

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 Purchasing 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. Purchasing Department
 - 1. Accredit 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 (Product and Services, including Contractors and Consultants) shall be issued a Purchase Order or awarded a contract.
2. Accreditation procedure shall be centralized under the Procurement Department.
3. A pre-screening should be done by the Heads of the Procurement Team for new Vendors prior to accreditation process. Pre-screening process is being done to determine if the Vendor or its product will be needed. An endorsement slip shall be completed and submitted the I.T. and Special Project Team.
4. Vendors to be accredited should be a Corporation, if not, a written remark by the Heads of Procurement Team shall be issued and duly approved by the Head of Procurement.
5. The officers, owners or employees of the Company to be accredited should not be connected up to the 3rd degree of consanguinity and affinity to any officers or employees of SM. A Code of Ethic and disclosure form duly signed by their authorized representative (should be owners, incorporators or president of the

Company) shall be submitted by the Vendor. A notarized secretary's certificate shall be submitted if the signatories are not the above-mentioned signatories.

6. For One-time Vendor, the Heads of the Procurement Team shall issue a written justification. Documents necessary for one-time Vendor are the BIR Form 2303, Code of Ethic and Disclosure form duly signed by their authorized representative.
7. For Contractors and Consultants, Project Audit Group and the Technical team of the Hotel group (for Hotel contractors/consultant) shall evaluate the Vendor's technical capability. The Procurement Department shall only evaluate the financial capability of the contractors/consultant. Documentary requirements for both departments shall be required from the Vendor and reviewed by each department. A joint evaluation form shall be completed.
8. A unique number will be issued by the Procurement Department for all accredited Vendors. This number is for internal use and shall serve as reference number to indicate that the Vendor has gone through the accreditation process.
9. Safekeeping of the accreditation folders shall be the responsibility of the Procurement Department.
10. Review of accredited Vendors shall be done every 3 years.
11. For accreditation of Vendors by the SMHCC Properties:
 - a. All Purchasing Managers of SMHCC Properties shall follow the accreditation policy of SMIC Procurement Department.
 - b. Accreditation of Vendors (including completion of the requirements and plant visits, if required) shall be done per SMHCC Properties Purchasing Managers. Accreditation requirements shall be similar to SMIC Procurement Department except for the additional requirements for food and chemicals.
 - c. Recommendation to accredit Vendors shall be the responsibility of the SMHCC Properties Purchasing Managers.
 - d. The Head of Procurement shall approve the Vendors recommended by the SMHCC Properties Purchasing Managers, subject to review and endorsement by the SMIC Heads of Procurement Team.
 - e. Safekeeping of the Vendors accreditation folders shall be done by the SMHCC Properties Purchasing Managers. SMIC Procurement Department shall only keep a copy of the approved accreditation form of the Vendor and the checklist.

- f. For Vendors that are already accredited by SMIC Procurement Department, SMHCC Properties Purchasing Manager need not accredit these Vendors again. They will be provided with a copy of the approved accreditation form and checklist.

12. Vendor accreditation package

- a. For supply and delivery only
 - 1) Vendor’s general information sheet
 - 2) Vendor’s accreditation form
 - 3) Signed code of ethics (*priority importance*)
 - 4) Disclosure form (priority importance)
 - 5) Vendor’s plant visit form (*Optional*)
 - 6) Vendor accreditation summary - Procurement staff, Manager and AVP/SAVP to sign. Justification if any should be done by the Heads of the Procurement Team.
 - 7) Unique ID to be given to the accredited Vendor
 - 8) Accreditation Review checklist

Items for Review	Criteria
Part 1 - Documentation	
I. Vendor business type	Must be a Corporation
II. Code of ethic document duly signed by the vendor	Required to complete
III. Completed supplier's general information sheet	
IV. Completed Vendor Accreditation form	
V. Disclosure Form	
Part 2 - Evaluation	
I. Background investigation	
A. Years as vendor of SM group	Required to complete
B. Years as vendor of SMIC	
C. List of completed projects and amount	
D. List of current projects and amount	
E. Biggest and average contract amount	
F. List of Key Owners	
I. Personal interview	By Procurement Manager and/or AVP/SAVP
II. Incorporation information and Finacial Review	
A. Capitalization Amount	Required to complete
B. Years of Incorporation	
C. Financial review	
C.1. Current ratio (Current asset/current liabilities)	should be = or > 1 / 0.80 to 0.99 (conditional acceptance)
C.2 Debt to asset ratio (Total liabilities/total assets)	should be = or > 70% / 0.71% to 0.90% (conditional acceptance)
III. Facility review	
A. Office facility	Optional - recommendation of Procurement Manager
B. Plant facility	

- b. For Consultants and Contractors (supply and install):

- 1) PAG requirements incorporated in the supply and delivery Vendor accreditation package.
- 2) PAG shall be in-charge of technical evaluation while Procurement is responsible for the financial evaluation.
- 3) PAG to evaluate all contractors and consultants except for Hotel group who has their own evaluation process.
- 4) Procurement Department as central accreditation department will accredit Vendors for both PAG and Hotel group.
- 5) Issuance of Unique number and filing of accreditation folder will be separate for PAG and Hotel group for easier identification.
- 6) Document requirements by PAG, Hotel group and Procurement should be submitted by the Vendor.

V. DELIVERY

- A. The PD and Central Receiving are the control points for all goods received by the Company. Shipment to another designated location may be allowed.
- B. If an order is not received by the promised delivery date, the PD should make automatic follow ups without waiting for the requisitioning department to react.
- C. The PD shall institute procedures with respect to shortages and damages and merchandise returns.

VI. INVOICES

- A. Original invoices are required in order to initiate payment process.
- B. Original invoices that relate to properly approved purchase orders or contracts do not require any further approvals.
- C. Original invoices which have not been approved through the purchase order or contract procedure will be forwarded to the respective department to start the approval authority process.
- D. 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. Construction, Renovation and Refurbishing – must be coordinated with the Facilities Management.
- B. Computer Hardware, Audio-visual equipment and the like must be consulted with IT Department, including pre-configuration prior to installation.
- C. 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.