



SECURITATEM INSTALLATIONS LTD

PURCHASING POLICY

1. Introduction

- 1.1 The Purchasing policy encompasses all purchasing policies as approved by the Board of Directors.
- 1.2 The policy statements contained represent the basic intentions and goals of the company. They establish the permanent foundation upon which the company operates and are expected to be relatively independent of the changing technologies and methods used to carry them out.
- 1.3 These policies are subject to change from time to time as circumstances dictate, and these changes, when approved by the Board of Directors, will be distributed to all Purchasing staff. We would like to maintain the highest level of ethics in Purchasing and deal with our suppliers on a uniform basis.
- 1.4 The overall goal of Purchasing is to procure quality products and services in the most cost-effective manner and satisfy the company's requirements on a timely basis, consistent with company objectives while maintaining the highest ethical standards.
- 1.5 Purchasing shall aim to acquire these quality products and services for the lowest long-term cost. Factors considered in determination of the "lowest long-term cost" will be identified and documented for significant purchasing decisions. Responsibility for determining the threshold or parameters for "significant" purchasing decisions requiring decision documentation shall reside with the Board of Directors.

2. Purchasing Objectives

- 2.1 The primary objective of purchasing is to contribute to the efficiency of the overall operation. In support of this prime objective, the Group Business Director and all purchasing staff will endeavour to:

- Comply, in all respects, with all applicable laws and regulations without qualification or evasion.
- Ensure the uninterrupted flow of production by obtaining and ensuring delivery of acceptable quality goods and services, at the right time and price, unless ensuring uninterrupted flow of production is not cost-effective in the judgment of enterprise or executive management.
- Develop reliable alternate sources of supply to meet company requirements.
- Resolve complaints on all purchased goods and services.
- Provide leadership in the standardisation of materials, supplies, equipment, services, and policies.
- Provide leadership for the management of inventories of purchased goods to meet the use requirements of the company's departments at the lowest possible cost.
- Dispose of, to the best advantage, all material and equipment declared to be surplus or obsolete. All disposal activities shall be conducted in a manner that does not compromise the environment.
- Consider the company's interests while seeking to maintain and further long-term, mutually profitable, ethical supplier relationships.
- Carry out the policies of the company so that the best interests of the company are served. Develop and keep up to date policies and procedures by which goods and services are to be procured throughout the company.
- Ensure pertinent information on market conditions, trends, prices, government regulations, etc. is properly disseminated to relevant personnel within the company.

3. Scope

3.1 For all purchase transactions, the following thresholds are applicable.

- **Up to £299:** to facilitate efficient administration, obtain two informal quotes over the phone, unless a purchase is system specific, these must be recorded and filed.
- **£299 – £4,999:** The Group Business Director has discretion however rules regarding preferred suppliers, and value for money must always be met. Three email quotes should be obtained, and a record kept on file.
- **£5,000 - £14,999:** Obtain three written quotations. Brief details of quotations must be entered on file for audit purposes.
- **£15,000 and over:** Obtain a minimum of three competitive written quotations, although five quotations are preferred if practicable. If the spend is likely to recur annually, advice should be sought from the Group CEO.

4. Conflict of Interest

4.1 An employee is in a conflict-of-interest situation when he/she has an interest or a potential interest of any kind in a contract, agreement, or financial relationship in which the company has an interest or potential interest. In relationships with vendors, a conflict can be created by non-monetary interests such as gifts and business courtesies, so the giving and receiving of gifts/courtesies are subject to the guidelines below.

5. Policy

- 5.1 Employees are expected to be free of interests or relationships that are actually or potentially detrimental to the company. They shall not engage or participate in any commercial transaction involving the company in which they have an undisclosed interest. Improper relationships with vendors are at odds with the company's goal of treating fairly and impartially all persons and entities engaged in business dealings with the company.

6. Practice - General Requirements and Responsibilities

- 6.1 Any employee who has assumed, or is about to assume, a financial or other outside business relationship that might involve a conflict of interest immediately must inform the Board of Directors in writing of the circumstances involved.
- 6.2 The company does not seek to gain or provide any improper advantage through the receiving or giving of gifts, meals, entertainment, or other business courtesies. Accordingly, it is imperative that employees act in a fair and impartial manner in all business dealings.
- 6.3 Business courtesies are gifts, entertainment or other benefits provided by or to persons or firms with whom Securitatem Installations maintains or may establish business relationships and for which fair market value is not paid by the recipient. The company's Anti Bribery and Gifts, Hospitality and Entertainment policies add guidance and are the overriding authority for conflicts of interest.

