



IIBAT- Supplier Payment Policy

Dated :Tuesday, 01 January 2013

Please Note:- This policy should be read along with IIBAT- Supplier Ethics Policy dated 11.01.2012.

Why IIBAT should pay its invoices on time?

As well as being unethical, the practice of deliberately paying later than the agreed terms is wrong for sound economic reasons:

- It weakens IIBAT because it harms IIBAT's reputation;
- It damages IIBAT's supply sources and strains IIBAT's relations with suppliers;
- It weakens the economy as a whole because it constricts growth;
- Late payment is often taken as an indication that the buyer is in difficulties. If IIBAT create this impression with IIBAT's suppliers we may find that their terms worsen.

Late payment can also be symptomatic of poor relationships between IIBAT and our suppliers.

The way IIBAT manages our purchasing relationship is important to IIBAT's Supply Chain Management's success . A commitment by IIBAT to prompt payment can be a powerful aid to better buying; it will certainly produce closer, more co-operative partnerships between IIBAT and our suppliers.

IIBAT in particular enjoy considerable purchasing power. That power carries responsibility. The flow of cash in the economy begins with organisations like IIBAT and should cascade, not trickle, down the chain of suppliers.

Paying on agreed terms injects more money into Indian industry; existing suppliers are kept healthy; new firms are encouraged to compete in the supply arena; buyers benefit from a wider range of supply sources and the Indian economy becomes more competitive in the world market.

Better payment helps build a better business for IIBAT-(Business and economic benefits of paying on time)

IIBAT can gain in reputation and buying power when IIBAT commits to prompt payment.

Why?

- Suppliers will be keen to work with IIBAT.
- IIBAT can avoid costly late payment charges or compensation claims.
- IIBAT can save on fire fighting and strained relationships.
- IIBAT can approach suppliers and customers on confident terms and build their confidence in IIBAT.

Extra benefit to IIBAT

IIBAT's suppliers' incentive for reliability will enable IIBAT to give reliable service to customers / sponsors and help IIBAT to improve IIBAT's terms.

Closer cooperation with IIBAT's suppliers can lead to wider benefits like suggestions for more efficient delivery patterns, or new insight into alternatives for components or supplies.

Customers / Sponsors of IIBAT with concern for efficiency and responsibility in business practice will reward IIBAT's commitment.

Helping the Indian economy

By working together to change a culture of late payment, businesses that pay promptly are keeping existing suppliers healthy, encouraging new suppliers and helping to make the Indian economy more competitive in the world market.

How to do it ?

- Have a top management policy on prompt payment of bills. Ensure that all staff at IIBAT are aware of it, especially but not only those in finance and purchasing.
- Agree terms of payment at the start of all contracts.
- Monitor IIBAT's payment system regularly for timely payment of invoices
- Have a good system for clearing disputes quickly.
- Foster good relationships with suppliers by informing them of IIBAT's payment procedures and who is responsible.
- Promote healthy cash flow in both directions with efficient collection for IIBAT's own revenues.

Buying and Paying - Why paying IIBAT's suppliers on time is good for IIBAT ?

"Good Business Practice" (GBP)

As a responsible purchaser, IIBAT must foster good relationships with IIBAT's suppliers. They are important to IIBAT.

Some large firms, such as Shell, IBM and Ford, who buy huge volumes from thousands of individual suppliers, issue guidance literature on payment procedures. This helps suppliers to understand the timing of payment procedures, how best to present invoices and how to follow up unpaid items and disputes. IIBAT needs to prepare a guidance literature on payment procedures. (Within 90 days from the date of this policy). IIBAT must ensure that our staff operate reliable payment procedures.

Payment Policy

- Do you have clear, written instructions on payment of bills?
- Are all finance and purchasing staff aware of them?
- Do buying and payments functions work together to provide a total quality service?
- Is the payment policy being monitored to ensure that it works?
- Are you confident that there are no embarrassing arrears which may cause supply interruptions, writs and audit qualifications?
- Do you have rapid clearance of account disputes and are IIBAT's service staff properly involved in them?

