

Procurement Ethics

I. Description and Implications

Personnel having procurement authority are held to the same high standards of ethical conduct as are other SRI staff members. In addition to complying with SRI's Ethics Code and Standards of Conduct and with relevant government regulations, Procurement staff must adhere to the policies and practices highlighted and described below.

II. Standards of Conduct for Procurement Staff

SRI's Procurement process stresses objectivity, fairness, and transparency. All Procurement staff shall comply with all of the following standards and practices:

- A. Relationship with Suppliers: All suppliers will be dealt with fairly and impartially. All statements made to or about suppliers will be factual, and known supplier difficulties will be disclosed to parties with a need to know. Merit will be the sole basis for source selection.
- B. Reciprocity: Policies regarding selection of sources will not be favored for or against SRI's client base. Merely because SRI may provide substantial services to a company is not a legitimate basis for Procurement to purchase goods or services from that company. P.O.s or subcontracts will be awarded on the basis of merit in accordance with the requirements of laws, regulations, rules, policies, and procedures.
- C. Gratuities: Employees of SRI must not appear to be, or in fact become, obligated to any supplier. Procurement staff shall not participate in any SRI transaction in which they might personally benefit. Procurement staff will deal with suppliers and potential suppliers on an impartial basis and shall refuse any gifts or favors except as expressly provided below with respect to meals and advertising-related gifts of nominal value.
 1. Procurement staff are discouraged from accepting meals paid for by suppliers. If it becomes necessary in the course of business, to continue discussions over a meal, the Procurement Agent may accept the meal provided:
 - a. The meal time is used to conduct business;
 - b. The meal is of nominal value (\$35.00 or less); and
 - c. If the opportunity presents itself, the Procurement Agent shall reciprocate in buying the vendor's meal.
 2. Supplier advertising material gifts of nominal value (\$25.00 or less) may be accepted by staff members as long as the items are:
 - a. in good taste; and
 - b. are given freely by the supplier to anyone requesting them.
- D. Conflicts of Interest: Staff members are prohibited from placing procurements with firms which employ a member of the staff person's immediate family, or with firms in which the staff person holds a significant financial interest. As a guideline, more than a 5%

interest in the total shares of outstanding common or preferred stock shall be considered significant.

- E. Purchases from SRI employees or their families: Purchases may be made by Procurement staff from SRI employees or their families only if such purchases satisfy all of the following criteria:

The purchase must be competitively based, with the award going to the lowest responsive and responsible bidder. Competing bids shall be in writing and attached to the file.

Any noncompetitive awards or awards other than to low bid must be approved in writing by the Director of Procurement.

If the item bears a serial number, the legal title and ownership of the item must be cleared prior to purchase, either by presentation of bill of sale evincing a chain of title or verified through a local law enforcement agency.

If the purchase is other than a one-time purchase, the selling employee must provide evidence of SRI's approval of that employee's outside business interest, which evidence will be included in the procurement file. (See "Outside Business Activities" policy on the Insider.)

- F. Obtaining full and open competition: All competitive bid processes will be conducted professionally and free of any misleading information or intent. Suppliers will not be contacted to quote unless there is a verified business opportunity in which they can reasonably hope to participate. In the case of a sole sourced procurement, if a comparison bid is needed, any supplier contacted for such a bid must be clearly advised that any bid they provide will be for information only and will not result in an award.
- G. In the event of staff member concerns about an ethics issue, staff members are encouraged to contact their immediate supervisor for guidance. If they are not comfortable doing so, they may contact the SRI Ethics Officer (hotline number 2223), their HR representative, or any of the attorneys in SRI's Legal Department.
- H. The Anti-Kickback Act of 1986 (41 USC 51-58) as well as FAR clause 3.502 et seq. are incorporated herein as if set forth in full text. SRI personnel and suppliers are held to be in compliance with the intent of these laws and regulations.