



PACKAGES LIMITED

PROCUREMENT POLICY

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1. Purpose

The objective of this document is to define policies for procurement of goods and services and ensure that financial integrity is assured by prescribing and following a range of appropriate methods for purchasing and procurement, including, where applicable, a competitive tendering and contracting process. These policies are designed to ensure timely, efficient, and economic procurement in a transparent way.

Two main principles that apply are; the requirement for impartiality and fairness across all stages of the tendering and purchasing process, and the necessity for obtaining the best possible value for money.

This policy applies to the purchase of goods, services or works, approval of such purchases, the receipt and acceptance of materials, supplies and services.

2. Objective

It shall be ensured that steps taken are in the interest of the Company and purchases are done from a reputable supplier at the best available price and in favorable terms and condition to the Company. Avoid advance payment to the suppliers, if necessary try to pay minimum advance which shall be subject to approval. Cash purchases shall be avoided. If unavoidable, cash purchases shall be made after approval.

3. Supply Management Department

The Supply Management Department (SMD), functions as an independent operational unit within the Company's Organization Structure, duly staffed by suitably qualified and experienced procurement professionals, under the overall administrative and management control of General Manager. In conducting their functions and activities, the SMD appropriately coordinates, consults, and interacts with other departments such as Business Units, Marketing & Sales, and Finance Departments in a suitable manner to meet the production demand with appropriate supply. One of the important functions of SMD shall be to attract and retain vendors.

4. Market Intelligence

SMD will make necessary arrangements for market intelligence. Procurement executives will develop, update and maintain database of prices and profiles of suppliers of materials procured from time to time. The buying team shall be required to visit market to search for new vendors from time to time in order to check the competitiveness of existing suppliers for raw materials. The database shall be updated on periodic basis and a reported to Head of Supply Management (HSM) for information and necessary action, if needed.

5. Advertisement Policy

Advertisement for inviting tenders/ quotations for any procurement will be given in at least two leading daily national newspapers, preferably in English and Urdu, through a panel of the advertising agencies maintained in this regard. Advertisement with specifications shall also be posted on website of Packages Limited.

6. PROCUREMENT PLANNING

Sales volume is set in advance by keeping in view the market conditions and lead time for raw materials in the shape of Rolling Sales Forecast (RSF). Based on these locked sales volume, production volumes are determined. These production volumes are translated into raw material requirements by production planners in the relevant business units through SAP system, on the basis of Bills of Materials required for finished products. Once the production planners set the material requirements, these are communicated to Supply Management. The Supply Management then, finalizes annual contracts / agreements (if any) with the vendors as and when required based on plan. Thereafter, the Supply Management Department proceeds with procurement and tracking of production supplies.

6.1 Monitoring of Procurement Plan

SMD buying team shall meet with the business unit planning team on monthly basis to discuss procurement status of materials and finalize the material ordering requirements, after considering inventory/ stock in hand, safety stock to be maintained and lead times communicated by the supplier.

7. Procurement Methods for Goods and Services

7.1. Purchase Requisition

The department requiring any item shall raise purchase requisition (PR) in SAP. The PR will be raised by the person(s) as authorized by the relevant Departmental Head / Business Unit Manager. The PR shall clearly state the exact specifications, the quantity required and the date when it is required. The concerned Departmental Head/ Business Unit Manager shall approve the PR as generated through SAP in accordance with the authority matrix and will be sent to Supply Management for further processing.

The respective Departmental Head/ Business Unit Manager shall also ensure that all purchases are as per business requirement and fall within the capacity of the departmental/ Business Unit's budget.

7.2. Invitation of Quotations

After approval of the PR, the SMD shall invite quotations through "Request for Quotations (RFQs)" [generated through SAP] from preferably three (3) approved suppliers but not less than two (2) approved suppliers. In respect of the routine approved suppliers, their quotations shall be given along with the validity period of the prices. Authorization sheet of quotations would be created by SAP based

on RFQs. Head Supply Management/ Procurement Manager (PM) shall approve and sign the Authorization sheet. In case an offer other than the lowest offer is approved due to better quality/ service or any other business relevant factors, reasonable explanation/ justification shall be provided with the Authorization sheet/ Comparative statement.

For all types of procurement, vendors already registered with the Company shall be considered and selected for calling of quotations.

