

**CODE OF BUSINESS CONDUCT FOR
VENDORS OF THE LUMUT NAVAL SHIPYARD SDN. BHD. (LUNAS)**

TABLE OF CONTENTS

	<u>PAGE</u>
1. INTRODUCTION	2
2. SCOPE	2
3. DEFINITIONS	3
4. OBJECTIVES	3
5. PILLARS OF THE CODE OF BUSINESS CONDUCT FOR PROCUREMENT	4
6. PRINCIPLES OF THE CODE OF BUSINESS CONDUCT FOR PROCUREMENT	4
7. REMINDER RELATING TO BRIBERY OFFENCES	8
8. COMPLIANCE WITH THE CODE OF BUSINESS CONDUCT FOR PROCUREMENT	9
9. ACTION FOR BREACH OF THE CODE OF BUSINESS CONDUCT FOR PROCUREMENT	9
10. CONCLUSION	10

1. INTRODUCTION

- 1.1 It is the policy and goal of LUNAS to ensure that all its Vendors consistently acknowledge and emphasize the principles of good governance. While LUNAS understands that Vendors are independent entities, it must be agreed that business practices and actions of its vendors may impact and reflect on LUNAS. Because of this, LUNAS requires all Vendors and their Representatives to adhere to standards of business code, conduct and compliance while conducting businesses with and/or on behalf of LUNAS, similar to what LUNAS expects from its own employees.
- 1.2 Vendors are also required to comply consistently with the prescribed laws and regulations and reject any negative activities that conflict with ethics and moral values and the way of life of Malaysian citizens.
- 1.3 LUNAS requires that all Vendors and their Representatives conduct themselves in a professional manner at all times while on LUNAS's property or while conducting business with and/or on behalf of LUNAS at the premises of LUNAS's customer or LUNAS's site, yard or branch offices, in Malaysia or abroad.
- 1.4 By adopting good principles, a positive work culture can be created, and good relationship fostered among Vendors for the benefit of all.
- 1.5 It is appropriate that in the face of development and forging ahead to expand its activities, the LUNAS has a specific code of business conduct dealing with procurement which serves as a guide to be adhered to by all Vendors.
- 1.6 This code of business conduct shall be known as Vendor Code of Business Conduct ("VCBC") of LUNAS, which is formulated in accordance with the law and socio-cultural requirements of Malaysian society. It must be read together with directives and procurement policies, as may be issued by LUNAS from time to time.

2. SCOPE

- 2.1 This VCBC as well as any amendments to it that may be issued from time to time is applicable to all Vendors who deal with LUNAS.
- 2.2 The items contained in this VCBC are clarified through principles associated with the conduct, character and responsibilities of the Vendors.
- 2.3 LUNAS maintains its discretion to amend and vary this VCBC and will notify the Vendors for any such amendments or variation.
- 2.4 This VCBC is effective from 1st January 2023.

3. DEFINITIONS

- 3.1 **LUNAS** means Lumut Naval Shipyard Sdn. Bhd. and its subsidiaries.
- 3.2 **Party** means either LUNAS or the Vendor, as the case may be within the context of the provision.
- 3.3 **Representatives** means the Vendor's employees, agents and subcontractors.
- 3.4 **Vendors** or **Vendor**, as the case may be, means suppliers, contractors, sub-contractors, wholesalers, consultants, individuals, firms, associations or organisations that have dealings with LUNAS.
- 3.5 **Vendor Code of Business Conduct**, henceforth known as **VCBC**, means regulations that are specifically made to be complied with and practised by the Vendors registered with LUNAS.

