



PROCUREMENT POLICY



TABLE OF CONTENTS

1.0	OBJECTIVES -----	3
2.0	PROCUREMENT COMPLIANCE -----	3
3.0	PROCUREMENT FUNCTION -----	4
4.0	PROCUREMENT DEFINITION -----	5
5.0	AUTHORITY LIMIT AND DELEGATED RESPONSIBILITIES	6
6.0	PROCUREMENT METHODS AND PROCESSES -----	7
7.0	PROCUREMENT PROCESS MANAGEMENT -----	16
8.0	POLICY REVIEW -----	16



OVERVIEW

Century Bond Bhd's ("CBB") Procurement Division is responsible for the purchasing of a wide range of products and services used by CBB and its subsidiaries and in assisting, monitoring, sustaining and ensuring compliance in the purchasing activities and processing of tenders for projects in all the operating units. It is our policy that all purchasing activity is to be carried out in a consistent manner with the highest professional, ethical, moral and legal standards.

1.0 OBJECTIVES

The objectives of this procurement policy are to:

- a) Provide clear and transparent procedures and best practice in procurement method;
- b) Demonstrate accountability to stakeholders;
- c) Provide guidance on ethical behaviour in procurement policy;
- d) Ensure that the purchased materials or service provided conform to the specified requirements, including pricing, quality and delivery lead time;
- e) Demonstrate the application of elements of best practice in procurement; and
- f) Obtaining optimum outcome in procurement process.

2.0 PROCUREMENT COMPLIANCE

Each employee shall at all times present the highest standard of professionalism and ethical standards. All suppliers and tenderers are provided with equal opportunity and all procurement and business relationship are conducted with honesty and fairness. CBB prohibits employees from accepting gifts in any form, including payments, gift vouchers or any other merchandise from anyone soliciting business from CBB.

All employees involved in the procurement process must declare his or her interest in any contract. If such interest exists, he or she shall not participate or involve in the procurement process. Anyone who takes part in the procurement processes must ensure at all times compliance with relevant laws, regulations and CBB's internal policies not limited to Code of Conduct and Ethic, Code of Conflict of Interest, Anti-Bribery and Corruption Policy and Whistleblowing Policy and Guidelines.

2.1 REGULATORY COMPLIANCE

To uphold the integrity in procurement process, the following whistleblowing statement to be inserted in related tender or quotation requisition documents:

"Century Bond Bhd upholds high ethical business standards and any suspected of improper conduct that may result in unfair evaluation of the procurement process can be raised to one of the whistleblowing channels as stated in the Anti-Bribery and Corruption Policy and Whistleblowing Policy and Guidelines which includes email submission to integrity@kps.com.my or chairmanbgrc@kps.com.my"



Relevant Acts and Regulations including subsequent amendment act that CBB are currently complying in relation to procurement processes are as below:

2.1.1 COMPETITION ACT 2010

CBB is committed to abide by the Competition Act 2010 to promote fair competition, encourages efficiency, innovation and professionalism in the industry. Any vendor that participated in anti-competitive activity and has violated competition rules, will not be tolerated, and will be removed from our panel of vendor listings.

2.1.2 PERSONAL DATA PROTECTION ACT 2010

CBB is bound by the Personal Data Protection Act 2010 and all other applicable law in Malaysia in respect of privacy protection.

2.1.3 MALAYSIAN ANTI-CORRUPTION COMMISSION ACT 2009 and MALAYSIAN ANTI-CORRUPTION COMMISSION (AMENDMENT) ACT 2018

CBB shall uphold all laws relevant to countering bribery and corruption in order to uphold honesty and integrity in procurement processes.

3.0 PROCUREMENT FUNCTION

The Procurement Functions are to:

- a) Establish a centralised procurement function that meets the needs of all departments;
- b) Ensure that procurement activities are executed in an efficient and effective manner in line with established policies and procedures.

