

Caribbean Airlines



ANNUAL ADMINISTRATIVE REPORT

2020

RE-SUBMITTED TO:

The Government of the Republic of Trinidad and Tobago

- **Ministry of Finance**
- **Ministry of Transport & Civil Aviation**

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1. INTRODUCTION

CORPORATE PROFILE

Registered Office

Caribbean Airlines Limited
Iere House, Golden Grove Road,
Piarco
Trinidad and Tobago, W.I.

Bankers

Royal Bank of Trinidad and Tobago
Royal Court, 19-21 Park Street, Port of Spain
Trinidad and Tobago, W.I.

Citibank Trinidad & Tobago Limited
#12 Queen's Park East, Port-Of-Spain.
Trinidad and Tobago, W.I.

Citibank N.A
111 Wall Street, 21st Floor, New York,
N.Y. 10043,
U.S.A.

Auditors

KPMG
Scotia Centre, 56-58 Richmond Street,
PO Box 1328, Port of Spain,
Trinidad and Tobago, W.I.

Insurance Brokers

Aviation Policies

Aon Risk Solutions

Global Broking Centre
The Aon Centre, The Leadenhall
Building, 122 Leadenhall Street
London, EC3V 4AN.

Local & Regional Policies:

Millennium Insurance Brokers Limited

Suite 204 & 205 Regency Business
Centre, 21B Gaston Street
Chaguanas

Agostini Insurance Brokers Ltd

119 Henry Street
Port of Spain

USA Policies:

Alliant Insurance Services Inc

32 Old Ship, Suite Floor 29
New York, NY 10005

Incorporation Date:	27 September 2006
Operational Launch:	01 January 2007
Board of Directors:	Chairman - Mr. Shameer Ronnie Mohammed Vice Chairman - Mr. Michael Quamina Director- Mr. Vishnu Dhanpaul Director – Ms. Enid Zephyrine Director – Dr. Chris S. Maharaj Director – Mr. Samuel Henry Director – Mr. Zachary Harding
Board Committees:	Audit Committee Human Resource Committee Tenders Committee Operations & Risk Management
Corporate Headquarters:	Iere House, Golden Grove Road, Piarco, Trinidad, West Indies. Telephone No. +868669 3000
Airline Code:	BW
Operational Hub:	Piarco International Airport, Trinidad, West Indies Norman Manley International Airport, Jamaica

Mission & Vision

*As Caribbean Airlines, our name is our **Mission**:*

- *We serve an unrivalled network connecting the entire Caribbean region*
- *We care about our guests and offer an excellent customer experience*
- *We work as one team across national boundaries*
- *We own our challenges and deliver innovative solutions*
... and we do it all with our unique Caribbean touch

Vision: *To be the airline of choice serving the Caribbean profitably.*

TACTICAL PLAN

The COVID-19 pandemic delivered a shock to commercial aviation without precedent in the industry's history. As governments closed borders and imposed travel restrictions in early 2020, global demand collapsed almost overnight, fleets were grounded, and carriers everywhere confronted a sudden and prolonged loss of revenue against largely fixed cost bases, draining cash reserves and driving the industry into its deepest financial crisis on record.

With key markets across the region sealing their borders, including its home country of Trinidad and Tobago, passenger traffic fell sharply and the airline moved from a position of sustained operating profit into substantial loss, with mounting liabilities and an urgent need for external funding to keep operating. The depth and duration of the disruption, and the genuine uncertainty over when and how demand would return, meant that the assumptions underpinning existing strategic plans no longer held. Like its global peers, Caribbean Airlines was forced to set aside business as usual and rebuild its plans from the ground up, reframing strategy around survival, right-sizing to a much smaller market, and charting a disciplined path back toward recovery and profitability.

➤ Purpose of Tactical Plan

The Tactical Plan is an amendment to Caribbean Airlines' existing five-year Strategic Plan, prepared in response to the severe and unexpected disruption caused by the COVID-19 pandemic. Where the original plan assumed a trajectory of profitability and expansion, the pandemic forced a fundamental reset: borders across CAL's key markets, including its home country, closed, demand collapsed, and the airline moved from sustained operating profit into significant loss.

Rather than abandon the strategic direction, the Tactical Plan reframes it for crisis conditions. It sets out a clear, revised roadmap whose central purpose is to stabilize the business, right-size it to the market that actually exists, and return CAL to profitability in the shortest possible time, before rebuilding toward the longer-term ambitions of the Strategic Plan.

➤ **Planning Philosophy and Approach**

The plan was built from the market upward rather than from existing operations downward. Demand defines the network, the network defines the fleet, and the fleet defines the workforce. This demand-led cascade ensures that every capacity and cost decision is anchored to a realistic view of what the market will support, rather than to the scale of the operation CAL happened to have before the crisis.

Demand led, in sequence

The planning logic flows through four connected layers: a Market Potential Analysis to size future demand, a Network Plan to translate that demand into routes and schedules, a Fleet Plan to match aircraft to the network, and an assessment of the consequent impact on the workforce. Each layer is a direct consequence of the one before it.

Grounded in external expertise

Recognizing that some of the specialist tools and capacity did not exist internally, CAL drew on external expertise: Amadeus for network and schedule planning, and Lufthansa for workforce requirements. This brought proven methodology and independent rigour to decisions of existential importance to the airline.

A structured, evidence-based market view

The Market Potential Analysis followed a proven four-step methodology: an immediate recovery view shaped by market reopening and vaccination progress, organic demand forecasts based on the relationship between traffic growth and economic growth, a segmentation of the order in which different customer groups would return, and a final set of adjustments to remove distortions left over from the pre-pandemic period. The view rests on a deliberate set of data inputs and assumptions rather than on optimism.

Iterative and scenario tested

The network itself was developed through an iterative, scenario-based process, testing different inputs and assumptions and refining from an initial industry build through to a final optimized network. The philosophy was to converge on the strongest sustainable strategy rather than commit to a single fixed answer.

➤ Pillars of the Recovery

The recovery philosophy rests on a small number of mutually reinforcing pillars, each addressing a different lever of the business.

Right-size to demand : Match capacity to a market starting well below pre-pandemic levels by reducing routes and frequencies, then rebuilding them market by market as demand returns. This means strengthening the home market, exploiting competitor weakness to build a stronger Eastern Caribbean position, consolidating and rebuilding the North American gateways, and keeping a watching presence in markets that offer fewer sustainable opportunities.

Optimize the fleet: Follow a staged fleet philosophy: first reduce the fleet to match collapsed demand, then replace older aircraft with more efficient new-generation aircraft for lower cost and an improved customer experience, and finally grow the fleet gradually in line with the anticipated demand recovery.

Align the workforce: Treat workforce size as a consequence of the network and fleet decisions rather than an independent lever, sizing the organization to the operation it can genuinely sustain and realizing the associated cost savings.

Diversify and innovate revenue: Build resilience beyond core passenger flying by developing adjacent and ancillary revenue streams that leverage CAL's existing brand, people and infrastructure, including extending cargo into courier services, branded retail and e-commerce, and new loyalty partnerships. The intent is vertical integration and a broader, more resilient earnings base.

Cost discipline and bridging support: Sustain aggressive cost cutting and optimization across the whole organization, supported through the crisis by government assistance, with the explicit aim of becoming self-sustaining and no longer dependent on external cash support once the recovery is established.

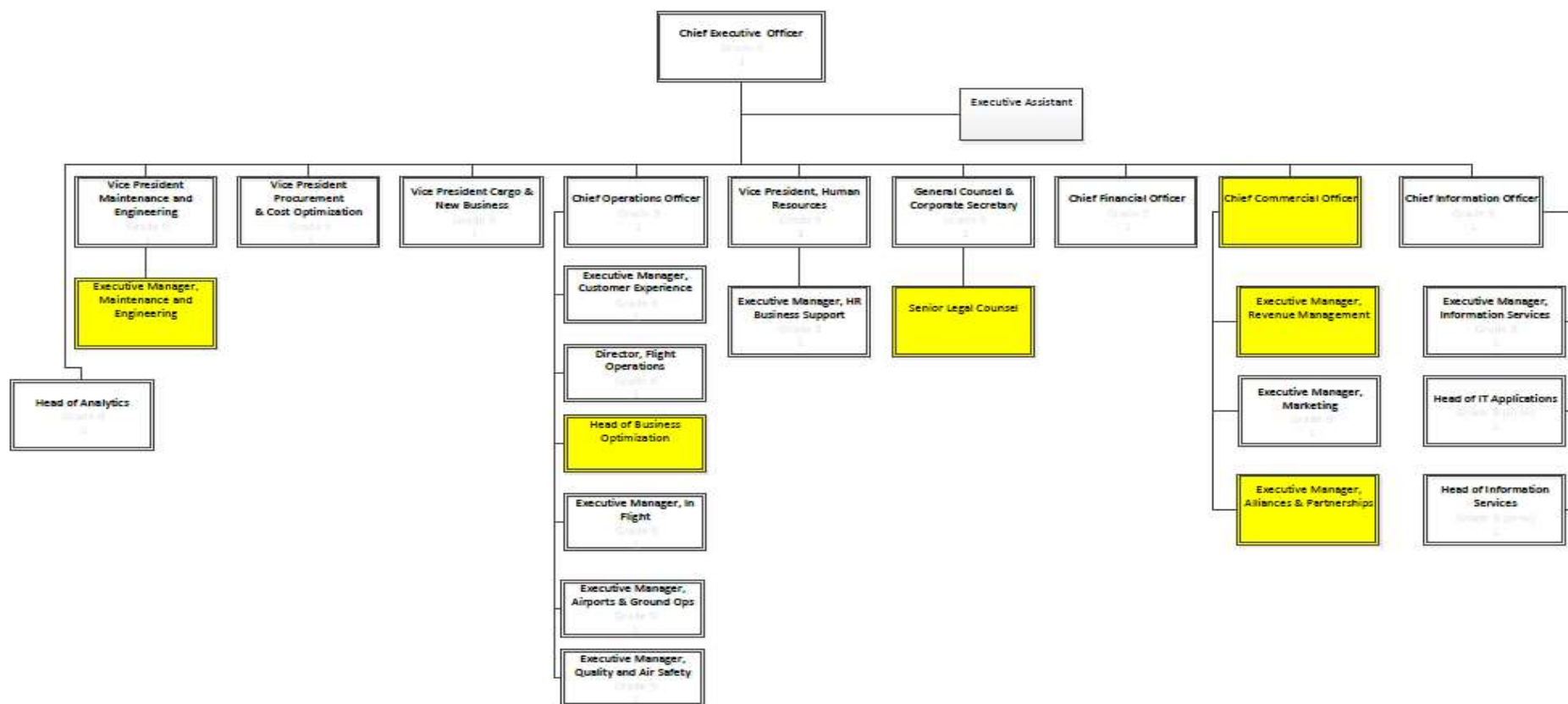
➤ Execution Discipline and the Path Back

To convert philosophy into delivery, initiatives are managed through a disciplined Initiative Portfolio Management approach: each initiative is proposed and defined with a clear purpose and business case, evaluated and prioritized against agreed criteria and the wider portfolio, implemented with defined ownership and plans, and then formally concluded and reviewed against the benefits expected. This keeps scarce resources directed to the initiatives that most advance the recovery.

Taken together, the Tactical Plan reflects a clear philosophy: respond to an unprecedented shock with evidence, discipline and innovation rather than retreat. By right-sizing to real demand, modernizing the fleet, aligning the workforce, diversifying revenue and holding firm on cost, CAL charts a credible, staged route back to profitability and, ultimately, to operating without ongoing external support.

2. ORGANISATIONAL STRUCTURE

CORPORATE STRUCTURE



➤ Senior Leadership Team

Chief Executive Officer Mr. Garvin Medera	Vice President Maintenance and Engineering Mr. Varma Khillawan
Chief Information Officer Mr. Aneel Ali	Vice President Human Resources Mr. Roger Berkeley
Chief Financial Officer Mrs. Marina Chase	General Counsel & Corporate Secretary Ms. Nalini D. Lalla
Chief Operations Officer Mr. Steve Azevedo	General Manager Cargo and New Business Mr. Marklan Moseley
Chief Commercial Officer Ioannis Gounaris effective Nov 2019	General Manager Procurement & Cost Optimization Ms. Arlene Hunte

SERVICES / PRODUCTS PROVIDED

Caribbean Airlines is the national airline of Trinidad and Tobago and provides passenger air transportation services across the Caribbean, North America, and South America. The airline operates scheduled flights connecting key destinations for both leisure and business travelers, offering economy and premium travel options, online booking, airport check-in services, and a frequent flyer loyalty program known as Caribbean Miles.

In addition to passenger transportation, Caribbean Airlines offers cargo and freight services, enabling the movement of goods, mail, and commercial shipments throughout its network. The airline also generates revenue through ancillary products and services such as excess baggage, seat selection, travel insurance partnerships, charter operations, vacation packages, and advertising opportunities. Corporate travel solutions, group bookings, and special assistance services are also provided to support a wide range of customer needs.

The airline's overall product portfolio is focused on connecting people, businesses, and communities while providing safe, reliable, and customer-focused air transportation services throughout the region and beyond.

LEVELS OF AUTHORITY

- Delegation of Authority of Guidelines - Appendix I
- Purchase to Pay – Financial Policies & Procedures - Appendix II

3. PERFORMANCE ACCOMPLISHMENTS

An overview of Caribbean Airlines' accomplishments in 2020, categorized by our four key strategic pillars: Financial, Growth, People/Process and Customer.

Financial

- **Cost-Cutting Measures** - Caribbean Airlines implemented a series of cost-cutting measures to manage financial losses. These included reducing non-essential expenditures, renegotiating lease agreements for aircraft, and deferring capital investments. The airline also temporarily grounded part of its fleet to minimize operational costs.
- **Government Aid Negotiations** - The airline engaged in negotiations with Caribbean governments for financial aid and support packages. This support was crucial for sustaining operations, maintaining employment, and ensuring the airline could continue to serve vital routes.
- **Operational Cost Reductions** - Further reductions in operational costs were achieved by renegotiating contracts with suppliers, including fuel providers, maintenance companies, and airport services. The airline also worked on optimizing flight schedules to increase efficiency and reduce wastage.

GROWTH

Passenger

- **Repatriation Flights** – In June 2020, GORTT commenced Repatriation Flights to/from Barbados, Miami, New York and Toronto, whilst the borders remained closed to scheduled flights.
- **Formulation of Tactical Plan** - The airline has adjusted its planned strategy, fleet size and route network to reflect the decreased size of its future market, specifically, reduced passenger numbers, which is estimated to remain below 2019 levels for the next two to three years.

- **2020 IATA Membership & IOSA Renewal** – Caribbean Airlines successfully renewed its Membership with the International Air Transport Association (IATA) Operational Safety Audit (IOSA) Registration for 2020 during the month of November 2020.

Non-passenger

- **Cargo Services Launch** - The airline launched dedicated cargo services to diversify revenue streams and support regional trade. This included the transportation of essential goods such as medical supplies, food, and other critical items. The new cargo services helped offset the decline in passenger revenue.
- **Increased Cargo Connectivity** - Caribbean Airlines Cargo increased its connectivity and cargo capacity with the activation of the airline's Eastern Caribbean expansion out of Barbados, and the resumption of operations from its Kingston base. In December 2020, Caribbean Airlines Cargo partnered with the General Sales and Service Agent (GSSA), Network Cargo Management Corp to expand its coverage in the United States (US).
- **Transportation of Covid-19 supplies** - Caribbean Airlines Cargo collaborated with the Caribbean Disaster Emergency Management Agency (CDEMA) to distribute over 2000 boxes of medical supplies to help 16 Caribbean countries combat Covid-19. The supplies included personal protective equipment (PPE) and Covid-19 test kits donated by the World Health Organization (WHO) and the United Arab Emirates (UAE).

People / Process

- **Early Retirement** - Caribbean Airlines offers a Voluntary Early Retirement Plan (VERP) for employees aged 55 and over with less than five years to retirement. Full Retirement is available for those 58 or older (or less than two years to retirement), offering travel privileges for two years, an ex-gratia payment, a 6% pension contribution per remaining year, and access to the pension plan. Phased Retirement is for those 55 or older (or less than five years to retirement), with benefits including travel privileges for five years, part-time re-employment, a 6% pension contribution per remaining year, and access to the pension plan. Additional perks include small business training, financial and career outplacement services (Trinidad and Jamaica only), and three months of EAP services. Details are in the attached brochure.

- **Employee Separation** - Due to the pandemic's financial impact, Caribbean Airlines reviewed its workforce. Constructive discussions over five weeks significantly reduced employee separations, with some remaining on extended temporary layoff.
- **EAP** - The Caribbean Airlines' employee assistance programme (EAP) continued which was a voluntary and confidential service, designed to help employees and their family members who may have personal concerns or issues that affect their well-being at this time.
- **Remote Working Policies** - To ensure the safety of non-essential staff, Caribbean Airlines implemented remote working policies. This transition involved equipping employees with the necessary tools and technology to work from home effectively, while maintaining operational continuity and communication.
- **Mental Health and Wellness Programs** - Recognizing the stress and challenges posed by the pandemic, the airline introduced mental health and wellness programs. These included counseling services, virtual wellness workshops, and resources for managing stress and maintaining a healthy work-life balance.
- **Ground Operations App** – Caribbean Airlines launched a Ground Operations App that will allow for use of the data collected to refine and improve our processes, which can directly impact cost reduction and revenue generation.
- **Health and Safety Protocols** - The airline rolled out comprehensive health and safety protocols to protect passengers and staff. This included mandatory mask-wearing, social distancing measures, enhanced cleaning procedures, and the introduction of contactless check-in and boarding processes. The protocols were in line with international health guidelines.

CUSTOMER

1. **Extension of Miles Expiration** – Caribbean Airlines advised its Frequent Flyer Members that any miles due to expire during the period March 1, 2020 – December 31, 2021, have been extended by one (1) year with no cost to members to extend or reinstate these miles.
2. **Favorite Airline Award** – Caribbean Airlines won the favorite airline category from Caribbean, Mexico, South and Central America prestigious awards at the 3rd Annual Agents Choice Awards Gala hosted by Baxter Media on October 1st, 2020.
3. **Partnership with Sherpa** – Caribbean Airlines announced its partnership with sherpa for international travel. Sherpa is an online self-service tool that allows customers to search for up-to-date information regarding entry into a country.

4. **COVID-19 Support Hotline** - The airline implemented a dedicated customer support hotline to address COVID-19-related travel inquiries. The hotline provided information on travel restrictions, health and safety protocols, and assistance with booking changes or cancellations. This service aimed to alleviate customer concerns and improve satisfaction during a challenging period.
5. **Enhanced Customer Communication** - Caribbean Airlines increased its communication efforts with customers, providing regular updates on flight schedules, travel advisories, and health protocols through various channels, including email, social media, and the airline's website. This transparency helped build trust and keep passengers informed.
6. **Customer Care Improvements** - The airline expanded its Call Center team to handle the increased volume of inquiries and provide more personalized support. This included additional training for staff to address COVID-19 related concerns effectively.

4. FINANCIAL FUNCTIONS

Budget Formulation

➤ **The Budget Report**

The Budget is an estimate of the Company's Income, Expenditure and Resources usually prepared for a period of one calendar year and further categorized monthly.

It should be noted that, this summary is split among Port of Spain and Kingston Operations and then Combined to a detailed summary of all Revenue and Expenditure by various Divisions.

The entirety of the report is done in United States Dollars (USD) and thereafter converted to Trinidad and Tobago Dollars (TTD) for upload into SAP.

➤ **Budgeting Methodology**

Caribbean Airlines Limited employs a **bottom-up budgeting approach** in the preparation of its annual budget. Under this methodology, individual analysts and Line Managers across each Division are responsible for building their respective cost and revenue estimates from the ground up. These inputs are based on operational drivers, contractual rates, and prior year actuals, and are subsequently reviewed, consolidated, and approved at the Executive level before final submission to the Board of Directors. This approach ensures that budget assumptions are grounded in operational realities at the departmental level, fostering greater accuracy, accountability, and alignment across the organization.

➤ **Report Preparation Process:**

The following gives a synopsis of the Budgeted Structure.

1. **Revenue:** Generated from the Revenue Management Department using the basis of Budgeted Statistics - Passengers, ASMs and RPM's.

The airline's mainline revenue is Passenger Revenue, other forms of Revenue Include, Cargo and Freight, Loyalty, Duty Free and Other Ancillary Revenue.

2. **Variable Operating Cost:** This cost varies depending on the airline's operational schedule. Some of the airline's Variable Cost includes Passenger Fees, Flight Operation Expenses, Maintenance Expenses and Commission Expenses.

