# Supplier Risk Assessment Policy

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## 1. Purpose

The purpose of this Supplier Risk Assessment Policy is to establish a structured framework for assessing and managing risks associated with suppliers of goods and services to Saksoft. This ensures compliance with sustainability, ESG (Environmental, Social, and Governance), and ethical standards, safeguarding Saksoft's supply chain, ensuring business continuity, and protecting its reputation.

## 2. Scope

This policy applies to all suppliers, contractors, and service providers involved in Saksoft's operations, including IT infrastructure, digital services, utilities, and operational resources. It covers supplier onboarding, performance monitoring, and periodic risk re-evaluation.

## 3. References

- ISO 20400: Sustainable Procurement
- ISO 31000: Risk Management
- Saksoft's ESG and Sustainability Framework
- Applicable legal and regulatory guidelines for procurement

## 4. Key Risk Areas

**4.1 Quality Risk :** The risk that a supplier fails to meet Saksoft's quality standards, resulting in defective services, delays in project timelines, or increased operational costs.

**4.2 Financial Risk:** The risk that a supplier's financial instability could disrupt service delivery or compromise the availability of critical resources needed for Saksoft's operations.

**4.3 Compliance Risk:** The risk of non-compliance with legal, regulatory, or contractual requirements, including data privacy regulations, cybersecurity standards, and labor laws, potentially leading to reputational or financial repercussions.

**4.4 ESG Risk:** The risk that a supplier's practices do not align with Saksoft's sustainability and ethical standards, potentially resulting in negative environmental, social, or governance impacts that could harm Saksoft's reputation or ESG goals.

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## 5. Definitions

- **Supplier:** Any third-party entity providing goods or services to Saksoft.

- **ESG Risk:** Risks related to Environmental, Social, and Governance factors, such as sustainability, labour practices, and ethical compliance.

- **High-Risk Supplier:** A supplier identified with significant risks that could impact operations or reputation.

- **Risk Tolerance:** The acceptable level of risk Saksoft is willing to take to achieve its objectives.

## 6. Roles and Responsibilities

- **Procurement Team:** Implements and monitors the Supplier Risk Assessment Policy.

- **Suppliers:** Comply with Saksoft's standards and address identified risks promptly.

- **Senior Management:** Reviews and approves supplier risk strategies and actions for high-risk suppliers.

- **Risk Management Team:** Conducts periodic assessments and provides guidance on risk mitigation plans.

- **Legal and Compliance Team:** Ensures suppliers adhere to applicable laws and regulations.

## 7. Policy Provisions

### 7.1 Prioritizing Procurement Categories

**Criticality Assessment:** Identify procurement categories critical to Saksoft's business operations and assess their potential ESG risks. Categories with higher criticality and ESG risks are prioritized for detailed risk assessment.

**Table: Risk Assessment Table - Prioritizing Procurement Categories**

| Product/Service | Criticality to Business (1-5) | ESG Risk (1-5) | Risk Score (Criticality x ESG Risk) | Rank |
|---|---|---|---|---|
| IT Infrastructure | 5 | 4 | 20 | 1 |
| Digital Services | 4 | 3 | 12 | 2 |

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| Product/Service | Criticality to Business (1-5) | ESG Risk (1-5) | Risk Score (Criticality x ESG Risk) | Rank |
| --- | --- | --- | --- | --- |
| Office Utilities | 3 | 3 | 9 | 3 |
| Cleaning Services | 2 | 2 | 4 | 4 |

## 7.2 Supplier Selection and Screening

**Selection Criteria:** Select suppliers based on their significance to Saksoft's operations (e.g., total spend, business share). High-impact suppliers are selected for in-depth risk assessment.

**Table: Risk Assessment Table - Selecting Suppliers**

| Product Category | Vendor/Supplier Name | Spend on Vendor | Business Share of Vendor for Item | Risk Intensity (HR/MR/LR) | Selected for Risk Assessment (Yes/No) |
| --- | --- | --- | --- | --- | --- |
| IT Infrastructure | Supplier A1 | High | High | High | Yes |
| IT Infrastructure | Supplier A2 | High | High | High | Yes |
| Digital Services | Supplier B1 | Medium | Medium | Medium | Yes |
| Digital Services | Supplier B2 | Medium | Low | Medium | No |
| Office Utilities | Supplier C | Low | Medium | Low | No |
| Cleaning Services | Supplier D | High | High | High | Yes |

## 7.3 Detailed Risk Assessment

**Data Collection:** Gather relevant data from internal systems, supplier databases, public records, third-party sources, and direct supplier engagement. Data should include information on suppliers' business activities, CSR policies, labour practices, environmental performance, and compliance records.

**Table: Risk Assessment Table - Detailed Risk Assessment**

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| Attribute | Supplier A1 | Supplier A2 | Supplier B1 | Supplier D |
| --- | --- | --- | --- | --- |
| Financial Stability | 4 | 3 | 5 | 3 |
| ESG Compliance | 3 | 4 | 5 | 4 |
| Reputation Risk | 5 | 3 | 4 | 3 |
| Risk Score (weighted) | 60 | 36 | 100 | 36 |

## 7.4 Mitigation Planning

**High-Risk Suppliers:** For suppliers identified as high-risk (e.g., those with a risk score above a defined threshold of 64), develop and implement mitigation plans. Actions may include:

- o   Requiring suppliers to sign the Supplier Code of Conduct (SCoC).
- o   Providing training on sustainability and ethical standards.
- o   Conducting on-site audits and inspections.
- o   Requesting self-assessment reports.
- o   Offering capacity-building support to improve compliance.

## 7.5 Monitoring and Review

- **Ongoing Monitoring:** Continuously monitor the performance of high-risk suppliers through regular audits, site visits, and performance reviews. Ensure that identified risks are being effectively managed and that suppliers are compliant with Saksoft's standards.

- **Periodic Re-evaluation:** Re-assess suppliers periodically or when significant changes occur, such as shifts in regulatory environments or business operations. Adjust risk management strategies accordingly.

- **Reporting:** Communicate the results of risk assessments and mitigation activities to relevant stakeholders, including senior management and procurement teams.

## 8. KPIs for Monitoring Policy Implementation

| KPI | Description | Target/Threshold | Frequency of Measurement |
|---|---|---|---|
| Percentage of suppliers assessed annually | Measure of the proportion of suppliers evaluated for risk and compliance. | 90% of critical suppliers | Annually |
| Number of high-risk suppliers mitigated | Total count of high-risk suppliers with active mitigation plans. | 80% of identified high-risk suppliers | Quarterly |
| Signing of Supplier Code of Conduct | Percentage of suppliers signed to Saksoft's Code of Conduct. | >70% | Annually |

## 9. Documentation and Record Keeping

- Maintain comprehensive records of supplier assessments, audits, and communications.

## 10. Distribution List

- Procurement Team
- Risk Management Team