

ICAX Ltd Procurement Policy

The primary objective of procurement is to contribute to the efficiency of the overall operation of the company. In support of this, procurement 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 so as 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.
- Give prime consideration to 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.
- Establish and direct a program of Procurement research designed to keep this activity conducted in line with the best and latest developments in the field.
- Ensure pertinent information on market conditions, trends, prices, government regulations, etc. is properly disseminated to relevant personnel within the company.
- Acknowledge and fulfil its function as a service department, including its vested mandate as designated negotiator/principal with regard to outside supply and services agreements.

CONFLICT OF INTEREST

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.

POLICY

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. In addition to being in violation of the employee's duty of loyalty to ICAX, 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 ICAX.

PRACTICE

General Requirements and Responsibilities

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. Company's Code of Conduct provides additional guidance and is the overriding authority for conflicts of interest.

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.

Business courtesies are gifts, entertainment or other benefits provided by or to persons or firms with whom ICAX maintains or may establish business relationships and for which fair market value is not paid by the recipient.

A business courtesy may be a tangible or intangible benefit, including, but not limited to, such items as cash, non-monetary gifts, meals, drinks, entertainment, hospitality, recreation, door prizes, transportation, lodging discounts, tickets, passes, conference fees, loans or use of a donor's time, materials or equipment. As a general rule, employees must act lawfully, reasonably and with moderation in connection with business courtesies. Employees must exercise good judgment and avoid even the appearance of impropriety or illegality.

Employees may accept or provide business courtesy gifts only if:

- They are lawful;
- They are of nominal value, or if they exceed nominal value have been approved by the Board of Directors;
- They are not cash;
- They are not solicited;
- They do not obligate the recipient in any manner;
- They do not create even the appearance of impropriety or illegality;
- They are in accordance with the ordinary and proper course of business, and
- They are not exchanged on a regular or frequent basis. Employees may accept or provide business entertainment only if:
 - It is lawful;
 - It is reasonable (not lavish, excessive or extravagant) and of nominal value (or if they exceed nominal value have been approved by the Board of Directors);
 - There is a legitimate business purpose for the event;
 - It does not obligate the recipient in any manner;
 - It does not create even the appearance of impropriety or illegality;
 - It is in accordance with the ordinary and proper course of business; and
 - It is not regularly or frequently provided.

Disposition of Unacceptable Business Courtesies.

Employees should try to anticipate and avoid situations that might lead to the offering of improper business courtesies. However, if such a courtesy is extended, the employee must politely decline the offer and explain that ICAX policy prohibits acceptance or retention of such business courtesies. If the situation is such that the custom of the culture would make it awkward or insulting to refuse a gift, then the employee may accept the gift and consult with the Board of Directors, to determine its final disposition.

If a business courtesy gift is accepted and subsequently determined to be improper, the employee must return it to the donor with a polite explanation that ICAX policy prohibits the retention of the courtesy. If the unacceptable business courtesy is of such a nature that its return is not feasible (such as a perishable gift), after consultation with the Board of Directors, the gift may be anonymously donated to a charitable or educational organization (with a letter to the donor that explains ICAX policy.

Accurate Record keeping

Complete and accurate records are necessary for receipt of all business courtesies exceeding nominal value. The log of such approved and accepted courtesies shall be maintained by the recipient and include the date, gift/occasion, donating vendor and ICAX recipients/attendees. Logs may be reviewed by executive management upon request. A template for Logs (Appendix A) is provided with this policy.

ETHICAL CONSIDERATIONS

Employees shall at all times in the performance of their assigned duties:

Conduct themselves in a manner consistent with the highest ethical standards including the company's Conflict of Interest Policy 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.

Sound business relations with vendors are essential in order to maintain a dependable, competent source of supply for the uninterrupted flow of quality goods and services. Procurement is the primary source of contact and channel of communication with all vendors. Honesty, integrity, confidence and tact should be employed by Procurement staff to establish and maintain mutually satisfactory bonds of respect and understanding with vendors. These relationships will enable Procurement staff to enhance the reputation of the company in the course of their duties, building goodwill that will serve the company well in all of its activities.

In this regard, the following should be observed when dealing with vendors and their representatives in these circumstances:

INTERVIEWS

It is a major obligation of Procurement 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 ICAX operations.

Vendor representatives will be seen only by appointment, as unscheduled sales calls are of little or no benefit to either party. The time of both Procurement and other company personnel will not be made absolutely and indiscriminately available to any and all comers.

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. Procurement 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 Procurement is not present.

RELATIONS WITH VENDORS

Contacts with vendors are not limited to Procurement. However, the Procurement Department Manager 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, and Procurement will be advised of programs and matters that may result in eventual purchases.

VENDOR VISITS

Procurement shall, if required and approved by the Board of Directors, make purposeful visits to vendors' plants. Such visits serve to: cement good relations; enable buyers to know their sources of supply, including the calibre of service, quality, progressiveness, and manufacturing methods; and broaden their knowledge of the commodities they purchase.

TRIAL ORDERS AND SAMPLES

Procurement 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 Procurement or by other departments. Since testing is expensive, tests should be restricted to those products that appear most promising.

