



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

**PROCUREMENT, CONTRACTING AND
OUTSOURCING POLICY**



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Ref No	BOD/CFO/2006/01	Version No	10.0
Initial Approved Date	26 September 2006	Last Reviewed Date	17 May 2018
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Approved by the Board of Directors at the Board Meeting No. 59 on 17 May 2018.



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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 for Perbadanan Insurans Deposit Malaysia (“the Corporation”)’s procurement process, while maximising efficiency, effectiveness and flexibility of the process within a system of checks and balances. This is to ensure that the Corporation obtains quality goods and services for the best value.
- 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.**

There is no single procurement method that suits all situations. 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. In obtaining the best overall outcome, the process should also take into consideration quality, delivery as well as price and other non-price factors.
 - (b) **There is a need for transparency and accountability.**

As a statutory body, transparency in dealings with vendors 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 the types of procurement processes that apply, depending on procurement nature and amount. The Policy incorporates strong internal controls to mitigate potential reputational, operational and financial risks.
- 1.4 The Corporation contemplates managing its vendors in a structured manner to ensure the quality and price competitiveness of goods and services to be procured, and establish a long term and secured supply of goods or services.

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1.5 The Corporation’s business model also contemplates strategic partnerships with key service providers, including those with experience in the financial services industry or global experience in deposit insurance or financial compensation schemes. This is to allow the Corporation to leverage on relevant technical expertise, gain access to practical or in-depth expertise and experiences with regard to regulation, or intervention and resolutions, or related simulations. Building such strategic partnerships and working with such service providers will also allow the Corporation to obtain capacity, and improve delivery lead time, so as to enhance the Corporation’s preparedness and responsiveness during any intervention and resolution activities.

1.6 Contract splitting, whereby a series of contracts for the same goods or services are being used to circumvent the requirements of the Policy, is prohibited.

2.0 SCOPE OF POLICY

2.1 This Policy covers the procurement of all types of goods, services and developmental work. However, the following are specifically excluded from the Policy and are subject to their respective policies:

- (a) Business travel;
- (b) Training and employee development;
- (c) Appointment of external legal advisors;
- (d) Appointment of recruitment agencies;
- (e) Subscriptions to memberships in relevant organisations and memberships in recreational clubs whether in the Corporation’s name or that of its nominee(s); and
- (f) The engagement of independent advisors by the Board, the Board Committee or an individual Director.

3.0 EVALUATION AND SELECTION

3.1 For the purposes of procuring goods, services and developmental work, the Corporation takes into consideration the following factors:

- (a) **Pricing**
The pricing quoted by the vendor must be within an acceptable range taking into consideration the current market rates charged by other vendors within the same band, current market and economic environment (e.g. inflation,

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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, where applicable.

In relation to the procurement of goods and non-consulting services, 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 is not bound to accept the lowest quotation if it believes that the bidder may be unwilling or unable to deliver at that price.

(b) Best Value for Money

In relation to the procurement of consulting services and developmental work, the Corporation is not bound to accept the lowest quotation if it believes that the Corporation is not able to obtain the best value for money from the vendor in respect of the procurement. Best value for money refers to the most advantageous combination of the quality and level of service; technical merit including support and assistance; competitive pricing that contributes to cost effectiveness; sustainability and innovation; and environmental and social considerations.

(c) Company / Organisational profile and credentials

The profile of the vendor (including its 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 NATURE AND METHODS OF PROCUREMENT

4.1 The procurements undertaken by the Corporation, in general, can be categorised into three (3) broad areas of goods, services (consulting and non-consulting) as well as developmental work. Such procurement could be by way of outright purchase, hire purchase, rental or lease arrangement, and are intended to cater to its operational needs under normal circumstances as well as during exceptional period(s) of intervention and resolution activities as well as any disaster situation.



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4.2 For the purposes of this Policy:

- (a) “goods” include related services incidental to the provision of such goods, including transportation, insurance, installation, commissioning and initial maintenance;
- (b) “services” include consulting and non-consulting services, where consulting services mean services of an intellectual and advisory nature provided by consultants using their professional skills or practical experience to meet the procuring needs of the Corporation and involves a transfer of knowledge;¹ and
- (c) “developmental work” means a development project or initiative of the Corporation, usually in the form of a turnkey project, with tangible outcome or deliverable that has to be built or developed through combinations of consulting services as well as provision of goods or non-consulting services.