7. Ethical Considerations

- 7.1 Employees shall always in the performance of their assigned duties:
- Conduct themselves in a manner consistent with the highest ethical standards and will purchase without prejudice;
 - Uphold their positions of trust in the conservation and expenditure of company funds; and
 - Be vigilant in preserving and protecting the integrity of the company through daily contacts and business dealings.
- 7.2 Sound business relations with vendors are essential to maintain a dependable, competent source of supply for the uninterrupted flow of quality goods and services. Honesty, integrity, confidence, and tact should be employed by purchasing staff to establish and maintain mutually satisfactory bonds of respect and understanding with vendors. These relationships will enable purchasing staff to enhance the reputation of the company in the course of their duties, building goodwill that will serve the company well in all its activities.
- 7.3 In this regard, the following sections of this policy should be observed when dealing with vendors and their representatives.

8. Interviews

- 8.1 It is a major obligation of purchasing staff to be courteous, honest, and fair in its dealings with vendors' representatives, for such treatment is expected by the company for its representatives. Courtesy shall include a prompt reception to business callers and a reasonable regard for their time. Sales representatives shall be afforded a fair and equal opportunity to present legitimate and pertinent information concerning materials, equipment, methods, or techniques that the vendor company markets and that may have potential or immediate application in Securitatem Installations operations.
- 8.2 Vendor representatives will be seen only by appointment, as unscheduled sales calls are of little or no benefit to either party.
- 8.3 Other company personnel shall be given every opportunity to discuss with vendors new developments, materials, methods, or ideas that may result in cost reduction or production improvements. Purchasing staff shall assist vendors' representatives in developing and maintaining proper relations with other company representatives and are to be informed of the results of consultations with vendors when purchasing staff are not present.

9. Relations with Vendors

- 9.1 Contacts with vendors are not limited to purchasing staff. However, the Group Business Director shall be kept up to date on all communications either through vendor or employee reports. This will allow the company's communications with vendors to be consistent. The Group Business Director will be advised of programs and matters that may result in eventual purchases.

10. Trial Orders and Samples

- 10.1 Purchasing staff shall be receptive to new commodities and ideas that appear beneficial to the company. Use of new or different products or services may be suggested by all staff. Since testing is expensive, tests should be restricted to those products that appear most promising.

11. Disclosure of Information

- 11.1 All employees shall promote the reputation of the company for integrity by respecting the confidence of the vendor regarding quotations or other confidential information. Prices shall not be divulged to competitors, nor should such information be circulated indiscriminately within the company.
- 11.2 Purchasing shall advise employees having access to information regarding supply sources, competitive performance, quotes, or prices paid for any product or service that this information is proprietary and may not be divulged to anyone outside the company.

12. Feedback to Vendors

12.1 Upon specific request, unsuccessful vendors should be told as fully as possible, without disclosing confidential information, the reason for rejecting their quotes. All questions concerning the awarding of business should be referred to the Business Manager.

13. Claims and Adjustments

13.1 The clearance and execution of all claims and adjustments arising out of disputes regarding performance of equipment, materials, services, or price shall be referred to the Group Business Director for negotiation and/or resolution. In doing so, it may be necessary for the Group Business Director to involve other company personnel or disciplines.

13.2 Vendors with complaints about unfair treatment or unethical or illegal practices may raise such complaints to the Board of Directors. In each case, such complaints shall be thoroughly and impartially investigated and appropriately addressed.

14. Selection of Sources of Supply - Evaluation

14.1 It is the responsibility of purchasing staff to develop and maintain adequate numbers of competent vendors for all material and service requirements of the company. This ensures better opportunity for continuity of supply, fosters competition, and generates goodwill and a broader range of industry contacts.