Payment Terms and Breach of Contract

Sellers normally stipulate conditions of sale. In practice, the power of a large purchaser often means that it can impose its own terms. Buyers should, however, ensure that any variations to the seller's standard terms are agreed by both parties.

An example is the condition of sale relating to the allowed period of credit, (i.e. the 'payment term'). When an order is placed for specific goods or services at an agreed price payable at an agreed date, all those aspects are legally binding. Delaying payment is in breach of contract terms.

Negotiating the Payment Terms

Any contractual term is only valid if it is agreed at the order stage. (Purchase Order duly raised and delivered) Consider the opportunities for negotiation before the contract is made:

- A sales representative may telephone or visit;
- A catalogue or price list may be held by you;

- You may make an enquiry or request a quotation;
- A supplier may submit an official tender.

In any of these, a supplier may state standard credit terms, e.g. '30 / 60 / 90 days from date of invoice'.

The seller always has a cost in allowing time to pay. Borrowing at 12% pa, for example, will cost 1% of the invoiced value for each 30 days credit. The price may include 1% for the standard term but the cost of unplanned payment delays has to be absorbed by the seller as a reduced profit margin.

The credit terms IIBAT require should be properly negotiated and adhered to. If you do nothing to contest the seller's terms at the order stage you should not then just pay when it suits you.

In a typical good negotiation on payment terms, a seller with terms of 30 days resists IIBAT's request for 60 days; but quantifies it as a cost of 2% and agrees a different kind of benefit, such as a price discount, earlier delivery or a stockholding for an agreed period.

A Variable Payment Policy

No system failure at IIBAT, should be allowed to produce payments at dates later than agreed terms, and flexibility should always be possible.

Any system can be overridden when special payments are needed, e.g. casual labour or emergency suppliers can be paid. Overdue debts can also be settled on demand, if the will is there.

IIBAT must have selected accounts which get priority payment treatment, for various reasons. Some have an enlightened policy of paying all small firms quickly. This also has the advantage of clearing the majority volume of paperwork.

A policy of deliberately delaying payments can be costly when purchasing staff have negotiated favourable deals with suppliers in return for prompt payment. It may well be a breach of contract in law; and it can permanently damage working relationships with our esteemed suppliers.

Creating a speedy payment process

It is important that The Executive Council-IIBAT and Senior Managers / Scientist work hard to foster a culture of prompt payment within IIBAT. The following actions will help create and maintain a speedy payment process:

- Have a management policy on prompt payment of bills. Ensure that the finance and purchasing departments are aware of the policy and are committed to it.
- Agree terms of payment at the outset.
- Monitor IIBAT payment system regularly.
- Make sure that invoices are processed in time to meet due dates.
- Agree realistic contract terms with suppliers.
- Have a system in place to deal with disputes quickly.
- Foster good relationships with suppliers.
- Help IIBAT suppliers to understand IIBAT's payment procedures and, issue guidance literature.
- Tell suppliers the name of the person responsible for payments.
- If IIBAT has a computerised payment system, make sure it can be overridden if necessary to comply with agreed terms.
- Promote healthy cash flow in both directions by having efficient collection procedures in place for IIBAT's own revenues.

Things to avoid that will damage a supplier relationship

Suppliers are important to IIBAT. Without them IIBAT will not exist. So treat them fairly and they will, in turn, look after IIBAT:

- DO NOT take unauthorised free credit taken from suppliers.
- DO NOT Use the financial strength of IIBAT to impose abnormally extended terms of payment.

- DO NOT Rate suppliers for payment in an order which reflects their bargaining power.
- DO NOT Use a minor invoice error as an excuse to delay payment when you have had the benefit of a good product or service.
- DO NOT Restrict the financing options of IIBAT's suppliers by including such restrictive clauses as 'ban on assignment'.
- DO NOT Condone a hostile payments relationship which does not match the friendly purchasing one.