4. OBJECTIVES

- 4.1 This VCBC is formulated to facilitate procurement through practice of the principles of trust, honesty, fairness and transparency besides nurturing a high level of integrity, openness and accountability among Vendors when carrying out procurement matters.
- 4.2 The objectives of the VCBC are to:
 - 4.2.1 Explain the kind of conduct that should be practised or avoided by the Vendors.
 - 4.2.2 Identify practices and positive conduct that are acceptable as standard practices among the Vendors.
 - 4.2.3 Make it obligatory for all Vendors to appreciate and comply with the VCBC in order to protect the dignity and reputation of individuals on a personal, professional and company level, specifically.
 - 4.2.4 Establish a good, healthy, fair and equitable relationship between LUNAS and the Vendors for their mutual interest.
 - 4.2.5 Establish company management practices, particularly those relating to best procurement practices that can preserve the image and reputation of LUNAS as well as enhance the level of professionalism, integrity and accountability.

5. PILLARS OF CODE OF BUSINESS CONDUCT FOR PROCUREMENT

All items contained in the VCBC are basic guides associated with the conduct and positive attitude of the Vendors when carrying out their responsibilities and business transactions. This VCBC focuses on the following five main pillars: -

- 5.1 Reject corrupt practices.
- 5.2 Avoid conflict of interests.
- 5.3 Carry out procurement and business relations in honest and fair manner.
- 5.4 Protect the confidentiality of information.
- 5.5 Enhance the level of professionalism.

6. PRINCIPLES OF CODE OF BUSINESS CONDUCT FOR PROCUREMENT

The principles of the VCBC give responsibilities to two parties, namely the LUNAS's employees and the Vendors. All principles must be observed and applied fully. Implementing anything that are contrary to or prohibited by the VCBC is an offence which can result in actions being taken by LUNAS.

6.1 RESPONSIBILITIES OF THE VENDORS

6.1.1 PRINCIPLE 1

CARRY OUT RESPONSIBILITIES HONESTLY

- a. Conduct transactions with honesty, responsibility and integrity.
- b. Place trustworthiness as a projected strength in conducting business dealings and give full commitment.
- c. Shall not commit fraud or falsify information documents.
- d. Take good care of premises and customer's assets.
- e. Be fully responsible for payments to relevant parties.
- f. Shall not take advantage of the trust given into one's own interest.
- g. Comply with all terms and conditions in the procurement contract with LUNAS.

6.1.2 PRINCIPLE 2

AVOID CONFLICT OF INTEREST

- a. Avoid negative deeds like influencing or trying to influence any of LUNAS's employees not limited to procurement personnel, to obtain any opportunities in procurement dealings.

- b. Inform LUNAS's management of any element of personal conflict of interest.
- c. Inform the management of any family/business ties with LUNAS's employees to avoid any potential conflict of interest.
- d. None of LUNAS or the Vendor's (as the case may be) owners, directors, officers or employees is an officer of the other Party or is closely related to officer of the other party. LUNAS or the Vendor (as the case may be) will notify the other Party if any of the Party's owners, directors, officers or employees subsequently becomes an officer of the other Party or closely related to officer of the other Party.

6.1.3 PRINCIPLE 3

COMPLY WITH REGULATIONS AND LEGISLATIONS

- a. Adopt and comply with all relevant federal and state laws, rules and regulations and their amendments from time to time.
- b. Comply with terms and conditions agreed upon in the contract with LUNAS.
- c. In addition to any specific obligations under the Vendor's contract with LUNAS, the Vendor shall, without limitation, comply with:
 - i. the Malaysian Anti-Corruption Commission Act 2009 (Act 694) including S17A MACC Act (2019)
 - ii. the Occupational Safety and Health Act 1995;
 - iii. the Environmental Quality Act 1974;
 - iv. the Companies Act 2016 (Act 777) and Business Registration Act 1956 (Act 197);
 - v. the Criminal Penal Code (Act 574) (Revised 1997) including all Amendments;
 - vi. the Competition Act 2010.
 - vii. the Limited Liability Partnership Act 2012 (Act 743)
- d. Shall not engage in any civil offences and/or crime.
- e. Shall not be declared insolvent by any court of competent jurisdiction.
- f. Use the services of legitimate vendors/sub-contractors who are registered with the Malaysian Companies Commission and where practicable, those registered with LUNAS.