7.3. Single Quotation Acceptance

A single quotation acceptance may be done depending on any of the following conditions:

- Authorized brand distributor;
- Approved vendor for material;
- Quotation approved by business unit/ user;
- As per last order;
- Emergency purchase;
- As per agreed prices list/ contract; and
- General order supplier.

In instances of single quotation acceptance, a suitable explanation is given on the authorization sheet which is authorized by HSM/ PM.

7.4. Single Source Procurement

If the nature of purchase is such that there is a single vendor for the goods or services to be procured, the procurement shall be made through that sole vendor/ Original Equipment Manufacturer (OEM) only. For such type of procurements, quotation will be called from that single source vendor, and final approval shall be made by HSM/ PM.

In case of single source vendors, SMD shall check on a regular basis that no other vendor is available for the particular item.

7.5. Purchase Order

Purchase Order (PO) shall be created in the system by the procurement executive responsible for procurement activities in their respective areas. PO shall be created on the basis of an approved Authorization sheet/ Comparative statement.

For the procurement of ad hoc goods and services directly by the departments/ business units, the PO shall be raised by the concerned department with the approval of departmental head/ Business Unit Manager. This PO shall be created on the basis of a valid contract with the vendor for provision of goods or services.

Where an old PO reference is used, it shall be ensured that the PO is not more than 6 months old. The

system shall not allow a PO to be created without an approved PR other than the POs raised on the basis of raw material projections. System shall restrict preparation of Goods Receive Note (GRN) on the basis of PO.

PO shall be verified by procurement executive with the selected quotations and forward it to Procurement Manager for approval.

For all types of procurement (CAPEX or others), PO shall be released/ approved electronically in the system by the competent authority.

7.6. Amendments / Cancellation of Purchase Orders

In the event whereby changes in PO are required, the Procurement Executive shall amend the PO and all changes in PO shall be reviewed by Procurement Manager.

Any amendments/ cancellation in POs shall be approved by the designated persons who had originally approved the PO and authorized by HSM/PM.

7.7. Monitoring of Purchase Orders

Procurement Manager shall review a list of POs against which either ordered quantity has not been received completely or received partially to identify delays in receiving the ordered goods/ services and identification of dormant POs.

Any PO outstanding, against which ordered quantity has not been completely received, for more than twelve (12) months from date of expected delivery, shall be investigated and appropriate action, as determined by the HSM shall be taken. In case of dormant POs, Supply Management Department will ensure that all open Purchase Orders are closed on an annual basis.

7.8. Limitation on the Negotiations in the bidding

The company has a policy of no negotiation with the bidders once open bidding has concluded. Negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder, if it is held with the intention of making substantial changes to a contract or of obtaining price reductions from the lowest evaluated responsive bidder, may lead to personal bias, temptations and tendency for kick backs and corruption.

8. Vendor Approval & Evaluation

Head Supply Management (HSM) in consultation with Procurement Manager (PM) shall approve the vendor. After approval, a vendor master will be created in the SAP system and subsequent purchases will be made. HSM shall also validate the vendor wherever needed with specific focus to any incidental

conflict of interest arising in the consequence of business relationship with such vendor, as described in the company's Code of Conduct and Section 10 "Legal and Ethical Conduct" of this policy. A proper database is to be maintained in this regard. The step wise process is given below:

8.1 Vendor Registration

The Vendor registration process shall be a mandatory process for all the vendors' intending to supply materials or services to the Company and shall be performed by Supply Management Department.

Responsibility for determining sources of supply rests exclusively with the SMD. For technical products, recommendation of sources may be sought from concerned business units, or any other user departments, but only in an advisory sense. Recommendations of vendors received from the requisitioning function shall be researched thoroughly by the SMD to ensure vendor selection process is performed in a logical and orderly manner.

Ideally, all vendors shall be required to fill the Vendor Questionnaire Form (attached as Annexure A) with required information. The form shall be submitted to SMD by the vendor for the purpose of registration with the Company.

8.2 Vendor Selection and Evaluation

At the time of registration, vendor shall be evaluated on the basis of the criterion stipulated in the Vendor Evaluation Form by Procurement Manager in the case of raw materials. In order to qualify for registration, the aspiring vendor must meet or exceed all requirements and standards as set forth by the SMD.

