



DXN HOLDINGS BHD.

Registration No.: 199501033918 (363120-V)

PROCUREMENT POLICY

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Objectives

This Procurement Policy provides standard terms of reference for the running of the respective Department/Unit to:

- Ensure consistency in approach;
- Ensure necessary internal controls are built-in to mitigate risks;
- Act as a reference tool; and
- Act as a reference for audit purposes.

Scope

This Procurement Policy sets out the internal policies of DXN. It shall apply to DXN Holdings Bhd. and its subsidiaries.

Control of Copies of the document

The electronic copy of the Procurement Policy will be shared on HRMS Intranet ("HRMS") for easy access for all staff. The electronic copy is controlled by the Group Governance & Risk Management Department ("GGRM") and uploading of all revised version of Procurement Policy on the HRMS shall be done by Group Procurement Department upon instruction by GGRM.

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1.0 DEFINITION

For the purpose of this Policy, the following definitions and interpretations shall apply in this Policy:

Agreement	A formal written document entered into at the end of the procurement process.
Approval Matrix	The person (s) with the designated authority to approve/recommend to the appropriate authority the purchase/expense to be incurred up to specified RM value/ limits as per DXN Approval Matrix and other related policies in effect at the time.
Approved vendor / contractor / supplier	Supplier/ vendors/ contractors registered and approved as a supplier with DXN.
Award	The notification of acceptance of a proposal, quotation or tender that brings an agreement into existence.
Conflict of Interest	A situation in which financial or other personal considerations have the potential to compromise or bias professional judgment and objectivity.
DXN / The Group	DXN Holdings Bhd. and its subsidiaries.
ERP	Enterprise Resource Planning (ERP) is an integrated software platform that manages and automates the end-to-end procurement process—connecting purchasing activities with other core business functions.
Group Procurement Department	Refers to the headquarter of the procurement department in Malaysia
Procurement	The process of acquiring goods, services, or works from external sources through a defined purchasing method, including request for quotation (RFQ), tendering, or direct sourcing.
Purchase Order	An official document issued to a supplier that outlines the details of a procurement transaction that includes the following information: a) Details of both the buyer and the supplier. b) Names, addresses, and contact information of both parties. c) The unique purchase order (PO) number. d) Description of the goods or services being purchased.

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	<p>e) Quantity, unit price, sales tax (%), payment terms, and expected delivery date.</p> <p>f) Purpose.</p>
Purchase Requisition	The formal, online request form to procure goods or services generally from the end-user to the purchasing department.
Related Party	Refer to either one of the following: Any person who is director, major shareholder or persons connected with such director or major shareholder (Chapter 1 of Bursa Main Market Listing Requirement).
Requestor	Appointed personnel to submit online Purchase Requisition via ERP.
Supplier Evaluation	An assessment of the vendor's performance for both Indirect and Direct Material
Services	Purchase of non-physical item such as printing, catering repairs work, renovation, consultation and insurance.
Vendor / Supplier / Contractor / Consultant	An external party or business entity that provides goods, services, or works to the company.

2.0 INTRODUCTION

This Procurement Policy outlines the principles, processes, and standards to be followed when sourcing goods, services, or works across all entities within the Group. As a global company rooted in direct selling and manufacturing, the policy ensures consistent, transparent, and value-driven procurement aligned with corporate governance, operational efficiency, and regulatory compliance.

3.0 OBJECTIVES

The objectives of this Policy are to:

- a. Ensure procurement activities are conducted with integrity, transparency, and accountability.
- b. Establish a standardized procurement process across all business units globally.
- c. Promote fair competition and best value-for-money in supplier selection.
- d. Minimize procurement-related risks, including fraud, supply disruption, and non-compliance.
- e. Support sustainable and ethical sourcing aligned with the company's ESG commitments.
- f. Facilitate efficient procurement planning and budgeting.

4.0 SCOPE

This policy applies to:

- a. All employees involved in procurement-related activities, including requestors, approvers, and end-users.

- b. All categories of procurement, including direct materials (such as raw and packaging materials), indirect materials (such as stationery and services), maintenance items, machinery, office equipment, and works (including construction and fit-out), as well as any other goods or services not directly related to production or final deliverables.
- c. All procurement transactions undertaken by the Group including regional offices, and manufacturing facilities.
- d. Both capital and operational expenditures regardless of funding source (e.g., internal budget, project funding).