4.3 “Procurement amount” means the all encompassing cost to the Corporation including applicable taxes and incidental costs, as follows:

- (a) in the case of a purchase by the Corporation, the purchase price of the goods, services or developmental work; and
- (b) 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).

Direct Sourcing

4.4 A procurement of goods or non-consulting services amounting to RM50,000 and below may be carried out through direct sourcing. This method does not apply to the procurement of consulting services and development work.

Quotation

4.5 This method of procurement is based on comparing quotations obtained from vendors, and such quotations can include proposed services or solutions as may be appropriate to meet the Corporation’s procuring needs. Depending on the nature and amount of procurement, this method requires at least three (3) or five (5) quotations to be sought.

¹ Adapted from the *Consulting Services Manual, A Comprehensive Guide to Selection of Consultants, The World Bank Washington D.C.*

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- 4.6 Where it is not practical to obtain the minimum number of quotations, and provided that at least two (2) quotations have been obtained, any waiver from the minimum number of quotations must be recommended by the Head of Division or Department, and approved by the Chief Executive Officer (“CEO”).

Tender

- 4.7 Subject to paragraphs 4.9 to 4.18, procurements that are of highest risks, both by nature and amount of procurement, require a tender process. Tender processes 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 proposals, and negotiating pricing agreements.

- 4.8 The CEO may determine that a procurement be made via a tender process, regardless of the amount, if he or she is of the view that such procurement may pose significant risks to the Corporation. Examples of significant risks that may be considered include the following:

- (a) Reputation risks – matters having an impact on the corporate image of the Corporation;
- (b) Operational risks – matters relating to the risk of not obtaining the goods and services with the best possible outcome due to spread of supplier base as well as the terms and conditions of procurement, the ability of the suppliers to deliver the goods or services in accordance with the Corporation’s requirements including the likelihood of fraud while handling the procurement; and
- (c) Financial risks – matters relating to 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 that may be subject to a wide range of pricing.

Panels

- 4.9 The CEO may consider and approve the establishment of a panel of qualified vendors or service providers, where appropriate, in line with the following:

- (a) Panels will generally be established for regularly supplied goods or non-consulting services that are generic, and where the establishment of such a panel would be efficient and effective for the Corporation in terms of cost, quality and timeliness of deliverables. Examples of circumstances where panels

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may be established are in relation to the supply of office equipment, stationery or logistics.

- (b) Strategic partnership panels may also be established for consulting services, not only for efficiency and effectiveness, but where such strategic partnerships allows the Corporation to obtain capacity, and improve delivery lead time, so as to enhance the Corporation's preparedness and responsiveness during any intervention and resolution activities. Examples where strategic partnership panels may be established are in relation to firms or groups that provide services required by the Corporation such as accounting or assurance services, or valuation services, in respect of the financial services industry.

The CEO also approves the retention or removal of any vendor or service provider from a panel.

- 4.10 Generally, the minimum composition for a panel of vendors or service providers is five (5).
- 4.11 In certain circumstances, there may be a limited number of vendors or service providers in a particular market. Where the composition of a panelship is likely to be less than five (5), the procuring Division or Department may request a waiver from this requirement from the CEO. Regular reviews will nevertheless be carried out to consider other prospective service providers and to secure reliable alternative service providers to facilitate competition and mitigate the supply risk for critical work.
- 4.12 The tender process will not apply for procurements made through the panelship. The requirement to obtain at least five (5) quotations will also not apply to procurements made through the panelship. Where a procurement is to be conducted through a panelship, quotations will be sought from all the vendors or service providers on a panel. Subject to paragraph 4.14, a minimum of three (3) quotations should be received from the panel on which the evaluations will be carried out. Awards must be approved by the relevant approving authority as set out in section 5.0 of this Policy.
- 4.13 The following applies where the number of quotations received from a panel is less than three (3) –
- (a) if only two (2) quotations are received, a waiver on the minimum number of quotations from the CEO must be obtained; or

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(b) if only one (1) quotation is received, the approval of the CEO to engage the vendor or service provider must also be obtained.