14.2 In evaluating the relative qualifications of existing and potential vendors, purchasing staff shall select those qualified sources that offer the optimum combination of the following considerations for the facility(ies) served:

- Exhibits documented excellence on safety, health, and environmental performance.
- Current and historical financial position.
- Reliability and reputation.
- Willingness to work with Securitatem Installations in developing mutually beneficial arrangements.
- Satisfactory performance.
- Proof of an active, effective quality program that stresses continuous improvement.
- ISO certification may be desirable.
- Competitive prices.
- Management integrity and progressiveness.
- Suitable physical facilities.
- Inventory levels and storage locations.
- Stable labour force and raw material sources.
- Cooperative and available source of technical advice.
- Proof of regulatory compliance.
- Electronic communication capability.

- Accessibility.
- Stock Control Policy.

14.3 Key vendor performance shall be evaluated periodically. The legitimate competitive advantage accruing to an established supplier through continued opportunity to supply our needs must be earned and maintained by satisfactory performance.

15. Business Awards

15.1 When significant business is to be awarded, purchasing staff shall document the bidding and selection process, retaining alternate price quotes and other materials explaining the final award decision. These records shall remain on file for the duration of that commercial relationship.

15.2 Purchasing shall periodically test through rebidding the business whether the company continues to be best served from trade with a specific vendor for specific services. Such rebidding exercises shall respect the terms of active contracts.

16. Risk Management

16.1 It is the company's policy to maintain consistency in the protection of assets using insurance, progress payments, retainage, holdbacks, and other accepted methods when using contractors/service providers.

17. Insurance

17.1 All contractors, and service providers shall provide proof of financial responsibility in the form of adequate insurance coverage. Purchasing or a third party delegated by the company to assume the responsibility must obtain and review the insurance certificates from companies under consideration to perform work prior to committing an order or contract. Insurance requirements are defined in the company's applicable Terms and Conditions. Purchasing is responsible for establishing basic supplier data for quick and easy reference. This should include developing methods to retain and track individual insurance certificates.

18. Purchasing Agreements

18.1 One of the major pricing aids available to a buyer is utilisation of a wide variety of contract types. To determine the best type of contract to use, a buyer must consider those available and the factors influencing the use of each. The most important factors are:

- The intensity of competition among potential suppliers.
- Each supplier's cost and production experience in manufacturing identical or similar items.
- The availability, accuracy, and reliability of pricing data.
- The extent of the business risk involved.

19. Contracts

19.1 Contracts have the purpose of establishing firm relationships with desirable suppliers, assuring supply, establishing pricing mechanisms and other terms of trade. Many purchases are made subject to the company's standard terms and conditions, a condition of acceptance of the company's purchase orders. In these instances the terms and conditions define the contract between the company as buyer and the vendor. For certain kinds of purchases, a negotiated contract will be required. To be valid and enforceable, a contract must contain four basic elements:

- Agreement resulting from an offer and acceptance;
- Consideration or mutual obligation;
- Competent parties; and
- A lawful purpose.

19.2 Transactions that may require a contract include, but are not limited to:

- Energy (electricity, gas, etc).
- Major stocks / raw materials.
- Major expenditures for equipment, supplies or services.
- Real estate transactions.
- Third party leases.
- Business consultants.
- Environmental or waste disposal transactions.
- Professional services.
- Outsource agreements.
- Commodity agreements.
- Electronic information technology agreements.

19.3 All contracts must be written to comply with all applicable laws. The terms and conditions incorporated into a contract should conform to accepted company standards.

19.4 A Letter of Intent, which describes the basic commercial issues of an agreement, may be required when a business situation requires a commitment to a supplier prior to the execution of a formal written contract.

20. Terms and Conditions

20.1 It is important that suppliers, contractors, and service companies review, understand, concur with, and abide by the company's applicable Terms and Conditions. Purchasing will assure that the appropriate Terms and Conditions are provided to each supplier company, either electronically or by mail as applicable, along with the valid purchasing documents.

21. Confidentiality

21.1 It is recognised that most of the transactions relating to the company's purchases are confidential, especially about our suppliers and competitors.

21.2 It is considered unethical and illegal, as well as damaging to the company's competitive position, and a breach of trust, to allow company proprietary information about one supplier's quotation to pass to another supplier. Discussing proprietary information in telephone calls made/taken while vendors are present, leaving documents on desks during supplier interviews, and conversing with other buyers within hearing of suppliers in other offices are some examples of behaviour that can allow proprietary information to pass to others inappropriately.

21.3 Passage of pricing, technologic or strategic information from an employee of the company to an employee of a competitor is not only unethical but is likely to be in violation of the confidentiality policy.

Group CEO:

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