

## **POLICY FOR VENDOR SELECTION AND PURCHASE OF GOODS AND SERVICES**

### **I. PURPOSE**

This policy outlines the procedures to be followed by concerned and authorized personnel of the Company engaged in purchasing transactions.

### **II. GENERAL OBJECTIVES AND PURCHASING POLICIES**

- A. The responsibility for the purchasing of goods and services on behalf of the Company primarily rests on the Procurement Department (PD). The function of PD is to centralize the purchasing services of the Company by providing leadership in procurement functions.
- B. The PD shall provide this service in accordance with professionalism and sound business practice to obtain value for money by incurring the lowest cost to meet the Company's needs in terms of quality and service.
- C. The PD commits to employ the effective internal controls over purchasing transactions and reduce the administrative costs of acquiring goods and services.
- D. The PD will meet the above goals through the selection of suppliers in an open, competitive, and non-discriminatory process.
- E. The PD will ensure that the Company meets its legal and ethical obligations in the acquisition of goods and services by purchase or lease.
- F. The PD will employ trained staff with skills and expertise in purchasing techniques, negotiating contractual terms and conditions, cost reduction and other buying processes.
- G. The PD will put in place an appropriate "turn around" time policy with regard to the delivery of commonly ordered items from the filing of requisition.

- H. The reputation of the Company depends to a large extent to the actions of the PD. Therefore, the highest possible standards of business ethics, professional courtesy and competence are required.

### **III. AUTHORITY FOR PURCHASING**

- A. The Company shall issue and update the over-all levels of authority to commit the purchase of materials, equipment supplies and services, on annual basis which may be updated as frequent as necessary as deemed by Management.
- B. The authority to issue Purchase Orders shall be vested in the PD and each order shall conform with the required signatories based on the latest authority protocol policy.
- C. The authority to purchase is based on verification that all allocations are approved and budgeted in the current fiscal year.
- D. A Bidding Committee shall be set up by Management to take charge of big-ticket purchases.

### **IV. GENERAL RESPONSIBILITIES**

- A. Procurement Department
  - 1. Accredited vendors based on the accreditation policy
  - 2. Establishing and administering requirements with respect to purchase orders, written agreements, bids and quotations and vendor qualifications
  - 3. Pre-qualifying suppliers with joint input from the requisitioning Department
  - 4. Preparing Requests for Quotations ("RFQ")
  - 5. Receiving and evaluating quotations
  - 6. Coordinating all search and due diligence activities with respect to prospective suppliers in conjunction with the requisitioning Department, consultants and external expert as required
  - 7. Negotiating with suppliers
  - 8. Awarding the business for supply of goods and services

9. Releasing award information
10. Monitoring all purchasing activities for compliance with purchasing policies and procedures
11. Establishing and maintaining standards of quality
12. Ensuring that the its value chain is environmentally friendly or is consistent with promoting sustainable development
13. Establishing and enforcing insurance and bonding requirements for vendors

B. Requisitioning Department

1. Preparing purchase requisitions
2. Allowing Purchasing Department reasonable lead time for bidding and/or processing orders (since availability of supply varies depending on product)
3. Providing accurate specifications when requested
4. Assuring that contract and grant requirements are met
5. Verifying that funds are available and securing the appropriate budget department's approval
6. Verifying delivered orders for accuracy

C. Accreditation Policy

1. Only accredited Vendors (Products and Services, including Contractors and Consultants) shall be issued a Purchase Order or awarded a contract.
2. A uniform accreditation procedure (VENRO system) is implemented among four SM groups – SMIC Accreditation, SMPHI Project Audit Group, SMPHI-EDD, Shopping Center Management Corporation (SCMC). Vendor accredited by one group is considered accredited by the other groups. Each group is headed by a Vendor Management Authority (VMA).

3. A pre-screening should be done by the Product Category Heads for new Vendors prior to inviting the new vendor to apply for accreditation. Pre-screening process is being done to determine if the vendor or its product will be needed. The Product Category Head's endorsement is sent together with its request to invite vendor (send invite thru VIS).
4. Vendors to be accredited can be a domestic Corporation (Publicly-listed and Non-Publicly-listed), Sole Proprietorship, Partnership, Professional, Non-government organization and Non-Philippine base company or foreign corporations. For Sole Proprietorship entities, the Product Category Head shall encourage the vendor to incorporate or convert to a corporation.
5. The Directors, Officers, Owners or Employees of the Company to be accredited should not be related up to the 3rd degree of consanguinity or affinity to any officers or employees of SMIC, its subsidiaries or affiliated Companies. The vendor should agree to and signify compliance to SM's Code of Ethics, Disclosure Form and Privacy Policy.
6. The VENRO system does not allow enrollment of "One-time Vendor". Exception is only allowed upon the approval of SM owners and / or Business Unit Head. Exceptions are enrolled directly in SAP using a designated account group.
7. For Contractors and Consultants, the Project Audit Group shall evaluate the Vendor's technical capability. The Procurement Department shall only evaluate the financial capability of the contractors/consultant. Documentary requirements from both departments shall be required from the Contractors/Consultants and reviewed by each department. A joint evaluation shall be completed in the VENRO system.
8. A VENRO system generated number is assigned for every accredited vendor.
9. Scanned copies of the vendor's accreditation documents shall be maintained under the Vendor Document Imaging System (VDIS).

**V. DELIVERY**

- A. The PD shall coordinate with the Requisitioning Department and Vendor regarding delivery details.
- B. Any concerns with regards to the delivery and receiving of all goods and services shall be communicated to the PD for proper intervention and resolution between both parties.

- C. The PD shall institute procedures with respect to shortages, damages and merchandise returns.

## **VI. INVOICES**

- A. Original invoices are required in order to initiate payment process.
- B. In case of discrepancy in information between the invoice and the purchase order, the PD must resolve the discrepancy.

## **VII. CONTRACT REVIEW AND APPROVAL**

- A. With regard to executing contracts or agreement documents, same must be reviewed and approved by Legal Department.
- B. A separate policy will be issued that would specify the endorsement of the contract or agreement document by all departments materially involved in the transaction over and above the Legal Department.

## **VIII. SPECIFIC PURCHASES AND SERVICES**

- A. Request with technical consideration should be properly coordinated with the specific department involved (i.e. IT-related items should be coordinated with IT, renovation and repairs should be coordinated with Facilities Management, etc.)
- B. Deliveries of the above must be coordinated with Administration for proper asset tagging.

## **IX. POLICY REVIEW**

- A. This policy will be subject to review by the Executive Committee annually.