DISCLOSURE OF INFORMATION

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.

Procurement shall advise employees having access to information regarding supply sources, competitive performance, bids or prices paid for any product or service that this information is proprietary and may not be divulged to anyone outside the company.

RELATIONS WITH VENDORS

Upon specific request, unsuccessful bidders should be told as fully as possible, without disclosing confidential information, the reason for rejecting their bids. All questions concerning the awarding of business should be referred to Procurement.

CLAIMS AND ADJUSTMENTS

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 Procurement for negotiation and/or resolution. In doing so, it may be necessary for Procurement to involve other company personnel or disciplines.

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.

SUPPLIER RESEARCH AND DEVELOPMENT

We expect our vendors to apply every possible method of examination and measurement to their

products and services in a continuous search for better value. We encourage our vendors to inform us about new ideas and developments. It is the responsibility of Procurement to receive maximum advantage from this readily available source of constructive ideas and applications. We shall keep our vendors fully and currently informed but shall not disclose information considered confidential or potentially detrimental.

RELATIONS WITH OTHER DEPARTMENTS

The value of Procurement to the company depends on the service it renders on procuring materials, services, supplies and information necessary for operations of the other departments. A high degree of coordination and communication between departments is paramount.

Request for price and availability of specific items relative to possible future requirements should be made through Procurement. It should be specified that the intent is to accumulate data and not to commit to a purchase. Although vendor contact is primarily a Procurement responsibility, it is recognised that various departments must seek technical information that may affect the selection of materials or equipment. As soon as it is determined this information may impact a potential purchase, Procurement must be advised so the potential bidders lists can be developed. Upon request, Procurement will arrange for visits of qualified technical personnel from suppliers or potential suppliers. Similarly, whenever Procurement feels that such representatives calling on Procurement have something of value to offer, they will arrange meetings with appropriate company personnel. A representative of Procurement will be present at these meetings. When convenient, further contacts, requests for samples, etc., arising from such meetings are to be handled through Procurement. Written reports of meetings should be circulated to Procurement and other interested parties.

The effectiveness and efficiency of Procurement depends greatly on the amount of advance notice of requirements. Therefore the Procurement discipline must receive adequate notification of potential purchases to provide for sufficient performance of the necessary procurement functions. All departments should advise Procurement of any requirements likely to arise from any new development as soon as this information is available.

Price information will only be given by Procurement to those within the company who require this information in the performance of their duties. In interviews with salespeople, no one shall commit himself to a vendor on preference for any product or source of supply, nor give any information regarding a competitive supplier's performance, final approval or price. Requests by vendors for information of this nature shall be denied. After proper approval is obtained, only Procurement is authorised to commit to a selected vendor.

SELECTION OF SOURCES OF SUPPLY

EVALUATION

It is the responsibility of Procurement 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 good will and a broader range of industry contacts.

In evaluating the relative qualifications of existing and potential vendors, Procurement 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 ICAX 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

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.

BUSINESS AWARDS

When significant business is to be awarded, Procurement 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.

Procurement 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.

RISK MANAGEMENT

POLICY

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

INSURANCE

All contractors and service providers shall provide proof of financial responsibility in the form of adequate insurance coverage. Procurement 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. Procurement is responsible for establishing basic supplier data for quick and easy reference. This should include developing methods to retain and track individual insurance certificates.

TYPES OF PROCUREMENT AGREEMENTS

One of the major pricing aids available to a buyer is utilization 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.

In a rapidly changing economic and technological world, Procurement many items on a fixed price basis may be costly and wasteful. Generally speaking, as the complexity of the item or service being procured increases, so does the complexity of the pricing mechanism. There are four basic types of contracts:

- Fixed price
- Incentive
- Cost-type
- Alliances

These are arranged according to risk, with firm fixed price contracts (minimum risk to buyer) at one end and cost contracts (maximum risk to the buyer) at the other end.

FIXED PRICE CONTRACTS

The firm fixed price contract is simply an agreement for the buyer to pay a specified price to the seller when the latter delivers that which was purchased. If a fair and reasonable price can be determined, either by competition or by adequate price or cost analysis, a firm fixed price contract may be the best choice. Among its advantages are that it requires minimum administration (no auditing of costs), it gives the seller the maximum incentive to produce efficiently, and all financial risks are borne by the seller.

INCENTIVE CONTRACTS

Incentive contracts are appropriate when the following three conditions all exist:

1. A significant amount of uncertainty exists regarding the level of effort required to accomplish the task properly.
2. The supplier's management can, through its efforts, have an impact on the level of effort and costs required.
3. The size of the procurement justifies the efforts involved in establishing and managing the resulting contract.

Under certain circumstances low risk, well-defined projects can use incentive contracts. These types of contracts are generally more costly to administer. All costs that are allowable under the contract must be agreed on in advance, and subsequently, they must be audited. There are two basic types of incentive contracts:

- Fixed price incentive
- Cost plus incentive fee

Fixed Price Incentive

This contract calls for a target price, a ceiling price and a variable profit formula. This is used when a reasonable target price can be established but exact pricing is impossible without payment of a contingency. For example, both buyer and seller agree on a reasonable target price. Cost reduction may be shared or accrued to the buyer. A ceiling price or upper limit is agreed upon above which the buyer would not pay regardless of seller's cost. This type of contract has its greatest application in the purchase of high-cost, long-run production items.

