



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

PROCUREMENT POLICY

Ref No	BOD/EVP-FS/2006/01	Version No	13
Initial Approved Date	26 September 2006	Last Reviewed Date	4 August 2025
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**Approved by the Board of Directors at the Board Meeting No. 106 on 4 August 2025,
 effective from 1 January 2026**

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1.0 OBJECTIVES AND PRINCIPLES

- 1.1 The Procurement Policy (“the Policy”) aims to uphold high standards of professionalism, transparency and accountability in Perbadanan Insurans Deposit Malaysia (“the Corporation”)’s procurement process.
- 1.2 This Policy seeks to optimise efficiency, effectiveness, and flexibility while maintaining a robust system of checks and balances to ensure integrity and accountability. Through this approach, the Corporation is committed to securing quality goods and services at optimal value while adhering to ethical and governance principles.
- 1.3 In developing the Policy, Management is guided by the following principles:
 - (a) **Effectiveness, Efficiency and Flexibility**
Recognising that no single procurement method suits all situations, this Policy allows the Corporation to adopt different procurement approaches based on various influencing factors.

To ensure effectiveness, the procurement process must consider quality, delivery, price, and other non-monetary factors. In certain circumstances, the Corporation may procure identical or similar goods and services from two (2) or more vendors or service providers simultaneously to meet the procurement objective whilst mitigating risks.

The procurement processes are also designed to simplify the sourcing for low- risk, operational procurements while ensuring appropriate control compliance and fraud prevention. Delegated authority empowers competent leaders to manage such procurements efficiently, with appropriate post-procurement oversight.
 - (b) **Transparency, Accountability and Risk-Based Governance**
As a statutory body, the Corporation upholds transparency and accountability as fundamental principles in its procurement process. Transparent engagement with vendors and service providers, along

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with clear procedures for awarding contracts, are essential to maintaining integrity and trusts.

The Corporation is committed to ensuring that all processes, procedures, plans, actions, and decisions related to procurement embed transparency as an inherent characteristic. The Corporation aims to achieve the right balance of public disclosure whilst safeguarding its interests and operational effectiveness.

Governance measures are proportionate to the value, complexity, and risk of each procurement, with simplified processes applied to low-risk engagements and enhanced scrutiny applied to high-value and Strategic procurements.

- 1.4 Aligned with the principles above, the Policy establishes frameworks to achieve the best overall outcome for the Corporation. The Policy outlines the applicable procurement methods and corresponding approving authorities, structured according to procurement classification and value to ensure appropriate and effective internal controls.
- 1.5 The Corporation also aims to manage vendors or service providers effectively to ensure the quality and price competitiveness of procured goods and services, and that the procurement objectives are met.
- 1.6 The Corporation strictly prohibits contract splitting in procurement, where a procurement is intentionally being divided or broken down into multiple contracts to circumvent the requirements of the Policy.

2.0 SCOPE OF POLICY

- 2.1 This Policy applies to all types of procurements undertaken by the Corporation. However, the following are specifically excluded from the Policy and are governed by their respective policies or clauses:
 - (a) Business travel and engagement of travel agents;
 - (b) Insurance coverage, specifically for life and medical, including appointment of insurance brokers and third-party administrator;

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- (c) Training and employee development;
- (d) Appointment of recruitment agencies;
- (e) Subscriptions to memberships in relevant organisations and recreational clubs, whether in the Corporation's name or its nominee(s);
- (f) Engagement of independent advisors by the Board, the Board Committee or an individual Director; and
- (g) Procurements during Member Institution(s)' intervention or resolution ("I&R") activities¹.

Procurements during Member Institution(s)' intervention or resolution activities

2.2 Procurement for goods or services directly supporting member institution(s)' I&R-related activities shall be subject to a distinct approval process via the Board or CEO outside this Policy, in view of their urgent, confidential nature and heightened risk profile. For avoidance of doubt, general operational expenses incurred during I&R, such as meals, refreshments and stationeries must continue to adhere to the standard procurement requirements in this Policy.