SMD shall evaluate and select vendors on the basis of their ability to meet the Company's requirement of product specification, quality and delivery at economical cost. Approved Vendor List (AVL) for raw materials shall be prepared, and kept by SMD in the system.

8.3 Updating of Vendor Details

Procurement Manager shall ensure updating the vendor details in the Vendor Master File, as and when changes occur for Purchase Order (PO) based vendors. In case of non-PO based vendors, Financial Accounts Department shall ensure updating the vendor details in the Vendor Master File as and when the changes occur.

8.4 Deactivation of Dormant Vendors

Subject to evaluation of vendors, all vendors with which the company has not made any business transaction over the previous 2 years period, shall be considered dormant and should be deactivated/closed from the SAP system. This information should be sent with approval of HSM to ERP department for deactivation from the system.

8.5 Review of Vendor Master File

On a periodic basis, a Vendor Master File Edit Report shall be generated from the system and reviewed by HSM to identify any unauthorized changes made to the Vendor Master File in case of PO based vendors and Financial Accounts Department in case of non-PO based vendors.

8.6 Monitoring of Vendor Performance

Vendors' performance of both local and foreign vendors which are critical in the operations of the business (such as raw materials) shall be evaluated and qualified. The performance of vendors shall be reviewed once a year by SMD on the basis of a performance evaluation criteria devised by HSM which may include delivery performance, quantity & quality, complaints, price competitiveness, response time, lead times, after sale support, reliability etc.; to assess the consideration of the original decision. Such reviews held by the Company shall determine if circumstances have changed sufficiently to cause the company to change vendors. However, one time vendors or professionals and other services' vendors except for critical items (which include raw materials) shall not be subject to this regular evaluation.

Results of performance evaluation of vendors shall be presented by the Procurement Manager to HSM. HSM shall take decisions whether to continue with the existing vendors, terminate relationship with the vendor with non-satisfactory performance or to initiate correspondence with the vendor intimating them about their non-satisfactory performance.

9. Blacklisting of Vendors

"Blacklisting" means barring a bidder, contractor, consultant or supplier from participating in any future procurement proceedings by Packages. The following shall result in blacklisting of suppliers, contractors, or consultants, individually or collectively as part of consortium:

- conviction for fraud, corruption, criminal misappropriation, theft, forgery, bribery or any other criminal offence;
- involvement in corrupt and fraudulent practices while obtaining or attempting to obtain a procurement contract;
- final decision by a court or tribunal of competent jurisdiction that the contractor or supplier is guilty of tax evasion;
- willful failure to perform in accordance with the terms of one or more than one contract;
- Failure to remedy underperforming contracts, as identified by the company, where underperforming is due to the fault of the contractor, supplier or consultant.

Packages management may, on its own motion, or information provided by any party, carry out an investigation to determine, whether there is sufficient cause for blacklisting a contractor, consultant or supplier. If the management is satisfied that such a cause exists, it shall initiate the process of

blacklisting and obtain approval from General Manager for the decision. As a result of the scrutiny process, the General Manager may take one of the following decisions:

- Contractor or consultant or supplier may be blacklisted.
- Contractor or consultant or supplier may be debarred temporarily, specifying the time period.
- Contractor or consultant or supplier may be blacklisted if he fails to take the specified remedial actions within a specified time period.

The SMD shall duly communicate the decision to all the concerned user departments including the supplier/ vendor deactivation from the SAP system. SMD shall maintain a list of black listed vendors in this regard.

10. LEGAL AND ETHICAL CONDUCT

It is the policy of Packages to comply with all laws governing its operation and to conduct its affairs in keeping with the highest moral, legal and ethical standards.

Compliance with the law (including income tax, sales tax, PPRA, SPPRA and other applicable regulatory law) means not only following the law but conducting business in such a way that Packages receives recognition as a good and law abiding organization. Even where law does not apply, applicable standards of ethics, morality, diligence and good conduct related to Packages activities must be complied with.

Illegal and unethical practices include: engaging in price fixing arrangements; bid rigging acts; agreements with competitors to divide or allocate markets or customers; falsifying of accounting records; intentional misrepresentations to the auditors; bribery; illegal kickbacks; or illegal political contributions.