- g. Refrain from directly or indirectly involved with customers who are known to be entities that carry out fraudulent operations or other forms of illegal practices.

6.1.4 PRINCIPLE 4

REFRAIN FROM ANTI-COMPETITIVE PRACTICES

- a. Adopt principles of open competition and transparency in business transactions.
- b. Participate in any tender or procurement transaction without any element of collusion among Vendors.
- c. Shall not relate to any other Vendors in the same tender bid.

6.1.5 PRINCIPLE 5

ABLE TO PERSIST IN BUSINESS DEALINGS

- a. Ensure one's capacity before participating in a procurement transaction to prevent any difficulties during the implementation.
- b. Have the capability and necessary equipment as well as suitable and adequate business premises to carry out responsibilities that have been entrusted.
- c. Shall not withdraw / fail to fulfil the contract within the specified duration without reasonable grounds.
- d. Consistently sustain a high level of ethics and work quality.
- e. Avoid favouring any party.

6.1.6 PRINCIPLE 6

PROMOTE COOPERATION AND HARMONIOUS RELATIONSHIP

- a. Maintain business relationships through open and effective communication.
- b. Establish harmonious relationship and cooperation.
- c. Emphasize on mutual respect and trust of all parties.
- d. Be impartial in resolving business disputes based on a win-win principle.
- e. Avoid discrimination or favouritism in any form in the execution of business dealings.

6.1.7 PRINCIPLE 7

IMPORTANCE OF QUALITY STANDARDS AND SKILLS

- a. Strive to maintain, strengthen and enhance efficiency, skills and professionalism.
- b. Complete transactions according to the prescribed best practices and standards.
- c. Make available adequate skilled workers to carry out any transaction.
- d. Supply and utilise resources and equipment that meet the prescribed quality.
- e. Refrain from accepting business transactions beyond one's capacity, expertise and final capabilities.

6.1.8 PRINCIPLE 8

FOCUS ON SAFETY, HEALTH AND WELFARE

- a. Give priority to aspects of occupational safety and health.
- b. Comply with regulations and directives on safety, occupational health and the environment issued by LUNAS and/or the authorities.
- c. Emphasize the welfare of workers on humanitarian grounds as provided for by law and provide adequate compensation as well as assist in their career development and welfare.
- d. Avoid any act that are in contradiction to LUNAS's regulations or are negligence, directly or indirectly, that can cause disaster or damage to LUNAS's and/or other vendors' property or endanger LUNAS's employees and/or other vendors' employees.
- e. Ensure conducive / comfortable work environment.
- f. Provide insurance coverage, SOCSO, EPF and other statutory benefits for the workers as stipulated by the government.

6.1.9 PRINCIPLE 9

EMPHASIZE ON ENVIRONMENTAL PROTECTION

- a. Carry out transactions with total care for the environment by complying with procedures specified by LUNAS and/or the authorities.
- b. Avoid wastage of resources, disposal of waste in an irresponsible manner or any other action that are detrimental to the environment.

6.1.10 PRINCIPLE 10

CORRUPTION AND REWARD

- a. Shall not offer or give compensation in the form of cash, goods or services to any LUNAS's employee as a reward for influencing any procurement decision.
- b. Shall not give any reward or favours that is of a value that exceeds reasonable cultural norms.
- c. Shall not conspire in carrying out activities that are corrupt in nature.
- d. Report promptly to LUNAS's management of any LUNAS's employee who receives or attempt to solicit any form of compensation for himself or any other party.
- e. Shall not, for any improper purpose, directly or indirectly, offer, pay, give, promise or attempt to pay or give, or authorize the payment or giving of any money, gift, or anything of value to any person for the purpose of obtaining or retaining business or to obtain any improper advantage.

