interests of DMH to suspend a supplier, preventing them being used by any part of the business for a fixed period.

Reasons for suspending a supplier could include poor performance, legal disputes, financial difficulties or illegal activity, or their failure to comply with DMH processes.

Should a DMH employee wish to add a supplier to the suspension list, they should send this request, along with the reasons why, to their Senior Manager. Should the Senior Manager agree with the proposal, they should send the request to the MD for approval.

DMH will consider where and how the supplier is currently being used, and for what, to assess any potential impact on the business of being suspended.

Data protection

Data protection is now a critical issue for all businesses and there are statutory procedures to be followed (and, in some cases, statutory fines to be paid) when things go wrong. There are several different elements to the importance of data protection:

- Safeguarding personal data and remaining compliant with the General Data Protection Regulation
- Safeguarding corporate and commercially sensitive data by ensuring that it is transmitted and held securely
- The use of measures and safeguards to minimise the risk of data loss, either through cyber-attack from outside or a failure to protect data through internal systems and training.

Sustainable procurement

DMH will:

- Procure timber from Forest Stewardship Council (FSC) and/or Programme for the Endorsement of Forest Certification (PEFC) approved sources
- Where viable, give preference to the use of timber and timber products, which are assured as 'Grown in

Britain’.

- Seek alternative materials incorporating higher proportions of recycled materials.
- Give preference to procuring products (direct and indirect) which can demonstrate compliance with recognised responsible sourcing scheme, certified by a third party.
- At all times consider the energy efficiency of plant, equipment and materials and promote those items with the greatest energy efficiency.
- Ensure that whatever service or material we are purchasing, that it will be legal, ethical and in accordance with client requirements and DMH’s policy: Code of ethics and conduct.
- Any product or ‘kit’ which is produced and placed on the market for permanent incorporation in construction works carries the CE marking; this is a minimum requirement of DMH.



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