2.3 The procurement requirements in this Policy will also continue to apply for I&R-related procurements undertaken outside of such events, such as simulations, preparatory exercises, or consultancy services during business-as-usual operations.

3.0 EVALUATION AND SELECTION

3.1 In undertaking all types of procurement, the Corporation takes into account the following key considerations:

- (a) **Pricing**
The pricing quoted by the vendor or service provider must be within an acceptable range, determined through market studies, benchmarking, and budgetary estimates conducted prior to the procurement process. This range should reflect current market conditions, including but not limited to inflation, tariffs, tax regimes, and interest rates. Prices will be compared by reference to the same defined requirements or specifications to ensure fairness and consistency i.e., an 'apple to apple' comparison, where applicable.

¹ As referenced in paragraphs 2.2 and 2.3.

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As a general principle, the lowest bid should be given due consideration, provided it meets the Corporation's required specifications and service levels. However, the Corporation is not obligated to accept the lowest bid, for instance, if there are reasonable concerns regarding the bidder's ability or willingness to deliver the required outcomes at the quoted price.

(b) Best Value

Best value is determined by the most advantageous combination of relevant factors, including:

- (i) Quality, fit for purpose, and level of service, ensuring reliability and performance;
- (ii) Technical merit, including professional expertise, support and assistance offered;
- (iii) Competitive pricing, contributing to cost effectiveness;
- (iv) Sustainability and innovation, fostering long-term efficiency;
- (v) Environmental and social considerations, aligning with ethical and sustainable procurement; and
- (vi) Non-tangible value, benefits, or opportunity to be derived from the procurement (such as gaining knowledge and building intellectual capital, establishing strategic partnership).

The Corporation is not obligated to accept the lowest bid if it determines that the bid does not provide the best value to the Corporation based on relevant combination of these criteria.

(c) Company / Organisational Profile and Credentials

As part of the Corporation's evaluation and selection criteria, the vendor or service provider's profile must be assessed. This includes, but is not limited to, their financial standing, the credibility and background of their management team, proven track record, market position, and adequacy of resources to deliver the required goods or services within the specified time frame.

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4.0 PROCUREMENT PRE-PLANNING

- 4.1 To ensure sound financial governance and effective resource planning, all procurement activities must be anticipated and integrated into the Corporation's corporate planning and budgeting process. Pre-planning ensures that procurement is purposeful, risk-informed, and aligned with the Corporation's objectives and priorities.
- 4.2 To ensure that all procurements are conducted in a structured, transparent, and accountable manner, advance planning is required. All procurement proposals must:
 - (a) Be thoroughly assessed and supported by research and justification;
 - (b) Be subject to the strategic and risk discussion, review, and endorsement by Management through the relevant Committees or other Management forum (if required) as part of the corporate planning and budgeting process;
 - (c) Be classified as either Strategic or Operational² during corporate planning and budgeting stage based on the procurement nature, complexity, and alignment with the Corporation's corporate plan, namely the Key Result Areas ("KRAs"); and
 - (d) Be accompanied by a clearly defined and pre-agreed procurement method, determined as part of the initiative planning and budgeting process.
- 4.3 Procurement requirements, including the sourcing approach, shall be identified and approved during corporate planning and budgeting stage to ensure alignment with corporate priorities, as well as instilling financial discipline, governance, controls.

² As defined in paragraph 5.1.

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4.4 No procurement shall proceed without prior approval of the initiative or operational requirements, confirmation of budget allocation, and a defined procurement method.

4.5 Any ad hoc procurement initiated outside of the planning, given that its deviation from planned activities and the elevated governance and risk considerations, such procurement shall follow the same process as that for Strategic procurement³.