These costs are categorized by aircraft type (Boeing 737 MAX and ATR fleet) and by Port of Spain and Kingston Operations then further categorized Divisions.

- Some of the Divisions are listed below:
 1. Commercial Division
 2. Operations Division
 3. Maintenance and Engineering Division
 4. Cargo Division

The variable costs are mainly driven by various rates and Budgeted statistics received from Revenue Management, therefore, Passengers, Landings, Flights, Block Hours and Flight Hours which forms the basis of constructing the Budget.

3. **Overhead Costs:**

This cost represents the fixed or indirect cost of operating the Airline and it is not dependent on the delivery or service the airline offers. Some examples of this include Rent, electricity and Telecommunications charges.

The Divisions listed above along with other smaller Divisions within the Overhead category consist of CEO's Office, Finance, Human Resource, Information Systems, Legal and Cargo. The step-by-step approach below gives additional detail on this particular cost.

After each area above has been detailed by individual analyst, a summary is built combining Revenue and Expenditure to form the Actual Budget.

Detailed summaries are also compiled based on each Division listed above, therefore, Commercial, Operations, Maintenance and Engineering, CEO's Office, Finance, Human Resource, Information Systems, Legal and Cargo.

➤ **The following is a step-by-step approach when building the Budget:**

Step 1:

Upon receiving Budgeted statistics from Revenue Management, it is then analyzed and modified to begin the process of constructing the Budget. A USD exchange rate is established, and a timeline is generated and scheduled meetings are arranged between the Executives and each analyst.

Step 2:

A Personnel and Admin template is distributed to the individual Line Managers and sub categorized by account and cost center (depicted below in Figure 1.1)

Personnel and Admin expenses are categorized by each account and cost center for the year.

Once this has been completed and all data imputed, the prior year actuals are lined up against each account and reason for variances are stated.

Figure 1.1: Personnel and Admin Template

DEPARTMENT COST CENTRE:															
DEPARTMENT NAME:															
Cost Element	Cost Element Name	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	
PERSONNEL EXPENSES															
6010001	Salaries and Wages													-	
6010002	Acting Pay													-	
6010003	Overtime													-	
6010005	Shift Premium													-	
6010006	Subsistence													-	
6010007	Incentive Bonus													-	
6010100	Pension Fund													-	
6010101	Health Insurance													-	
6010102	Group Life Insurance													-	
6010103	Employee Travel Insurance													-	
6010104	Medical Fees and related Costs													-	
6010105	Company furnished Lodging													-	
6010106	Company furnished Vehicles													-	
6010107	Uniforms	-	-	-	-	-	-	-	-	-	-	-	-	-	
6010108	Canteen Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	
6010109	Employees Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	
6010110	Entertainment Expenses													-	
6010111	Company Furnished Home Phone													-	
6010200	Ad Hoc Employees													-	
6010201	Recruitment and Relocation costs													-	
6010202	Directors Fees													-	
6010300	Workmen Compensation													-	
6010301	Payroll Taxes													-	
TOTAL PERSONNEL EXPENSES		-	-	-	-	-	-	-	-	-	-	-	-	-	
ADMINISTRATIVE EXPENSES															
6500000	Telecommunication Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500001	Telephone Services and Equipment Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500002	Customer Relation Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500003	Building Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500004	Building Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500005	Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500006	Security Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500007	Legal Fees and Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500008	External Audit Fees and Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500009	IT Technical Services Purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500010	Revenue Accounting Outsource (WNS)	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500011	IT Help Desk Outsource Support (SITA)	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500012	Other Professional Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500013	Courier Services	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500014	Duty travel	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500017	Training Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500018	Sita Communication	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500019	IT Hardware Equipment Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500020	Misc. IT Hardware	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500022	Software License	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500023	Disaster Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500024	Furniture and Equipment Rental	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500025	Furniture and Equipment Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500026	Miscellaneous Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500027	Company Vehicle Maintenance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500028	Company Vehicle Rentals	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500029	Stationary and Office Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500030	Other Operating Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500031	Custom Duties & Fines	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500032	Custom Authorities Overtime, Meals & Transportatio	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500033	Transportation Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500034	Credit Card Charge Back – Not Recoverable Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500035	General Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500036	Membership Industry Association	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500037	Immigration / Security Expenses & Fines	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500038	Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500039	Other Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500040	Interline Loss / Gain Sale Mercator	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500041	Bank Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500043	Overages/Shortages	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500044	Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500045	Scrapped Inventory Items	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500046	Covenanted and Deductible Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500047	Airline Operational Certifications	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500048	Mercator Rapid PRA Implementation	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500049	CAL / JM Integration	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500050	Transformation Investment Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500051	Amadeus PSS Project	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500052	CAL Brand Refresh	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500053	CC Lounge Upgrade	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500054	Automated BMS Implementation Cost - ULTRA	-	-	-	-	-	-	-	-	-	-	-	-	-	
6500055	Covid 19 costs	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL ADMIN EXPS		-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL PERSONNEL & ADMIN EXPENSES		-	-	-	-	-	-	-	-	-	-	-	-	-	

Step 3:

Rates are researched and extracted from vendor contractual agreements and from trending rate schedules based on the prior year's actual, these files are built by each analyst and is done on a monthly basis.

It should be noted that various drivers are used when trending the above data and rates vary depending on the Business Area.

Step 4:

The Variables are built using POS and KIN stats and modified to suit different locations, such as, North America, South America and the Caribbean (Tobago Inclusive).

As stated above, the drivers such as landings, flights, block hours, flights hours and passengers differ depending on the cost involved and used as the basis of each individual variable cost.

Step 5:

For each variable budget, a summary is done which shows the total Budgeted cost by location and Account (Expense Type).

Step 6: Upon completion of the above, similarly to Personnel and Admin, Variance notes are done by account and Cost Center comparing Budget and the prior year Actuals.

Step 7: After the completion by various locations, the individual variable budgets are now compiled by route, including the Port of Spain allocations and further summarized to capture the complete picture. A detailed summary is also done by Division - Commercial, Operations, Maintenance and Engineering, CEO's Office, Finance, Human Resource, Information Systems, Legal and Cargo.

Step 8: The summary is broken down to reflect POS and KIN by individual Divisions as well as combined Operations displaying the Profit and Loss Accounts.

Step 9:

The completed Budget is then submitted to the CFO for review and thereafter presented to Board of Directors for approval.

Step 10:

Once sanctioned by the Board, the budgets are summarized by account and cost center and uploaded into SAP (ERP platform).

Expenditure

	FY 2020
	Actual
Gross Revenue	US \$ 140,210,512
Cost of Sales	US \$ 21,665,160
Net Revenue	US \$ 118,545,352
Distribution & Reservation	US \$ 4,815,931
Commission Expenses	US \$ 4,640,465
Passenger Expenses	US \$ 9,007,007
Flight Operation Expenses	US \$ 45,826,321
Maintenance Expenses	US \$ 31,480,146
Operating Lease & Insurance	US \$ 3,969,712
Depreciation	US \$ 39,673,389
Overheads	US \$ 88,291,412
Expenses	US \$ 249,369,543
EBIT	US \$ (109,159,031)
Non-Operating	US \$ (12,614,307)
Net Profit / (Loss) Before GORTT	US \$ (121,773,338)
GORTT Operational Support	US \$ 18,755,521
Net Profit / (Loss) After GORTT	US \$ (103,017,817)

Debt Policy

To be developed.

Investment Policy

Appendix IV

5. HUMAN RESOURCES

Executive Summary

2020 was an extremely challenging year from a people perspective. Due to the closure of the Borders of Trinidad and Tobago there was a significant reduction in operations and revenue losses. Notwithstanding, we continued to pay the salaries of employees from March month-end to September 2020, even in the face of mounting uncertainty. However, as the borders remained closed in the last quarter of 2020 the company's revenue and cash position continued to be adversely affected. After careful consideration, discussions with key stakeholders and with the support of the Board of Directors, several adjustments to cut costs and reduce overheads was implemented from October 15, 2020.

Career Path Systems

In 2020, despite all of the challenges of the industry and nation arising from the pandemic, the company was able to achieve the following initiatives which served to develop talent and provide opportunities for building leadership experience :

1. The successful completion of the first cohort of the Accelerated Career Enhancement Programme, which consisted of ten (10) high potential employees who were assigned to mentors and were provided the opportunity to gain experience at a senior level in their career.
2. In partnership with Boeing Global Learning Institute, CAL delivered a series of Coaching Skill Workshops supporting CAL's people agenda. Members of the Executive Team and other senior managers attended the training. A Culture Change Workshop was also conducted.

Performance Measurement Tools

Given the uncertainty which existed during the period, CAL deferred the completion of the usual performance evaluations, as objectives could not be reasonably established. Nonetheless, the company migrated its Performance Management system from a manual system to the ADP (Automatic Data Processing) Human Resource Information System (HRIS).

Promotion Criteria

In 2020, there were no promotions to report.

Promotions are vacancy-driven and determined through a structured internal recruitment process. Candidates must demonstrate sustained performance, readiness for expanded responsibilities, required experience, certifications, and alignment with company values.

Recruitment & Selection Procedures

There were no recruitment and selection activities for 2020 arising from closure of borders due to the pandemic.

Temporary measures, consistent with good industrial relations practices, included but were not limited to the following:

1. Reducing contract and temporary workers;
2. Commencing temporary Layoffs across the airline's network for an initial period of three (3) months.
3. Introducing salary reductions based on salary level, for a period of eight (8) Months starting from October 2020.
4. Salary reductions of 15% and 10% impacted the highest earners and did not apply to employees earning \$7500 and under.
5. The Pilot Unions in Trinidad and Jamaica negotiated and opted to take larger salary reductions rather than the proposed layoff of Pilots by seniority. In Trinidad, TTALPA agreed to a 57% salary reduction, which was confirmed in a memorandum of agreement with the company for an initial period of three months, which they extended after consultation and discussion with the union.



REPORTING FUNCTIONS

DEPARTMENTAL REPORTS

Caribbean Airlines Management is required to submit a variety of monthly reports to the Chief Executive Officer regarding performance in various aspects of the business, not just financial performance. These reports reflect, among other things, the Company's performance, and accomplishments in the areas of air safety and quality, on time performance, aircraft reliability and maintenance, human resources, commercial and marketing, information technology, community support and workplace Health & Safety matters. The reports help management to track accountability and ensure that initiatives are productive. The Chief Executive Officer uses these reports to inform the Board of Directors on the status or progress of the operations of the Company.

FINANCE

➤ Key Activities and Achievements

- Implemented sweeping cost reductions in response to the COVID-19 border closures, including fuel savings of US\$64.1m for the year.
- Fully drew the US\$65.6m GORTT guaranteed loan and requested further Ministry of Finance funding (US\$34.4m) to remain a going concern.
- Reduced salary obligations through furloughs and salary reductions, and operated minimal repatriation and charter flights during the border closure.
- Continued the 2015 and 2016 external audits, with the going concern Emphasis of Matter and a COVID-19 subsequent events note being finalised.

➤ Performance and Financial Highlights

- YTD EBIT of negative US\$109m against a prior year positive US\$11.2m, a US\$120m adverse swing, and a YTD net loss after GORTT support of US\$103m.
- YTD revenue of US\$118.5m, down US\$321.7m or 73.1% on the prior year, with passenger revenue down 76.8%.
- GORTT operational support of US\$18.8m, up US\$4.9m on the prior year.
- Fuel cost savings of US\$64.1m for the year on lower prices and reduced flying.

➤ **Challenges and Risks**

- Technically insolvent with negative equity of US\$192m, total liabilities of US\$443m and long term debt of US\$187m following the fully drawn GORTT loan.
- Cash inflows about 80% below pre-COVID levels, with an available closing balance of US\$0.05m (0.03 days cover after allocations).
- Outstanding liabilities of US\$72.1m, including US\$22m or 31% of past due aircraft lease payments and a Delta engine default notice of US\$5.6m.
- Over 18,000 pending passenger refunds totalling US\$6m to US\$8m.

➤ **Outlook and Next Steps**

- Secure further GORTT and Ministry of Finance funding (US\$34.4m requested) to remain a going concern.
- Continue cost containment and minimal operations pending border reopening.
- Complete the 2015 and 2016 external audits.

COMMERCIAL

➤ **Key Activities and Achievements**

- Restored network capacity to about 30% of 2019 ASMs by year end, recovering from a historic low of about 1% in April 2020.
- In cooperation with the Government of Guyana, launched GEO-JFK (October) and GEO-YYZ (November) services to serve recovery-potential markets.
- Operated profitable repatriation flights, generating US\$4.48m in revenue at a 61% Route Contribution I margin.
- Redesigned the loyalty programme internally to a new revenue-based model after the Caribbean Club and loyalty programmes were hit by border closures.
- Negotiated interline partnerships aligned to the new traffic flows and rolled out new customer technologies at minimal or no cost.

➤ **Performance and Financial Highlights**

- Recovered network capacity from about 1% of 2019 ASMs in April to about 30% by year end.
- Repatriation flights delivered US\$4.48m in revenue at a 61% margin.
- Launched the GEO to North America services (JFK and YYZ) during the fall.

➤ **Challenges and Risks**

- POS border closure from March eliminated scheduled international service out of POS for most of the year.
- Loyalty and Caribbean Club programmes were severely affected by the border closures.
- Constantly changing border policies and protocols, and disruption to the planned Eastern Caribbean expansion (OGL, DOM, SKB, SJU and PTP).

➤ **Outlook and Next Steps**

- Focus the network on recovery-potential markets (Guyana to North America and the Caribbean via GEO and OGL).
- Continue repatriation and charter operations and restart markets as borders reopen.
- Roll out the redesigned revenue-based loyalty programme.

CARGO

➤ **Key Activities and Achievements**

- Sustained freighter operations out of POS and KIN throughout the border closure, with courier the top commodity.
- Appointed a new United States GSSA (Network Cargo), which began operations on December 15.
- Captured savings in fuel, handling and trucking, with freighter fuel at US\$1.42 per gallon versus US\$2.10 in the prior year.

➤ **Performance and Financial Highlights**

- YTD cargo revenue of US\$30.4m, down 7.6% on the prior year, with YTD EBIT of US\$8.6m, down only 5%, and an EBIT margin of 35%.
- Freighter revenue up 2% year on year, with net freighter (POS) up 42% on fuel savings.
- Cargo remained profitable and resilient while scheduled passenger operations were grounded.

➤ **Challenges and Risks**

- Line (belly) cargo revenue down 42% (POS) and 36% (KIN) with passenger flights grounded.
- Peak season capacity shortfall from a B737-300 freighter undergoing repairs and freighter crew quarantined due to COVID-19.

➤ **Outlook and Next Steps**

- Grow freighter and courier volumes and secure adequate peak season capacity.
- Leverage the new United States GSSA to expand the network.

OPERATIONS

➤ **Key Activities and Achievements**

- Conducted the airline's first remote IOSA (IATA Operational Safety Audit) successfully during the pandemic and submitted recommended changes ahead of deadline.
- Received approval for and delivered Annual Recurrent Virtual Training, recertifying 288 POS and 83 KIN cabin crew ahead of schedule.
- Requalified all pilots to crew airbridge and repatriation flights, positioned crew at GEO and received initial TTCAA approval for crew augmentation.
- Launched the Ground Operations App (Phase 1) and the Crew App (November 2020) and completed the Turn Time initiative.
- Procured and distributed full PPE for crews as mandated by the CMO, and managed repatriation flight logistics and COVID test assessments at check-in.
- Revised the Systems Operations Control Manual to satisfy TTCAA requirements.

➤ **Performance and Financial Highlights**

- On Time Performance of 91% (International) for the year.
- B737 and ATR dispatch reliability both above target for the year.
- Recertified 371 cabin crew (288 POS and 83 KIN) through the new virtual training programme.

➤ **Challenges and Risks**

- Crew quarantines (including 17 cockpit crew) and a reduced schedule sharply lowered crew utilisation (POS B737 crew of 87 versus 274 in 2019).
- Constantly changing COVID protocols, passengers arriving without negative PCR tests, and COVID spikes and curfews across stations.

➤ **Outlook and Next Steps**

- Maintain safety and certification and continue crew requalification.
- Expand the Crew App and Ground Operations App and support GEO and repatriation operations.

MAINTENANCE AND ENGINEERING (M&E)

➤ **Key Activities and Achievements**

- Maintained dispatch reliability above target on both fleets despite the pandemic.
- Conducted 33 B737 and 7 ATR A-Checks, completed 2 B737 C-Checks (1 ongoing) and 2 ATR Heavy Checks.
- Inducted leased ATR aircraft from Northern Air Cargo and completed the In-Seat Power modification on the B737 fleet and the Trax Process Improvement Project.
- Initiated the aircraft Redelivery Project and completed property services projects.

➤ **Performance and Financial Highlights**

- 2020 dispatch reliability of 99.33% on the B737 fleet and 99.61% on the ATR fleet, both above target.
- Delivered major maintenance cost savings on reduced flying, including prepaid maintenance of US\$13.3m, A-Check parts of US\$3.0m and personnel of US\$2.8m.
- YTD expenditure of about US\$90.0m.

Challenges and Risks

- Aircraft utilisation below industry standards due to the pandemic and the border closure.
- Two aircraft inductions placed on hold due to COVID-19.

➤ **Outlook and Next Steps**

- Complete the pending ATR inductions and the Redelivery Project as operations recover.

LEGAL

➤ **Key Activities and Achievements**

- Reviewed 38 contracts across departments and advised on contracts, policies and external data requests.
- Provided Corporate Secretary support for the 149th Board Meeting (December 11 2020).
- Managed industrial relations litigation, including JALPA v CAL (Jamaica Industrial Court, with CAL seeking judicial review), the TTALPA IRO on the 2016 to 2018 Collective Agreement and constructive dismissal claims.
- Renewed the aviation and the local and regional health insurance policies and supported aircraft lease and redelivery agreements.

➤ **Performance and Financial Highlights**

- Reviewed 38 contracts and supported all Board Meetings.
- YTD divisional spend of US\$4.48m.

➤ **Challenges and Risks**

- Active industrial relations litigation with JALPA, TTALPA and other unions arising amid the pandemic.
- COVID-related insurance and contract complexity.

➤ **Outlook and Next Steps**

- Defend the ongoing industrial relations matters and complete the insurance renewals.
- Support the aircraft lease redeliveries.

HUMAN RESOURCES

➤ **Key Activities and Achievements**

- Implemented temporary layoffs (furloughs) and salary reductions in response to the revenue collapse, and signed COVID-19 measure MOAs with the three recognised bargaining units.
- Ran the COVID-19 Response Committee, including bi-weekly site audits, crew PCR testing and social distancing measures.
- Launched COVID-19 initiatives, including a Safety Moment Programme, a self-reporting form and a staff pulse survey.
- Conducted an injury and medical leave review to reduce unutilised labour costs.

➤ **Performance and Financial Highlights**

- Reduced staff costs through furloughs and salary reductions and managed 89 crew PCR tests for the year.
- Supported the transfer of the G&I Department from Legal to Commercial (effective November 1 2020).
- YTD divisional spend of US\$1.55m.

➤ **Challenges and Risks**

- Managing COVID-19 recovery and the staff cost fallout amid continued reduced revenue.
- Extended medical and injury leave and legal issues related to lay-off extensions.
- Ongoing union negotiations on MOA extensions.

➤ **Outlook and Next Steps**

- Continue the temporary layoffs and negotiate the MOA extensions with the unions.
- Progress the injury leave review and the COVID-19 safety initiatives.

INFORMATION TECHNOLOGY

Mandate: Service delivery and infrastructure, applications and cyber security, digital and e-commerce, and the data warehouse.

➤ **Key Activities and Achievements**

- Enabled a remote workforce at the onset of the pandemic for business continuity, using Microsoft Teams, laptop rentals and updated Remote Worker Agreement policies.
- Progressed major digital projects, including the Ground App and the Crew App.
- Reconfigured the Cloud environment hosting the Data Warehouse and Website and reallocated telecom services to reduce cost.

➤ **Performance and Financial Highlights**

- 37.8% year on year reduction in departmental spend through cost management.
 - Overall annual service availability of 99.914% across the website, networks, PSS, Call Centre, NavBlue, TRAX and SAP.
 - Handled 4,140 IT Helpdesk requests for the year; YTD spend of US\$5.06m.
- Challenges and Risks.
- A four hour Call Centre Cloud PBX (AVOXI) outage in December and website page load times above target.
 - Supporting remote work and major cost cuts simultaneously.

