PROCUREMENT, CONTRACTING AND OUTSOURCING POLICY
TABLE OF CONTENTS

1.0 OBJECTIVES AND PRINCIPLES........................................................................................................... 3
2.0 PROCUREMENT THRESHOLD.............................................................................................................. 4
3.0 EVALUATION AND SELECTION..................................................................................................... 7
4.0 PANELS ............................................................................................................................................. 7
5.0 TENDER PROCESS AND PRICE QUOTATIONS.................................................................................. 8
6.0 SOLE SOURCING ................................................................................................................................ 9
7.0 MONITORING COMMITMENTS ....................................................................................................... 9
8.0 CONTRACTS....................................................................................................................................... 10
9.0 EVALUATION OF PERFORMANCE AND GOVERNANCE............................................................. 10
10.0 EVALUATION OF PERFORMANCE ............................................................................................... 10
11.0 GOVERNANCE ................................................................................................................................ 11
12.0 POLICY REVIEW ............................................................................................................................. 11

Approved by the Board of Directors at the Board Meeting No. 28 on 26 May 2011
1.0 OBJECTIVES AND PRINCIPLES

1.1 The objective of the Procurement, Contracting and Outsourcing Policy ("the Policy") is to achieve high standards of professionalism, transparency and accountability while maximising efficiency, effectiveness and flexibility in the procurement process within a system of checks and balances. This is to ensure Perbadanan Insurans Deposit Malaysia ("the Corporation") obtains quality goods and services for the best value. For purposes of this Policy, procurement means the acquisition of goods or services by way of outright purchase, hire purchase, rental or lease arrangement.

1.2 In developing the Policy, Management is guided by the following principles:

(a) **Procurement should be effective and efficient to obtain the best overall outcome.**

This means that it is important to select a procurement method on its merits which achieves the best overall outcome, taking into account all the relevant costs and benefits. There is no single procurement method that suits all situations.

Accordingly, the Policy contemplates that the Corporation should not be bound by a single procurement method, but allows for different procurement options, depending on various factors.

(b) **There is a need for transparency and accountability.**

As a statutory body, transparency in dealings with suppliers and how procurement contracts are awarded is an essential element of accountability, and should be an inherent characteristic of all processes and procedures, plans, actions and decisions relating to the Corporation’s procurement. The Corporation aims to achieve the right balance of public disclosure whilst protecting the Corporation’s interests.

1.3 In line with the principles above, the Policy contemplates ways to achieve the best overall outcome for the Corporation. The Policy discusses when a tender process or quotations process should apply (depending on procurement thresholds) and when procurement may take place using a panel of vendors, service providers or consultants, and circumstances under which sole sourcing would be appropriate. The Policy incorporates strong internal controls to mitigate potential reputational, operational and financial risks.
1.4 A stable and competitive vendor base can provide competitive advantage for the Corporation. Therefore, the Corporation contemplates managing its vendors or service providers in a structured manner to achieve the following:

(a) Ensure the quality and price competitiveness of goods and services to be procured; and

(b) Establish a long term and secured supply of goods or services.

2.0 PROCUREMENT THRESHOLD

2.1 This Policy does not cover procurement related to the following:

(a) Business travel;

(b) Training and employee development expenditure; and

(c) Appointment of external legal advisors.

2.2 For procurement of goods and services other than those mentioned in paragraph 2.1, the Policy is as follows:

(a) The Corporation will manage its procurement processes by introducing the differentiated purchasing methods so as to reduce reliance on one specific method.

(b) A procurement of RM50,000 and below may be carried out through direct sourcing and without requiring a quotation.

(c) Subject to paragraph 6.1 to paragraph 6.3 on sole sourcing, the following procurement, contracting or outsourcing processes should apply:

(i) Any procurement between RM50,001 to RM200,000 requires at least three (3) quotations. However, this requirement is waived if the procurement is made from any of the Corporation’s panel members.
(ii) Any procurement of **RM200,001** or more requires a tender process. However, where the vendor or service provider or consultant is to be selected from the Corporation’s panel members, the requirement for a tender process is waived. In such instance, the Corporation is required to obtain at least three (3) quotations for the purpose of comparison.

(iii) The authority limits to approve a single procurement or to enter into a procurement contract are as follows:

<table>
<thead>
<tr>
<th>Procurement Amount</th>
<th>Approved By</th>
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</thead>
<tbody>
<tr>
<td>RM100,000 and below</td>
<td>Heads of Divisions</td>
</tr>
<tr>
<td>RM500,000 and below</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>RM500,001 or more*</td>
<td>Chief Operating Officer or Chief Executive Officer</td>
</tr>
</tbody>
</table>

“Procurement Amount” means: (1) in the case of a purchase by the Corporation, the purchase price of the goods or services; and (2) in the case of a hire purchase, rental or lease arrangement by the Corporation, the value of the lease or rental for the period specified in the contract (excluding any period that falls under an option to renew, if any, that may be contained in the contract).