7. REMINDER OF OFFENCE OF CORRUPTION (ACT 694)

All LUNAS's employees and Vendors are subject to the Malaysian Anti-Corruption Commission Act 2009 (Act 694) including S17A MACC Act (Amendment 2018). The following notes are reminders to be strictly observed: -

- 7.1 Any act or attempt to corruptly offer or give, solicit or receive any gratification in the form of a bribe to or from any person connected to procurement is a criminal offence under the Malaysian Anti-Corruption Commission Act 2009 (Act 694).
- 7.2 If any person offers or gives any gratification to any LUNAS's employee, the latter at the earliest opportunity thereafter lodge a report at the nearest office of Malaysian Anti-Corruption Commission or police station. Failure to do so is an offence under the Malaysian Anti-Corruption Commission Act 2009 (Act 694).
- 7.3 Without prejudice to other actions, disciplinary action of blacklisting of Vendors or suppliers can be taken if the party is involved in any act of corruption under the Malaysian Anti-Corruption Commission Act 2009 (Act 694).
- 7.4 Any Vendor who makes a claim for payment in relation to procurement, although no work was carried out or goods supplied or no services rendered in accordance with the specifications and any LUNAS's employee who certifies the claim, commits an offence under the Malaysian Anti-Corruption Commission Act 2009 (Act 694).

8. COMPLIANCE WITH CODE OF CONDUCT FOR PROCUREMENT

Vendors are responsible for complying with the principles, policies and regulations prescribed in the VCBC, i.e. practising only matters that are permitted and refraining from matters that are prohibited / forbidden. LUNAS's employees and the Vendors are also responsible to/for:

- 8.1 Being fully committed to carry out all procurement matters with integrity and in compliance with the VCBC.
- 8.2 Report acts of non-compliance or violation of the VCBC by any party to the management.
- 8.3 Ensure safe channels of communication are provided to assist any party who wishes to report any suspicious acts or act which are in violation of the VCBC.
- 8.4 Any difficulties or complaints shall be reported via the Whistle Blowing Policy or by directly contacting LUNAS's management by providing accurate facts and information. The identity of the complainant and contents of the complaint are confidential and protected.
- 8.5 Give full cooperation to an investigation being carried out.
- 8.6 Permit LUNAS's representatives to obtain information, investigate, inspect premises and in other matters if deemed necessary when a request to do so has been made.
- 8.7 The Vendor hereby consent and authorise LUNAS to retain and use personal data furnished by the Vendor for the purpose of evaluation, shortlisting and awarding of contracts and where required by law and/or authorities, release the personal data furnished by the Vendor to another party for purposes related and relevant to the Vendor's registration with LUNAS.
- 8.8 If the retention and/or release of such personal data is required for any other purposes other than indicated above, the relevant authorities appointed LUNAS shall accordingly endeavour to secure the Vendor's explicit consent.

9. ACTION AGAINST BREACH OF CODE OF CONDUCT FOR PROCUREMENT

- 9.1 Action can be taken by LUNAS against Vendors who do not comply with or who commit an act which is prohibited as specified in the VCBC.
- 9.2 Any form of action taken depends on the severity of the offence committed.
- 9.3 The type of action or punishment meted out is at absolute discretion of LUNAS.
- 9.4 The types of action that can be taken include on to Vendors such as: -
 - 9.4.1 Official warning;

- 9.4.2 For repeated non-compliance, action can be taken leading to termination of contract.
- 9.4.3 Violation of provision of S17A MACC Act shall be an immediate removal while allegation leading to investigation by MACC shall call for immediate suspension until proven innocent.
- 9.4.3 LUNAS has the sole discretion to blacklist or remove the Vendor from the registry if the Vendor is in default of Clauses 6 and 7 of this VCBC.