➤ **Outlook and Next Steps**

- Continue the Ground App and Crew App projects and maintain high availability.
- Sustain cost discipline and improve website performance.

PROCUREMENT AND COST OPTIMIZATION

➤ **Key Activities and Achievements**

- Awarded 106 contracts during the year and issued 41 RFP, RFQ and RFI (30 RFP, 9 RFQ and 2 RFI).
- Completed the review and amendment of the Purchase to Pay (P2P) policy and submitted it to Internal Audit and the CEO.
- Supported enterprise cost reduction through Opex reviews with divisional heads and Tactical Plan cost tracking.

➤ **Performance and Financial Highlights**

- 106 contracts awarded and 41 RFP, RFQ and RFI issued for the year.
- YTD divisional spend of US\$262,370.

➤ **Challenges and Risks**

- COVID-19 cost pressures requiring intensive cost optimisation support across the business.

➤ **Outlook and Next Steps**

- Finalise the P2P policy and continue the Opex reviews and cost optimisation.

REPORTS TO EXTERNAL PARTIES

- The following financial reports are prepared for submission to external parties:

Report Name	Submission date:	Receiving Agency
Monthly Cash Statement Operations	3 weeks after month end	Investments Division Ministry of Finance
Monthly Status of Loan/ Overdraft Portfolio	3 weeks after month end	Investments Division Ministry of Finance
Estimate of Funding Requirements	Annually	Investments Division Ministry of Finance
Investment and Securities Portfolio	3 weeks after end of Quarter	Investments Division Ministry of Finance
Cash and Cash Equivalents	3 weeks after end of Quarter	Investments Division Ministry of Finance
Return of Award of Contracts	(14) days after the end of the month	Investments Division Ministry of Finance

- The following Audit reports were completed during the 2020 financial year.

January 2020 – December 2020

1. Investigation into Ancillary Revenue Leakage at Guyana Georgetown Airport Ticket Office (GEO ATO)
2. Inflight Sales Review – Bar & CAL Café Programs
3. United States Department of Transportation (USDOT) Customer Service Plan Compliance Review 2018
4. Report on release of Purchase Requisition 10202582
5. Unauthorized Removal of Deposit Bag from the Kingston Airport Ticket Office (KIN ATO)
6. Inflight Purchasing Investigation - Preliminary Findings
7. Review of the effectiveness of Security at CAL's Hangars at the Head Office
8. Review of Georgetown (GEO) Cargo Operations 2019-2020
9. Havana (HAV) Ticketing and Office Operations Review
10. Guyana Operations Review
11. Inflight Cash Count and Sales Reconciliation Report
12. Report on the Renewal of D&O Insurance
13. United States Department of Transportation (USDOT) Customer Service Plan Compliance Review 2019.

14. Cash Control Compliance Checklist – Piarco Airport Ticket Office (PCO ATO) H1 2020
15. Cash Control Compliance Checklist – Port-of-Spain City Ticket Office (POS CTO) H1 2020
16. Cash Control Compliance Checklist – Staff Travel H1 2020
17. Cash Control Compliance Checklist – Tobago Airport Ticket Office (TAB ATO) H1 2020
18. Cash Control Compliance Checklist – San Fernando City Ticket Office (SANDO CTO) H1 2020
19. Cash Control Compliance Checklist – Toronto Airport Ticket Office (YYZ ATO) H1 2020

PROCUREMENT PROCEDURES

TENDERING PROCEDURES

Caribbean Airlines Limited Procurement methods (Open, Selective and Sole) is guided by the Purchase to Pay Financial Policies and Procedures.

➤ **Open Tenders**

For public tenders (open tenders) the Tender Strategy must stipulate that tender notices are placed in three (3) national daily newspapers for a period of at least three (3) days.

➤ **Selective Tenders**

For non-public tenders (selective tenders), a tender list must be part of the Tender Strategy. This list of selected vendors shall be selected from an approved listing of pre-qualified vendors.

➤ **Invitation to Tender Procedures**

1. Prepare Tender Package

The Request for Tender (RFT) must be compiled by the Procurement or Tenders Coordinator using the required formats, and schedules. In addition to the technical specifications from the user department, input must be sought from legal, finance, and any other parties as necessary. Legal input must be sought for special terms such as bank guarantees for performance, retention, special insurances, and parent company guarantee.

At a minimum, the RFT must include:

- Purpose and nature of the proposed tender and contracting processes
- Statement of Work to be performed or specification of equipment or materials to be supplied
- Drawings or other special documents, where applicable
- Terms and conditions agreement
- The required nationality, source and origin of services and commodities
- Rates and payment
- Process and criteria (and broad weightings if appropriate) to be used in evaluating tenders
- Method of communication for queries and authorized contact details
- Dispute resolutions
- The type of bond or guarantee required, if applicable o Insurance conditions
- Applicable law(s)
- Confidentiality Statement (to be signed by Vendor)

The RFT package is required to be approved by the TSC or designate before it is presented to the public.

Advertisements or Invitation to Tender letters (ITT) must give all qualified tenderers an equal opportunity to respond. This letter should reference the following:

- Any mandatory requirements of the tendering process, e.g., meetings or site visits
- Date and time that tenders close
- Where, when and how RFT documents can be obtained and details of contact person
- Details of how, where and when tenders may be lodged
- The price of purchasing the RFT documents, where applicable, and payment details
- Any specific resources required to prepare and lodge a tender (e.g., software)
- The process and criteria (and broad weightings if appropriate) to be used in the evaluating the tenders
- The Company's policy for late submissions and acceptance.

When preparing an RFT letter to selected bidders as per the approved Vendors Master List, the letter must clearly state the name and address of the company to which the RFT letter is being sent and the date that the letter is prepared.

Sufficient time must be given to tenderers to obtain the RFT documents, acquaint themselves and any potential service providers with the requirements, make any site visits, and undertake any other necessary activities necessary to allow a tender to be prepared and lodged.

A single contact person who understands the tendering process and contract requirements, such as the Procurement Manager or Tenders Coordinator, must be nominated to respond to all enquiries from tenderers.

2. Issue Tender Package

- When issuing RFT packages to specially invited tenderers as per the approved Vendors Master List, the Procurement Manager or the Tenders Coordinator must sign the Invitation to Tender (ITT) letter and issue the Tender Packages.
- The ITT letter should clearly state that late tenders will not be accepted and that the Company does not bind itself to accept the lowest proposal. The location of the Tender Box, closing date and time of submission must be clearly stated on the ITT letter.

- The standard instructions to tenderers must require that tenderers acknowledge receipt of the Tender Package. An Acknowledgement Form must be issued with the package and all tenderers are required to sign and return these forms. Electronic confirmation of receipt will also be accepted.
- The Secretary shall contact any tenderers who have not acknowledged receipt within one week of issue to confirm they have received the RFT package. This shall be formally recorded.
- For public tenders, a receipt must be given to all tenderers upon payment for their packages. The person collecting the RFT package must sign the receipt and state their contact information.
- A Tender Box shall be clearly marked and placed at the designated area and must be secured by two independent locks. The key of one lock will be kept by the Procurement Manager or designate and the key of the other lock will be kept by the Tenders Coordinator.
- Tenders which cannot be accommodated in the Tender Box must be lodged with the Tenders Coordinator or designate for safe keeping.
- Where it becomes necessary to amend RFT documents (including any process conditions or arrangements) it must be done in a way that does not unfairly disadvantage or benefit tenderers. The amendments must be advised in a notice, usually called an addendum, and issued to all tenderers. This must occur in sufficient time to allow tenderers to fully consider the addendum, modify their tender accordingly and submit it before tender closes.
- A record must be made of all those who obtain the RFT documents so that they are all informed of the issue of an addendum. Each addendum must state clearly that it is to be incorporated in the RFT documents and allowed for in the tender.
- Tenderers must confirm in writing, no later than close of tenders that they have received all such addenda and that allowance has been made for each addendum in their tenders. Consideration must also be given to allow for the changes involved whenever an addendum is issued.
- When enquiries are made by tenderers, these must be formally communicated to the Tenders Coordinator only. All enquiries must be recorded, noting the time and date, the subject matter and any responses provided. All responses, as well as the nature of the query, shall be sent to all tenderers without disclosing the name of the Tenderer who initiated the query. All correspondence must be maintained in the Tender Master File.

3. **Receipt and Opening of Tenders Procedures**

Receive Tenders

- All Tenderers delivering Tender Packages, must be required to sign off on a Tender Receipt Form and clearly indicate the following details: (Refer to Tender Receipt form on page #46)
 - Name of Company represented
 - Name and signature of individual delivering the package
 - Date of submission
 - Time of submission
- A tender received after the tender closing date and time is a late tender and must be returned unopened to the vendor.

Open Tenders

- Tenders must be opened at the same time, on, or as soon as possible after, the tender closing time. The Procurement Manager, the Tenders Coordinator, a member of the Security Department or the Internal Audit Department must be present during opening, but they may nominate representatives who will not be directly involved in the evaluation.
- All representatives present must date stamp, sign in full on the Tender letter and initial each subsequent page where prices are recorded.
- The tenders opened must be recorded on a Tenders Opening Form by the Tenders Coordinator. This form must state the company name of the tenderer and where appropriate, prices that were quoted, as well as certificates that were issued. The Tenders Opening Form must be signed off by the CAL personnel that are present for the opening. (Refer to Tender Opening form on page #47)
- No part of a priced Tender must be photocopied and wherever possible, all the Tenders must be kept in a secure room/vault to which only those persons assigned to evaluation shall be allowed entry/access.

4. **Evaluation of Tenders Procedures**

Perform Initial Examination and Assessment

- All tenders must be initially examined by the Tenders Subcommittee (TSC) to:

Identify any non-conformances with the RFT which can be rectified by the tenderer by providing clarification.

Identify non-conformance with the RFT requirements which are incapable of rectification and, therefore, justify not considering the tender further. o Identify any indications of errors or discrepancies in the RFT documents.

- If the bid does not substantially conform to specifications set out in the RFT, or is otherwise not substantially relevant to the scope of work, it must be rejected. A rejection letter must be issued to those particular Tenderers.
- If there are a substantial number of tenders, then the first step before the detailed evaluation will be to establish a short list for further consideration. This includes conducting a preliminary evaluation, as well as a preliminary price analysis, to ensure the short list does not include any tenders involving unacceptable risks or too high a price, or tenders clearly offering less value than those included. Criteria for shortlisting should be discussed and agreed as part of the Tender Strategy.
- A summary of the technical, commercial or any other basis for rejection of tenders must also be prepared.
- A Tender Short List must be prepared and approved by the TSC.

Perform Detailed Evaluation

The evaluation must be guided by the TEP that was agreed and approved by the TSC. During this process, each tender is considered in detail, evaluated and scored or otherwise ranked. In order to determine the most appropriate and suitable tender, factors other than price must be taken into consideration, including, but not limited to:

- Quality
- Efficiency
- Reliability
- Time of delivery
- Evidence of previous performance or similar works or services
- Availability of adequate training and after sales support and maintenance of the product or service

Facilitate Clarification Meetings

- No bidder must be allowed to alter a bid after the bids have been opened. Clarification may be sought, but the bidder must not be allowed to materially change his offer.

- When it is necessary to clarify or confirm information in a tender by written request or discussions with tenders, the following practices must apply:
 - Confidential information submitted by tenderers must not be divulged to any other tenderer or shared with anyone where such information can be divulged to any other tenderer.
 - The contact person must not advise or imply the status of any tender.
 - Requests or clarification must be framed so that they do not result in the tenderer gaining any advantage over other tenderers.
- Meetings must normally only be arranged with the preferred tenderer and must not normally be scheduled until all the matters requiring clarification have been identified, and a detailed written agenda can be provided to the tenderer.
- The following practices must be applied when preparing and conducting meetings with a tenderer:
 - Meetings must never be conducted with more than one tenderer present.
 - A detailed agenda of the meeting must be prepared and provided to the tenderer within a reasonable time before the meeting.
 - It must be clear at the meeting what further advice and information is needed from the tenderer, and a date must be set for the written submission of the further advice and information.
 - A minimum of two members of the TSC must be present at all times during clarifications.
 - Minutes of the meeting must be maintained by the Tenders Coordinator and stored in the Tender Master File.

Hold Negotiation Meetings

- After the tender packages have been evaluated, the TSC can have discussions with one or more of the selected tenderers to achieve optimum arrangement or best value. Post tender negotiations may be required in the following cases:
 - The technically acceptable tenderer is commercially unattractive and no other tenderer satisfies the technical requirement.
 - When the lowest price quoted exceeds the estimated price.

- Where the recommended tenderer has significant concerns to the contract content, which are best resolved in a face-to-face discussion or when additional conditions, such as liquidated damages or other remedies, need to be agreed.
- Negotiation meetings are to be conducted by the Manager Procurement and at least one other person from the TSC.
- Any negotiation process must be transparent, recorded and conducted in a manner that does not disadvantage other tenderers.

Evaluate Tenders and Recommend Contractor

- After evaluation, clarification and any negotiations, the evaluation team will prepare an Evaluation Report and the preferred tenderer(s) must be identified.
- Reasons for the recommendation and for passing over any lower-priced tenders must be clearly documented and supported. The report must include a complete account of the evaluation and must be able to withstand independent scrutiny.
- Based on their evaluation, the tender evaluation team may also make a recommendation of no award. In such cases, the TSC may cancel the tender process and, if required, initiate a new tender process. Tender processes may not be cancelled after a contract has been awarded.
- The recommendation for approval will be made to the VP of the user department as well as the CFO if the value of the contract is under US\$500,000. If the value of the contract is over US\$500,000 but less than US\$1,000,000, then the recommendation for approval will be sent to the MTC and the CEO. If the value of the contract is over US\$1,000,000, the recommendation for approval will be sent to the MTC, the BTC and the Board of Directors.
- Approval will be sought based on the outlined policies and Delegation of Authority Guideline.

SOLE TENDERS

A sole sourced purchase indicates that there is only one person or company that can provide the goods/services needed and that any attempt to obtain quotations would only result in one person or company being available to meet the need. Sole sourcing will require written justification from the Head of the User Department and may be appropriate when the requirement can only be fulfilled by a particular service provider and no reasonable alternative or substitute works, product or service exists. In these rare cases of sole sourcing, prior approval is required as per Caribbean Airlines' Delegation of Authority Guidelines. It may apply for any of the following cases:

- Additional work is to be performed by an existing Contractor and the continuous use of the Contractor is the most cost-effective option and/or where the employment of additional vendors is logistically or economically impractical.
- There is only one viable provider for the particular good or service.
- An absence of competition for a demonstrable technical reason.
- For additional deliverables of products or services by the original supplier or authorized representative that are either as replacement parts, minor extensions, or continuing services for existing equipment, minor upgrades, services, or installations, where a change of service provider would deliver products or services that do not meet inter-changeability or inter-operability.
- Where there will be significant cost savings by using a sole source and it can be demonstrated to the satisfaction of the TC that there are no cheaper alternatives.
- In circumstances where time is of the essence and there is only one vendor with the ability to complete the project within the required timeframe.
- In emergencies brought about by events not foreseen by Caribbean Airlines, and critical to the operation of the business.

The user department must clearly justify its reasons for a sole source. This must be approved by the relevant authority prior to procuring the goods and/or services.

The sole sourced vendor must be an Approved Supplier as maintained by the Procurement Department. If suitable vendors are not available on the current list of Approved Suppliers, new vendors may be added, however these vendors must complete a vendor registration form (inclusive of the required VAT details) and be approved by the Quality Department /Procurement Manager prior to the award being made (refer to the Vendor Addition section above).

Sole sourcing will require written justification from the Head of the User Department. Prior approval is required as per Caribbean Airlines' Delegation of Authority Guidelines and may be appropriate when the requirement can only be fulfilled by a particular service provider and no reasonable alternative or substitute works, product or service exists. It may apply for any of the following cases:

- Additional work is to be performed by an existing Contractor and the continuous use of the Contractor is the most cost-effective option and/or where the employment of additional Vendors is logistically or economically impractical
- There is only one viable provider for the particular good or service.
- An absence of competition for a demonstrable technical reason.
- For additional deliverables of products or services by the original supplier or authorized representative that are either as replacement parts, minor extensions, or continuing services for existing equipment, minor upgrades, services, or installations, where a change of service provider would deliver products or services that do not meet inter-changeability or inter-operability.
- Where there will be significant cost savings by using a sole source and it can be demonstrated to the satisfaction of the MTC that there are no cheaper alternatives.
- In circumstances where time is of the essence and there is only one vendor with the ability to complete the project within the required timeframe.
- In emergencies brought about by events not foreseen by Caribbean Airlines, and critical to the operation of the business.

All purchases US\$100,000 and over follow the company's tendering procedures as established by the Purchase to Pay Policy. A tender sub-committee (TSC) comprising the sponsor department and members of other departments including Finance and Procurement. A Request for Proposal (RFP) is prepared, and this is reviewed by the TSC. Responses to the RFP are reviewed by the TSC and a preferred vendor is selected. The preferred vendor is recommended to the Management Tender Committee (MTC) comprising the Vice Presidents, General Managers and Chief Financial Officer. The MTC would recommend for approval the preferred vendor to the respective authority as per the Delegation of Authority Guidelines. The Purchase to Pay Policy guides the Procurement process at Caribbean Airlines Ltd.

COMPLIANCE WITH THE PROCUREMENT AND DISPOSAL OF PUBLIC PROPERTY ACT

Caribbean Airlines embarked on becoming fully compliant with the Act. A Gap Analysis was conducted on the current processes and the requirements of the Act and the Guidelines as established by the Office of Procurement Regulation. The process of amending the Purchase to Pay Policy to be compliant with the Act commenced.

The process of pre-qualification of suppliers commenced. The organization's structure was amended to include Category Procurement Managers, Tenders Coordinators and Contract Administrators. Job descriptions were reviewed and aligned with OPR training standards.

The following Office of Procurement Guidelines/Handbooks and Procedural Forms were incorporated into Caribbean Airlines processes.

Name of Handbook/Guideline	Reference
Comprehensive handbook on Procurement Retention & Disposal	HGGE01 Submitted to OPR and approved
General Guidelines: Ethical conduct for Suppliers and Contractors	HGGE06
General Guidelines: Management of Risks in Procurement	HGPL04
General Guidelines: Developing Specifications	HGPL05
General Guidelines: Procurement Methods & Procedures	HGPL08
General Guidelines: Pre-qualification & Pre-selection	HGTE01
General Guidelines: Evaluation of Submissions & Award Contracts	HGEA01
General Guidelines: Standstill Period	HGEA02
General Guidelines: Management and Monitoring of Procurement Contracts	HGCM01
General Guidelines: Record Keeping & Maintenance of Procurement Files	HGCM02
General Guidelines: Retention & Disposal of Personal Property	HGRD01
Procedural Form	
Request for Information Guideline Template	PFPL01
Procurement Strategy Development Template – High Risk – Value	PFPL02
Procurement Strategy Development Template – Low Risk – Value	PFPL03
Purchase Requisition Template	PFPL05
Market Research Report Template	PFPL06
Request for Quotation Letter with Forms	PFTE01
Standard Bidding document RFP Template – Consultancy Template	PFTE03
Procurement Notice	PFTE05
Tender Evaluation Report Template	PFEA01
Developing the Annual Procurement Performance Report	PFG01
Disposal Forms (Forms A-H)	PFRD1

The Named Procurement Officer attended and completed the Learning Management System. The OPR's Retention Disposal Training Standards presentation was attended and incorporated into CAL's processes.

The proclamation of the PPDPPA resulted in many changes:

- Removal of the BTC and installation of the PDAC
- The formation of the Disposal Committee
- Amendment of Special Handbook
- Submission and publication of the Annual Procurement Schedule.