Cost plus Incentive Fee

The buyer and seller agree beforehand on a tentative fee based on the estimated target cost. If the seller can reduce costs below target costs, both parties may share in the reduction. Under this contract, a seller can lose all or part of its fee, but all costs must be paid by the buyer. This type of contract is used in development work where successful results are reasonably certain.

COST-TYPE CONTRACTS

Cost Type Contracts are used where there are large numbers of components of the stock and/or service

that are subject to volatility of price due to supply demand, currency, freight etc. This is the only way to prevent the supplier from building in large contingency fees to cover the risk in these various components. Since this type of contract requires extensive analysis, the administrative cost must be factored into the equation on cost analysis. The Seller is guaranteed reimbursement for all their allowable costs (fee portion) plus the cost of the variable priced components. This type of contract puts the buyer in a less controlled position, so, where possible, it is important to have the components tied to some independent index. At times it is the only method available to purchase some goods and services. Several examples of cost type contracts are:

- Cost plus Incentive
- Cost plus Fixed Fee
- Cost plus Award Fee
- Cost without Fee
- Cost Sharing
- Time and Materials
- Letter Contracts

ALLIANCES

For certain categories of spend, it may be in the company's interest to establish an alliance with a vendor/vendors able to support company goals.

AUTHORISATION LEVELS

Only those persons delegated by the Board of Directors are authorised to commit the company for materials, equipment, supplies and services.

For respective employees to efficiently perform their assigned procurement responsibilities, it is desirable that commitment authorisation levels to be managed. All approval authorisations should be periodically reviewed for appropriateness.

The responsibility to commit company funds for the procurement of all materials, equipment, services and supplies is delegated to Procurement, based on approved requisitions.

CONTRACTS

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:

1. Agreement resulting from an offer and acceptance;
2. Consideration or mutual obligation;
3. Competent parties; and
4. A lawful purpose.

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
- Supply integration agreements
- Electronic information technology agreements

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.

Evergreen contracts permit an automatic renewal of the agreement if the company fails to act before specific deadlines. The use of evergreen contracts other than for raw material and energy purchases should be very limited. Any such existing contracts, outside of raw material and energy, should be reviewed and converted to regular type agreements as soon as possible, unless the Procurement department documents in its files the compelling reasons for retaining the evergreen provision. All contracts should include a specified term.

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.

The most common forms of contracts include the following:

Blanket Orders

These are contracts placed with local suppliers for use by specific company employees. They cover requirements that are quite small in value whose use is both sporadic and unpredictable. Total spent each period is also tightly restricted.

Systems Contracts

This contract form is typically used for products that are industry standards. These contracts should minimise paperwork, attack small order problems, and reduce inventories.

Annual Contracts

Contracts are typically established for products that are used in large volumes with some degree of predictability. The primary objectives of this contract form are to assure supply continuity, to maximise Procurement leverage by consolidating requirements, and to minimise inventories by scheduling deliveries to coincide with needs.

All contractual documents concerning materials and/or services must clearly state the legal jurisdiction and the point of delivery and acceptance of the materials and/or services by the company.

TERMS AND CONDITIONS

It is important that suppliers, contractors and service companies review, understand, concur with and abide by the company's applicable Terms and Conditions. Procurement 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 Procurement documents.

CONFIDENTIALITY

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

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.

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 one or more of the various antitrust laws and should be scrupulously avoided.

Proprietary information requires protection of the name, composition, process of manufacture, or rights to unique or exclusive information which has marketable value and is upheld by patent, copyright, or non-disclosure agreements. Others in the organisation may be unaware of the possible consequences of the misuse of such information. The Procurement personnel should therefore avoid releasing information to other parties until assured they understand and accept the responsibility for maintaining

the confidentiality of the material. Extreme care and good judgement should be used if confidential information is communicated verbally. Such information should be shared only on a “need to know” basis

Some examples of information which may be considered confidential or proprietary are:

- Pricing
- Bid or quotation information
- Cost sheets
- Formulas and/or process information
- Design information
- Company plans, goals, strategies, etc.
- Profit information
- Asset information
- Wage and salary scales
- Personal information about employees
- Supply sources or supplier information
- Customer lists and/or information
- Computer software programs

The following are recommended guidelines in dealing with confidential information:

- The attitude of the Procurement personnel regarding the preservation and proper disbursement of confidential information should be one of vigilance; i.e., divulging information only on a “need to know” basis.
- When transmitting confidential information, document the information in writing, and clearly label it as confidential.
- Consider the use of a formal confidentiality agreement (i.e., disclosure or non-disclosure agreements) clarifying parameters for use of the information and responsibilities inherent in its use.
- When dealing with any information, whether or not classified as confidential, extreme care, sound judgement and integrity should be exercised in determining the effects of its use, and in providing adequate protection based on its content.