Supplier Payment Policy of IIBAT

Unless otherwise agreed, when a purchase agreement is entered into between IIBAT and a supplier, IIBAT will pay the supplier within 30 days of the invoice date (the "Standard Payment Period").

If a payment cannot be fulfilled within the Standard Payment Period due to late receipt of the invoice, the supplier will be notified of the late receipt of the invoice and when the supplier can expect to receive payment. If there is a dispute relating to an invoice, IIBAT will provide the supplier with details of the dispute prior to expiry of the Standard Payment Period.

Payment Procedures

IIBAT is able to fulfil payments to suppliers by cheque payment. The payment procedure for each supplier will be as agreed with the relevant supplier.

Supplier Disputes

If a dispute arises in relation to an invoice, IIBAT will seek to resolve the dispute within the Standard Payment Period. If this is not possible then the following process will be, endeavoured to be observed:-

- the supplier will be notified over phone or in writing (by email or otherwise), prior to expiry of the Standard Payment Period, that the payment will not be fulfilled within the Standard Payment Period;
- the supplier will be provided with an explanation of the reason for the delay and a contact at IIBAT who is responsible for resolving the dispute; and
- IIBAT will use reasonable endeavours to seek to resolve the dispute and make the payment as soon as a resolution has been achieved.

If a supplier wishes to make a complaint regarding IIBAT supplier payment policy and procedures or a payment dispute, the supplier should submit the complaint in writing to the Head of Administration at IIBAT or to his email at fm@iibat.com .IIBAT in the first instance will provide a written response to the complaint within 10 working days of receipt.

If the supplier does not find IIBAT's initial response to the complaint satisfactory then the supplier may send further correspondence to The President – IIBAT or to his email at president@iibat.com.

Suppliers who believe that an employee of IIBAT, or anyone acting on behalf of IIBAT, has engaged in illegal or otherwise improper conduct, should report the matter to IIBAT. IIBAT expects all of its employees to comply with the law and act ethically in all matters. IIBAT has the same expectations of our suppliers. Our Code of Conduct / Integrity Policy /Supplier Ethics Policy/ Research Integrity Policy etc. etc. sets the basic standards for IIBAT employee conduct.

IIBAT is a Pay-on-time supporter

Everybody in business has, at some time, suffered at the hands of a bad payer. It can absolutely crucify an otherwise healthy and profitable business. Its effects, especially in the current climate, are devastating on the economy.

But ultimately late payers just end up hurting themselves because it damages their reputation and suppliers start to avoid them. So any company that believes that paying late is an easy fix when cash is tight will create problems for themselves when better times arrive.

By joining IIBAT as a Pay-on-time Supporter IIBAT is drawing a line in the sand and showing the business / scientific world that IIBAT is a decent organisation to do business / science / research with.

The best supply chains aren't just fast and cost-effective. They are also agile and adaptable, and they ensure that all IIBAT's interests stay aligned

The buyers happiness cannot be purchased by the sellers misery, and remember all what we do at IIBAT is ultimately for public good.

It shall be the fundamental duty of every person "to develop the scientific temper, humanism and the spirit of inquiry and reform."

(Emphasis Supplied)

"By Order of The Executive Council- IIBAT"

For International Institute of Biotechnology and Toxicology (IIBAT)

Dr P Balakrishna Murthy
Director-cum- Secretary

Dr P K Sarangi
Sr Manager Administration

M Sekar
Supply Chain Officer

Place: Padappai, Tamil Nadu, India

Date : Tuesday, 01 January 2013

Copy to: All Notice Boards of IIBAT and to website www.iibat.com as downloadable .pdf file.

Please Note:- This policy should be read along with IIBAT- Supplier Ethics Policy dated 11.01.2012 which can be downloaded as a .pdf file from www.iibat.com

Received Copy :-

Name of Supplier :- _____

Address of Supplier :- _____

Signature of Authorised Officer of Supplier:- _____

Name of Authorised Officer : _____

Designation of Authorised Officer : _____

Date : _____ Office Seal of Supplier:- _____