REQUESTS FOR PROPOSAL ISSUED

- a) **Open tender** – No open tenders
- b) **Selected tender** – Thirty-seven (37) selected tenders
- c) **Sole tender** – No sole tenders

➤ **There were thirty-seven (37) RFP's issued in 2020, see table below:**

No.	Name	No.	Name
1	Advertising and Promotional Services	20	B737 Re Delivery Project - (MRO)-9Y JMD
2	Provision of Security Services at CAL (MIA)	21	B737 Re Delivery Project - (MRO)-9Y SXM
3	General Sales & Services Agent China	22	Marketing Services Consultancy-Subscription Model
4	Brokerage Services for Group Health/Life	23	Sap Cloud Hosting
5	Ground Handling Services at Dominica	24	Security Services at Tortola
6	Ground Handling Services at St. Kitts	25	Security Services at Dominica
7	Audit Services 2018-2019-2020 (POS)	26	Security Services at Ogle, Guyana
8	Multi-Channel Retail Merchandising (RFI)	27	Security Services at St. Kitts
9	Ground Handling Services at Tortola	28	Cargo Handling Services at Dominica (DOM) Location
10	B737 Re Delivery Project - (MRO)-9Y SXM	29	Cargo Handling Services at Tortola (EIS) Location
11	Ground Handling Services at Ogle, Guyana	30	Cargo Handling Services At St. Kitts (SKB) Location
12	Dry Lease Proposal of Boeing B737-800BCF with	31	Cargo Handling Services At Barbados (BGI) Location
13	Supply Of Fuel & Fueling Services: KIN/MBJ	32	General Sales Services Agent (GSSA) St Kitts
14	Consultancy for Aircraft Rent Mitigation	33	General Sales Services Agent (GSSA) Tortola
15	Requirements for a Forwarding Agent (MIA)	34	Insurance Consultancy Requests
16	Engine Overhaul Revised-SN960184 - B737-800NG	35	Internal Audit Software
17	Engine Overhaul Revised-SN876618 - B737-800NG	36	Car Rental
18	General Sales & Services Agent Houston, USA	37	Debt Collection Agency Requests
19	Controller-Pilot Data Link Communication		

➤ **There were twenty-five (25) tenders awarded in 2020, see table below:**

No.	Name	No.	Name
1	Provision of Security Services at CAL (MIA)	14	Controller-Pilot Data Link Communication
2	General Sales & Services Agent China	15	B737 Re Delivery Project - (MRO)-9Y JMD
3	Brokerage Services for Group Health/Life	16	B737 Re Delivery Project - (MRO)-9Y SXM
4	Ground Handling Services at Dominica	17	Sap Cloud Hosting
5	Ground Handling Services at St. Kitts	18	Security Services at Dominica
6	Audit Services 2018-2019-2020 (POS)	19	Security Services at Ogle, Guyana
7	Multi-Channel Retail Merchandising (RFI)	20	Security Services at St. Kitts
8	B737 Re Delivery Project - (MRO)-9Y SXM	21	Cargo Handling Services at Dominica (DOM)
9	Ground Handling Services at Ogle, Guyana	22	Cargo Handling Services at St. Kitts (SKB)
10	Supply Of Fuel & Fueling Services: KIN/MBJ	23	Insurance Consultancy Requests
11	Requirements for a Forwarding Agent (MIA)	24	Internal Audit Software
12	Engine Overhaul Revised-SN960184 - B737-	25	Car Rental
13	General Sales & Services Agent Houston, USA		

➤ **There were three (03) tenders cancelled in 2020, see table below: Due to the onset of the pandemic, these RFPs were cancelled.**

No.	Name	No.	Name
1	Dry Lease Proposal of Boeing B737-800BCF	3	Engine Overhaul Revised-SN876618 - B737-
2	Consultancy for Aircraft Rent Mitigation		

➤ **There were seven (07) tenders placed on hold in 2020, see table below:**

No.	Name	No.	Name
1	Advertising and Promotional Services	5	Cargo Handling Services at Tortola (EIS)
2	Ground Handling Services at Tortola	6	General Sales Services Agent (GSSA) St
3	Marketing Services Consultancy-Subscription	7	General Sales Services Agent (GSSA)
4	Security Services at Tortola		

- **As a result of the pandemic, plans for expansion of business were put on hold resulting in the RFP either being put on hold or cancelled.**

There were two (02) tenders transferred to 2021, see table below:

No.	Name	No.	Name
1	Cargo Handling Services	2	Debt Collection Agency Requests

RFPs were transferred to 2021 although planned unable to execute in the period.

CRITERIA USED IN EVALUATION OF PROPOSALS

The standard criteria used in the evaluation of proposals were:

- Experience and track record
- Personnel and organization
- Payment terms
- Financial capability
- Methodology
- Pricing

The table below lists some of the criteria used. Different criteria are introduced depending on the nature of the service or product being requested taking into consideration if there are any key areas of focus needed e.g. equipment to conduct the job, timing to deliver or having the necessary regulatory approvals.

No.	Name	No.	Name
1	Experience/Track Record	18	Return conditions
2	Personnel and organization Capabilities	19	Duration of loan
3	Payment terms	20	Availability of loaner landing gear
4	Financial Capabilities	21	Valued added benefits
5	Methodology	22	Technical Specifications
6	Pricing	23	Parts
7	Qualifications	24	Spares availability
8	Audit Schedule	25	Stripping of aircraft service
9	Equipment	26	TAT penalty
10	GSA Connectivity	27	Turnaround Time
11	Solution Specification	28	Experience in the Placement & handling of
12	Slot Availability	29	Professional Qualification & experience of
13	After Sales Service/Warranty	30	Information Systems Technology
14	Client References	31	Joint/Multiple Claims Services
15	Labour Rates	32	Communications
16	Material Mark-up	33	Broker Presentations
17	Outside Services mark-up	34	Stability of the Company-Continuity

APPENDICES

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APPENDIX II PURCHASE TO PAY – FINANCIAL POLICIES & PROCEDURES

APPENDIX III INVESTMENT POLICY

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APPENDIX 1

DELEGATION OF AUTHORITY GUIDELINES

Delegation of Authority Guidelines			
Updated:	Controlled By:	Approved By:	Effective Date:
September 25 th 2020	Chief Executive Officer	CARIBBEAN AIRLINES Board of Directors	October 1 st 2020
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SUMMARY

This Delegation of Authority Guidelines (subsequently referred to as “DOAG”) outlines the approval bodies and thresholds within CARIBBEAN AIRLINES.

COMPLIANCE

This DOAG applies to all departments / subsidiaries within CARIBBEAN AIRLINES. CARIBBEAN AIRLINES Senior Management is accountable for compliance with this DOAG.

CHANGE CONTROL

Any revisions to this policy are to be reviewed by the Chief Executive Officer and the Chief Financial Officer and approved by the Board of Directors.

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1.0 **PURPOSE**

The purpose of this policy is to establish the authority of employees to commit the company to expend funds.

2.0 **SCOPE**

This policy applies to all purchases of materials, equipment, supplies and services (within the approved annual budget).

3.0 **RELATED POLICIES**

1. Purchase to Pay Policy
2. Fixed Asset Management Policy

4.0 **AUTHORIZED MANAGEMENT PERSONNEL**

1. Board of Directors (BOD)
2. Chief Executive Officer (CEO)
3. Vice President Maintenance & Engineering
4. Vice President Human Resources
5. General Counsel and Corporate Secretary
6. Chief Financial Officer (CFO)
7. Chief Information Officer (CIO)
8. Chief Commercial Officer (CCO)
9. Chief Operating Officer (COO)
10. General Manager Cargo
11. General Manager Procurement & Cost Optimization
12. Executive Managers
13. Heads of Departments
14. Senior Managers
15. Line Managers

Delegation of Authority Guidelines



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4. 1 Signature Authority

The Delegation of Authority Guidelines includes signature authority for both commitment approval as well as payment approval. The following are the signature authorities for Caribbean Airlines Limited, when making commitments/requesting payment on behalf of the company:

AUTHORIZED PERSONNEL	AUTHORIZATION LIMITS			
	PR/PAYMENT	PO	CONTRACTS	PROJECTS
LINE MANAGER/AIRPORT MANAGERS	LESS THAN US \$10,000		N/A	N/A
PROCUREMENT MANAGER		LESS THAN US\$ 100,000	N/A	N/A
GENERAL MANAGER PROCUREMENT & COST OPTIMIZATION		MORE THAN US \$100,000 BUT LESS THAN US \$250,000	N/A	N/A
EXECUTIVE MANAGERS/SENIOR MANAGERS/ GENERAL MANAGERS, HEAD OF ANALYTICS, HEAD OF SALES	LESS THAN US \$25,000	N/A	N/A	N/A
VICE PRESIDENT/GENERAL COUNSEL AND CORPORATE SECRETARY IN CONSULTATION WITH CFO (Contracts), CIO, CCO, COO, GM Cargo/GM PROCUREMENT	LESS THAN US \$75,000	N/A	LESS THAN US\$ 300,000	LESS THAN US\$ 300,000
VICE PRESIDENT OF MAINTENANCE & ENGINEERING (This is applicable for the purchase of aircraft spares and inventory only)	LESS THAN US \$500,000		N/A	N/A
CHIEF FINANCIAL OFFICER (CFO) IN CONSULTATION WITH THE DEPARTMENT VP, CIO, GM, CCO	LESS THAN US\$250,000	MORE THAN US\$250,000 BUT LESS THAN US\$500,000	MORE THAN US \$300 BUT LESS THAN US\$ 500,000	LESS THAN US\$ 1,000,000
CHIEF EXECUTIVE OFFICER (CEO)	LESS THAN US \$750,000	MORE THAN US\$500,000 BUT LESS THAN US \$750,000	MORE THAN US \$500,000 BUT LESS THAN US\$ 1,000,000	MORE THAN US\$500,000 BUT LESS THAN US\$1,000,000
CARIBBEAN AIRLINES BOARD/BOARD TENDER COMMITTEE(BTC)	MORE THAN US \$750,000	MORE THAN US \$750,000	MORE THAN US\$ 1,000,000	MORE THAN US\$ 1,000,000
TRAX AUTHORISATION ONLY				
VICE PRESIDENT OF MAINTENANCE & ENGINEERING		LESS THAN US \$500,000	N/A	N/A

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CEO must inform the Board of contracts and projects that are more than US\$1,000,000.

These thresholds apply to approved, budgeted Projects, Contracts and General expenditures. Unbudgeted items require CEO & CFO approval.

4.2 Authorized Payment Signatories

Payments – All payments via check, wire transfer or letter must contain a combination of A & B signatures based on the following threshold (please see Appendix 1 for a list of all A & B signatories):

- A. Any two (2) Class B signatories may sign for amounts up to USD 250,000 or local currency equivalent
- B. One Class A signatory is authorized to sign with either a Class A or Class B signatory for all amounts over USD 250,000 or local currency equivalent.

These signatories are nominated by the Senior Manager-Treasury & Financial Management and approved by the CFO following final approval by Caribbean Airlines Limited Board of Directors.

4.3 Designate Approver

In the absence of an authorized management personnel listed in 4.0 above there can be a delegation of authority to the personnel acting in the absence of the authorized management personnel. The temporary delegation should be approved by the respective Departmental Vice President and be communicated to the Finance Department, and Information Service Department indicating the approval delegation and the duration.

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4.4 Contracts

Contracts – All contracts must contain a combination of signatures based on the following thresholds:

Contracts	Authorized Personnel
Less than US\$300,000	- General Managers, CIO, CCO, COO in consultation with the CFO - Department Vice President, in consultation with the CFO
Less than US\$500,000	- General Managers, CIO, CCO, COO in consultation with the CFO - Department Vice President - Chief Financial Officer (CFO)
Less than US\$1,000,000	- General Managers, CIO, CCO, COO in consultation with the CFO - Department Vice President - Chief Financial Officer (CFO) - Chief Executive Officer (CEO)
More than US\$1,000,000	- General Managers, CIO, CCO, COO in consultation with the CFO - Department Vice President - Chief Financial Officer (CFO) - Chief Executive Officer (CEO) - Caribbean Airlines Board Tenders Committee
More than US\$1,000,000	- General Managers, CIO, CCO, COO in consultation with the CFO - Department Vice President - Chief Financial Officer (CFO) - Chief Executive Officer (CEO) - Caribbean Airlines Board Tenders Committee - Caribbean Airlines Board

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APPENDIX 1

Class "A" Signatures:

1. Chief Executive Officer
2. Chief Financial Officer
3. Vice Presidents Operations
4. Vice Presidents Maintenance & Engineering
5. Vice President Human Resources
6. Vice Presidents Commercial
7. General Counsel & Corporate Secretary

Class "B" Signatures:

1. Senior Manager- Treasury & Financial Management
2. Senior Manager – Financial Controlling
3. Senior Manager – System Operations Control
4. Executive Manager – Revenue, Network & Distribution
5. Senior Manager – Cost & Management Accounting

The Class A & B signature combinations noted in the Authorized Payment Signatories section of this document applies to Wire Transfers and Check Signing.

APPENDIX II

**PURCHASE TO PAY- FINANCIAL POLICIES
& PROCEDURES**



CARIBBEAN AIRLINES LIMITED

PURCHASE TO PAY

FINANCIAL POLICIES AND PROCEDURES#

CARIBBEAN AIRLINES LIMITED

FINANCIAL POLICIES AND PROCEDURES



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CARIBBEAN AIRLINES LIMITED

FINANCIAL POLICIES AND PROCEDURES



PROCESS:	PURCHASE TO PAY
Section 1	General Policies
Date Approved	

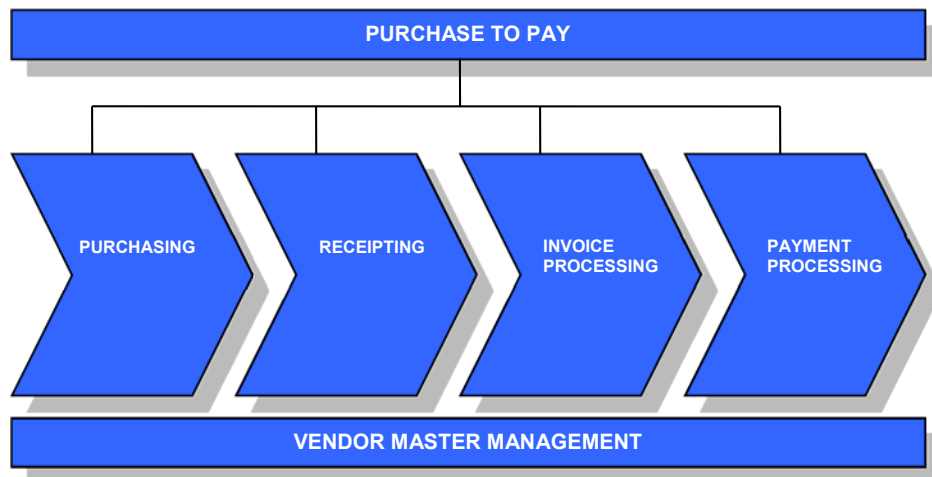
INTRODUCTION

The Board of Directors of Caribbean Airlines Limited (CAL) has adopted the following Purchase to Pay policy and procedure document to communicate policies, standards and guidelines for the management of purchase to payables processes. All CAL officers (i.e., employees, contracted personnel or any other persons, including Board Members and Directors who act in an official capacity on behalf of CAL) are expected to abide by these policies and procedures.

These policies and procedures are important to ensure that departmental transactions and processes are in alignment with CAL's overall objectives. The objectives of these policies and procedures are:

1. To communicate the minimum standards established by CAL for the management of the purchase to pay sub-processes
2. To outline the controls that govern purchase to pay transactions
3. To identify acceptable and prudent practices
4. To establish guidelines to ensure that all purchase to pay transactions are accounted for in accordance with regulatory requirements and accounting standards with which CAL must comply.

Below is a diagram showing the different sub-processes that comprise the purchase to pay process:



PROCESS OWNER

The Procurement/Materials Managers are responsible for the implementation and updating of this policy and procedure and the Board of Directors or designate is responsible for overall oversight of the procurement process.

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COMPLIANCE

Failure to adhere to the prescribed terms of this policy and procedure document may lead to disciplinary action being taken against the relevant employee(s), up to and including dismissal. In addition to this policy, all CAL officers must comply with the applicable sections of CAL's Code of Conduct and Ethics.

OBJECTIVES

This document was developed to make certain that goods and services are procured in an economical, timely, transparent and consistent manner by each location and business unit within CAL.

1. Transparency

CAL is committed to achieving a high level of transparency within its procurement processes. Transparency makes certain that all vendors (or potential vendors) have appropriate access to information regarding procurement requirements, rules and decision-making criteria. Vendors should also have appropriate access to the outcome/results of the procurement processes.

CAL officers and external observers who are involved in the hearing of vendor appeals must be given full access to all relevant information to help determine the validity of the appellant's case.

2. Accountability

All CAL officers who undertake procurement on behalf of CAL must clearly understand their roles and responsibilities within the procurement process and that they will be held accountable for the execution of these duties.

When faced with uncertainty regarding procurement roles and associated responsibilities, CAL Officers should seek clarity from their line Manager and/or the Procurement/Materials Managers (if required).

3. Value for money

Value for money is realized through satisfying procurement needs with the best possible combination of quality and price available within the required timeframe. In addition to the total cost of the goods or services acquired, the cost of the chosen procurement method must also be taken into consideration when determining value for money. Value for money objectives within the procurement process include, but are not limited to the following:

- Making sure that purchase requests, once satisfied, will provide value for money for CAL and its customers
- Verifying that requirements and specifications are relevant and adequate to meet the need identified in the purchase request
- Ensuring that adequate levels of competition are achieved
- Verifying that the chosen procurement method is appropriate for the type, value and quantity of good or service being procured
- Ensuring that the vendor evaluation criteria utilized is focused on achieving value for money

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4. Local content

To help in the development of the economies within which we operate, CAL strives to encourage local businesses to actively and fully participate in its procurement process for goods and services.

Local content is defined as goods or services wholly produced or performed by residents of the domicile country (i.e., the local country office in which the procuring entity is operating). Where goods and services are only partially produced in the domicile country or by nationals or residents of the domicile country, only that portion is considered to be local content. Local content can be measured by evaluating the value added in the domicile country or by residents of the domicile country.

The inclusion of local content shall be promoted in so far as it does not violate any international laws or the laws of the domicile country. In the promotion of local content, there should be no compromise in value for money, health and safety, or environmental standards.

Support for the inclusion of local content in the procurement process may be assisted by:

- Providing timely information on opportunities to local Vendors to allow them to develop the appropriate capabilities and capacities to compete.
- Providing local Vendors with a clear understanding of the skills, expertise and standards that are required to compete successfully.
- Ensuring that local Vendors are provided with information to allow them to participate in the competitive procurement process.
- Evaluating the availability of local Vendors before advertising internationally.
- Ensuring that the procurement process does not put local Vendors at a disadvantage
- Ensuring that international Vendors being contracted do not have procurement policies or procedures that explicitly or in practice exclude or disadvantage local Vendors when soliciting for sub-contracts. For example, excessive paperwork requirements for local Vendors, or unnecessary qualifications or certifications.
- Implementing a monitoring system to record and report to the BOD on the levels of local Vendors utilized.

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GENERAL POLICIES

1. **No Purchase Order (PO), no pay policy.** All purchases must be processed through the requisitioning and purchasing process. There are some exceptions to this process as noted in 1.2 below: If you are unsure if your expense requires a Purchase Order (PO), please contact the Procurement Department for assistance.

1.1 Purchases that require POs:

- a) Inventory & aircraft spares
- b) Duty free items
- c) Capital expenditures
- d) Lubricants
- e) Catering equipment
- f) Maintenance (engine overhaul, maintenance of ground equipment, etc)
- g) Marketing expenses (media advertising, advertising materials, media publicity, promotional expenses, etc)
- h) Telephone equipment
- i) Commercial items (tickets, printed labels, airway bills, etc)
- j) Office furniture and equipment (computer, etc)
- k) Office supplies and consumables
- l) Sealants and adhesives
- m) Services (office cleaning, building maintenance, furniture & office equipment maintenance)
- n) First Class Lounge
- o) Professional & technical fees (legal fees and expense, external audit fees, consulting fees)
- p) Rental (rental of building, computer rental, rental of office equipment, rental of ground equipment)
- q) Aircraft handling and navigation (landing fees, cargo handling fees, aircraft cleaning)
- r) Crew route expenses (accommodation, crew transport)
- s) Lease of aircraft engines
- t) Insurance (aircraft, building, etc)
- u) Security charges
- v) Professional & technical fees (legal fees and expense, external audit fees, consulting fees)

If you do not see your purchase classified above, please assume that a PO is required.

1.2 Purchases that do not require Purchase Requisitions (PRs)/POs:

- a) Customs charges/Immigration expenses
- b) Taxes (Property Taxes, Green Fund, Corporation Taxes, etc)
- c) Employee travel and expense claims (Ref.Policy # CALF002 Travel & Entertainment Policy)
- d) Poor service costs (Lost/damaged cargo, delayed flights, etc)
- e) Passenger commission
- f) Utilities (electricity, water, etc)
- g) Aircraft fuel & leases
- h) Catering services
- i) Telecom charges
- j) Cargo commissions
- k) Training
- l) Courier
- m) Membership and association dues

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FINANCIAL POLICIES AND PROCEDURES



2. All purchases must be made from vendors who are on the list of "Approved Suppliers". The Purchasing Department is responsible for updating and maintaining this list.
3. Proper review and approval must take place prior to creating, modifying or blocking supplier details in the supplier master records. All duly authorized documentation must be properly maintained for audit trail purposes.
4. All expenditures must be well documented and properly approved by authorized personnel in accordance with the Delegation of Authority Guidelines. The table below lists the authorized personnel and their limits according to different types of expenditures.