5.0 PROCUREMENT CLASSIFICATION AND METHODS

5.1 The Corporation's procurement activities are classified into two (2) categories: Strategic and Operational.

(a) **Strategic procurements** refer to procurement activities that support new initiatives or involve changes to existing arrangements and operations which have financial impact. These include, but are not limited to:

- (i) New initiatives;
- (ii) Capital expenditures (CAPEX);
- (iii) Hosting of internal or external events, and conferences;
- (iv) New subscription of services, system licenses, subscription to IT tools or software;
- (v) Changes to existing nature or scope of work which have financial impact, including ad hoc upgrades to key operational infrastructure; and
- (vi) Sole sourcing engagements above RM50,000, where only one vendor or service provider is available and competitive sourcing is not feasible.

(b) **Operational procurements** refer to procurement activities that support the Corporation's day-to-day operations. These are typically routine, recurring, or replenishment in nature. These include, but are not limited to:

³ As defined in paragraph 5.1.

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- (i) Regular procurement of goods and services necessary for ongoing operations such as stationeries, pantry items, office building maintenance, etc;
- (ii) Periodic inspections and assessments conducted to uphold standards, best practices, or regulatory compliance; and
- (iii) Continuation of services, licenses, subscriptions, or lease agreements to ensure continuity of operations.

The examples cited above are not exhaustive. The Corporation may, from time to time, provide further examples in the Procurement Procedures as guidance.

5.2 **“Procurement amount”** refers to the all-encompassing costs to the Corporation including applicable taxes and incidental costs, as follows:

- (a) **Outright Purchases:** This refers to the total contract value payable by the Corporation for the deliverables of goods or services under the procurement arrangement; and
- (b) **Hire Purchase, Rental, or Lease:** This refers to the total value of payments (either lease or rental) for the period specified in the contract.

5.3 The Corporation adopts the differentiated procurement methods that reflects the unique business model and operation of the Corporation and to address the differentiated procurement-related risks between Operational Procurements and Strategic Procurements.

5.4 The following paragraphs set out the description and the rule for each of the procurement method.

Direct Sourcing

5.5 This procurement method is permitted for any procurement amounting to RM50,000 and below. This method involves selecting and negotiating directly with a single vendor or service provider, even in cases where other capable vendors or service providers exist.

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5.6 Procurements by way of direct sourcing are subject to post-procurement evaluations by their respective cluster's Executive Vice President ("EVP") in order to ensure appropriate oversight and alignment with governance expectations. For the Governance Cluster, post-procurement evaluations will be carried out by the Chief Executive Officer ("CEO"), in their capacity as Head of the Cluster, unless delegated otherwise.

Quotation

5.7 This procurement method involves obtaining and evaluating bids from vendors or service providers. The bids may include proposed services or solutions to meet the Corporation's requirements or for price quotes for such goods or services as specified by the Corporation. A minimum of three (3) bids is required, subject to the exceptions below:

- (a) This method may also be used when, despite efforts to obtain three (3) bids, only one (1) or two (2) bids are received.
- (b) Where obtaining the minimum number of bids is impractical due to limited vendors or service providers in the market, the relevant Head of Department or Function may request a waiver from the CEO.

Tender

5.8 This competitive procurement method is for any procurement exceeding RM500,000 and it involves inviting potential vendors or service providers to submit bids in accordance with the Tender Procedures. The Tender Procedures set out the tender requirements which provide more robust control and governance on the process for selection of bidder.

5.9 The CEO may require a procurement to proceed via a tender process, regardless of the amount, if it is deemed to carry significant risk for the Corporation. Such risks may include, but are not limited to, the following:

- (a) Reputational risks – situations that may negatively affect the Corporation's public image;

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- (b) Operational risks – risks of suboptimal procurement outcomes due to vendor limitations, unsuitable terms, delivery failures, or potential fraud; and
- (c) Financial risks – the possibility of not securing goods or services at competitive prices, especially when pricing varies widely.

Exceptions

5.10 Procurement of event venues and project-based manpower (which are classified as Strategic procurements) above RM500,000 are exempted from the tender process due to their unique, time-sensitive, and situational characteristics. These procurements may be carried out by way of Quotation method or where justified, may proceed via Sole Sourcing⁴.