4.14 The composition of a panel will be reviewed by the Procurement Committee at least once every two (2) years. In order to remain on the panel, the panel vendor must continue to meet the quality and standards expected by the Corporation and this will be assessed by the Procurement Committee in line with the Corporation's prevailing vendor management programme. Any change to the composition of a panel shall be approved by the CEO.

Sole Sourcing

4.15 Sole sourcing refers to a non-competitive award to a single vendor for goods and non-consulting services with procurement amounts above RM50,000. For consulting services and developmental work, any non-competitive award to a single vendor or service provider is deemed to be sole sourcing.

4.16 Generally, a sole source is justifiable in circumstances which preclude conventional planning and processing to produce the best overall outcome for the Corporation, taking into account the circumstance and all the relevant costs and benefits. Sole sourcing may apply under the following circumstances:

- (a) Member institution intervention or resolution related activities;
- (b) When procurements are necessary to ensure ongoing business activities in an emergency or a disaster situation;
- (c) 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, existence of a non-competitive market (monopoly), technological expertise, specific requirement on logistics; or
- (d) Where the engagement or sourcing is a direct continuation of previous procurement awarded competitively either by way of quotation or tender, and the performance of the vendor or service provider has been satisfactory.

4.17 In respect of paragraph 4.16(d), such continuation may be extended by the relevant approving authority for not more than three (3) years from the commencement of the initial contract awarded competitively, subject to satisfactory performance of the vendor. The sole-sourcing process and the competitive procurement methods as set out in this Policy will not apply to such extension. However, upon reaching a period of



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three (3) years, the engagement will need to be re-evaluated for specific approval on sole sourcing basis or through the competitive procurement methods as set out in this Policy.

4.18 All sole sourcing under paragraph 4.16 shall be approved by the CEO.

5.0 PROCUREMENT APPROVING AUTHORITIES AND MANAGEMENT

5.1 In managing its procurement processes, the Corporation adopts the differentiated procurement methods that reflects the Corporation’s risk appetite and addresses the underlying procurement-related risks that may include reputational, operational and financial risks. The procurement methods used include direct sourcing, quotations and tender, while sole sourcing is allowed only under specified circumstances.

		Nature and type of procurement					Higher risks	
		GOODS	SERVICES (NON-CONSULTING)	SERVICES (CONSULTING)	DEVELOPMENTAL	SOLE SOURCING		
		GOODS	SERVICES (NON-CONSULTING)	SERVICES (CONSULTING)	DEVELOPMENTAL	GOODS & SERVICES (NON-CONSULTING)	SERVICES (CONSULTING) & DEVELOPMENTAL	
Procurement threshold	≤RM50,000	Direct sourcing HOD/FC/ Head SS/Head IT	Direct sourcing HOD/FC/ Head SS/Head IT	3 Quotations CFO/COO	3 Quotations CFO/COO	Direct sourcing HOD/FC/ Head SS/Head IT	Sole Sourcing CEO	
	>RM50,000 to ≤RM100,000	3 Quotations HOD/FC/ Head SS/Head IT	3 Quotations HOD/FC/ Head SS/Head IT	5 Quotations CFO/COO	5 Quotations CFO/COO	Sole Sourcing CEO		
	>RM100,000 to ≤RM250,000	3 Quotations CFO/COO	3 Quotations CFO/COO	5 Quotations CFO/COO	5 Quotations CFO/COO	Sole Sourcing CEO		
	>RM250,000 to ≤RM500,000	5 Quotations CFO/COO	5 Quotations CFO/COO	Tender CFO/COO	Tender CFO/COO			
	>RM500,000	Tender CEO	Tender CEO	Tender CEO	Tender CEO			

5.2 The highest authority for the approval of the Corporation’s procurement resides with the CEO while the Corporation’s Board of Directors provides oversight through the Audit Committee. Management provides general as well as specific reporting to the Audit Committee, as discussed in section 8 of this Policy.

5.3 At the operational level, the CEO will establish a committee (“the Procurement Committee”) to provide oversight on the procurement management for the Corporation. The Procurement Committee will comprise members of the Executive



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Management Committee and such other employees, as may be appointed by the CEO. The Procurement Committee is chaired by the Chief Operating Officer (“COO”), or in the absence of the COO, the Chief Financial Officer (“CFO”).