10.1 Conflict of Interest

Loyalty and practice of good business ethics are a part of the obligation of employees to Packages. One aspect of this is the requirement that an employee refrain from engaging in personal activities which injure or take advantage of the Packages. Employees may not make personal benefits out of their Packages positions. In order to avoid conflict of interest in procurement of goods and services, any business enterprise in which Packages employee has significant proprietary interest or control or relationship must be disclosed to the management in advance of establishing a business relationship. Full disclosure of the background surrounding a real or potential conflict should be made in writing prior to making the commitment or initiating the activity which poses a possible conflict.

10.2 Gifts

Mutual respect between supplier and buyer has always been and always will be an important factor in business. It is to be encouraged between the two parties where it can be of advantage to both. There is nothing questionable or unethical in having lunch with a supplier, either to give the salesperson a better opportunity to present his or her case or to cultivate a business relationship, provided the employee accepts such intentions as they would from any other person and keep themselves free from

obligation. Employees must not become obligated to any supplier and shall not participate in any transaction in which they may personally benefit. No gifts, beyond those of an advertising nature and insignificant value generally distributed to all potential customers, may be accepted by any packages employee. Gifts received which are unacceptable according to this policy shall be returned to the donors.

10.3 Entertainment

Packages employees shall not accept purely social entertainment offered or sponsored by suppliers. Entertainment is not construed to mean an occasional business meal or a function where Packages stands to benefit from the supplier association.

10.4 Relations with Vendors

The highest standards of business ethics and conduct should be applied by all employees in relations with suppliers. When making decisions affecting suppliers, employees shall not obligate either themselves or the Packages to a supplier. In conducting business with suppliers, employees are also expected to act fairly, objectively and in the best interests of the company. Fairness to suppliers is promoted by the following means, inter alia:

1. By giving all salespersons a fair, prompt and courteous hearing on any subject that is justified by the nature of their products or services.
2. By keeping competition open and fair.
3. By discouraging revision of bids after submission and insisting on receiving the best price initially and holding the bidder to it.
4. By keeping procurement specification fair and clear and not including impractical or unnecessary conditions.
5. By showing consideration for the vendors' difficulties and cooperating with them to the fullest extent possible without affecting interest of company adversely.
6. By not soliciting quotes from a potential supplier unless company is willing to use that supplier if the offer is acceptable in quality, price, delivery terms and service. Qualifications of a supplier will be determined before a quotation.
7. By not excessively bargaining with suppliers. Ensure that each bidder's quoted price is compared with other bids submitted under the same conditions.
8. By keeping prices confidential and not divulging those prices to competitors.

Packages Code of Conduct should also be referred for details on the situation where conflict of interest could arise and the ways how to manage such conflict.

11. Quality Inspection of Goods and Services

Quality Assurance department shall be responsible for testing the samples drawn from consignments received from suppliers and issuing quality reports. In case of ISO certified companies and where the supplier provides quality certificate/ analysis report for the consignment, the quality report is not necessary. On the basis of this procedure, the consignment will either be accepted or rejected by the company.

12. Exceptions

In case of certain criticality or unforeseen circumstances, any exceptions to the guidelines given in the policy shall be approved by the General Manager only after being satisfied to the reasons for such exception with recording of proper justification from the user department/ supply management.

Annexure A: Delegation of Authority Matrix

ACTIVITY	ITEMS	AUTHORIZATION LIMIT	AUTHORIZED PERSONNEL
1. Authorization of purchase requisitions (PR)	All items (excluding fixed assets)	Any Amount	Departmental Head
2. Authorization of procurement – <i>local</i>	All items	Any Amount	Head of Supply Management / Procurement Manager
3. Authorization of procurement – <i>imports</i>	All items	Any Amount	Departmental Head / Head of Supply Management / Procurement Manager
4. Authorization of Purchase Orders (with advance payment) – <i>local / imports</i>	All items	Any Amount	Head of Supply Management / Procurement Manager
5. Authorization of Purchase Orders (with advance payment) – <i>imports</i>	All items	Any amount <= US\$ 5,000	Head of Supply Management / Procurement Manager
		> US\$ 5,000	Head of Supply Management / Procurement Manager and Chief Financial Officer
6. Authorization for Procurement of services directly by departments	All items	Any Amount	Departmental Head
7. Authorization of Purchase Order (with credit payment terms)	All items	Any Amount	Head of Supply Management / Procurement Manager
8. Approval of emergency purchases	All items	Any Amount	Head of Supply Management / Procurement Manager
9. Contracts / Agreements	All Contractual Goods and Services (excluding fixed assets)	Any Amount	Head of Supply Management / Procurement Manager
	Contractual Goods and Services procured directly by the department (excluding fixed assets)	Any Amount	Departmental Head
	All Contractual Goods and Services (related to fixed	Any Amount	General Manager / MD