Sole Sourcing

5.11 Sole sourcing is a non-competitive procurement awarded to a single vendor or service provider. Sole sourcing does not refer to procurements that are allowed to be conducted by way of direct sourcing under this Policy.

5.12 All sole sourcing above RM50,000 shall be deemed as Strategic procurement. Subject to being agreed upon at the corporate planning and budgeting stage, the sole sourcing shall be tabled to the Procurement Committee for review before seeking the approval by the CEO.

5.13 Sole sourcing is typically justifiable in circumstances where conventional planning and competitive procurement are impractical, where a non-competitive approach is likely to deliver the best overall outcome for the Corporation, taking into account the specific circumstances, as well as all relevant costs and benefits.

- (a) Sole sourcing may be justified under the following circumstances:
 - (i) Situations requiring urgent procurement to maintain business continuity during emergencies, disasters, or crisis;

⁴ Procurement routes and approving authority are set out in the Procurement Flow Chart in Appendix 1.

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(ii) When only one (1) vendor or service provider is strategically deemed suitable to meet all procurement requirements, including:

- Limited availability of vendors or service providers due to the unique or specific nature of the required goods or services, or intellectual property rights requirements, or due to technical compatibility factor, provided sourcing efforts have been made.
- When a direct pricing comparison is not viable because the goods or services provided are highly specialised or customised, making meaningful comparison across vendors or service providers impractical.

5.14 Sole sourcing is a Strategic procurement and shall only be used where a prior strategic decision has been made to engage a specific vendor or service provider, supported by appropriate justification. It must clearly demonstrate that competitive sourcing is not feasible and that the chosen approach supports the Corporation's objectives and procurement principles.

Continuation of Services

5.15 Where a procurement is intended as a multiple or multi-year engagement, the continuation of services must be explicitly planned, justified, and pre-approved at the outset as part of the initial pre-planning process, covering the full intended duration of the engagement. This ensures transparency, instil financial discipline and alignment with procurement governance requirements.

5.16 Continuation of services will be considered based on the nature of the services, availability of alternative vendors, operational impact and practicality, as well as concentration or dependency risks. At the end of the approved engagement period, continuation of services shall not occur automatically. A fresh procurement process must be initiated unless otherwise approved.

5.17 Management reserves the right to reassess the service delivery, performance, and ongoing relevance of the engagement, and may require a fresh new procurement process if deemed appropriate.

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6.0 PROCUREMENT APPROVING AUTHORITIES AND MANAGEMENT

- 6.1 The procurement flow chart in Appendix 1 outlines the procurement classifications, applicable procurement methods, and corresponding approving authorities based on procurement thresholds.
- 6.2 Heads of Departments or Functions as well as Heads of Units who are members of the Corporation’s Leadership Forum are authorised to approve direct sourcing within their respective delegated authorities. Notwithstanding this delegation, the Head of Department remains fully accountable for the procurement.
- 6.3 EVP may approve Operational and Strategic procurements up to RM500,000 within their delegated authority. For the Governance Cluster, where no EVP is assigned, the General Counsel serves as the approving authority.
- 6.4 CEO’s approval is required for all Operational and Strategic procurements exceeding RM500,000.
- 6.5 Operational procurement is allowed up to a threshold of RM300,000. Procurements exceeding this threshold will be governed under the Strategic procurement route, due to its elevated complexity and risk exposure.
- 6.6 The highest authority for procurement approvals within the Corporation is vested in the CEO. The 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 9.0 of this Policy.
- 6.7 The CEO has established a Procurement Committee (“PC”) to provide oversight on the procurement management for the Corporation. The PC comprises the EVPs and any other employee(s) as appointed by the CEO. The CEO may also establish other committee(s) to provide oversight on specific types of procurements.
- 6.8 The roles of the PC shall be defined by the CEO and may include, but are not limited to, the assessment of:

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- (a) Strategic procurements above RM150,000;
- (b) Operational procurements above RM300,000;
- (c) Ad hoc procurement above RM100,000;
- (d) Strategic procurements by way of Sole Sourcing; and
- (e) Tender submissions for shortlisting purposes.