Exclusions:

- e. Intercompany transactions.
- f. Employee claims and reimbursements.
- g. Disposal of assets.

5.0 PRINCIPLES

All procurement activities shall adhere to the following core principles:

- a. **Transparency:** Procurement decisions must be well-documented and auditable.
- b. **Accountability:** Roles and responsibilities must be clearly defined and respected.
- c. **Fairness:** All qualified suppliers or vendors must be given equal opportunity to compete.
- d. **Value-for-Money:** Evaluate not only price but quality, delivery, total lifecycle cost, and vendor reputation.
- e. **Sustainability & Ethics:** Suppliers are required to adhere to all relevant DXN policies, as well as applicable laws, labour standards, and environmental practices.

6.0 ROLES AND RESPONSIBILITIES

- a. Group Procurement Department.
 - i. Develop and maintain procurement policies and procedures.
 - ii. Oversee and execute procurement activities
 - iii. Lead supplier evaluation, selection, negotiation, contracting, and performance monitoring.
 - iv. Maintain the Approved Supplier / Vendor List (“ASVL”).
 - v. Ensure compliance with the respective legal, tax, and regulatory requirements of the country in which the supplier or vendor is established or operates.
 - vi. Conduct market analysis, due diligence and drive cost optimization initiatives.
- b. Business Units / Requesting Departments.
 - i. Initiate purchase requisitions with clear specifications, justifications, and approved budgets.
 - ii. Participate in technical evaluations where applicable.
 - iii. Ensure timely receipt and verification of goods/services.
- c. Group Finance Department.
 - i. Ensure budget availability prior to procurement commitment.
 - ii. Verify supporting documents (invoice, purchase order and goods received note) accuracy before payment processing.
 - iii. The Group Finance Department shall provide the latest list of related parties to the Group Procurement Department for checking and verification during the NSDDD process.
- d. Legal Unit.
 - i. Review high-value or strategic agreements and ensure appropriate clauses are included.

- ii. Prepare a Letter of Award (LOA) for construction, renovation, or maintenance works valued exceeding defined threshold for the purchase of indirect materials.
 - iii. Prepare a Sales and Purchase Agreement (SPA) for the purchase of indirect materials and direct materials valued exceeding defined threshold.
 - iv. For overseas business entities, the equivalent amount in USD shall apply.
- e. Compliance Unit.
- i. Advice on compliance requirements, and conflict of interest declarations.
- f. Key Senior Management / Approving Authority.
- i. Approve purchase requisitions, purchase orders, and agreements in accordance with the Approving Authority defined in the Approval Matrix.
 - ii. Support procurement planning.

7.0 SUPPLIER MANAGEMENT

a. Supplier Registration.

- i. All suppliers who are supplying direct and indirect materials in the form of goods and/or services to DXN are required to register through New Supplier Due Diligence & Declaration Form (“NSDDD”).
- ii. Suppliers who meet the criteria are also required to complete Annual Acknowledgement of DXN’s Anti-Bribery and Corruption Policy and Supplier Conflict of Interest Declaration Form. This process is conducted annually, with a cut-off date of **30 June**, and to be fully completed by **31 October** each year.
- iii. In cases where a supplier decides not to register, Group Procurement Department shall proceed with either one of the following actions:
 - Deny recommendation from requestors to choose their recommended suppliers; or
 - Hold payment due until registration is complete, in case of job done.

b. Registered Suppliers.

- i. Registered suppliers are suppliers or vendors approved by the Approving Authority and have successfully registered their company's information with the Group.
- ii. The list of registered suppliers is available on the Enterprise Resource Planning ("ERP") system based on their respective business categories.

8.0 PROCUREMENT PROCESS

8.1 Solicitation Documents

- a. Solicitation Documents shall be used to request quotations or proposals from suppliers for direct and indirect materials required.
- b. Following are the solicitation documents used in DXN:
 - i. RFI**

A document issued to potential suppliers to gather general supplier, service or product information.
 - ii. RFP**

A document used to request suppliers to supply solutions for the delivery of complex products or services or to provide alternative options or solutions. It is a process that uses predefined evaluation criteria in which price is not the only factor.
 - iii. RFQ/RFT**

A document used to request supplier responses to supply goods or services based on stated delivery requirements, performance specifications, terms and conditions.
- c. Solicitation documents shall only be issued by Group Procurement Department to suppliers/bidders.