ACTIVITY	ITEMS	AUTHORIZATION LIMIT	AUTHORIZED PERSONNEL
	assets)		AND Head of Supply Management / Procurement Manager

Annexure B: Vendor Questionnaire Form

1. GENERAL INFORMATION

1.1 Vendor's Name: _____

1.2 Manufacturer's Name: _____
(For Primary Items Only)

1.3 Type of Business: *Traders* *Dealer* *manufacturers* *Sole Agent* *Vendor's agent*
 ☐ ☐ ☐ ☐ ☐
Others _____ ☐

1.4 Status of the firm: *Private Ltd.* *Public Ltd.* *Partnership* *Proprietor*
 ☐ ☐ ☐ ☐

1.5 Name of Owner / MD: _____

1.6 Mailing Address: _____

1.7 Branches: _____

1.8 Year of Establishment: _____

1.9 Name of Contact Person: _____

1.10 Telephone #: _____

1.11 Fax# _____

1.12 E-Mail # _____

1.13 Web Page# _____

1.14 Bankers Name: 1. _____

2. _____

1.15 Registration No:

National Tax (NTN)/ CNIC _____

General Sales Tax (GST) _____

(Please attach copies of certificates)

1.16 Total Business turnover: 1. Year: _____ Rs. _____. During last 3 years.

2. Year: _____ Rs. _____.

3. Year: _____ Rs. _____.

2. FOR INDENTORS/ SOLE AGENTS/ VENDORS'S AGENTS**2.1. Please attach the following documents:**

- Certificate from the Principal Regarding agency rights ☐ Attached ☐ Not Attached
- Membership of Chamber or/ And a Trade Body ☐ Attached ☐ Not Attached
- Firm's Bank Credit Report ☐ Attached ☐ Not Attached
- List of Clients ☐ Attached ☐ Not Attached

2.2. Name of Manufacturers _____

Authorizing you to offer prices of raw material / spare parts:

2.3. Name of your Principal with _____

Address, Fax No., Email No. _____

And contact person.**3. SCOPE OF SUPPLY / SERVICES****3.1. Product/Service Description** (Raw material, packing material, oil, lubricant and chemicals, hardware items, tools and paints etc., stationary, office supplies, and staff amenities, office equipment, furniture and fixtures, local fabrication, spare parts and equipment, miscellaneous and others)

3.2. Origin of Supply_____**3.3. Annual Capacity**_____**4. QUALITY ASSURANCE / CONTROL [Manufacturer of Raw Material]****4.1. Do you have a separate QA Department?** ☐ Yes ☐ No**4.2. Do you have Quality Manual?** ☐ Yes ☐ No*If yes, what specification it is based on* _____*Please provide a copy of Quality Manual for audit of our QA team*

- 4.3. Do you hold certifications against any recognized quality standards by a accredited third party body e.g. ISO 9001, 14001 or 22000? If yes, please provide a copy of certificates. ☐ Yes ☐ No
- 4.4. Are you authorized to use any code Stamps/monogram? If yes, please specify _____ ☐ Yes ☐ No
- 4.5. Would you allow representative of the Company to conduct inspection of ordered product at your site ☐ Yes ☐ No
- 4.6. Are you prepared to discuss non - conforming products with the Company? ☐ Yes ☐ No
- 4.7. Would you allow representative of the Company to conduct Quality Assurance audit of your company? ☐ Yes ☐ No
- 4.8. Attach a copy of your Quality Policy.

5. Health, Safety & Environment (HSE)

- | | | | |
|-----|---|------------------------------|-----------------------------|
| 5.1 | Do you have HSE Manual | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 5.2 | Provide List of HSE Training carried out during last year | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 5.3 | Are Fire Fighting Equipment available | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 5.4 | Are Safety Gadgets being used | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 5.5 | Are MSDS available and being used | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 5.6 | Attach your HSE policy.
(Use separate sheet sent if necessary) | | |

Remarks: _____

Date: _____

Authorized Signatory

Note: Where information is not available, kindly mention the reason for the same