The Procurement Functions are responsible for:

- a) Analysis of the goods and service requirements;
- b) Analysis of short and long-term market conditions;
- c) Planning and implements cost-effective strategies for procuring;
- d) Monitors business trends and product availability to pay the best price for goods and services without compromising quality and delivery time;
- e) Establishment of Approved Vendor Listing ("AVL") that include manufacturer, contractor, distributor, wholesaler, franchised dealership, merchant, training provider, consultant and service provider;
- f) Preparation for tender specifications, with technical assistance, if so required;
- g) Manage the internal review process to ensure optimum evaluation was done prior to any procurement or tender award is recommended;
- h) Sourcing and engaging reliable suppliers and vendors;
- i) Communicate with vendors on product or service consultation, samples or trial examination, follow up services including installation, maintenance, and warranty;
- j) Issuance of purchase orders after negotiating to secure advantageous terms; and
- k) Reviewing existing contracts to ensure on-going feasibility



4.0 PROCUREMENT DEFINITION

4.1 For the purpose of this policy, procurement means all actions necessary for the acquisition of goods, services or works by way of outright purchase, hire purchase, rental or lease arrangement from any supplier, service provider, contractor or consultant for all departments.

a) Procurement of General Goods;

“General Goods” means physical goods for office use such as uniforms, company merchandise, toiletries and stationaries, usually of small unit value and homogenous in nature as well as consumables and spare parts related to plant and machineries and projects in solid, liquid or gaseous forms and services incidental to the supply of these goods.

b) Procurement of General Services;

“General Services” means any form of one-off, periodical or long-term services other than construction contract, consultancies and professional services.

c) Procurement of Raw Materials;

“Raw Material” means any physical materials that needed to be used in production to produce finish goods. These include paper rolls, resin, printing ink, glue and other related materials needed throughout the whole production procedure.

d) Procurement of Fixed Assets;

“Fixed Assets” includes only office furniture and fittings, office equipment, electrical equipment, IT equipment and computer hardware and plant and machinery.

e) Procurement of Construction Works;

“Construction Works” means all work associated with the construction, reconstruction, fitting-out, demolition, dismantling, repair, renovation, maintenance of a building, plant, equipment or machineries i.e. lifts, structure, infrastructure or works, such as site preparation, decoration and finishing, as well as services incidental to construction such as drilling, mapping and similar services.

f) Procurement of Consultancy and Professional Services;

“Consultancy and Professional Services” means the services of technical and non-technical in nature such as engineering consultants, architects, surveyors, valuers, service provider, training provider or other individuals or organizations possessing a high degree of specialized skill or expertise engaged for a particular service, work, project or series of projects.

4.2 This policy is not applicable for the followings:

- a) Procurement of travel-related services that includes hotels or any form of accommodation and airfare ticket booking, provide by travel agency, accommodation provider, hotels, airline or transportation company;
- b) Procurement related to the assets purchased or property for investment such as land or building;



- c) Purchase of company shares and other form of securities;
- d) Procure of transportation, freight and forwarding;
- e) Rental for building and vehicles; and
- f) Procure of company insurances.

5.0 AUTHORITY LIMIT AND DELEGATED RESPONSIBILITIES

The authority limits to approve a single procurement or award of tender shall be in accordance with CBB approved Financial Authority Limit (“FAL”).

5.1 CBB PROCUREMENT COMMITTEE

- Consists of all Exco members, Chief Executive Officer, Deputy Chief Executive Officer and Vice President of Commercial.
- Recommend and approve transaction including tender with reference to FAL.

5.2 GENERAL MANAGER

- Approve transaction of Purchase Order (“PO”), a documentation placed by procurement which the supplier agrees to supply goods/ services to the company, with reference to FAL.
- Approve on Purchase Requisition (“PR”), an internal document by end user to request to purchase on goods/ services.

5.3 HEAD OF DEPARTMENT

- Approve on Purchase Requisition under their respective department by end user.

5.4 PURCHASING ASSISTANT/ EXECUTIVE

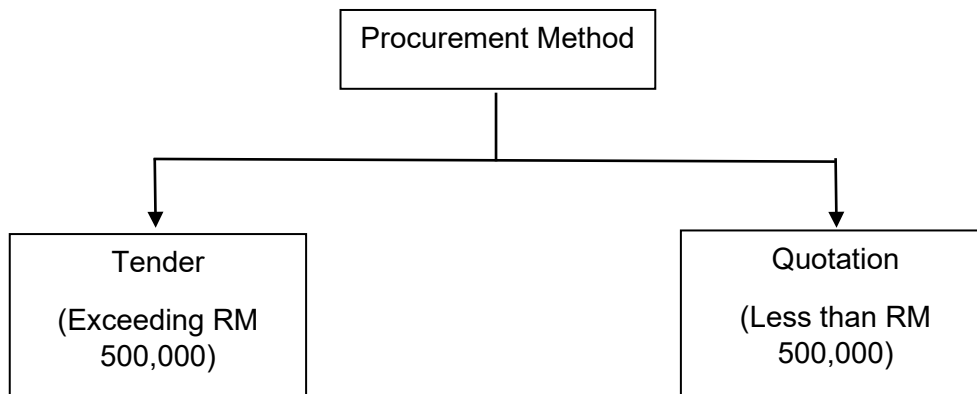
- purchase requisition and purchase order processing.
- Involve in supplier evaluation process and goods receiving process