Where the relevant laws require the affixing of the Corporation’s common seal to any contract, deeds, documents or instruments, section 5(3)\(^1\) of the Malaysia Deposit Insurance Corporation Act 2011 shall apply.

*For avoidance of doubt, except where the law requires the affixation of the Corporation’s common seal on any document or instrument, the relevant authorised signatory may sign any procurement contract within his or her approved limit.

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\(^1\) The common seal shall be used with the authority of the Board and every instrument to which the common seal is affixed shall be signed by a director and shall be countersigned by the secretary or by a second director or by some other person appointed by the Board, and all deeds, documents and other instruments purporting to be sealed with the common seal, authenticated as aforesaid, shall, until the contrary is proven, be deemed to have been validly executed.
(iv) Any unbudgeted procurement (both operational or capital expenditures) RM100,001 or more shall be reported to the Audit Committee.

(v) Contract splitting, whereby a series of contracts for the same goods or services are being used to circumvent the requirements of the Policy, is not an acceptable practice and is prohibited.

(vi) The above procurement thresholds do not apply to petty cash expenses as well as expenses relating to business travel, staff training or development program and the appointment of external legal advisors.

2.3 Notwithstanding paragraph 2.2(c)(i) and (ii), the Chief Financial Officer may recommend to the Chief Operating Officer or the Chief Executive Officer that procurement should be made via tender process regardless of amount, if the Chief Financial Officer is of the view that such procurement may pose significant risks to the Corporation.

Examples of significant risks include the following:

- Reputation risks - matters having an impact on the corporate image of the Corporation;

- Operational risks - matters relating to the ability of the suppliers to deliver the goods or services as per the Corporation’s requirements; and

- Financial risks - matters relating to the likelihood of fraud or money laundering while handling the procurement. Financial risk in this instance would also include the risk of not obtaining the goods and services at the best possible price given the nature of the goods and services to be procured, the spread of supplier base as well as the terms and conditions of procurement.

2.4 In case of any doubt about the applicability of the above provisions, the relevant Heads of Divisions should refer to the Chief Financial Officer, the Chief Operating Officer or the Chief Executive Officer.
3.0 EVALUATION AND SELECTION

3.1 For the purposes of procuring goods and services, the Corporation should consider the following factors:

(a) **Pricing**

The pricing quoted by the Contractor must be within an acceptable range taking into consideration the current market rates charged by other vendors, service providers or consultants within the same band, current market and economic environment (e.g. inflation, tariffs, tax regimes and interest rates).

Prices will be compared by reference to the same defined requirements or specifications i.e. it must be an “apple to apple” comparison.

(b) **Service level / quality**

In general, the lowest quotation or tender bid should be considered, provided it meets the Corporation’s expectations or specifications with regard to service level or quality. In addition, the Corporation should not be bound to accept the lowest quotation if it believes that the bidder may be unwilling or unable to deliver at that price.

(c) **Company / Organisational profile**

The profile of the Contractor (which includes their financial strength, management’s background and credibility, track record, position in the market, resources to deliver goods or services within the specified time frame) must be considered as part of the Corporation’s assessment of the evaluation and selection criteria.

4.0 PANELS

4.1 Management may establish a panel of qualified vendors or service providers or consultants (“Contractor”) where appropriate. Panels will generally be established where goods or services to be provided are of a generic nature and are regularly supplied to the Corporation, and where Management considers that the establishment of such a panel would be efficient and effective for the Corporation in terms of cost, quality and timeliness of deliverables.
4.2 Examples of circumstances where panels may be established are in relation to suppliers of office equipment, stationery or logistics. The establishment of a panel of Contractors will be made via a selection process and evaluated by a selection committee.

4.3 The tender process will not apply for procurements from any member on a Corporation’s panel. However, to maintain competitiveness, price quotations must be obtained from at least three (3) of the panel members for any single procurement of RM200,001 or more.

4.4 The composition of a panel will be reviewed by such selection committee from time to time. In order to remain on the panel, the panel member must continue to meet the quality and standards expected by the Corporation and Management will ensure that the performance of each panel member will be monitored regularly for this purpose.