8.2 Sourcing Request

- a. Requestors are required to submit the Sourcing Form/Works Specification to the Group Procurement Department for sourcing request.
- b. The form shall include complete and accurate details of the following:
 - i. Specifications of goods or services required.
 - ii. Quantity required.
 - iii. Justification or purpose of the request.
 - iv. Photo.
- c. Incomplete or unclear submissions may result in delays or rejection of the sourcing request.

8.3 Tender

- a. All purchases of goods and services valued at RM5,000,000 and above shall be subject to a formal tendering process.
- b. The tender process shall be conducted in accordance with the Tender Procedures, ensuring:
 - i. Transparency and fairness in supplier selection.
 - ii. Equal opportunity for qualified suppliers to participate.
 - iii. Compliance with company governance and approval limits.
- c. The Group Procurement Department shall coordinate the tender process, including:
 - i. Preparing and issuing the tender documents.
 - ii. Managing tender opening and evaluation.
 - iii. Recommending award decisions to the Tender Committee or Management for approval.

8.4 Purchase Requisition (“PR”)

- a. Requestors shall issue purchase requisition for direct and indirect materials and submit to Procurement via ERP system.

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- b. Requestors shall obtain budget allocation and funds clearance from Group Finance Department prior to submitting a purchase requisition. This is to ensure that the budget is available for the requisition.
- c. Procurement Department may reject any requisition without complete information.
- d. The following information is compulsory for requisition:
 - i. Contact person details (e.g. department name, telephone extension, email and etc.).
 - ii. A clear description/ specification of direct and indirect purchase request (e.g. scope of work, quantity, colour, dimension, brands, manufacturers models and etc.)
 - iii. A reasonable expected delivery or completion date.
- e. Requestors are not allowed to split requisitions/orders for the same or similar goods and/or services from the same suppliers.
- f. Group Procurement Department may request further information and/or additional documentation, if necessary, for purchase requisition processing purposes.
- g. Group Procurement Department shall have the authority to reject or hold any requisition which is yet to obtain budget clearance from Group Finance Department or Approval Authority.
- h. Requester shall recommend and/or provide quotations from the registered suppliers, which at a minimum of three quotations, for comparison purposes. However, Group Procurement Department shall have the right to solicit for additional quotations if necessary.
- i. A Purchase Requisition **IS NOT** a Purchase Order. A Requisition does not have any legal authority and it cannot be used by departments to place orders to suppliers.

8.5 Purchase Order (“PO”)

- a. Purchase Order is an official document issued by DXN to suppliers to confirm the purchase of goods or services.
- b. All purchase orders shall be reviewed and approved by the Group Procurement Department/Group Finance Department in accordance to the Approval Matrix through the online system before the purchase order can be transmitted to finance department for further processes.
- c. Individual who is given an authority to approve purchase order in acting capacity must have the authority given in writing clearly stating the authorized limit.
- d. Suppliers are prohibited from delivering goods and services without purchase order from DXN.
- e. Suppliers shall deliver both direct and indirect materials based on the purchase order, unless a rescheduling request has been formally communicated via email.
- f. If the delivery of the direct and indirect materials exceeds the delivery date due to the inability of the supplier, Group Procurement Department has the authority to decide whether to cancel the PO by giving a written notice to the suppliers.

8.6 Purchase Order Amendments/Modifications

- a. This procedure particularly applies to the following circumstances:
 - i. Variation in the value of the order - if there is any price change the Procurement Department shall cancel the existing PO and request the requester to submit a new PR.
 - ii. Changes in specifications - The item details in the PR must correspond exactly with those in the PO. In cases of discrepancy, the Procurement Department shall request the requester to issue new PR.

8.7 Receiving Goods and Services

- a. Requesting department must inspect all items upon delivery and verify that goods or services match PO specifications, quantity, free from damage or defects, unit of measurement, required documents, functional and within valid expiration dates for perishables.
- b. Goods must be received together with the Delivery Order (DO) or Invoice (INV). Requester shall check that item descriptions and quantities tally with the DO/INV.
- c. Any mismatch between items received and DO/INV must be reported to Purchasing personnel for coordination with supplier for replacement or corrected documents.
- d. Upon confirming all are in order, the requester signs/acknowledges the DO/INV, with a copy returned to the supplier.
- e. Requester must issue a GRN in the ERP system within 3 working days and DO/INV must be uploaded for acknowledgment by the Group Material Receiving Department (GMRD).
- f. Suppliers are not allowed to substitute goods/services or deliver quantities beyond what was ordered.