5.5 END USER

- Submit Purchase Requisition of their respective department after obtain approval from superior.
- Involve in goods receiving process in warehouse



6.0 PROCUREMENT METHODS AND PROCESSES



6.1 The Head of Procurement may recommend to the Chief Executive Officer that procurement should be made via tender process regardless of amount, if the Head of Procurement is of the view that such procurement may pose significant risks to the company.

Significant risks include the following:

- a) Reputational risks – matters having an impact on the corporate image of the company;
- b) Operational risks – matters relating to the ability of the vendors to deliver the goods or services as per the company's requirements; and
- c) Financial risks – matters relating to the likelihood of conflict of interest, bribery, fraud or money laundering while handling the procurement. Financial risk in this instance would also include the risk of not obtaining the goods, services and works 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.

6.2 TENDER

Tender is used for any procurement exceeding RM 500,000. It can be conducted in Open Tender or Closed Tender.

“Tender” means sealed bid or offer document submitted in response to a request for tender and containing detailed information on requirements of the procurement and terms associated with a potential contract.

a) Open Tender

The numbers of supplier are not restricted and it can be used to test on market trend if necessary. Qualified tenderers are invited by public advertisement for the submission of tender to the company for the supply of goods or carrying out specific services or works leading to a bilateral contract.

Tenderers are normally required to demonstrate in their tender submission that they have the necessary skills, capability, resources, experience and certification to fulfil the tender requirements.