Authorized Personnel	Authorization Limits		
	PR/PO/Payment	Contracts	Projects
Line Managers/Airport Managers	Less than US\$10,000	N/A	N/A
Executive Manager/Senior Managers/General Managers	Less than US\$25,000	N/A	N/A
Vice President/General Counsel and Corporate Secretary in consultation with the CFO (Contracts)	Less than US\$75,000	Less than US\$300,000	N/A
Chief Financial Officer (CFO)	Less than US\$250,000	Less than US\$500,000	Less than US\$1,000,000
Vice President of Maintenance & Engineering (This is applicable for purchase of aircraft spares and inventory) Administration	Less than US\$500,000	N/A	N/A
Chief Executive Officer (CEO)	Less than US\$750,000	Less than US\$1,000,000	N/A
Caribbean Airlines Board / Board Tender Committee (BTC)	More than US\$750,000	More than US\$1,000,000	More than US\$1,000,000

5. Any purchase greater than US\$5,000.00 **but less than US\$100,000.00** must be made through competitive bidding where at least three (3) suppliers must be invited to submit business proposals. Vendors will be selected based on the best choice for price, quality, design specifications, prompt delivery, past performance and other favourable terms.
6. Purchases greater than US\$100,000.00 must be made through a tendering process.
7. System access provided to users must be authorized and aligned to their roles and responsibilities. Certain duties within the purchase to pay functions must be kept segregated in order to minimize the risk of unethical behaviour, fraud, misappropriation of funds and corruption.
8. All suppliers must be instructed to forward invoices to the CAL country office (that ordered the good/service) as well as an email copy to the Accounts Payable Department. This will facilitate efficient and timely processing of transactions.
9. All requests for quotations must be forwarded to Purchasing Department. All Delivery Notes must be forwarded to the Materials Department.

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10. With the exception of emergency purchases, verbal instructions will not be accepted during the procurement process. All communications must be properly documented and maintained to allow for an audit trail.
11. All transactions must be recorded in SAP, TRAX accurately, and on a timely basis (required time frame standards are detailed throughout the purchase to pay procedures).
12. Individuals must not initiate or prepare documents for and approve the same transaction. Specifically, the individual who prepares the applicable supporting documentation must not also act as approver of this documentation. This principle applies to hard copy and electronic files as well as system based approvals.

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PROCESS:	PURCHASE TO PAY
Section 2	Ethical guidelines
Date Approved	

ETHICAL GUIDELINES

It is important that employees conducting transactions on behalf of the company avoid improprieties or the appearance of improprieties. The integrity of the procurement process requires employees to be impartial, fair and free of any relationships that may create the perception of being unduly biased towards any vendor or product. The establishment of ethical guidelines will guide employees in meeting this objective.

CAL expects all its officers to act ethically when procuring goods and services on behalf of CAL. The deliberate acts of any employees or group of employees, acting independently or in collusion with a vendor or group of vendors to corrupt the procurement process will be deemed as unethical behavior and will be seen as a breach of this policy and CALs Code of Conduct and Ethics.

Any officer identifying a potential unethical behavior, as described below, must disclose it in writing to the Management Tenders Committee (MTC) as soon as it is identified. If confidentiality is required, officers may also utilize CALs Navex Global website <https://caribbeanairlines.alertline.com/gcs/welcome> to report potential unethical behavior. The Management Tenders Committee (MTC) shall review the allegation and determine the appropriate course of action to be taken.

Procurement ethics should include, but are not limited to the following:

1. **Legitimate Business Needs.** All purchases of goods and services must be in alignment with the requirements of business operations and the overall objectives of the organizations.
2. **Vendor relationships.** It is important for CAL to have strong, mutually beneficial relationships with the vendors with whom it does business. CAL wants to maintain and improve these relationships, without compromising its business practices, and encourage competition by ensuring that all vendors are aware that they are being treated equally and fairly. To this end, the following guidelines must be adhered to in all dealings with vendors:
 - a) Payments other than for properly contracted/procured goods or services should neither be made nor received, directly or indirectly, regardless of the amount.
 - b) Employees must at all times avoid practices which might be construed to promote their own interests.
 - c) Commissions, consultants' fees, retainers, loans, agents or advisors' fees or similar payments should be covered by a written contractual arrangement and the fees should be clearly related to, and commensurate with, the services being performed.
 - d) Agents, consultants or advisors acting on CAL's behalf should be made aware of CAL's business policies and expectations.
3. **Conflicts of Interest.** CAL personnel are required to serve the interests and needs of CAL with undivided loyalty. In fulfilling this obligation, CAL personnel are to avoid any real or apparent conflict between their personal interests and those of CAL. As such, the following guidelines must be adhered to:
 - a) Any personal interest, direct or indirect, which might affect or be reasonably perceived to affect the employee's impartiality in any matter relating to the vendor or vendor selection process, should be promptly declared in writing. Any such declaration of interest shall be retained and made available

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to Board Tenders Committee (BTC) to determine the appropriate course of action to be taken, including recusing the conflicted individual from any further participation in the applicable procurement process.

b) Such interests might include:

- i) A financial interest, for example through a shareholding or investment, in a company with which CAL has any trading or commercial relationship;
- ii) Acting as Partner, Principal or Director of a company with which CAL has any trading or commercial relationship;
- iii) A close family or personal relationship with anyone who has such an interest or holds a senior position in such a company;
- iv) Current or future employment relationships with such a company;
- v) The procuring of goods and services on behalf of CAL with the understanding that, as a result, the vendor will transact business with another entity in which any CAL officers hold an interest or vice versa; and
- vi) Any other circumstances, arrangements or factors which might compromise the integrity (or may be reasonably assumed to compromise) of the procurement process if they were not declared and later discovered

4. **Business Gifts and Hospitality.** No employee, having authority to initiate, approve or disapprove a transaction, can solicit, demand, or accept any payment, loan, advance money, services or anything of more than a nominal value from a supplier. The following are the guidelines that must be followed in this circumstance:

- a) Gifts and hospitality within the context of business relationships or activities should not be accepted if they could influence or be deemed by others to influence a business decision or be considered by an impartial observer to be extravagant.
- b) Non-business gifts or hospitality should not be accepted other than those which are legal, ethical and of nominal value. Modest hospitality in the course of official business can be offered and accepted as part of the normal business courtesies. In the event of larger or repeated gifts or hospitality being considered, approval must be obtained from the Executive Management Team.

5. **Misrepresentation.** Any employee having authority to initiate, approve or disapprove procurement transactions is prohibited from falsifying, concealing or misrepresenting material facts concerning procurement transactions.

6. **Insufficient Authorization.** No employee can act on behalf of the CAL without having received prior approval, in accordance with the Delegation of Authority Guidelines (DOAG). Additionally, employees must not subdivide purchases (total values of contracts) into smaller portions to avoid using a required procurement method or to circumvent the DOAG approvals.

7. **Confidentiality of Information.** Information provided to CAL by prospective individuals/companies during the procurement process shall be treated as confidential. The information shall be secured to prevent unauthorized access. CAL officers in possession of such files shall make reasonable efforts to keep information secure and avoid such documents being lost, stolen, viewed, copied or otherwise tampered with by unauthorized individuals.

CAL officers must not allow any individuals/companies to be put in a position of competitive advantage

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or disadvantage by the sharing of information internally or externally.

Confidentiality restrictions are always subject to the laws of Trinidad and Tobago and the individual countries where CAL conducts business.

8. **Vendors.** Unethical behaviour on the part of vendors shall include, but is not limited to the following:

- Failure to disclose a known conflict of interest between the vendor and an officer of CAL.
- Prior, current or future offering of gifts (excluding gifts of a nominal value), gratuities, loans, cash payments or other things of value to an officer of CAL who is, or will be, involved in procurement from the vendor.
- Deliberately submitting false, inadequate or misleading information to CAL for the purpose of tender or any other solicitations made by CAL or failing to promptly notify CAL of any material changes to information previously provided.
- Collusion or collaboration with other bidder(s) or CAL officers in an attempt to restrain competition, fix prices or otherwise corrupt a procurement process.
- Any other circumstance which in the reasonable opinion of the Tenders Committee represents just cause to be deemed unethical behaviour.

All purchase agreements and contracts entered into by CAL with vendors should include provisions to terminate the contract immediately where current or past unethical behaviour relating to the contract is discovered. The provision shall ensure that no future or additional financial liabilities are incurred due to termination on these grounds.

Where a vendor is deemed to have acted unethically during an ongoing procurement process or where previous unethical behaviour is discovered, CAL reserves the following rights:

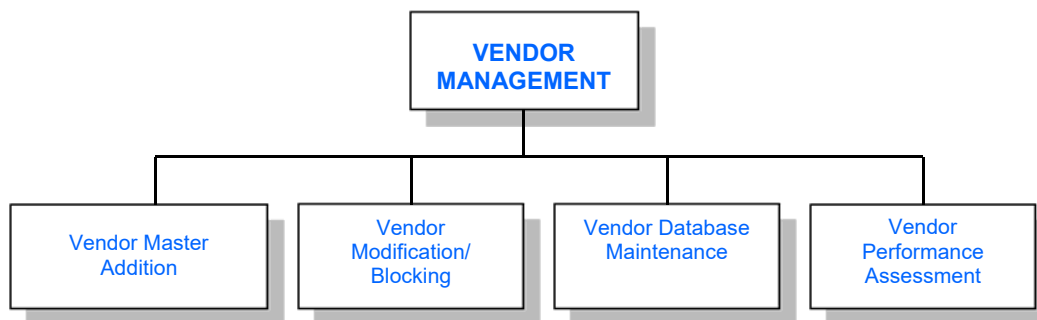
- To disqualify the vendor from any current procurement process in which the vendor is participating.
- To remove the vendor from the vendor database and exclude the vendor from participating in future bid processes.
- To refuse to enter into any agreement or contract with the vendor.
- To terminate or cancel any agreement of any kind with the vendor where unethical behaviour has ensued.

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PROCESS:	PURCHASE TO PAY
Section 3	Vendor Management
Date Approved	

VENDOR MANAGEMENT

Vendor management refers to how vendors/suppliers are administered (created, modified, removed maintained and assessed) within CAL. Below is an illustration showing the different processes that comprise the Vendor Management Processes:



Vendor Master Addition: is the process of creating new supplier accounts in SAP and TRAX to facilitate the recording of purchase to pay transactions. (Refer to Vendor Registration form on page #16).

Vendor Modification/Blocking: is the process of modifying vendor details in the system due to updates of vendor information or blocking a vendor account due to inactivity or discontinuance of a relationship. (Refer to Vendor Action Request Form on page #19 and Supplier Modification/Blocking Request form on page #19).

Vendor Database Maintenance: is the process of ensuring that the vendor details within the systems are accurate, valid and updated.

Vendor Performance Assessment: is the process of evaluating the performance of the vendor with regards to the provision of goods or services that was supplied. (Refer to Vendor Performance Evaluation form on page #20).

Policies

- Only Buyers are authorized to create and modify vendor master records in SAP, TRAX and Counter Point and as such, all requests to add, modify or block suppliers' records must be forwarded to the Buyers.
- All additions of suppliers in the system must be reviewed and approved by the following authorized personnel. These persons cannot create new suppliers:
 - SAP - Procurement Manager
 - TRAX - Inspectors in the Quality Department

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3. The full legal name of the supplier must be used as the standard naming convention when creating a vendor in the system. This must be implemented and strictly adhered to, in order to reduce the risk of creating duplicate suppliers in the system.
4. All requests to create new Suppliers in SAP, TRAX must be properly supported by a Certification document from the Supplier. Other supporting documentation (i.e., supplier registration, request for quotations, etc) must be provided to the authorized personnel upon request.
5. The Procurement/Materials Managers must generate a report of all new Suppliers in SAP, TRAX on a quarterly basis and ensure that all new Suppliers created have corresponding certifications on file. The report of all new suppliers in SAP, TRAX signed by the Procurement/Materials Managers must be properly maintained.
6. All requests to create new Suppliers in the system must be completed within 2 days from the date of request to avoid delay in the purchasing process, except for emergency purchases where a request to create a new supplier must be completed immediately.
7. All modifications in the supplier master records must be supported by a completed and properly approved Supplier Modification/Blocking Form. The form must be approved by the Procurement/Materials Managers. Appropriate documentation (i.e. supplier's invoice, letter from the vendor, quotations, etc) to support the changes must be provided to the authorizers.
8. The Procurement/Materials Managers must generate a report of all modified suppliers in SAP, TRAX on a quarterly basis and ensure that corresponding approved Supplier Modification/Blocking Forms exist to support the changes made into the system. The report of all modified suppliers in SAP, TRAX signed by the Procurement/Materials Managers must be properly maintained.
9. The Procurement/Materials Managers must review all supplier details in SAP, TRAX on a semi-annual basis to ensure that only active, valid, updated, accurate and authorized vendors exist in the system. The Supplier Details Report signed by the Procurement/Materials Managers as evidence of review must be properly maintained.
10. Assessment of supplier's performance is required for all purchase orders valued above US\$50,000.00. Contractors used for the provision of routine goods and services, valued under US\$50,000.00 must be assessed semi-annually. The Receiving Department or User Department, together with the Procurement Department, must complete the Vendor Performance Evaluation forms.
11. Regardless of expenditure level, if a vendor fails to deliver as specified, or fails to deliver on time, the supplier must be notified immediately and should be given a reasonable period to rectify the issue. Failure to initiate corrective action following a period of five (5) working days after verbal communication must result in a written notification being forwarded to the supplier and an allotment of an additional ten (10) working days to initiate the action. A copy of the written notification must be sent to the CFO and CEO. The Legal Affairs Department must be included if deemed necessary.
12. The Procurement/Materials Managers, in conjunction with the CFO, and after consultation with the Legal Affairs Department, may withdraw a binding bid or terminate a vendor contract for poor or non-performance of agreed deliverables. The General Council & Corporate Secretary are required to participate in this decision in order to ensure that CAL does not expose itself to unwarranted liability.
13. All notifications with regards to CAL's decision that will affect a supplier's relationship must be done in

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writing. The Legal Affairs Department should be copied on all such correspondence.

14. An individual or firm may be debarred from doing business with CAL for up to one year as a result of the supplier's performance assessment. The Accounts Payable and Procurement Departments must maintain a list of debarred vendors. Debarring of a vendor may occur for any of the following reasons:
 - Breach (default) of contract.
 - Stating an unwillingness or inability to honor a binding bid.
 - A recent record of failure to perform or unsatisfactory performance in accordance with the terms of one or more contracts.
 - Failure to replace inferior or defective products within a reasonable period of time after notification by CAL.
 - Unethical behavior as described in the Ethical Guidelines section of this policy (Refer Page #8).
 - Any cause indicating the entity is not a responsible vendor.
15. The system must be appropriately updated to reflect debarred vendors. The vendor account must be temporarily blocked to refrain from making purchases from these suppliers. The Procurement/Materials Manager must circulate an internal communication informing the related personnel to refrain from transacting business with these suppliers.
16. Suppliers who wish to appeal or dispute a suspension/disbarment must be given thirty (30) calendar days from the date of notification to respond. All appeals must be made in writing and addressed to the Chairman of the Board. The supplier shall provide specific evidence why any actions taken are unwarranted. (Refer to the Appeals section on page #44).
17. A debarment may be lifted or suspended at any time if it is in the best interest of CAL. Such determination can only be made by the Chief Executive Officer or his/her designee.

Procedures

Vendor Addition

1. The Buyer verifies that the supplier does not exist in the system prior to creating the vendor details.
2. After verification, the Buyer enters the supplier details in the system and organizes the necessary documentation (VAT certification, supplier registration, request for quotation, etc). All suppliers created in TRAX are also created in SAP for invoice recording and payment processing. The new supplier created in SAP is automatically "blocked" and must be "unblocked" by the Procurement/Materials Managers upon review and verification.
3. Supporting documentation (certification, supplier registration, request for quotation, etc) is sent to the authorizer. If the new supplier is created in TRAX the Buyer attaches the Certification in the system (TRAX) prior to sending the request for Approval to the Quality department.
4. The Quality Department reviews and approves the new supplier in TRAX after verifying accuracy and completeness of entry and evidence of certification.
5. If the supplier is created in SAP, the Procurement Manager reviews and unblocks the supplier account in SAP after confirming the accuracy of details entered against supporting documents (supplier registration, request for quotation, etc).

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6. The Buyer files all the documents in a secured area.
7. An acknowledgement is issued to the new vendor.
8. A quarterly review of all vendors created in the various ad hoc accounts will be conducted by Procurement Manager in conjunction with the Payables team and those vendors whose total transaction value is greater than US\$5000.00 will be created as individual vendors in SAP.
9. Vendors who do not require PR/PO but meet any of the criteria below will be created as individual vendors in SAP:
 - Regulatory or government organization
 - All registered companies excluding companies to be reimbursed for claims

Vendor Modification and Blocking

1. The Buyer receives notification from suppliers or user departments of any changes to be made on supplier's details. If notification is received from the user department, the Buyer verifies the changes with the suppliers.
2. The Buyer completes the Supplier Modification/Blocking Form indicating the necessary changes. The form is forwarded to the Procurement/Materials Managers for review and approval.
3. The Procurement/Materials Managers reviews, approves and signs the Supplier Modification/Blocking Form after verifying validity and accuracy of the modifications and forwards the form to the to update the necessary changes in the system.
4. The Buyer updates the system (SAP / TRAX) to reflect the changes to the supplier's account and signs and dates the form after the entry.
5. The Buyer then files all the Supplier Modification/Blocking Forms.

Vendor Database Maintenance

1. The Procurement/Materials Managers generates periodic reports in the system to confirm the following:

Reports	Frequency	Action
New Suppliers in TRAX	Quarterly	All additions are supported by Supplier Certifications
Modified Suppliers in SAP, TRAX	Quarterly	All modifications in SAP, TRAX are supported by duly approved Supplier Modification/Blocking Form
All Suppliers in SAP, TRAX	Semi-Annually	All suppliers are active, with valid/up to date certifications, accurate and no duplications exit

2. The Procurement/Materials Managers signs and dates the printed supplier master details report as reviewed and verified. The list is also forwarded to the Accounts Payables Supervisor.
3. The Accounts Payables Supervisor reviews supplier master details in SAP to verify that the control accounts linked to the supplier accounts are correct to reflect accurate GL balances.

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4. If changes are to be made to the supplier master data, the Buyer completes a Supplier Modification/Blocking Form. *Refer to Vendor Modification/Blocking.*
5. The Accounts Payables Supervisor signs and dates the printed supplier master details report as verified and forward the report to the Procurement/Materials Managers.
6. The Procurement/Materials Managers files the report as evidence of performance of the review.

