



Procurement & Vendor Governance Policy

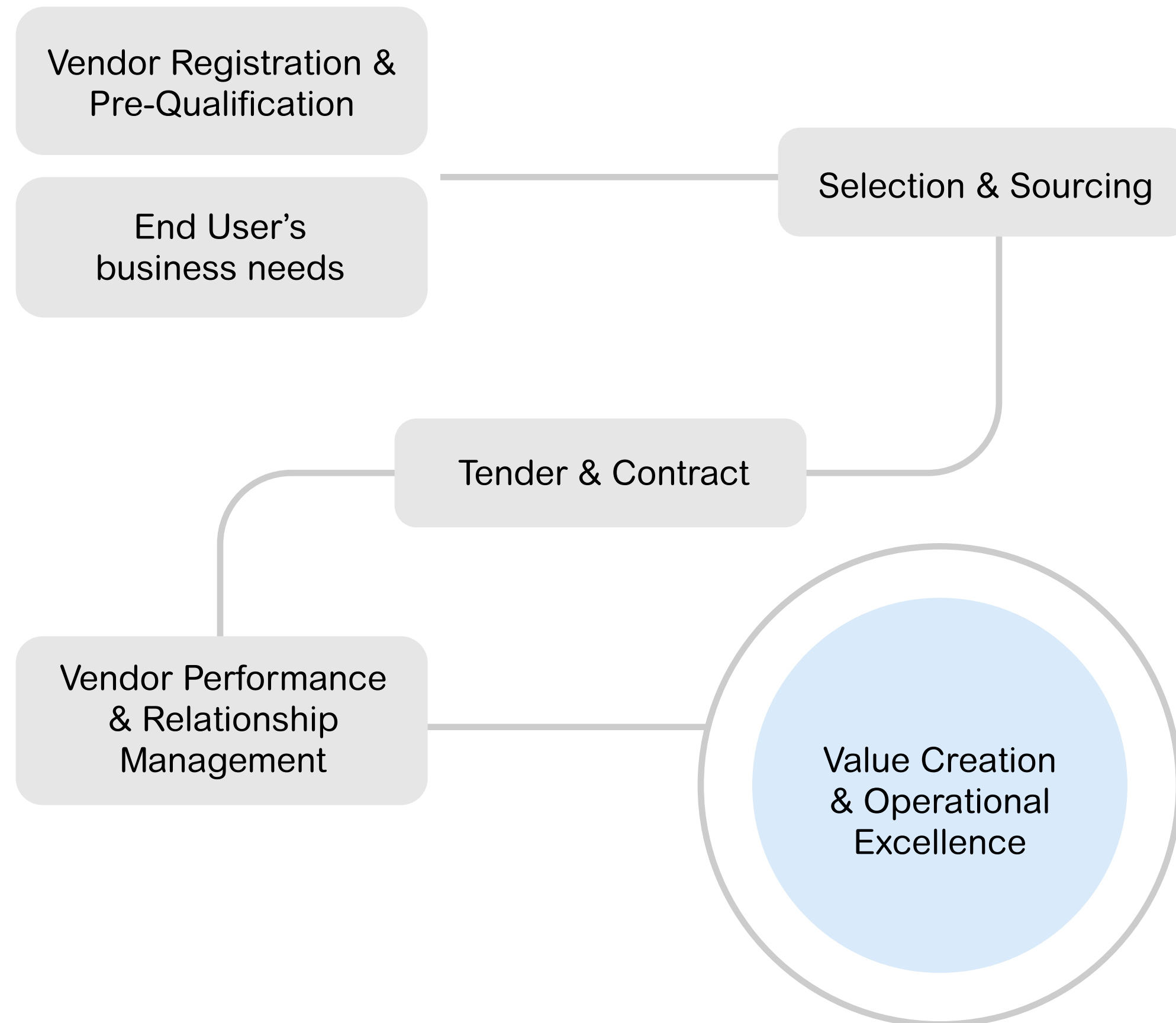


Procurement & Vendor Governance Policy

Introduction

At Karex, we work very closely with our Vendors, such as Service Providers, Suppliers, Contractors and Consultants to ensure that our values and principles are carried through in every aspect of our business operations across every region.

Hence, this policy covers mandatory requirements of our procurement governance framework, assessment to manage procurement activity and complaints management. Below is an illustration of our Procurement Approach;



Procedures for Vendor Management



Vendor Registration & Pre-Q

- Registration & pre-qualification of vendors to ensure accurate listing of vendor profiles, their products/services and qualifications.