5.0 TENDER PROCESS AND PRICE QUOTATIONS

5.1 Tender processes and price quotations should be conducted in a manner that provides transparency and fair competition among the suppliers. This may be accomplished by adhering to formal tender procedures, soliciting requests for quotations and proposals, and negotiating pricing agreements.

5.2 For tender processes, Management will ensure adequate controls and documentation are in place to protect the integrity of the process and that these are conducted in a transparent manner to:

(a) ensure that all tender procedures, including the invitation to bid, giving of notice, establishment of criteria for bid evaluation, opening and evaluation of bids received, acceptance of successful bids and award of contracts are established and followed; and

(b) ensure that bids and proposals shall be invited from the widest practical selection of firms or companies with proven performance from whom, in the judgment of Management, the procurement needs of the Corporation can be satisfied.
6.0 SOLE SOURCING

6.1 Generally, a sole source would be justifiable where there is only one supplier capable of meeting requirements within the time available, for example, urgency and other situations which preclude conventional planning and processing.

6.2 There may be circumstances where “sole sourcing” would produce the best overall outcome for the Corporation, taking into account the circumstance or situation and all the relevant costs and benefits. Sole sourcing (i.e. without bidding or quotation) may apply under the following circumstances:

(a) When procurements are necessary to ensure ongoing business activities;

(b) Where only one person or firm or company is capable of performing the contract due to the specific nature of goods and/or services required by the Corporation i.e. specific knowledge or expertise, patent or copyright requirements, technological expertise, specific requirement on logistics;

(c) Goods and services with standard or controlled prices e.g. newspapers or magazines; or

(d) Member institution intervention-related activities.

6.3 The sole sourcing under paragraph 6.1 or 6.2 is subject to the approval of the Corporation’s Chief Operating Officer or Chief Executive Officer, where the value of procurement is more than RM500,000, or the Chief Financial Officer, where the value of procurement is not more than RM500,000.

6.4 The use of sole sourcing under the circumstances above for any contract where the value of procurement is RM100,001 or more shall be reported to the Audit Committee.

7.0 MONITORING COMMITMENTS

7.1 To ensure a proper and efficient monitoring system, the following rules shall apply:

(a) With the exception of petty cash expenses, all procurement, contracting and outsourcing must be made by way of a purchase order.
(b) All purchase orders must include the Corporation’s standard terms and conditions.

(c) All purchase orders must be serialised and serial numbers are to be controlled by the Finance and Administration Division.

8.0 CONTRACTS

8.1 For risk management purposes, formal contracts in writing (apart from purchase orders) must be entered into in relation to the following:

(a) All procurement of services;

(b) All hire purchase, rental or lease arrangements in respect of goods; and

(c) All other procurements of goods where the contract value is RM50,001 or more.

Management will ensure that formal contracts contain standard terms and conditions including a requirement for a performance bond for the projects where, in the opinion of Management, this would be appropriate and necessary.

9.0 EVALUATION OF PERFORMANCE AND GOVERNANCE

9.1 To contribute to the efficiency and effectiveness, Management shall ensure procurement arrangements are:

(a) monitored and evaluated - to ensure they continue to offer the expected benefits; and

(b) integrated into corporate governance mechanisms - so they contribute to corporate outcomes, at a strategic level.

10.0 EVALUATION OF PERFORMANCE

10.1 An effective contract performance monitoring and evaluation process is key to ensuring that, throughout the duration of the delivery until completion of the procurement, all works carried out by the Contractor(s) meet the requirements of the Corporation as stated in the contract.
10.2 The Finance and Administration Division or where relevant the appropriate Division will complete a performance evaluation report for all appointed Contractors upon completion of the work to evaluate performance and determine suitability of the Contractor(s) to perform work in the future as well as ways to improve performance. Contracts with an original completion schedule longer than six (6) months may have a performance evaluation report completed every three (3) months and upon completion of the contract period.

11.0 GOVERNANCE

11.1 High ethical standards promote an environment of trust and respect between buyers and suppliers.

11.2 Accordingly, everyone involved in the procurement process, whether an employee of the Corporation or a third party, must declare his or her interest in any contract. If such interest exists, he or she must excuse him or herself from the selection process.

11.3 Anyone within the Corporation, in particular, those who are involved in the procurement process must comply with existing laws and the Corporation’s Code of Conduct and Ethics and Code of Conflict of Interest.

12.0 POLICY REVIEW

12.1 Management will review the Policy annually to ensure that the Policy remains current and relevant.

12.2 Any change to the Policy will be presented to the Audit Committee for review and consideration and to the Board of Directors for approval.

Perbadanan Insurans Deposit Malaysia
18 May 2011