8.8 Rejecting Goods and Services

- a. When goods received from a supplier is rejected due to failure to meet the standards/ requirements or is not as specified on the purchase order, the business units/ departments shall inform Group Procurement Department immediately.
- b. Business units/ departments are responsible for storing rejected goods in a secured area until the goods are either shipped back to the supplier or the supplier takes possession of the products and removes them from premises.

8.9 Document Handover from Business Units / Departments

- a. Business Units or Departments shall hand over the following documents to the Procurement Department for further processing:

- i. Delivery Order (DO).
 - ii. Invoice (INV).
- b. The documents must be properly verified to ensure that goods or services have been received in good condition and according to the Purchase Order (PO) specifications.
- c. Submission by Procurement Department to Group Finance Department:
- i. Purchasing personnel shall compile the complete set of documents, which includes:
 - Purchase Order (PO).
 - Delivery Order (DO).
 - Invoice (INV).
 - Goods Received Note (GRN).
 - ii. Purchasing personnel shall prepare and print the Invoice Matching Report from the ERP system to ensure all details match across PO, DO, and INV.
 - iii. The complete set of verified documents together with the Invoice Matching Report shall be submitted to the Group Finance Department for further processing.

9.0 SUPPLIER PERFORMANCE EVALUATION

9.1 Evaluation

- a. Supplier performance evaluation shall be conducted once a year for direct materials and indirect materials.
- b. The supplier evaluation results shall be the point of reference for all future purchases.

- c. If supplier is found to have a poor rating, the Group Procurement Department shall have the right to remove the supplier from the ASVL.

9.2 Termination

- a. The appointment of suppliers may be terminated due to, but is not limited to, the following reasons:
 - i. Breach of the terms and conditions stated in the Letter of Appointment;
 - ii. Breach of the DXN Code of Conduct or Anti-Bribery and Corruption Policy;
or
 - iii. Two (2) incidents of valid complaints, verified by Group Procurement Department or other reliable sources such as documented feedback from end users, or quality assurance reports, after the supplier has been briefed on the nature of the first complaint and advised accordingly.
- b. The Company shall have the prerogative to terminate this appointment by giving notice in writing to that effect ("Notice of Termination").
- c. Notwithstanding the Notice of Termination, the supplier shall be paid for the services rendered up to the date of termination.
- d. Upon the termination of the appointment for any reason, subject as otherwise provided for in the appointment and to any rights or obligations which have accrued prior to termination, neither party shall have any further obligation to the other under the appointment.
- e. Suppliers, employees, or any related parties are strongly encouraged to report any unethical, fraudulent, or improper procurement practices through the Company's Whistle blowing Channel. All reports will be treated with strict confidentiality and investigated in accordance with the Company's Whistle blowing Policy.

10.0 NON-COMPLIANCE WITH PROCUREMENT POLICY

- a. Any purchase of goods and services that is not in accordance with this Policy due to inevitable circumstances need to get approval from HOD.
- b. In cases where a requestor is the HOD, a higher approving authority is required to do the verification.
- c. Should the number of non-compliance cases exceed 3 transactions in a year, a notification shall be submitted to Group Procurement General Manager by the respective Purchasing Personnel.

11.0 SUSTAINABLE PROCUREMENT

DXN is committed to advancing sustainability across its entire business value chain. Through our Procurement Policy, DXN shall ensure that all sourcing and supplier engagement activities align with our sustainability values. By embedding responsible practices into procurement, DXN aims to not only safeguard business resilience but also support the broader United Nations Sustainable Development Goals (UNSDGs) agenda, strengthen stakeholder confidence, and contribute to long-term shared value creation.

All suppliers are required to declare their ESG practices as one of key criteria for supplier selection.

12.0 REVIEW

This Policy shall be reviewed at least once every two (2) years and recommended to the Board for approval as and when required and updated in compliance with the prevailing applicable laws and regulations or following the needs of the Group, where necessary.

13.0 REFERENCES

This Policy shall be read together with:

- a. Procurement Procedures for Direct Material.
- b. Procurement Procedures for Indirect Material.
- c. Tendering Procedure.
- d. Conflict of Interest Policy.
- e. Anti-Bribery and Corruption Policy.
- f. Whistle blowing Policy.