Approved Vendor List

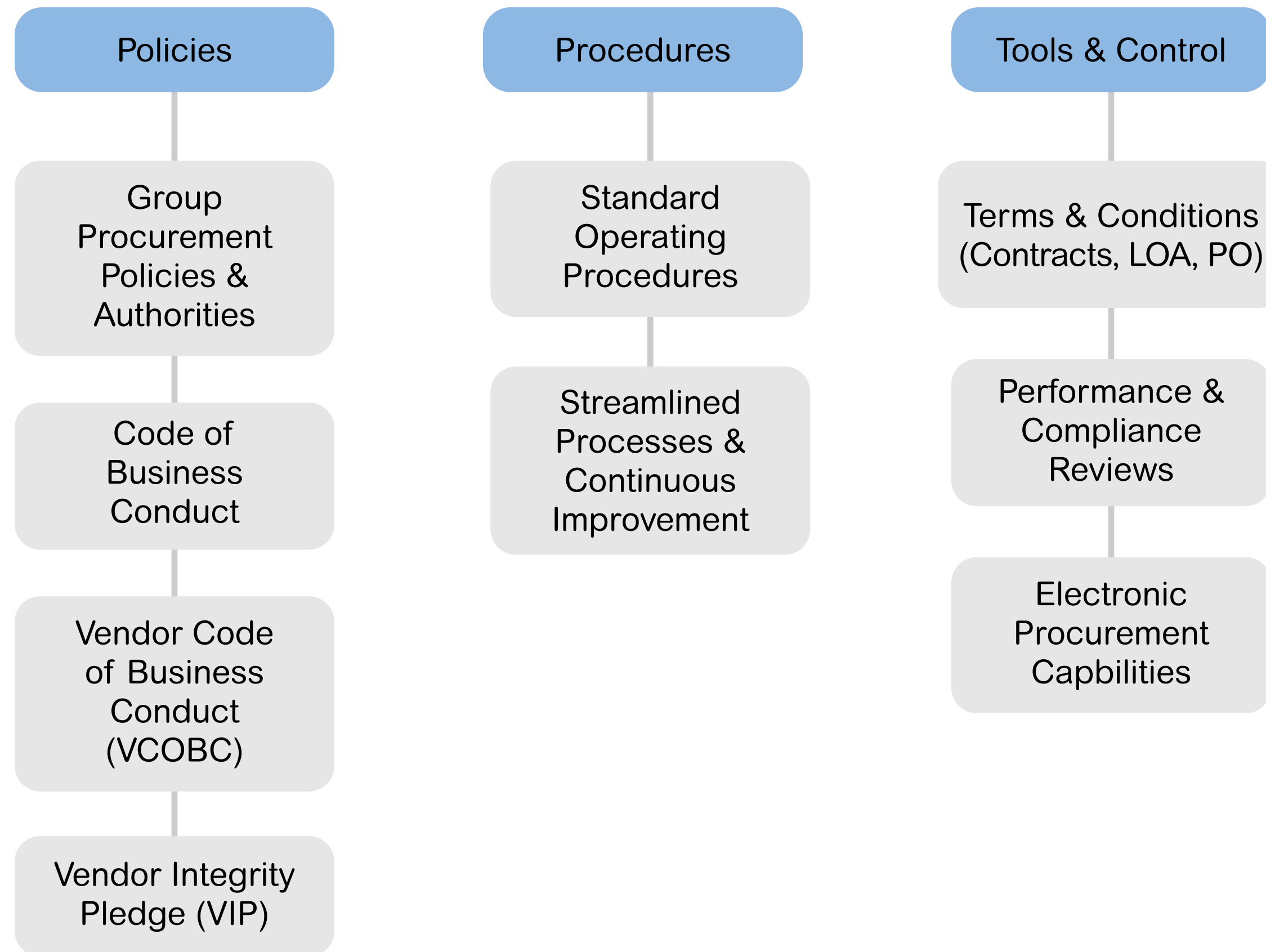
- Karex's Approved Vendor List provides a strong, competitive and stable database to facilitate selection for sourcing activities.



Further Evaluations

- Further qualification for specific work categories and nature of business depending on business needs
- Continuous performance evaluation throughout active period of transactions with Karex.