Vendor Performance Assessment

1. The Receiving Clerk/Supervisor in the Materials Department or Admin. Assistant in the User Department together with the Buyer or relevant Line Manager completes and signs a Vendor Performance Evaluation form and submits the form to the Purchasing Procurement/Materials Manager. Suppliers are assessed on the following criteria:
 - **Contracts/Provision of services:** quality of work, adherence to scope, timely performance, compliance with labor and safety standards, effectiveness of management, responsiveness of customer service.
 - **Goods/Inventories:** timeliness of delivery, condition of goods on arrival, adherence to requested specifications and responsiveness of customer service.
2. The Procurement/Materials Managers reviews all Vendor Performance Evaluation forms and communicates all adverse comments to the vendor and internally.
3. If disbarment is deemed necessary as a result of poor or non-performance of agreed deliverables, the Procurement/Materials Managers completes a Supplier Modification/Blocking Form to block the supplier in SAP, TRAX. *Refer to Vendor Modification/Blocking.*

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VENDOR REGISTRATION FORM



VENDOR INFORMATION	
Vendor Company Name:	
Business Address:	
Contact Name:	
Telephone No:	
Fax No:	
Mobile No:	
Email Address:	
Website:	
BILLING INFORMATION	
Billing Address (if different from above):	
Contact Name:	
Telephone No:	
Fax No:	
Email Address:	
COMPANY DETAILS	
How long has your company been in business?	
Is your company local or international?	☐ Local ☐ International
Is your company VAT registered?	☐ Yes ☐ No
If Yes, please provide the VAT Registration number	
If No, please provide a copy of the VAT exemption letter	
Please provide the FAA/EASA Certification number	

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FINF 7.0

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Please indicate the number of employees:			
☐ Under 25	☐ 25 - 50	☐ 51-100	☐ 101-500
☐ 501 - 750	☐ 751-1000	☐ Over 1000	
What are your credit terms?			
Please list the goods/services provided by the company:			
Please list the category of services supplied by company (e.g.: hardware, janitorial, laundry):			
Please list the category of goods/services in which your company is most competitive:			
BUSINESS REFERENCES			
1. Reference Name:			
Reference Address:			
Telephone No:			
Mobile No:			
Email Address:			
2. Reference Name:			
Reference Address:			
Telephone No:			
Mobile No:			
Email Address:			
3. Reference Name:			

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Reference Address:	
Telephone No:	
Mobile No:	
Email Address:	
COMPANY AUTHORIZED REPRESENTATIVE:	
I understand that the information provided is true and accurate, and supplied to the best of my knowledge:	
Signature of authorized representative:	
Name in block letters:	
Title:	
Date:	
FOR USE BY CARIBBEAN AIRLINES LIMITED – PROCUREMENT ONLY:	
Vendor Code:	
Entered by (Buyer's Name):	
Buyer's Signature:	
Date:	
Procurement Manager's Name:	
Signature:	
Date:	
Caribbean Airlines Limited (CAL) acknowledges that the information contained in this document is confidential and will ensure that its confidentiality will be maintained.	
<i>Disclaimer: Submission of this form does not confer acceptance by CAL nor does it form any contractual agreement between CAL and company.</i>	

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VENDOR ACTION REQUEST FORM

DEPARTMENT INFORMATION		
Name	Department	Job Title

SYSTEM USED		
SAP	TRAX	Counter Point
☐	☐	☐

Description (include reasons for change):

ACTION REQUESTED	
Block Supplier	Modify Supplier Details
☐	☐

VENDOR INFORMATION		
Vendor Name:	Vendor Number:	Vendor Type:

Vendor Address:

CONTACT INFORMATION	
Contact Name:	
Contact Department:	
Contact Telephone No:	
Contact Mobile No:	
Contact Email Address:	
Website:	

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SUPPLIER MODIFICATION/BLOCKING REQUEST FORM



REQUESTOR INFORMATION		
Name	Department	Job Title
REQUEST DETAILS		
Description of Request:		
VENDOR INFORMATION		
Vendor Name:	Vendor Number:	Vendor Type:
Vendor Address:		
CONTACT INFORMATION		
Contact Name:		
Contact Department:		
Contact Telephone No:		
Contact Mobile No:		
Contact Email Address:		
Website:		

Approved By

Date

System Updated By

Date

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VENDOR PERFORMANCE EVALUATION FORM

Evaluation Date: Enter a date.

Types of goods and service: Aircraft Parts ☐ Inventory ☐ Non-Inventory ☐ Duty-Free Inventory ☐ Service ☐

PURCHASE ORDER/CONTRACT DATA		
PO/Contract No:	PO/Contract Date: Enter a date.	Requisitioning Department
Vendor Name:		Vendor Number:
Description of Goods and Services under evaluation:		

PERFORMANCE EVALUATION			
Performance Elements	Unacceptable	Satisfactory	Outstanding
PRODUCTS	☐	☐	☐
• Quality:	☐	☐	☐
• Delivery Time:	☐	☐	☐
• Customer Service:	☐	☐	☐
SERVICES/CONTRACTS	☐	☐	☐
• Quality:	☐	☐	☐
• Adherence To Scope:	☐	☐	☐
• Performance Time:	☐	☐	☐
• Compliance with Safety Standards:	☐	☐	☐
• Compliance with Labour Standards:	☐	☐	☐
• Customer Service:	☐	☐	☐
OVERALL EVALUATION	☐	☐	☐

Comments:

Completed by

Signature

Title

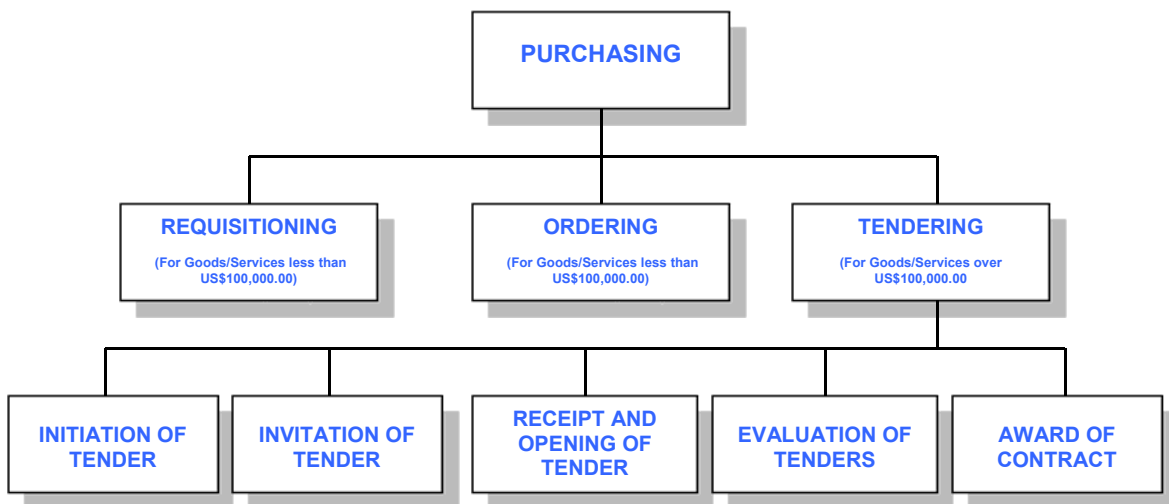
Date

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PROCESS:	PURCHASE TO PAY
Section 4	Purchasing
Date Approved	

PURCHASING

Purchasing is the process of acquiring goods and services. The following diagram illustrates the major areas of Purchasing:



Requisitioning: is the process whereby a formal request for goods and services is initiated and approved by authorized personnel according to the Delegation of Authority Guidelines. This is the initial step to ensure that purchases are duly authorized.

Ordering: is the process of selecting an appropriate supplier and making the request to this organization to provide goods/services to CAL upon receipt of approval from the authorized personnel.

Tendering: is the process of formally selecting a supplier for purchases of goods and services over US\$100,000.00. The key objective of the tendering process is to ensure that the process is carried out equitably, and that the good/service is acquired in a transparent and timely manner, in the most advantageous terms and conditions for CAL.

Policies

1. All purchases must be made from the list of Approved Suppliers as maintained by the Purchasing Department.
2. Purchasing transactions must be processed in a timely manner. The following timelines must be properly observed:

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Activity	Timelines for Normal Transactions	Timelines for Emergency Purchases
PR Creation	Within 2 days upon receipt of request	Immediately
PR Approval	Within 2 days upon receipt of created PR	Immediately
Generating RFQ	Within 2 days upon receipt of approved PR	Not applicable
Sending of RFQ	Upon completion of RFQ	Not applicable
Selection of supplier	Within 2 days from the receipt of quotation from the last supplier	Not applicable
PO Creation	Within 2 days upon receipt of the last quotation	On the same day when approved PR is received
PO Approval	Within 2 days upon receipt of created PO	On the same day when PO is created
Sending of PO to the selected supplier	Within 2 days upon receipt of approved PO	On the same day when PO is approved

3. **No PO, No Pay Policy.** All purchases must be processed through a requisitioning and purchasing process. The use of PR and PO processes prevents unauthorized purchases, as expenditures must be reviewed and approved by the authorized personnel prior to actual purchasing. Payments will not be made for a purchase where no PR/PO is generated except for the following items:
- a) Customs charges/immigration expenses
 - b) Taxes (Property Taxes, Green Fund, Corporation Taxes, etc)
 - c) Employee travel and expense claims (Ref. Policy # CAL F002 Travel & Entertainment Policy)
 - d) Poor service costs (lost/damaged cargo, delayed flights, etc)
 - e) Passenger commission
 - f) Utilities (electricity, water, etc)
 - g) Aircraft fuel & leases
 - h) Catering services
 - i) Telecom charges
 - j) Cargo commissions
 - k) Training
 - l) Courier
 - m) Membership and association dues

The Delegation of Authority Guidelines for POs will also apply to the above purchases which do not require a PO.

4. All purchases for goods and services must be initiated through Purchase Requisitions (PR). Only authorized personnel must have access to create PRs in SAP/TRAX/Counter Point and as such, all requisitions must be forwarded to these personnel:
- a) **The Planner in the Materials Department** - for inventory items and aircraft related purchases and maintenance
 - b) **The Administrative Assistant of the user department** - for office supplies and consumables
 - c) **The Duty Free Clerk** for duty free items

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5. All PRs must be generated within 2 days from the receipt of the requests from the User department. Approval from the authorized personnel according to the Delegation of Authority Guidelines must be given within 2 days from the receipt of PRs. Considerations must be given to Emergency Purchases where creation and approval of the PR must be done immediately. The following are the authorized personnel and their limits to approve PRs and POs. PRs and POs relating to the same transaction must not be approved by the same person.

Authorized Personnel	Authorization Limits
Line Managers/Airport Manager	Less than US\$10,000
Executive Managers/Senior Manager/General Managers	Less than US\$25,000
Vice President/General Counsel and Corporate Secretary in consultation with the CFO (Contracts)	Less than US\$75,000
Chief Financial Officer (CFO)	Less than US\$250,000
Vice President of Maintenance & Engineering - (This is applicable for purchase of aircraft spares and inventory) Administration	Less than US\$500,000
Chief Executive Officer (CEO)	Less than US\$750,000
Caribbean Airlines Board of Directors (BoD)/Board Tender Committee (BTC)	More than US\$750,000

6. **Purchases with a value above US\$5,000.00 but less than US\$100,000.00** must be subject to a competitive bidding process. A minimum of three (3) Requests for Quotations (RFQs) must be requested prior to selecting a vendor. RFQs must be generated within 2 days upon receipt of approved PRs except for emergency purchases where RFQs must be generated and sent to the suppliers on the same day.
7. The RFQ must only be sent to the list of Approved Suppliers as maintained by the Procurement Department. If suitable vendors are not available on the current list of Approved Suppliers, new vendors may be added; however, these vendors must complete a vendor registration form (inclusive of the required VAT details) and be approved by the Quality Department /Procurement Manager prior to the award being made (refer to the Vendor Addition section above).
8. If multiple purchases to the same Vendor (for the same good or service) exceed the threshold set for RFQ purchases (US\$100,000) in an 8 week period or based upon any other transparency or value for money considerations, the Procurement Manager or Tender Secretary (TS) may mandate the use of the tender procurement method instead of the RFQ procurement method.
9. The RFQ is not required for the following purchases:

Item is sole sourced - A sole sourced purchase indicates that there is only one person or company that can provide the goods/services needed and that any attempt to obtain quotations would only result in one person or company being available to meet the need. Sole sourcing will require written justification from the Head of the User Department and may be appropriate when the requirement can only be fulfilled by a particular service provider and no reasonable alternative or substitute works, product or service exists. In these rare cases of sole sourcing, prior approval is required as per Caribbean Airlines' Delegation of Authority Guidelines. It may apply for any of the following cases:

- Additional work is to be performed by an existing Contractor and the continuous use of the Contractor is the most cost effective option and/or where the employment of additional vendors is logistically or economically impractical.

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- There is only one viable provider for the particular good or service.
- An absence of competition for a demonstrable technical reason.
- For additional deliverables of products or services by the original supplier or authorized representative that are either as replacement parts, minor extensions, or continuing services for existing equipment, minor upgrades, services, or installations, where a change of service provider would deliver products or services that do not meet inter-changeability or inter-operability.
- Where there will be significant cost savings by using a sole source and it can be demonstrated to the satisfaction of the TC that there are no cheaper alternatives.
- In circumstances where time is of the essence and there is only one vendor with the ability to complete the project within the required timeframe.
- In emergencies brought about by events not foreseen by Caribbean Airlines, and critical to the operation of the business.

The user department must clearly justify its reasons for a sole source. This must be approved by the relevant authority prior to procuring the goods and/or services.

The sole sourced vendor must be an Approved Supplier as maintained by the Procurement Department. If suitable vendors are not available on the current list of Approved Suppliers, new vendors may be added, however these vendors must complete a vendor registration form (inclusive of the required VAT details) and be approved by the Quality Department /Procurement Manager prior to the award being made (refer to the Vendor Addition section above).

Emergency purchases - Emergency purchases can only be undertaken when a sudden, serious and unexpected event which poses an unacceptable immediate risk to the continued operations of the airline, safety of people, property, equipment or the environment is identified and immediate action is required to mitigate the risk. Purchase orders for emergency items should be noted as such to identify the reasons for non-adherence to the RFQ/Tender procedure and must be approved by the authorized personnel according to the Delegation of Authority Guidelines.

The emergency PR must include a general description of the emergency, what is required to correct the emergency immediately, the estimated cost and the intended vendor(s). The authorizing officer must make best efforts to ascertain that there is a genuine emergency situation and that the proposed emergency purchase only covers what is required to mitigate the risk.

Within 72 hours of the emergency occurring, a written report signed by the requesting officer and the authorizing officer shall be submitted to the Tenders Committee. The report must include, but not be limited to:

- The date and time of the emergency
- A description of the emergency and the risks that required mitigation
- The cost estimate provided to the authorizing officer and the actual costs incurred
- Justification for the choice of Vendor

Emergency purchases are not required to follow the tendering process; however, the approval process must follow the Delegation of Authority Guidelines and the emergency cash management procedures.

Emergency purchases can be divided into two (2) main areas:

1. Aircraft related emergency purchases can be classified as purchases directly attributable to aircraft parts and the services involved in making the aircraft serviceable.
2. Operational emergency purchases are those purchases which directly affect the operation of

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the airline in meeting its primary objective of providing a safe, reliable and courteous form of air travel for our passengers and their cargo. For example, the services associated with providing this service include all costs incurred during a diversion to those locations where Caribbean Airlines does not have regular services, that is, hotel cost for crew, delayed passengers, fuel, handling expenses, etc.

Value of Goods/Services exceeds US\$100,000.00 – These purchases will be governed by Tendering Policies and Procedures. (Refer Page #29)

10. The Bid Evaluation Form must be properly completed and approved by the Procurement/Material Manager upon selection of a supplier. Suppliers must be selected within 2 days upon receipt of quotations from the last vendor.
11. Only the Buyers are authorized to create Purchase Orders (PO) from approved PRs in SAP, TRAX and Counter Point. All POs must be generated within 2 days upon receipt of approved PRs with corresponding Bid Evaluations Form, if necessary. Considerations must be given to Emergency Purchases where POs must be created immediately.
12. All POs must be approved by the authorized personnel in accordance with the Delegation of Authority Guidelines and must be done within 2 days upon receipt of completed POs from the Buyer. Also, consideration must be given for Emergency Purchases where POs must be approved on the same day the PO is created to prevent delay in purchasing. In addition, authorized personnel who can approve POs must not be given access to create POs to prevent unethical behavior or potential fraud being committed.
13. All completed and approved POs must be sent to the selected supplier immediately to prevent delays in the procurement process and delivery of required goods/services.
14. PR/PO must reflect accurate total amount of purchases and must not be split into several POs of smaller amounts that can be approved by authorized personnel with lower limits.
15. **Contracts** must be reviewed and approved by the following authorized personnel in accordance with the Delegation of Authority Guidelines.

Authorized Personnel	Contracts
Vice Presidents in consultation with the CFO	Less than US\$300,000
Chief Financial Officer (CFO)	Less than US\$500,000
Chief Executive Officer (CEO)	Less than US\$1,000,000
Caribbean Airlines Board	More than US\$1,000,000

16. Blanket Purchase Orders (BPO) should be used for instances where multiple purchases are expected to be made from a single vendor. A BPO must be issued for a specific dollar amount and must be in accordance with the Business Unit's annual budget. A BPO may be created for the following items:
 - a) Office supplies and consumables
 - b) Sealants and adhesives
17. BPOs are adjusted only by the Procurement Department upon receipt of written notification approved

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by the Manager of the relevant user department based on Caribbean Airlines' Delegation of Authority Guidelines. The department must verify the account balance prior to requesting an increase.

However, BPOs should **not be created** for the following items:

- a) Computer equipment
- b) Entertainment
- c) Travel
- d) Equipment
- e) Inventories

18. Changes to Purchase Orders. Only Buyers must have access to modify or cancel POs in SAP/ TRAX and must only do so upon receipt of a departmental written request by the Manager of the relevant user department. Changes to the PO include cancellation, changes to a general ledger number, vendor changes and description. Authorized personnel, according to the Delegation of Authority Guidelines, must approve the modified POs.
19. The Procurement/Material Managers must generate and review a report of all open PRs, POs and BPOs on a monthly basis to ensure that all outstanding items are valid and current. Invalid open PRs, POs and BPOs must be properly cancelled by the Buyer upon approval by the authorized personnel according to the Delegation of Authority Guidelines and actions must be taken to expedite long outstanding valid items.

Procedures

Requisitioning

1. Upon receipt of request from the user department, the following personnel create PRs in SAP, TRAX:
 - a) Planner –
 - i. Inventory & aircraft spares
 - ii. Capital expenditures
 - iii. Aircraft fuel and oil
 - iv. Lease of aircraft engines
 - v. Maintenance (engine overhaul, maintenance of ground equipment, etc)
 - vi. Aircraft handling and navigation (Landing fees, cargo handling fees, aircraft cleaning)
 - vii. Crew route expenses (accommodation, , crew transport)
 - b) Duty Free Clerk – Duty free items
 - i. Duty free items
 - c) Admin Assistant – Non-inventory and service related items such as:
 - i. Marketing expenses (media advertising, advertising materials, media publicity, promotional expenses, etc)
 - ii. Office furniture and equipment
 - iii. Office supplies and consumables
2. The PRs must include the following information:
 - a) An accurate description and specification for every article listed, including catalogue numbers, size, color, etc., but not so restrictive as to unduly limit competitive bidding. For Inventory items, material master data must be used to generate a PR instead of using a free form text to increase operational efficiencies.

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- b) Delivery instructions, stating specifically (1) when delivery is required, and (2) where delivery should be made, e.g., department, name of responsible individual, building and room number, and location/ship to code.
 - c) Estimated cost of each item.
 - d) Possible sources of supply-list suggested sources and provide copies of any price information or correspondence referring to specialty items.
3. After completion, the PR is forwarded to the relevant authority according to the Delegation of Authority Guidelines where a review is done. The authorizer is responsible for ensuring that purchases are valid, reasonable and necessary prior to approving the PR.

Ordering

1. The Buyer creates a Request for Quotation (RFQ) in SAP/TRAX. If purchase is more than US\$5,000.00, the Buyer sends the RFQ to a minimum of three (3) suppliers as selected on the list of Approved Suppliers. If purchase is less than US\$5,000.00, the Buyer sends the RFQ to one (1) supplier as selected from the same list of Approved Suppliers.
2. The Buyer reviews the quotations that are submitted by the suppliers and selects a supplier, based on price, payment terms, quality of products and services and delivery terms. The Buyer summarizes all quotations on a Bid Evaluation Form, including the rationale for vendor selection and attaches this completed form to the quotes received.
3. The Procurement/Materials Managers reviews and signs the completed Bid Evaluation form upon verification that the selected vendor is appropriate.
4. The Buyer creates a Purchase Order (PO) in SAP/TRAX and electronically attaches the approved Bid Evaluation Form, if applicable. The complete PO is sent to the authorizers automatically in SAP/ TRAX.
5. The authorized personnel according to the Delegation of Authority Guidelines reviews and approves the PO in SAP/TRAX.
6. The Buyer prints the PO, if applicable, and sends it to the supplier.

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TENDERING

Policies

1. The Tender Procedures must be appropriately conducted to ensure that:
 - a) All tenders are treated equitably and are consistent with the procedures outlined herein;
 - b) Confidentiality is maintained at all times; and
 - c) Integrity and transparency of the tendering process is maintained at all times.
2. Tenders are required for all non-emergency purchases with a value in excess of US\$100,000.00 and must be approved in accordance to the approved Delegation of Authority Guideline of Caribbean Airlines.
3. The tendering process are approved by the following committees:
 - a) The Tenders Subcommittee (TSC)
 - b) The Management Tenders Committee (MTC)
 - c) Board Tenders Committee (BTC)

The TSC shall comprise of:

- The Procurement Manager
- A member from the Finance Department
- A member from the user department responsible for the service being tendered
- Two(2) other members from any department with CAL

The MTC shall comprise of:

- The Vice President (VP) Maintenance & Engineering
- The VP Flight Operations
- The VP Commercial & Customer Experience
- The VP HR
- Chief Financial Officer (CFO)
- The Procurement Manager

The BTC shall comprise of:

- Two Board members (excluding the Chairman of the BOD and including at least one (1) Non-Executive Member)
- Chief Executive Officer (CEO)
- The Corporate Secretary & Legal Counsel
- Chief Financial Officer (CFO) Designate

The TSC shall elect a Chairperson from among the members (on a rotational basis) and may utilize CAL's administrative personnel for secretarial/administrative purposes (as required).