The PC, or other committees designated by the CEO, may provide recommendations on the above proposals to the relevant approving authorities, who has the final decision-making authority for the procurements.

6.9 Any ad hoc procurement shall follow the same process as that for Strategic procurement and subject to the corresponding procurement route and governance requirements. Specifically, ad hoc procurements exceeding RM100,000 are subject to PC review prior to approval by the relevant approving authority.

Independent assurance / audit-related

6.10 For procurements involving independent assurance or audit-related services, the Audit and Consulting Department shall be responsible for selecting and engaging the appropriate vendor or service provider, in accordance with this Policy. To uphold the independence of the internal audit function, the Chief Internal Auditor shall serve as both the approving authority and the authorised signatory for such procurements.

7.0 CONTRACTS

7.1 In line with risk management practices, all procurements exceeding RM50,000 in value must be supported by formal written documentation, such as a contract, agreement, letter of appointment, or engagement letter.

7.2 Depending on the procurement's risk profile, Management may implement appropriate risk mitigation measures, such as requiring a performance bond from the vendor or service provider. A performance bond may be in the form of a bank guarantee, security deposit, or such other form deemed suitable by Management.

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- 7.3 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 clarity, except where the law requires the affixation of the Corporation's common seal on any document or instrument, the relevant authorised signatories may sign any procurement contract within their approved limits.
- 7.4 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.

8.0 EVALUATION OF PERFORMANCE

- 8.1 To promote efficiency and effectiveness, Management shall ensure that all procurement arrangements are monitored and evaluated to confirm the vendor or service provider delivers the expected benefits and contribute to the Corporation's strategic outcomes.
- 8.2 A structured contract performance monitoring and evaluation process is integral to ensure that, from commencement to completion, the vendor(s) or service provider(s) meet the contractual obligations in accordance with the Corporation's requirements.
- 8.3 The procuring Department or Function shall conduct performance evaluations of vendors or service providers on a periodic basis, annually, and as needed in order to assess their ongoing suitability for future engagements.

9.0 GOVERNANCE AND REPORTING

- 9.1 Upholding high ethical standards fosters 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 any interest in a contract. Where such interest exists, he or she must recuse him or herself from the selection process.
- 9.2 Anyone within the Corporation, particularly those engaged in procurement activities, must comply with existing laws, the Corporation's Code of Business Conduct and Ethics, and the Conflict of Interest Code.

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9.3 Sole sourcing for any contract exceeding RM100,000 shall be reported regularly to the Audit Committee and the Board. In addition, any procurement contract within the highest approving limit threshold, as well as any unbudgeted procurement (whether operational or capital expenditure) exceeding RM100,000, must also be reported on a regular basis to the Audit Committee and the Board.

9.4 Management shall ensure adequate controls and documentation are established to safeguard the integrity of the procurement process and to promote transparency in its execution.

9.5 In the event of any uncertainty regarding the interpretation or application of this Policy, the relevant Heads of Department or Function shall escalate the matter to the EVP (Finance & Stakeholder) who will then assess and recommend as appropriate to the CEO for a decision, if required.