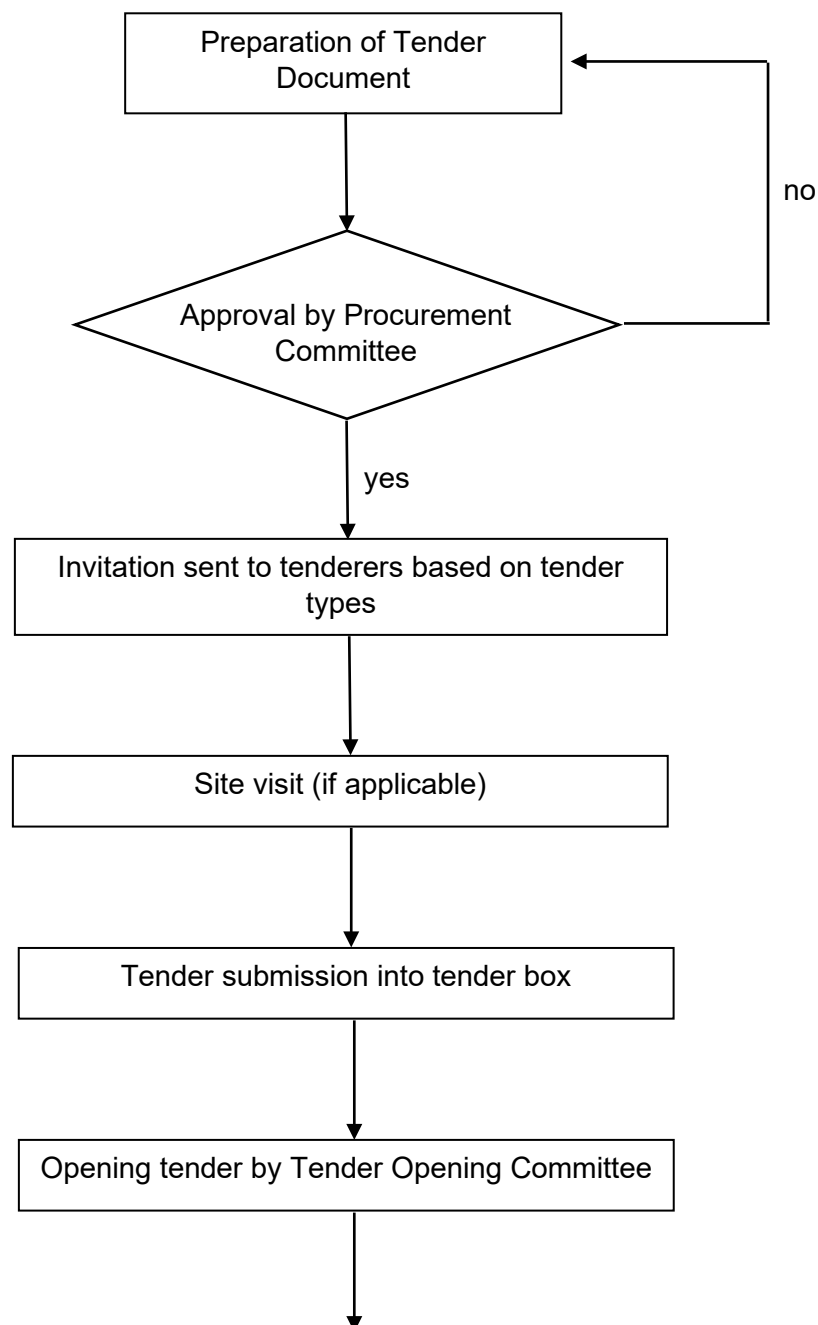
b) Closed Tender

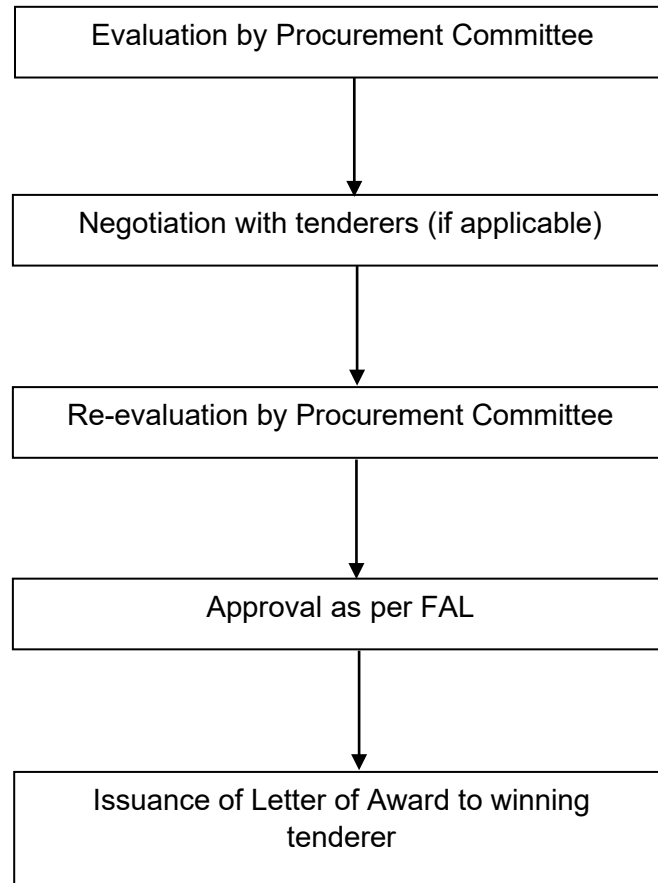
Invitation to submit bids are sent to a limited number of tenderers, either from a pre-qualified or pre-selected tenderer from an approved Vendors of good repute with proven experience or recognized ability to undertake particular works or services. It will be limited to a minimum of three (3) preferred suppliers, provided with reasonable justification.

6.2.1 TENDER PROCEDURES

Request for Tender ("RFT") documents will be prepared to provide all the information necessary for tenderers, such as form of tender, scope of works, conditions of contract, specifications, compliance standard and relative terms and conditions.

Below flow chart shows the tender process flow:





6.2.2 TENDER OPENING PROCESS

Tender Opening Committee consists of three (3) executives from three (3) different department to ensure that all tender reply received are complete and comply with the tender standard. They will be responsible to acknowledge receipt of all tender by completing and sign the Tender Opening Form. Letter of Award will be issued to the winning tenderers after evaluation done by the Procurement Committee and Board of Directors based on the Financial Authority Limit.