The members of the MTC shall elect a Chairperson from among the members on a rotational basis (timeframe to be determined by Procurement Manager on a case by case basis) and the Procurement Manager shall act as Tender Secretary (TS), the TS will attend all the meetings, but will not have a voting right.

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The members of the BTC shall elect a Chairperson from among the two members of the Board of Director and the Procurement Manager shall act as TS, the TS will attend all the meetings, but will not have a voting right.

Where specific expertise is required, the TSC and the MTC may invite appropriate subject matter specialists to attend meetings and offer advice as required.

On a monthly basis, the MTC should provide a report to the Board informing them of all contracts which have been awarded within the MTCs limits. On a monthly basis, a listing of all contracts executed is sent to the Ministry of Finance.

Meetings of the TSC

- The TSC shall meet once a month or as needed for the expedient conduct of its business
- The TS, in consultation with the elected TSC Chairman, shall set the dates, time and venues for meetings and may call special meetings of the TC for the consideration of any urgent matter.
- Except as determined by the TSC Chairman, documents and agendas of meetings shall be circulated to TSC members at least forty-eight (48) hours prior to time fixed for the meeting.
- At any meeting of the TSC for the purpose of voting on papers circulated, three (3) members including at the TSC Chairman shall constitute a quorum.
- Minutes of each TSC meeting shall be prepared in proper form and be confirmed by the TSC at the next succeeding meeting.

Decisions of the TSC

- Decisions of the TSC shall be taken at meetings.
- All decisions made by circulation of papers shall be ratified in the next TSC meeting.
- Confirmed minutes of the TSC shall be forwarded to the MTC.

Approval limits of the MTC

- An RFT (Request for Tender) will be prepared for all contracts over US\$100,000 and tenders will be reviewed by the TSC and make recommendations for approval to the VP (up to US\$300,000) or the CFO (up to US\$500,000).
- For contracts over US\$500,000, TSC will recommend to the MTC, who in turn will recommend to the BTC, who will approve and send to the Board of Directors for final approval.

Meetings of the MTC

- The MTC shall meet once a month or as needed for the expedient conduct of its business.
- The TS, in consultation with the elected MTC Chairman, shall set the dates, time and venues for meetings and may call special meetings of the MTC for the consideration of any urgent matter.
- The MTC Chairman ideally should not be the VP responsible for the service being discussed, but the Chairman of the committee is selected on a rotational basis.

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- Except as determined by the MTC Chairman, documents and agendas of meetings shall be circulated to MTC members at least forty-eight (48) hours prior to time fixed for the MTC meeting.
- At any meeting of the MTC for the purpose of voting on papers circulated, four (4) members including at the MTC Chairman shall constitute a quorum.
- Minutes of each MTC meeting shall be prepared in proper form and be confirmed by the MTC at the next succeeding meeting.

Decisions of the MTC

- Decisions of the MTC shall be by a majority of votes during meetings, or unanimously by circulation of papers amongst members.
- All decisions made by circulation of papers shall be ratified in the next MTC meeting.
- Confirmed minutes of the MTC shall be forwarded to the BTC.
- The MTC, at its discretion, may refer any matter for final determination to the BTC.

Approval limits of the MTC

The MTC has the responsibility to review the recommendations of the TSC and determine if these recommendations meet their approval. Once this approval is met, the MTC will make a recommendation to the BTC or the CEO, based on the following:

- For contracts over US\$500,000, TSC will recommend to the MTC who in turn will recommend to the CEO for contracts up to US\$1,000,000.
 - For contracts over US\$1,000,000, the MTC will recommend to the BTC who in turn will recommend to the Board of Directors for approval.
1. Vendors must undergo pre-qualification to ensure that the most favorable terms and conditions are obtained from vendors of good repute.
 2. A Tender Strategy encompassing a Tender Evaluation Plan (TEP) must be developed and prepared prior to the issuance of the Request for Tender (RFT). This plan must itemize the specific evaluation criteria to be used and therefore encourages fairness and transparency to be achieved. This must be suitable for the tendering method, process complexity and value of the proposed contract involved and must be approved by the TSC.
 3. The RFT must be approved by the TSC before the issuance of the documents to the public. Approval must only be given when there is firm commitment, intention and capacity to proceed.
 4. Tenders received must be secured and treated with confidence.
 5. All tenders conforming to the RFT requirements must be evaluated in accordance with the TEP.
 6. When a proposal has been accepted by the appropriate authorization level of the tendering process, the successful bidder must be immediately notified by a Letter of Intent, which must be signed by the Secretary of the MTC.
 7. An initial meeting must be held and an administrative plan must be developed between two parties with key milestone dates identified and agreed upon.

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8. All internal and external communication with respect to the tender must be maintained and filed in a Tender Master File and Contract Master File. All electronic correspondence must also be stored and backed-up by the secretary.

Procedures

Initiation of Tender

1. Prepare the Tender Strategy

- The Tender Strategy shall be prepared by a joint committee, which must include a representative from the user department and the Procurement/Materials Managers. Input must be obtained from different parties where required, such as the user department, legal, finance, insurance or any other department deemed relevant to the process. The Tender Strategy shall include: background information stating the need for the good and/ or service, a Scope of Work, estimated cost and budget availability, contracting strategy, list of selected bidders, Tender Evaluation Plan, health, safety, security and environmental issues and any other issues.
- The Tender Strategy shall cover the following management elements:
 - o Purpose and objectives of the good or service
 - o Evaluation and approval processes and responsibilities
 - o Management, organization and resource requirements for the evaluation
 - o Confidentiality and probity management arrangements for the evaluation
 - o Risks - how and when they will be identified and controlled and how this will be integrated into the evaluation process
 - o Schedule of tasks, target completion dates and rules for the evaluation

2. Define the Scope of Works

- The user department will prepare detailed specifications for the Scope of Work which shall be approved by the Head of user department. These specifications shall clearly state the following information:
 - o Documentation that describes the services, materials, equipment and deliverables.
 - o Technical specifications, which may include: conformity with specifications, CVs, experience, past performance etc.
 - o Information required from Vendor such as insurance, work experience, certificates and company forms such as Income Tax Clearance Certificate, VAT Clearance Certificate and Certificate of Incorporation or Certificate of Continuance etc.
 - o Health Safety and Environment (HSE)/Occupational Safety and Health Administration (OSHA) requirements.
 - o The manner in which financial data should be presented.
 - o A detailed Tender Administration Plan, identifying milestones for issuing tenders, receiving tenders, evaluating tenders, awarding tenders and executing contract.
- If the Request for the good and/or service is not catered for in the budget of the user department, then appropriate approval must be sought prior to the procurement of the good and/or service.

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Approval shall be sought and guided by the Delegation of Authority Guideline subject to the availability of funds.

3. Define Pre-qualification Procedures

- A standard pre-qualification of Vendor's questionnaire shall be developed to assess the following areas of potential bidders: financial information, technical competence and support infrastructure, and company experience and risk/safety management.
- For specific jobs, a pre-qualification questionnaire will be developed by the user department and Procurement/Materials Managers or designated personnel. This questionnaire will be determined based on the work scope, the level of technical expertise required, the complexity of the goods or services required, and the number of anticipated responses.
- The Pre-qualification Questionnaire will be agreed upon and approved by the TSC. Invitation for the pre-qualification procedure will then be publicly advertised in the local newspapers.
- The Pre-qualification Questionnaires submitted by interested parties will then be reviewed and evaluated by the TSC. Once the pre-qualification process is completed, successful Vendors shall then be added to the tender list and the approved listing of pre-qualified Vendors.
- Successful pre-qualifications are valid for a maximum period of 3 years, after which they must be reviewed and assessed.
- Pre-qualified vendors can be disqualified by CAL at any time based on the criteria detailed in the Vendor Management section (Refer to page #11)

4. Prepare a List of Selected Tenderers

- For non-public tenders (selective tenders), a tender list must be part of the Tender Strategy. This list of selected vendors shall be selected from an approved listing of pre-qualified vendors.
- For public tenders (open tenders) the Tender Strategy must stipulate that tender notices are placed in three (3) national daily newspapers for a period of at least three (3) days.
- Sole sourcing will require written justification from the Head of the User Department. Prior approval is required as per Caribbean Airlines' Delegation of Authority Guidelines and may be appropriate when the requirement can only be fulfilled by a particular service provider and no reasonable alternative or substitute works, product or service exists. It may apply for any of the following cases:
 - o Additional work is to be performed by an existing Contractor and the continuous use of the Contractor is the most cost effective option and/or where the employment of additional Vendors is logistically or economically impractical
 - o There is only one viable provider for the particular good or service.
 - o An absence of competition for a demonstrable technical reason.
 - o For additional deliverables of products or services by the original supplier or authorized representative that are either as replacement parts, minor extensions, or continuing services for existing equipment, minor upgrades, services, or installations, where a change

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of service provider would deliver products or services that do not meet inter-changeability or inter-operability.

- o Where there will be significant cost savings by using a sole source and it can be demonstrated to the satisfaction of the MTC that there are no cheaper alternatives.
- o In circumstances where time is of the essence and there is only one vendor with the ability to complete the project within the required timeframe.
- o In emergencies brought about by events not foreseen by Caribbean Airlines, and critical to the operation of the business.

5. Prepare a Tender Evaluation Plan

- The Tender Evaluation Plan (TEP) shall be developed as part of the Tender Strategy and clearly state how the evaluation is to be conducted and by whom (i.e., the Tender Subcommittee). It must be prepared and approved prior to the issue of the Request for Proposals.
- The TEP shall have clearly defined criteria and weightings. The tenders shall be evaluated based on commercial requirements, technical requirements and any other operational requirements such as HSE.
- The TEP shall cover the following technical and commercial elements – (Reference Business Case Policy and Procedures)
 - o Weighting of evaluation criteria for price and non-price components.
 - o A scoring and ranking system required.
 - o Inclusion of Net Present Value (NPV) calculations which will be required for higher value complex contracts with input provided by Finance as required.
 - o Arrangements for checking vendors' credentials and referees such as background checks, market information etc.
- In more complex or unusual tenders, an independent expert or expert panel should be included in the TEP to review the process. This appointment will be at the discretion of the TSC.

6. Approve Tender Package & Evaluation Strategy

- The tender list, specifications and evaluation strategy must be approved by the TSC.
- Once approval is obtained, a unique tender number must be assigned to the project.

Invitation to Tender Procedures

1. Prepare Tender Package

- The RFT must be compiled by the Procurement or Tenders Coordinator using the required formats, and schedules. In addition to the technical specifications from the user department, input must be sought from legal, finance, and any other parties as necessary. Legal input must be sought for special terms such as bank guarantees for performance, retention, special insurances, and parent company guarantee.

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- At a minimum, the RFT must include:
 - o Purpose and nature of the proposed tender and contracting processes
 - o Statement of Work to be performed or specification of equipment or materials to be supplied
 - o Drawings or other special documents, where applicable
 - o Terms and conditions agreement
 - o The required nationality, source and origin of services and commodities
 - o Rates and payment
 - o Process and criteria (and broad weightings if appropriate) to be used in evaluating tenders
 - o Method of communication for queries and authorized contact details
 - o Dispute resolutions
 - o The type of bond or guarantee required, if applicable
 - o Insurance conditions
 - o Applicable law(s)
 - o Confidentiality Statement (to be signed by Vendor)
- The RFT package is required to be approved by the TSC or designate before it is presented to the public.
- Advertisements or Invitation to Tender letters (ITT) must give all qualified tenderers an equal opportunity to respond. This letter should reference the following:
 - o Any mandatory requirements of the tendering process, e.g., meetings or site visits
 - o Date and time that tenders close
 - o Where, when and how RFT documents can be obtained and details of contact person
 - o Details of how, where and when tenders may be lodged
 - o The price of purchasing the RFT documents, where applicable, and payment details
 - o Any specific resources required to prepare and lodge a tender (e.g., software)
 - o The process and criteria (and broad weightings if appropriate) to be used in the evaluating the tenders
 - o The Company's policy for late submissions and acceptance.
- When preparing an RFT letter to selected bidders as per the approved Vendors Master List, the letter must clearly state the name and address of the company to which the RFT letter is being sent and the date that the letter is prepared.
- Sufficient time must be given to tenderers to obtain the RFT documents, acquaint themselves and any potential service providers with the requirements, make any site visits, and undertake any other necessary activities necessary to allow a tender to be prepared and lodged.

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- A single contact person who understands the tendering process and contract requirements, such as the Procurement Manager or Tenders Coordinator, must be nominated to respond to all enquiries from tenderers.

2. Issue Tender Package

- When issuing RFT packages to specially invited tenderers as per the approved Vendors Master List, the Procurement Manager or the Tenders Coordinator must sign the Invitation to Tender (ITT) letter and issue the Tender Packages.
- The ITT letter should clearly state that late tenders will not be accepted and that the Company does not bind itself to accept the lowest proposal. The location of the Tender Box, closing date and time of submission must be clearly stated on the ITT letter.
- The standard instructions to tenderers must require that tenderers acknowledge receipt of the Tender Package. An Acknowledgement Form must be issued with the package and all tenderers are required to sign and return these forms. Electronic confirmation of receipt will also be accepted.
- The Secretary shall contact any tenderers who have not acknowledged receipt within one week of issue to confirm they have received the RFT package. This shall be formally recorded.
- For public tenders, a receipt must be given to all tenderers upon payment for their packages. The person collecting the RFT package must sign the receipt and state their contact information.
- A Tender Box shall be clearly marked and placed at the designated area and must be secured by two independent locks. The key of one lock will be kept by the Procurement Manager or designate and the key of the other lock will be kept by the Tenders Coordinator.
- Tenders which cannot be accommodated in the Tender Box must be lodged with the Tenders Coordinator or designate for safe keeping.
- Where it becomes necessary to amend RFT documents (including any process conditions or arrangements) it must be done in a way that does not unfairly disadvantage or benefit tenderers. The amendments must be advised in a notice, usually called an addendum, and issued to all tenderers. This must occur in sufficient time to allow tenderers to fully consider the addendum, modify their tender accordingly and submit it before tender closes.
- A record must be made of all those who obtain the RFT documents so that they are all informed of the issue of an addendum. Each addendum must state clearly that it is to be incorporated in the RFT documents and allowed for in the tender.
- Tenderers must confirm in writing, no later than close of tenders that they have received all such addenda and that allowance has been made for each addendum in their tenders. Consideration must also be given to allow for the changes involved whenever an addendum is issued.
- When enquiries are made by tenderers, these must be formally communicated to the Tenders Coordinator only. All enquiries must be recorded, noting the time and date, the subject matter and any responses provided. All responses, as well as the nature of the query, shall be sent to all tenderers without disclosing the name of the Tenderer who initiated the query. All correspondence must be maintained in the Tender Master File.

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Receipt and Opening of Tenders Procedures

1. Receive Tenders

- All Tenderers delivering Tender Packages, must be required to sign off on a Tender Receipt Form and clearly indicate the following details: (Refer to Tender Receipt form on page #46)
 - o Name of Company represented
 - o Name and signature of individual delivering the package
 - o Date of submission
 - o Time of submission
- A tender received after the tender closing date and time is a late tender and must be returned unopened to the vendor.

2. Open Tenders

- Tenders must be opened at the same time, on, or as soon as possible after, the tender closing time. The Procurement Manager, the Tenders Coordinator, a member of the Security Department or the Internal Audit Department must be present during opening, but they may nominate representatives who will not be directly involved in the evaluation.
- All representatives present must date stamp, sign in full on the Tender letter and initial each subsequent page where prices are recorded.
- The tenders opened must be recorded on a Tenders Opening Form by the Tenders Coordinator. This form must state the company name of the tenderer and where appropriate, prices that were quoted, as well as certificates that were issued. The Tenders Opening Form must be signed off by the CAL personnel that are present for the opening. (Refer to Tender Opening form on page #47)
- No part of a priced Tender must be photocopied and wherever possible, all the Tenders must be kept in a secure room/vault to which only those persons assigned to evaluation shall be allowed entry/access.

Evaluation of Tenders Procedures

1. Perform Initial Examination and Assessment

- All tenders must be initially examined by the Tenders Subcommittee (TSC) to:
 - o Identify any non-conformances with the RFT which can be rectified by the tenderer by providing clarification.
 - o Identify non-conformance with the RFT requirements which are incapable of rectification and, therefore, justify not considering the tender further.
 - o Identify any indications of errors or discrepancies in the RFT documents.

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- If the bid does not substantially conform to specifications set out in the RFT, or is otherwise not substantially relevant to the scope of work, it must be rejected. A rejection letter must be issued to those particular Tenderers.
- If there are a substantial number of tenders, then the first step before the detailed evaluation will be to establish a short list for further consideration. This includes conducting a preliminary evaluation, as well as a preliminary price analysis, to ensure the short list does not include any tenders involving unacceptable risks or too high a price, or tenders clearly offering less value than those included. Criteria for shortlisting should be discussed and agreed as part of the Tender Strategy.
- A summary of the technical, commercial or any other basis for rejection of tenders must also be prepared.
- A Tender Short List must be prepared and approved by the TSC.

2. Perform Detailed Evaluation

- The evaluation must be guided by the TEP that was agreed and approved by the TSC. During this process, each tender is considered in detail, evaluated and scored or otherwise ranked. In order to determine the most appropriate and suitable tender, factors other than price must be taken into consideration, including, but not limited to:
 - o Quality
 - o Efficiency
 - o Reliability
 - o Time of delivery
 - o Evidence of previous performance or similar works or services
 - o Availability of adequate training and after sales support and maintenance of the product or service

3. Facilitate Clarification Meetings

- No bidder must be allowed to alter a bid after the bids have been opened. Clarification may be sought, but the bidder must not be allowed to materially change his offer.
- When it is necessary to clarify or confirm information in a tender by written request or discussions with tenders, the following practices must apply:
 - o Confidential information submitted by tenderers must not be divulged to any other tenderer or shared with anyone where such information can be divulged to any other tenderer.
 - o The contact person must not advise or imply the status of any tender.
 - o Requests or clarification must be framed so that they do not result in the tenderer gaining any advantage over other tenderers.

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- o Meetings must normally only be arranged with the preferred tenderer and must not normally be scheduled until all the matters requiring clarification have been identified, and a detailed written agenda can be provided to the tenderer.
- The following practices must be applied when preparing and conducting meetings with a tenderer:
 - o Meetings must never be conducted with more than one tenderer present.
 - o A detailed agenda of the meeting must be prepared and provided to the tenderer within a reasonable time before the meeting.
 - o It must be clear at the meeting what further advice and information is needed from the tenderer, and a date must be set for the written submission of the further advice and information.
 - o A minimum of two members of the TSC must be present at all times during clarifications.
 - o Minutes of the meeting must be maintained by the Tenders Coordinator and stored in the Tender Master File.

4. Hold Negotiation Meetings

- After the tender packages have been evaluated, the TSC can have discussions with one or more of the selected tenderers to achieve optimum arrangement or best value. Post tender negotiations may be required in the following cases:
 - o The technically acceptable tenderer is commercially unattractive and no other tenderer satisfies the technical requirement.
 - o When the lowest price quoted exceeds the estimated price.
 - o Where the recommended tenderer has significant concerns to the contract content, which are best resolved in a face to face discussion or when additional conditions, such as liquidated damages or other remedies, need to be agreed.
- Negotiation meetings are to be conducted by the Manager Procurement and at least one other person from the TSC.
- Any negotiation process must be transparent, recorded and conducted in a manner that does not disadvantage other tenderers.

5. Evaluate Tenders and Recommend Contractor

- After evaluation, clarification and any negotiations, the evaluation team will prepare an Evaluation Report and the preferred tenderer(s) must be identified.
- Reasons for the recommendation and for passing over any lower-priced tenders must be clearly documented and supported. The report must include a complete account of the evaluation and must be able to withstand independent scrutiny.
- Based on their evaluation, the tender evaluation team may also make a recommendation of no award. In such cases, the TSC may cancel the tender process and, if required, initiate a new tender process. Tender processes may not be cancelled after a contract has been awarded.