Procurement Governance



Procurement Governance Framework

Procurement governance are systems that we have in place to achieve control and probity in our procurement. The key components of a governance framework are:

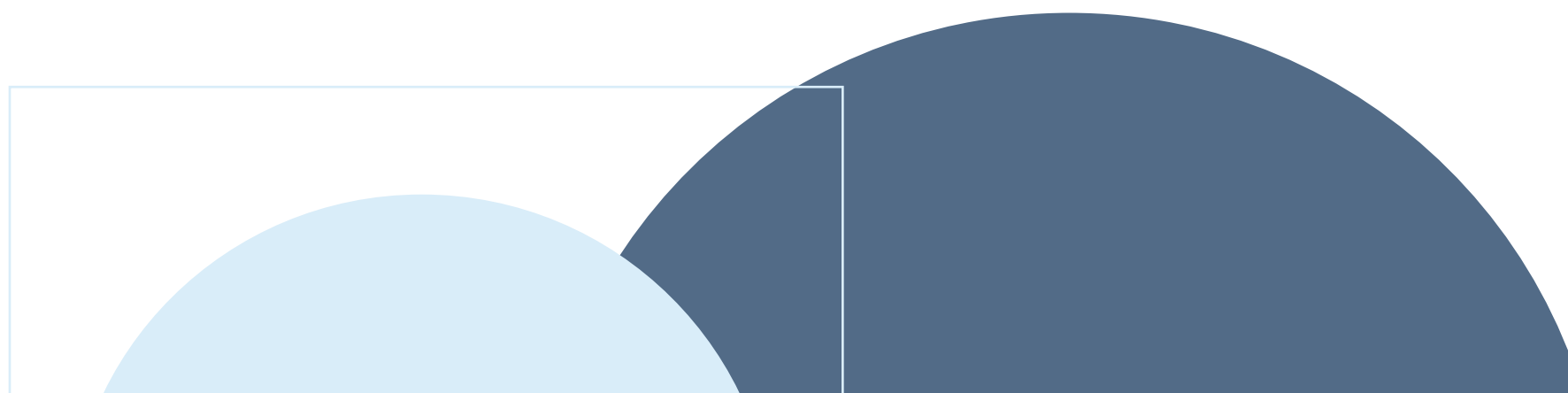
- procurement policies
- procedures that define how to manage the process
- roles & responsibilities of key personnel in charge
- controls and reviews to track procurement process performance

The framework establishes processes, authorities, accountabilities and relationships for the organization to manage an efficient and effective procurement function. It operates at 2 levels:

- the structure, processes and roles that drive organizational performance, improve procurement practice, reduce risk and promote value for money
- ensuring compliance with Karex supply policies.

The procurement governance framework ensures that the Supply Chain Director:

- has developed a strategy, systems, policy, practices and processes to monitor and benchmark performance
- is asking appropriate and regular questions about procurement activity and procurement outcomes
- roles, responsibilities, authorities and accountabilities are clearly articulated and understood
- risks are identified, mitigated and/or improved
- complaints are treated fairly and in a timely manner.



Roles & Responsibilities

The Supply Chain Director role encompasses:

- providing expert advice and guidance on matters related to the governance framework
- overseeing the development, application and ongoing assessment of the governance framework
- ensuring that the complaints management process demonstrates due process and integrity.
- ensure that all procurement activity applies strategies, policies, procedures, practices and probity that comply with Karex supply policies and any other requirements in the Financial Management Act 1994 or imposed by the Supply Chain Director
- assess the procurement capability of the organization on an annual basis
- manage the preparation of a capability development plan
- identify major procurement categories
- review its own performance and capability at regular intervals
- report annually on the organization's procurement activities

Develop Procurement Strategy

The governance framework is underpinned by a procurement strategy. This strategy provides an overview of the organization's procurement profile and includes the following components:

- procurement activity plan
- contract management planning strategy
- supplier engagement plan
- capability development plan



Complaints Management

An issue or concern expressed by a supplier in relation to the process and probity applied by the Company when carrying out a procurement activity. The complaint should be a letter, email or fax lodged with the Supply Chain Director. The investigation of a complaint and subsequent response is overseen by a person who is not involved in the subject matter of the complaint. The complaints management system outlines the following:

- how the investigation will be dealt with
- what documentation the Company requires from the complainant in terms of scope and format
- contact and lodgment details for all documents
- timelines for conducting the investigation and providing a response
- the range of outcomes available to the Company in responding to a complaint
- the process for a review by Karex, should the findings and actions taken by the Company not resolve the matter to the satisfaction of the complainant
- other government bodies that may be able to assist

Karex will disclose in its annual report the following information in relation to each complaint received:

- the procurement activity to which the complaint relates, and
- the status of the complaint confirming whether it was resolved / is still under investigation / could not be resolved

Tools and Control

Apart from ensuring our operational procurement steps are captured through clear terms and conditions with our vendors, Karex also continuously implements electronic procurement (eProcurement) capabilities to help put our policies and procedures in action. Karex continues to work closely with our vendors to help ensure that these capabilities are mutually beneficial in our procurement activities.