- 5.4 The roles of the Procurement Committee will be determined by the CEO and will include:
- (a) to review all quotations above RM250,000;
 - (b) to review all proposed procurements of consulting services and developmental work;
 - (c) to assess vendors or service providers for the purposes of the establishment of a panel, and the retention or removal of any vendor or service provider from a panel;
 - (d) to review tender bids for shortlisting; and
 - (e) to review proposals for procurement by way of sole sourcing to the CEO for approval.

The Procurement Committee may make recommendations in respect of the proposals above to the relevant approving authorities, who have the final authority to approve the transactions.

Goods

- 5.5 The procurement of goods generally relate to acquisition of physical or tangible goods or supplies as well as the rights to use those goods or supplies. These may include office supplies, office and IT equipment, motor vehicles, software licensing and commercial off-the-shelf software. Procurement of goods shall be carried out as follows:

GOODS		
Procurement Amount	Procurement Method	Approving Authority for Procurement and Authorised Signatory for Contract
Up to RM50,000	Direct sourcing	<ul style="list-style-type: none"> • Head of Division; • Financial Controller in respect of procurements for Finance Department and CEO’s Office; • Head of Shared Services in respect of procurements for Shared Services Department; or • Head of IT in respect of procurements for IT Department.

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GOODS		
Procurement Amount	Procurement Method	Approving Authority for Procurement and Authorised Signatory for Contract
More than RM50,000 and up to RM100,000	At least three quotations	<ul style="list-style-type: none"> • Head of Division; • Financial Controller in respect of procurements for Finance Department and CEO's Office; • Head of Shared Services in respect of procurements for Shared Services Department; or • Head of IT in respect of procurements for IT Department.
More than RM100,000 and up to RM250,000	At least three quotations	<ul style="list-style-type: none"> • CFO; or • COO.
More than RM250,000 and up to RM500,000	At least five quotations	<ul style="list-style-type: none"> • CFO; or • COO.
More than RM500,000	Tender	CEO.
More than RM50,000	Sole sourcing	CEO.

Services (Non-Consulting)

- 5.6 The procurement of services is distinguished between those that are consulting in nature and those that are non-consulting. Non-consulting services may include items such as pest control, cleaning, hygiene and security services, as well as translation.
- 5.7 In certain circumstances, there may be elements of consulting services in a procurement of non-consulting services. To ascertain the nature of procurement, a general guidance on the predominant element shall be used. For instance, in the case of a procurement of creative work with implementation whereby the creative work forms the dominant element of the procurement, it shall be deemed to be a procurement of consulting services.

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SERVICES (NON-CONSULTING)		
Procurement Amount	Procurement Method	Approving Authority for Procurement and Authorised Signatory for Contract
Up to RM50,000	Direct sourcing	<ul style="list-style-type: none"> • Head of Division; • Financial Controller in respect of procurements for Finance Department and CEO's Office; • Head of Shared Services in respect of procurements for Shared Services Department; or • Head of IT in respect of procurements for IT Department.
More than RM50,000 and up to RM100,000	At least three quotations	<ul style="list-style-type: none"> • Head of Division; • Financial Controller in respect of procurements for Finance Department and CEO's Office; • Head of Shared Services in respect of procurements for Shared Services Department; or • Head of IT in respect of procurements for IT Department.
More than RM100,000 and up to RM250,000	At least three quotations	<ul style="list-style-type: none"> • CFO; or • COO.
More than RM250,000 and up to RM500,000	At least five quotations	<ul style="list-style-type: none"> • CFO; or • COO.
More than RM500,000	Tender	CEO.
More than RM50,000	Sole sourcing	CEO.

5.8 For the procurement of independent assurance or audit-related services, the Audit and Consulting Services Division shall be responsible for the selection and engagement of such service provider in accordance with the requirements of this Policy.