10. CONCLUSION

- 10.1 Any Vendor or its personnel who faces difficulties or is unclear about the contents of this VCBC can seek further clarification from Vendor Section, Commercial & Vendor Management Unit or Supply Chain Management of LUNAS.
- 10.2 It is envisaged that this VCBC will enable procurement management of LUNAS to be more efficient and effective, further strengthening the ties with Vendors and promote a positive work culture among the personnel.
- 10.3 It is expected that the VCBC will receive the support and commitment of all Vendors and be fully complied with in the interest of all.

VENDOR'S LETTER OF DECLARATION

For

LUMUT NAVAL SHIPYARD SDN BHD

I, _____ (Name of Company Director), IC Number _____ (insert number) being the authorized representative of _____ (Company Name) bearing Registration Number _____ (MOR/ PKK/CIDB/ROS/ROC/ROB), (hereinafter referred to as "**Vendor**") hereby:

1 DECLARE THAT:

- (a) The Vendor and its directors, officers and employees are in compliance with all applicable laws, statutes, regulations and codes relating to anti-bribery and corruption matters (the "**Relevant Laws**");
- (b) Neither the Vendor nor any of its directors, officers or employees who may be involved in the Business Transaction(s) has been convicted of any offence involving bribery or corruption or fraud; nor, to the best of the Vendor's knowledge, is any such person the subject of any investigation, inquiry or enforcement proceedings by any governmental, administrative or regulatory body regarding any offence or alleged offence under the Relevant Laws; and
- (c) The Vendor did not, either directly or indirectly, promise, offer or give any bribe or an improper advantage (whether financial or otherwise) to any individual in Lumut Naval Shipyard Sdn Bhd (hereinafter referred to as "**LUNAS**") or any other individual, representing LUNAS as an inducement, incentive, reward, gift or bonus for being selected for the Business Transaction(s).
- (d) Inform the management of any family/business ties with LUNAS's employees to avoid conflict of interest.

2 UNDERTAKE THAT:

- (a) The Vendor will not, either directly or indirectly, promise, offer or give any bribe or an improper advantage (whether financial or otherwise) to any individual in LUNAS or any other individual representing LUNAS, as an inducement, incentive, reward, gift or bonus to be selected and/or for any other purpose connected to the Business Transaction(s);
- (b) The Vendor will not, either directly or indirectly, promise, offer or give any bribe or an improper advantage (whether financial or otherwise) to any government official or private individual so as to obtain or retain a business advantage on behalf of LUNAS during the carrying out of the Business Transaction(s);
- (c) The Vendor will comply with the relevant provisions of LUNAS's Vendor Code of Business Conduct (**VCBC**) which is made available online at www.mylunas.com.my; and
- (d) If contraventions or investigations of the type described in section 1(b) above have occurred, the Vendor will forthwith supply full details of them to LUNAS.

3 AGREE THAT:

- (a) In the event that the Vendor, its directors, officers or employees breaches any of the above sections, the following actions may be taken by LUNAS:

- (i) Immediate revocation of the contract award for the Business Transaction(s) without any liability whatsoever on the part of LUNAS to the Vendor and/or its directors, officers or employees; and
- (ii) Immediate termination of the contract for the Business Transaction(s) without any liability whatsoever on the part of LUNAS to the Vendor and/or its directors, officers or employees,

without prejudice to any other rights or remedies LUNAS may have or any other disciplinary action which LUNAS may take as it deems appropriate.

Should any individual attempt to solicit any bribe or advantage (whether financial or otherwise) from the Vendor or any other individual connected to the Vendor either as an inducement or incentive to be selected or as a reward, gift or bonus for being selected in the Business Transaction(s), or where the Vendor has reasonable grounds to suspect any breach or potential breach of the obligations in this letter or the VCBC, the Vendor will report such act immediately in accordance with the whistleblowing section in the VCBC.

Yours sincerely

(Signature)

Name and IC/ Passport No.:

Position:

Name of Company:

Company stamp:

Received & acknowledged by:

Name and IC/ Passport No.:

Position:

LUNAS:

Note: Business Transaction(s) is(are) defined as Tenders, Quotations, Contracts and Purchase Orders.