6.3 QUOTATION

Quotation is used for procurement below RM 500,000. It is a procurement method based on comparing price quotations obtained from several suppliers or contractors to assure competitive prices. The table below shows the number of quotations to be received based on the respective procurement amount:

No.	Procurement Amount	No. of Bidders
i)	Any Petty Cash Amount	Direct Purchase
ii)	RM 300 and above up to RM 5,000	At least 1 bidder
iii)	RM 5,001 and above up to RM 200,000	At least 3 bidders
iv)	RM 200,001 and above up to RM 500,000	At least 3 bidders with extra requirements



For procurement amount of RM 200,001 and above up to RM 500,000, bidders will be required to submit their financial background and previous customers profile.

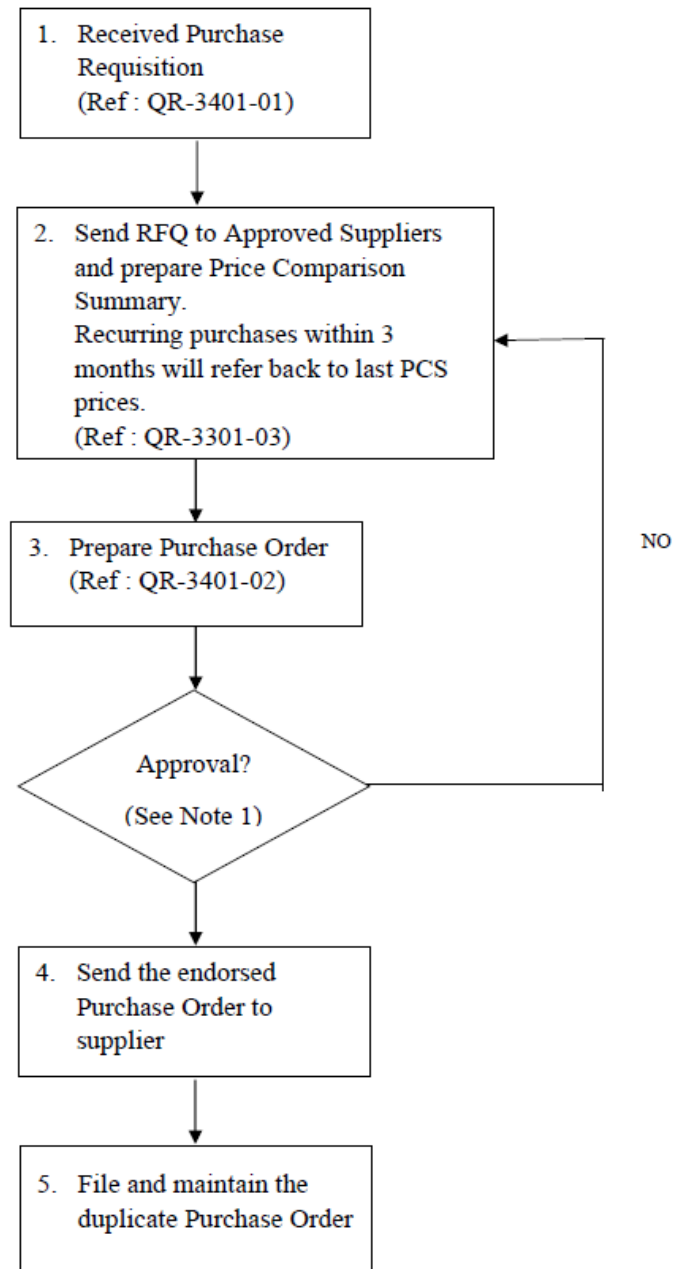
The number of bidders needed will be referenced to the above table unless categorised into below conditions:

- a) Due to urgency level where the order will be given to the supplier that can provide the item fast
- b) If there are no alternative suppliers that can provide that proprietary spare parts or specific services needed
- c) If the efficiency of the production will be affected, machinery spare parts or specific services needed in urgent can be direct purchased from the approved supplier

Performing a Request for Quotation (“RFQ”) consist of having several vendors competing. A Price Comparison Summary (“PCS”) will be prepared when deemed necessary with the service or material specification listed with the price obtained from RFQ. PCS has to be finalized and verified by Head of Department before final approval and issuing the related purchase order. Head of Procurement Department will make decisions based on pricing or quality of the products/ services. If price is not the only considerable factor for selection of suppliers, justification needs to be stated during purchase order approval process.