Services (Consulting)

5.9 Consulting services may be procured using all the methods described above except direct sourcing under paragraph 4.4. The following procurement methods apply:

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SERVICES (CONSULTING)		
Procurement Amount	Procurement Method	Approving Authority for Procurement and Authorised Signatory for Contract
Up to RM100,000	At least three quotations	<ul style="list-style-type: none"> • CFO; or • COO.
More than RM100,000 and up to RM250,000	At least five quotations	<ul style="list-style-type: none"> • CFO; or • COO.
More than RM250,000	Tender	<u>Up to RM500,000:</u> <ul style="list-style-type: none"> • CFO or COO. <u>More than RM500,000:</u> <ul style="list-style-type: none"> • CEO.
Any amount	Sole sourcing	CEO.

Developmental Work

5.10 Developmental work for the Corporation includes turnkey projects such as construction, major² office renovation and refurbishment, development of customised or purpose-built IT systems and infrastructure.

DEVELOPMENTAL		
Procurement Amount	Procurement Method	Approving Authority for Procurement and Authorised Signatory for Contract
Up to RM100,000	At least three quotations	<ul style="list-style-type: none"> • CFO; or • COO.
More than RM100,000 and up to RM250,000	At least five quotations	<ul style="list-style-type: none"> • CFO; or • COO.
More than RM250,000	Tender	<u>Up to RM500,000:</u> <ul style="list-style-type: none"> • CFO or COO. <u>More than RM500,000:</u> <ul style="list-style-type: none"> • CEO.
Any amount	Sole sourcing	CEO.

² Major, in this context, involves the elements of conceptualisation and design of the office renovation and refurbishment, as opposed to merely delivering and commissioning materials or goods.

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6.0 CONTRACTS

- 6.1 For risk management purposes, a formal contract, agreement, letter of appointment or engagement must be made in writing in relation to the following:
- All procurement of services or developmental work;
 - All hire purchase, rental or lease arrangements in respect of goods; and
 - All other procurements of goods where the contract value is more than RM50,000.
- 6.2 Depending on the risk and nature of a procurement, Management may take appropriate measures to mitigate the risk of the procurement, such as requiring a performance bond from the vendor. A performance bond may be in the form of a bank's guarantee, security deposit or such other form as Management considers appropriate.
- 6.3 Where the relevant laws require the affixing of the Corporation's common seal to any contract, deeds, documents or instruments, subsection 5(3) 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.
- 6.4 The CEO may delegate the authority to execute any documents pertaining to a procurement, from time to time or in his absence, in accordance with paragraph 8.2(2) of the Corporate By-Law.

7.0 EVALUATION OF PERFORMANCE

- 7.1 To contribute to efficiency and effectiveness, Management shall ensure procurement arrangements are monitored and evaluated – to ensure it continue to offer the expected benefits and contribute to corporate outcomes.
- 7.2 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 vendor(s) meet the requirements of the Corporation as stated in the contract.



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7.3 The Finance and Administration Division or where relevant, the appropriate procuring Division will monitor and evaluate the performance of vendors periodically, at least once every two (2) years and determine suitability of these vendors to perform work in the future as well as ways to improve performance in accordance with the Corporation's prevailing vendor management programme.

8.0 GOVERNANCE AND REPORTING

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

8.2 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 Business Conduct and Ethics and the Conflict of Interest Code.

8.3 The use of sole sourcing under the circumstances stipulated in paragraph 4.16(a), (b) and (c), or (d) where the approval of the CEO is required, for any contract where the amount of procurement is more than RM100,000 shall be reported to the Audit Committee on a regular basis. In addition, procurement contracts within the highest approving limit threshold as well as any unbudgeted procurement (either operational or capital expenditures) of more than RM100,000 are required be reported to the Audit Committee on a regular basis.

8.4 Management will ensure adequate controls and documentation are in place to protect the integrity of the procurement process and that these are conducted in a transparent manner.

8.5 In case of any doubt about the provisions of this Policy, the relevant Heads of Division or Department should refer the matter to the COO or CFO who will then assess and recommend as appropriate to the CEO for a decision, if required.



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9.0 POLICY REVIEW

9.1 Management will review the Policy on a triennial basis to ensure that the Policy remains current and relevant. Any changes to the Policy will be presented to the Audit Committee for review and consideration and to the Board of Directors for approval.

10.0 CROSS REFERENCES

10.1 Reference is made to the Corporation's Code of Business Conduct and Ethics for Employees, Conflict of Interest Code for Employees, Corporate By-Law, Supplier Management Programme and the Malaysia Deposit Insurance Corporation Act 2011.

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