10.0 **POLICY REVIEW**

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

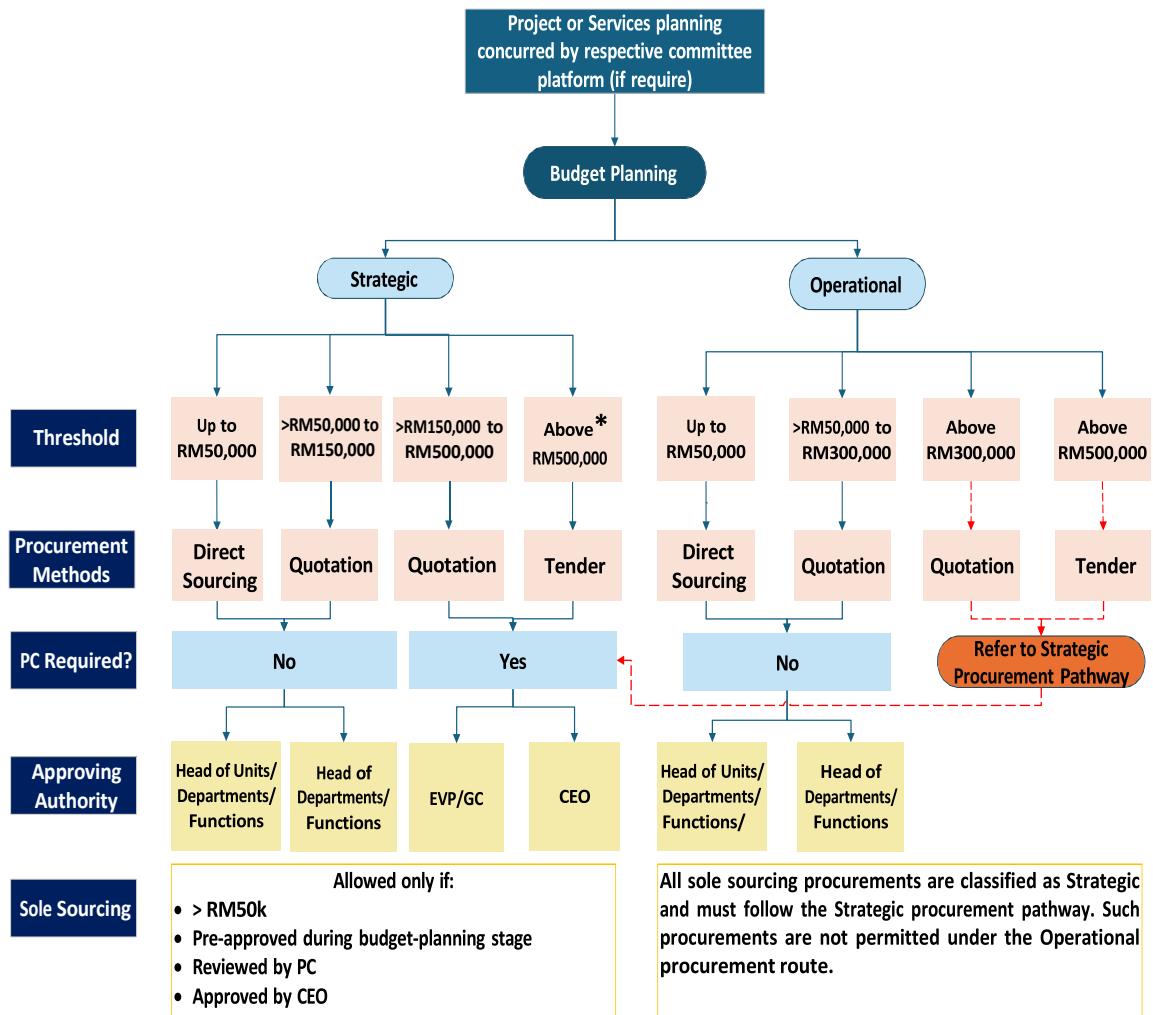
11.0 **CROSS REFERENCES**

11.1 Reference is made to the following:

- (a) Corporation's Code of Business Conduct and Ethics for Employees;
- (b) Conflict of Interest Code for Employees;
- (c) Corporate By-Law;
- (d) Policy and Procedures relating to the Corporation's Agreement; and
- (e) the Malaysia Deposit Insurance Corporation Act 2011.

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Appendix 1: Procurement Flow Chart



*Procurement of event venues and project-based manpower (which are classified as Strategic procurements) above RM500,000 are exempted from the tender process due to their unique, time-sensitive, and situational characteristics. These procurements may be carried out by way of Quotation method or where justified, may proceed via Sole Sourcing.