6.3.1 PURCHASING CONTROL

As stated in ISO document QP-3401 Rev 03, the flow chart below shows the purchasing control of Procurement division.



Note 1: Purchase order is approved by CEO, DCEO, VP or head of subsidiaries. (Refer CBB FAL)

6.3.2 APPOINTMENT OF NEW SUPPLIERS

Approved vendor list establishment is efficient and effective for CBB to manage vendors and monitor in terms of cost, quality and timeliness of procurement evaluation, selection and delivery. In order to remain in the approved list, vendors must continue to meet the quality, standards and performance expected by CBB and as per mentioned in procurement documents. Approved suppliers will have the priority to be awarded with purchase order before outsourcing for new supplier for the same item.

All new vendors must be awarded through approved PCS and need to provide SSM company profile (or any equivalent for overseas vendor), bank details, non-disclosure

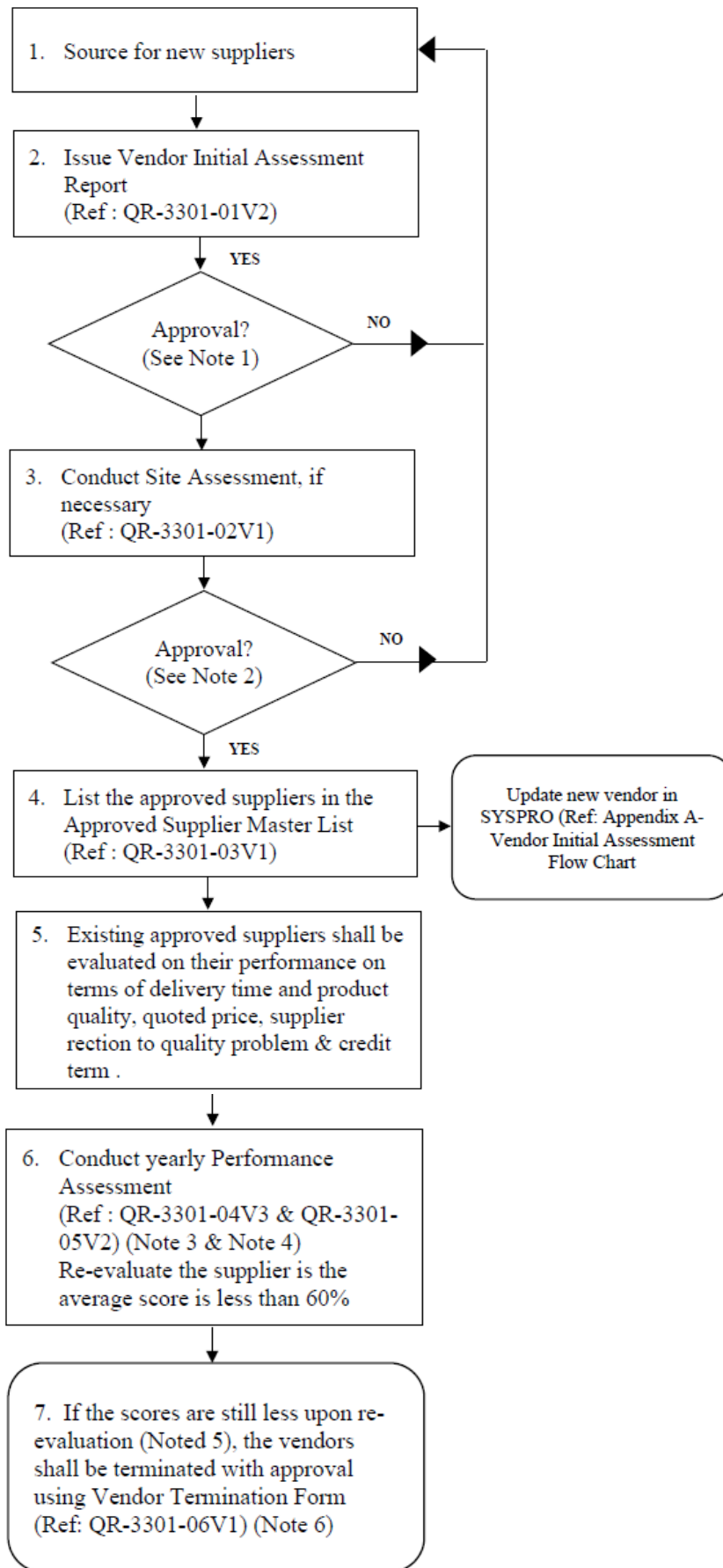


agreement if necessary, duly signed CBB Supplier Integrity Pledge and Vendor Initial Assessment Form (ISO document QR-3301-01V2) for CEO approval.

