

ECOSCIENCE INTERNATIONAL BERHAD

(Registration No.: 202001024633 (1380953-M))

(Incorporated in Malaysia)

RISK MANAGEMENT FRAMEWORK FOR PURCHASING DEPARTMENT POLICY

1. Purpose

- a. This Policy is established to access the procurement risks that will potentially bring threat to the company business.

2. Scope

- a. It covers all procurement risk which directly affect product, services or work quality.

3. Responsibility

- a. HOD of Purchasing

4. Risk matrix

	Description	Extent and category of risk
1.	Low	<ul style="list-style-type: none">Adverse impact of less than 10% of Group profit before tax, Group net revenue, net assets or shareholders' funds, whichever is the lowest.Consequences can be absorbed under normal operating conditions.No material impact on market share and/or reputation of company.
2.	Medium	<ul style="list-style-type: none">Adverse impact of more than 10% but less than 30% of group profit before tax, Group net revenue, net assets or shareholders' funds, whichever is the lowest.Potential impact on market share or reputation of company.
3.	High	<ul style="list-style-type: none">Adverse impact of more than 30% of group profit before tax, Group net revenue, net assets or shareholders' funds, whichever is the lowest.Market share, reputation or value of company will be affected in the short-term.

Risk rating matrix

Likelihood

Likely

Moderate

Unlikely

↑
Likelihood
↓

M	H	H
L	M	H
L	L	M

← Impact →

Insignificant

Moderate

Catastrophic

L - Low

M - Medium

H - High

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5. Risk management framework

No	Risk identification	Risk measurement and assessment			Risk mitigation	Risk reporting and monitoring	Risk governance
		Likelihood	Impact	Severity			
1	Low quality of vendor or service provider	Low	High	Medium	Proper technical review and screening will be done on new vendor or service provider before engage of any job	Non-conformance management (NCM) report will be given to the vendor or service provider who failed to deliver the expectations. Repetitive on the matters will be banned from the company	Risk reduction
2	Conflict with vendor during project	Low	High	Medium	Proper communication is established with vendor throughout the project to minimize the conflict during execution. Kick-off meeting is done prior to execution to ensure the same understanding between all parties	In the case of conflict with vendor during project, the said vendor will be banned from the company to be involved in the future business collaboration	Risk reduction
3	Vendor failed to meet requirement	Low	High	Medium	Vendor failed to meet requirement will be claimed for the loss, and blacklisted from future jobs	Non-conformance management (NCM) report will be given to the vendor or service provider who failed to deliver the expectations. Repetitive on the matters will be banned from the company	Risk reduction

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4	Slow response or inactive vendor	Low	High	Medium	When there is a poor performance by the vendor after each job, vendor performance review to be carried out, otherwise, the evaluation will be carried out every 3 years. The bad performance vendor will not be engaged again, and the vendor which are not active for 3 years will be reviewed	Approved supplier list will be updated and shared with management on a yearly basis	Risk reduction
5	Failure to negotiate a reasonable price or terms for contracts	Low	Medium	Medium	Always engage the same contractor to ensure the price and terms are the most commercial favourable	Vendor or contractor who are not cooperative in term of commercial negotiation for any contracts will not has the privilege to take part in any company technical bid unless unavoidable circumstances	Risk reduction

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6	Delays to procurement processes impact project	Low	High	Medium	Procurement process is simplified to make the process efficient. Purchasers are well trained in order to convert the purchase requisition to purchase order in time.	Performance management system (PMS) is used to monitor the deliverables of every purchasing executives in the company. Any gap found will be discussed between the direct superior and management on the career development plan to close the gap. Consequence management will be executed on the executives that been given several chances yet failed to fulfil his/her duties.	Risk reduction

This Risk Management Framework for Purchasing Department Policy is adopted on 1st July 2020.