Selection of vendors or suppliers shall be based on the following:

- a) Availability of supplier's business continuity plan;
- b) Validation of business entity, licencing and permit;
- c) Financial status and background;
- d) Compliance to statutory and regulatory requirements;
- e) Ability to comply with product or service quality requirements;
- f) Pricing competitiveness;
- g) Certification and award recognition;
- h) Consultant specified or recommended supplier or vendor;
- i) Ability to provide trial order, samples, demonstration or pilot study;
- j) Ability to provide user training and maintenance for machinery or related procurement;
- k) Audit or visit to the supplier facility or site (if necessary);
- l) Third party testing of products and inspection of services (if necessary);
- m) References or comments regarding past performance of the supplier with regards to cost, quality, delivery and after sales support (if necessary);
- n) Reputation and track record of the supplier (if necessary);
- o) Supplier sustainability practices record based on the below categories (if necessary);
 - i. Environmental
 - 1) Must comply and adhere to all the applicable environment laws in respective countries/ jurisdiction;
 - 2) Minimizes environmental footprint of the goods and services over the life cycle;
 - 3) Environmental footprint includes but not limited to climate change, energy use, waste management, water use and biodiversity.
 - ii. Social
 - 1) Must comply with all applicable laws related to labour and human rights;
 - 2) Provides non-discriminatory, healthy and safe environment to the employees;
 - 3) Prohibits slavery and use of forced or child labour across supply chain;
 - 4) Zero tolerance on supplier violation of Employment Act 1955.
- p) Contract specification (if necessary); and
- q) Approval by an independent inspection agency (if necessary).

For external provider assessment, the below chart applies to new or existing external provider of raw materials and contract services, as per ISO document QP-3301 Rev 04.





Note 1: Top Management (CEO/ DCEO/ VP/ Production GM) and HQ Procurement Manager/ personnel appointed by HQ Procurement Manager are authorized to review and approve the supplier.

Note 2: Quality Assurance Manager and HQ Procurement Manager/ personnel appointed by HQ Procurement Manager are authorized to conduct site assessment.

Note 3: Top Management (CEO/ DCEO/ VP/ Production GM) and HQ Procurement Manager/ personnel appointed by HQ Procurement Manager are authorized to assess Raw Materials Suppliers and Subcontractors.

Note 4: Yearly Supplier Performance Record shall be done by including the evaluation made on every delivery which is recorded in the ERP System.

Note 5: Re-evaluation shall be done by viewing the quality issues, pricing & activeness of the vendor.

Note 6: Decision on termination is authorized by Top Management (CEO/ DCEO/ VP/ Production GM) and HQ Procurement Manager.



6.4 DIRECT NEGOTIATION

Direct negotiation is a method where the competition process will be setting aside to achieve the below outcome:

- a) Directly negotiate with a particular vendor for the provision of goods, any services or works
- b) Establishing the principal terms of contracts, scope of works and price, in a series of discussions in achieving procurement purpose.

“Direct Negotiation” is appropriate only in situation such as:

- a) Renewal or extension of scope of supply or evaluation of an existing contract (with good track record), where the cost to tender is higher compared to the actual procurement;
- b) Compatibility with existing structure, equipment or technology;
- c) Continuity knowledge such as consultant with in depth knowledge in terms of specific record, data, experience on existing work;
- d) Cases where for proprietary or technical reasons only one or very limited possible source of supply is available;
- e) Goods, services or works with unique or complex specifications, requirements or skill.
- f) Market reputation; and
- g) Cases of urgency.

For suppliers that continuously awarded through direct negotiation three (3) times in a year, the Board should be notified on this direct negotiation process.

6.5 Professional fees, consultant fees, legal fees, insurance coverage, auditor fees with amount above RM 500,000 are exempted from the tender process but to apply through quotation process. Contractual documents can be executed as valid procurement document for consultancy and professional services.

6.6 GENERAL PURCHASE CONDITIONS

- a) Type of goods/ services to be supplied, the quantity and the required specifications shall be stated and defined in CBB's order and/or other written documentation issued by CBB;
- b) Purchase orders are issued by CBB in writing. Verbal orders are only valid and binding on CBB if confirmed in writing by CBB. CBB's order is deemed accepted upon receipt of a written confirmation from Supplier or upon commencement of delivery of the goods/ services ordered;
- c) Issuance of retrospective purchase orders are prohibited, except for urgent machinery maintenance or raw material purchases that may jeopardise production efficiency if the delivery process got delayed;
- d) Unless otherwise stated, the price of the goods/ services indicated in the purchase orders includes packaging, delivery charges and any other related charges applicable to the orders;



- e) Standard lead time of the goods/ services are mutually agreed between suppliers and CBB. Supplier must immediately notify CBB in writing of any circumstances which may delay the delivery of the goods/ services. Suppliers shall be liable for damages or losses incurred to CBB as a result of any delay in delivery of the goods/ services;
- f) Unless agreed otherwise in writing, suppliers shall simultaneously deliver Certificate of Analysis, a document issued by Quality Assurance that confirms that the regulated product meets its product specification, or other related technical documentations as required; and
- g) Suppliers have to make sure that all goods/ services delivered are in conformity with the order and in compliance with statutory provisions. CBB reserves the rights to require the non-conformity goods to be repaired or replaced if the goods/ services are not in conformity with the purchase order. The suppliers must compensate CBB for all damages and losses resulting from its non-performance of the order.

7.0 PROCUREMENT PROCESS MANAGEMENT

7.1 PURCHASE REQUISITION

End user from respective department will request in Syspro and fill in 'Purchase Requisition' based on the actual necessity, whether it is raw material, machinery spare parts or maintenance/ services.

Head of Department or respective General Manager has to ensure such purchases are necessary and the quality or quantity requested are righteous and proper for the business before making approval.

7.2 PURCHASE ORDER

After the process of obtaining quotation, purchase order will be prepared accordingly and sent to suppliers after delegated authority has signed and approved on the purchase order. Consideration will be made based on the following factors:

a) Pricing

The pricing quoted must be within an acceptable range taking into consideration the current market rates before compared to other vendors by reference to the same defined requirements or specifications.

b) Service level/ Quality

The lowest bid should be considered, provided it meets the expectations and requirements regarding service level or quality. However, CBB should not be bound to accept the lowest bid if it believes that the supplier may be unable to deliver the required quality or service level on time.

c) Supplier's Profile

The profile of the supplier which includes their financial strength, creditability, management's background, efficiency or service level must be considered as part of the evaluation.



7.3 GOODS/ SERVICES RECEIVING

Procurement Department will follow the information of purchase order to assure the goods or services delivered meets the specification of quality and quantity. End user will assist to keep the goods in their warehouse and notify Quality Assurance department if there is any quality issue.

7.4 MONITORING OF OPEN PO

Procurement Department should systematically follow up and expedite all the POs in order to ensure prompt delivery of the goods and service ordered.

7.5 SUPPLIER MANAGEMENT

Procurement Department will update the AVL of frequently purchased products and services, and ensure that the list includes sufficient numbers of commodities and authorised suppliers to support business operations.

Supplier Performance Record (“SPR”) is to be filled-up by Procurement Department annually to review on performance of all suppliers engaged in the past fiscal years. Overall performance of suppliers will be measured against clearly defined criteria stated in the SPR. Feedback will be shared with suppliers to identify and rectify potential issues, if there is any, and define improvement opportunities.

Based on the results of SPR, vendor with poor performance or failed to perform as per stated in purchase order, contract services or tender award, penalties will be imposed without prejudice according to seriousness of deviations, range from warning, suspension and blacklisting of supplier for a maximum period of 2 years from conducting further business with CBB. This will lead to “on hold” status for the vendor, who is no longer be considered as “qualified” and must be blocked from the Approved Vendor Master List in SYSPRO system.

8.0 POLICY REVIEW

The management may, when it deems necessary review the policy every 3 years to ensure that the policy remains current and relevant. Any material changes to the policy will be changed accordingly as and when required.