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- The recommendation for approval will be made to the VP of the user department as well as the CFO if the value of the contract is under US\$500,000. If the value of the contract is over US\$500,000 but less than US\$1,000,000, then the recommendation for approval will be sent to the MTC and the CEO. If the value of the contract is over US\$1,000,000, the recommendation for approval will be sent to the MTC, the BTC and the Board of Directors.
- Approval will be sought based on the outlined policies and Delegation of Authority Guideline.

Award of Contract Procedures

1. Prepare Letter of Intent

- A Letter of Award must be prepared by the Secretary of the MTC and sent to the successful tenderer as soon as the recommendation has been approved by the relevant authority. The Letter of Intent must:
 - o Be addressed to the tenderer and specify the date of the letter, the date of contract commencement (if different).
 - o Be signed and endorsed by the Secretary of the MTC.
 - o Include a unique contract reference, contract title, and possibly the name of an initial contact officer for management of the contract.
 - o Reference to, or provide a listing of, any post-tender correspondence between CAL and the tenderer and other documents that form part of the contract documents.
- The chosen Tenderer must not be required to undertake responsibilities or work not stipulated in the specifications, or to modify their offer as a condition of the award.
- Unsuccessful bidders must be notified immediately after the letter of Intent is issued. Copies of such correspondence must be maintained in the Tender Master File. An unsuccessful tenderer shall, upon request, be provided with the reasons for their tender not being selected. A record must be kept of the persons involved if a debriefing was held and of the comments made to the unsuccessful tenderer.
- Where an unsuccessful tenderer seeks information regarding the successful tender(s), this information must be limited to the information normally publicly disclosed.

2. Draft and Execute Contract

- Within two weeks of award of the Contract, the Secretary must compile two copies of the contract for execution. These contracts must be based strictly on:
 - o The terms and conditions in the tender package
 - o Subsequent revisions to the tender package (where applicable)
 - o Clarifications made during the evaluation process
 - o Results of final discussions
 - o Any additional conditions of award

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- The contract should contain the following conditions at a minimum (in no particular order):
 - o Definition of contract terms
 - o Full names and addresses of the contracting parties
 - o Commencement date
 - o Contract term
 - o Description of goods or services to be provided
 - o Consideration (i.e. cost, payment terms)
 - o Warranties
 - o Inspection and tests
 - o Delivery and documents
 - o Delays and completion of services
 - o Manner of performance
 - o Substantial completion
 - o Insurance
 - o Force majeure
 - o Governing law
 - o Patent and copy right indemnification
 - o Property rights
 - o Signature/Execution by both parties
 - o Amendments
 - o Notices
 - o Resolution of disputes
 - o Termination

In some cases, the supplier will prepare a draft contract to reflect the negotiated terms and conditions for review by Caribbean Airlines. In other cases, Caribbean Airlines will be required to prepare the draft contract for the supplier's review.

The requirements for review and timeframes for completion are as follows:

- Draft contract prepared by Supplier
 - o When the Supplier has provided a draft contract for review, the Contract Routing Form Process (see below and Annex A) is to be followed. The Legal Affairs Department will endeavor to complete its review within seven (7) working days, unless otherwise advised.
- Legal Affairs Department to prepare draft contract

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- o When the Owning Department requires the Legal Affairs Department to prepare the draft contract for review by the Supplier, this request must be made at the earliest opportunity to allow the Legal Affairs Department sufficient time for drafting, and in any event at least fourteen (14) working days before it is required. The Owning Department must also provide the details of the negotiated terms and in particular those identified on page #38 above.
- Owning Department use of template contracts
 - o The Legal Affairs Department may approve template contracts from time to time where the risks associated with the contract are low or quantifiable or the supply of goods or services is routine. In such a case, an initial draft of the template contract may be prepared by the Owning Department and forwarded to the Legal Affairs Department for review.
- Contract Routing Form Process
 - o Whether a draft contract has been prepared by the Supplier or Caribbean Airlines, employees are required to comply with the Contract Routing Form procedure (Annex A) on page #61 to obtain feedback and approval from the following departments, before it is sent to the Legal Affairs Department
 - Procurement
 - Finance
 - Insurance

The Legal Affairs Department is the last stage of the review process when legal advice will be given about the draft contract to the Owning Department. These comments are strictly for internal use in Caribbean Airlines and must not be forwarded to the Supplier with whom Caribbean Airlines is negotiating or any third party unless explicitly authorized by an Attorney from the Legal Affairs Department.

It is the responsibility of the Owning Department to initiate the Contract Routing Form Process and monitor its progress and completion. Once all departments (including Legal Affairs Department) have reviewed the draft contract, the Owning Department is required to retrieve and retain the Contract Routing Form together with the draft contract originally circulated.

3. Approval of Execution Version of Contract

Approval of the final execution version of the contract must emanate from the Legal Affairs Department and no changes can be made before execution unless authorized by the Legal Affairs Department.

The execution version will be communicated by the Legal Affairs Department by either of the following formats

- o Email of the pdf version to the Owning Department for printing.
- o Hardcopy (to be collected from the Department).

4. Execution of Contracts

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- How many copies are to be signed?
 - o Once approved by the Legal Affairs Department, THREE (3) ORIGINALS of all contracts must be executed by both Caribbean Airlines and the Supplier. In some cases, the Legal Department will advise if more than 3 copies are to be executed.
- Who signs on behalf of Caribbean Airlines?
 - o The appropriate signatory from Caribbean Airlines for a contract is determined by the Company's **Delegations of Authority Guidelines** (found in the Purchase to Pay Policy) as approved by the Board of Directors, and the total value of the contract.
 - o The Owning Department is responsible for securing the signature of the appropriate representative of the Company and dispatching it to the Supplier. Employees can seek the assistance of the Legal Affairs Department at any time during the execution stage of the process if necessary or if in doubt.
- Who should be provided with the original contracts?
 - o The Owning Department is responsible for distributing one original fully executed contract to each of the following recipients:
 - Legal Affairs Department
 - Owning Department
 - Supplier
- Who should be provided with a copy of the fully executed contract?
 - o The Owning Department should provide the Finance Department with a copy of the fully executed contract in support of any request for payment of monies to the Supplier.
- A Contract Master File must be created by the Secretary of the MTC or the Tenders Coordinator and all documents pertaining to the Contract must be maintained in this file.
- The Secretary of the MTC must aggressively follow-up with the vendor to ensure that the duly executed copy of the contract is returned.
- Upon return of the signed contract, one copy of the executed contract must be maintained in a Contract Master File and the original contract must be maintained in a fire-safe, secured cabinet/vault.
- The Secretary shall ensure that all correspondences, letters, facsimiles and meeting notes pertaining to the Contract are stored in the Contract Master File. All electronic correspondence must also be maintained.

3. Hold Contract Initiation Meeting:

The Head of User Department and Procurement Manager or designate shall hold a Contract Kick-off meeting with the successful tenderer and a Contract Administration Plan must be agreed. The following must be discussed and agreed upon between the two parties:

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- o A schedule for outstanding documentation (to and from Contractor) to be agreed
 - o Identification and agreement of point of contact persons
 - o Explanation and/or clarification of the requirements of the contract administration procedures
 - o A schedule of deliverables and reviews
- Minutes in the form of action items must be compiled by the Procurement Manager or the Tenders Coordinator (TC) and filed in the Contract Master File.

APPEALS

Vendors, who believe that any procurement decision has been unfair, or irrational, may appeal to the Chairman of the Board outlining their complaint. Vendors must provide reasonable evidence and justification for the complaint.

The procurement decision shall remain in effect unless and until it is overturned on appeal and approved by the Board.

Appeals are independent from procurement and shall neither affect nor postpone any other procurement process.

Appeals process

Appeals must be made in writing within 30 days of notification of the issue occurring and addressed to the Chairman of the Board. Failure by the Vendor to file a written appeal within the required time will result in waiver of the right to appeal. A Vendor is limited to making one appeal per procurement exercise.

Any appeal received by the Chairman must be tabled at the next scheduled Board meeting and the Board shall appoint a Board Sub-Committee to investigate an appeal within 14 days of the meeting at which the appeal was tabled.

Board Appeal Sub-Committees must provide an acknowledgement of the Vendor's appeal within 3 working days of appointment. The response shall include details of any additional information required, an explanation of the review process and an expected date for a decision.

If required, the Board Sub-Committee may request a meeting with the Appellant-Vendor. The Board Sub-Committee may require the Appellant-Vendor to present evidence or clarification of the Vendor's application or to justify a revision of the decision.

If required, the Board Sub-Committee may also request a meeting with the officers involved in the procurement decision to present evidence or clarification of the Vendor's application or to justify their decision.

The Board Sub-Committee shall issue a written decision within 30 calendar days of being appointed or indicate that a further period of review is required (to a maximum of 90 days).

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BID EVALUATION FORM

Purchase Requisition No:

Bid Evaluation Date:

Item No	Qty	Description	Supplier 1		Supplier 2		Supplier 3	
			Unit Cost	Total Cost	Unit Cost	Total Cost	Unit Cost	Total Cost
1				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
Total				0.00		0.00		0.00
Total (VAT)				0.00		0.00		0.00

Comments:

Terms of Payment:

Delivery Terms:

Selected Supplier:

Reasons for Supplier Selection		
1	Lowest Price	☐
2	Fastest Delivery	☐
3	Best Quality	☐
4	Sole Source	☐
5	Availability	☐
6	Emergency	☐
7	Other	☐
Comment:		

Prepared by: Date:

Approved by: Date:

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TENDER RECEIPT FORM



CONTRACT INFORMATION							
Contract Title				Date Due		Date Opened	
Contract Description:							
				Organization Representative		CAL Representative	
No:	Organizations Name	Delivery Date	Delivery Time	Name (Block Letters)	Signature	Name (Block Letters)	Signature
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							

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TENDER OPENING FORM

Caribbean Airlines



CONTRACT INFORMATION		
Contract Title	Date Due	Date Opened

Contract Description:

No:	Organizations Invited to Tender	Tenders Received		Tenders Opened		Price	Documents Received	Comments
		Yes	No	Yes	No			
1.		☐	☐	☐	☐			
2.		☐	☐	☐	☐			
3.		☐	☐	☐	☐			
4.		☐	☐	☐	☐			
5.		☐	☐	☐	☐			
6.		☐	☐	☐	☐			
7.		☐	☐	☐	☐			
8.		☐	☐	☐	☐			
9.		☐	☐	☐	☐			
10.		☐	☐	☐	☐			
11.		☐	☐	☐	☐			
12.		☐	☐	☐	☐			

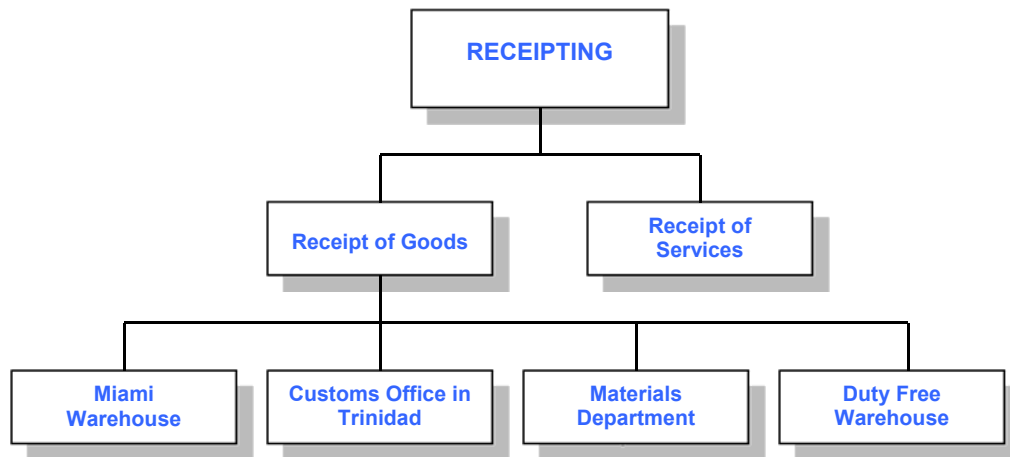
Tenders Opened in the Presence of:		
Signature:		
Name in blocked letters:		
Date		

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Section 5	Receipting
Date Approved	

RECEIPTING

Receipting is the process where goods and services are delivered by the suppliers and accepted by CAL upon verification of accuracy, validity, and acceptable physical condition. This process is segregated into two (2), receipt of goods and receipt of services, please see below:



Goods are received in different locations which include:

Miami warehouse – All US purchases are delivered to the Miami warehouse prior to sending these goods to the Materials Department in Trinidad

Customs office in Trinidad – All foreign purchases are received in this office. A CAL representative is in this office to assist the customs officer once an item is received and to update the system accordingly..

Warehouse department – This is where the inventory items are stored and are available for use. SAP and TRAX are updated to reflect items available for use.

Duty Free warehouse – Duty Free purchases are delivered to this location. Corresponding updates in the system (SAP and TRAX) are done after actual receipt of the goods.

Policies

1. The following personnel must properly inspect the items prior to physical receipt:

- Receiving Clerk in Miami Warehouse – US purchases
- CAL Representative in Customs Office – Foreign purchases
- Receiving Clerk in Materials Department
- Duty Free Receiving Clerk – Duty Free items

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2. The Administrative Manager/User Department must properly ensure that the service has been completed in accordance with the User Department's specifications prior to the Administrative Assistant updating the system.
3. Goods receipt entry (GR) must be recorded in the first point of delivery, Miami Warehouse for US purchases, Customs Office in Trinidad for foreign purchases other than the US and Materials Department for local purchases. Once the goods are physically received in Miami, they must be treated as "goods in transit", until it reaches the warehouse, where "goods in transit" will be reclassified as inventory available for use.
4. All goods and services must be recorded in the system (SAP or TRAX) within 2 days of the actual receipt of goods or performance of the service (aircraft maintenance).
5. Goods that cannot be entered in the system, (due to improper documentation or outstanding query) must be properly documented in the Exceptions Register. A summary of all exceptions must be submitted to the Materials Manager for review and implementation of corrective actions, if necessary.
6. Only relevant personnel, according to their roles, must have access to enter goods received in the system. These include:
 - a) Receiving Clerk in the Miami Warehouse
 - b) CAL personnel in the Customs Office in Trinidad
 - c) Receiving Clerk in the Materials Department
 - d) Duty Free personnel
7. Where there is doubt as to the quality and specification of the goods received (inventory and non-inventory), a representative from the User Department must validate the items prior to physically receiving the items and recording in the system (SAP or TRAX).
8. Aircraft related purchases must be validated by the Store Inspector from the Quality Department prior to storing these items in the storage area. All items must be inspected within 2 days from the actual physical receipt in the warehouse.
9. Items that do not meet the quality standards must be stored in the "Quarantine" area until appropriate corrective actions are taken. Items may be placed under quarantine for the following reasons:
 - a) Damaged
 - b) Improper package
 - c) Incomplete/insufficient documents
 - d) Unapproved or incorrect part
 - e) Time expired (i.e. validity period for chemicals)
 - f) Unapproved supplier
10. The Store Inspector must generate a summary report of all exceptions noted every month be able to identify causes of problems and make necessary corrective measures, if applicable.
11. **Defective or non-conforming goods** must be rejected and a complaint must be documented on the Vendor Evaluation Form. *See process of completing Vendor Evaluation Form in Vendor Management.*

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12. **Short shipments** may be accepted, however, a notification must be forwarded to the Buyer who will make necessary arrangements with the vendor to resolve the discrepancy. Additionally, the Receiving Clerk must take note of the discrepancy on the Goods Receipt Note.
13. The Materials Supervisor must perform a reconciliation of items in the Receipt Register and receipts entered in the system on a monthly basis.
14. The Materials Manager is responsible for ensuring that goods are properly stored in a secured location to prevent unauthorized use or possible theft.
15. The Materials Manager must generate a report of all open GRs for invoices not yet been received and identified, whether these outstanding open GRs are valid or whether an investigation for invoice receipt is required.

Procedures

Receipt of Goods

1. The personnel in-charge for receiving goods must properly inspect the items to ensure that:
 - a) Quantity ordered as per the PO agrees to the quantity delivered by the supplier
 - b) The items delivered agree to the specification on the PO
 - c) Items are received in good condition according to quality specifications
 - d) Complete and proper documentation (delivery receipts, customs clearance, if applicable, etc) supports the delivery
2. If applicable, the User Department, together with the Receiving Clerk, validates the items prior to actual physical receipt.
3. All goods received in the Materials Department Receiving Area are entered by the Receiving Clerk in a Receipt Register prior to entering the goods receipt entry in the system (SAP or TRAX).
4. The Receiving Clerk enters the goods received in the system by properly matching a corresponding PO. A Goods Receipt Note (GRN) is generated after the entry. An accounting entry is generated:

	Dr	Cr
Inventory/Fixed Assets	XXX	
Goods Receipt/Invoice Receipt (GRIR)		XXX

The GRN sticker is attached to the item and the Receiving Clerk signs and dates the Supplier's document after entering in the system.

5. If the goods received do not match the PO, the Receiving Clerk contacts the Buyer to resolve the discrepancies.
6. If the goods received are aircraft related spares, the Store Inspector from the Quality Department inspects the items prior to storing in the storage area. The GRN sticker and the supplier's documents are signed by the Store Inspector upon inspection.

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7. After inspection, the items are stored in a proper bin location and documentation is filed sequentially according to GRN numbers.
8. Reconciliation of balances in SAP and TRAX data must be generated monthly. The Financial Accounting Department is responsible for preparing the reconciliation using reports acquired from SAP and TRAX.

Receipt of Services

1. The Administrative Assistant must ensure that the service is completed and the invoice is approved by the Administrative Manager/User Department prior to entering the receipts in the system.
2. Receipt of services is entered by the Administrative Assistant in the system by matching an invoice to a corresponding PO. If a variance on the PO exists, the Administrative Assistant contacts the Buyer to resolve the discrepancies.
3. The Administrative Assistant signs and dates the supporting documentation and properly files them.

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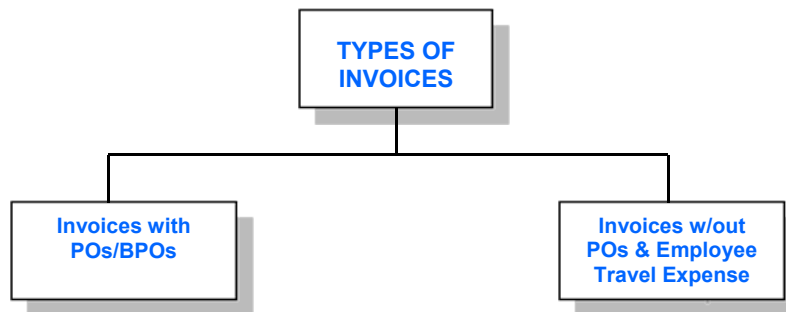
FINANCIAL POLICIES AND PROCEDURES



PROCESS:	PURCHASE TO PAY
Section 6	Invoice Processing
Date Approved	

INVOICE PROCESSING

Invoice Processing is the process of entering invoices, claims and other suppliers' documentation into the system to recognize expenses or assets and corresponding liabilities. This process includes different types of invoices, where processing is slightly different:



Policies

- For non-purchase order transactions :
 - All supplier invoices must be sent directly to the CAL country office (which ordered the good/service) for approval by the Line Station Manager.
 - The Delegation of Authority Limits must be observed. If the value of the invoice requiring approval is over the limit of the Line Station Manager, it must be passed for approval in accordance with the Delegation of Authority Limits.
 - All invoices approved outside of Trinidad, must be scanned and sent via email to payables@caribbean-airlines.com within 48 hours of receipt and originals forwarded via co-mail. Relevant CAL personnel must properly notify all vendors of the policy to prevent delays in recording and payment processing.
- The Accounting Assistant – Payables is responsible for ensuring that supplier invoices received are valid, duly authorized, accurate and that no prior entry was recorded for the same document.
- The Accounting Assistant – Payables inputs the invoices into the SAP system. Access to create suppliers is completed by the Procurement Department as access to payment processing is an incompatible duty and must be kept separate from invoice recording to prevent unauthorized personnel from executing unethical behavior, fraud, misappropriation of funds or corruption.
- All invoices received via co-mail must be logged by the Accounting Assistant – Payables and distributed to the respective Accounting Assistant – Payables for recording on a timely basis to prevent delays in processing payments. An invoice received must be recorded in the system within 1 week of the actual

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receipt once the invoice has been approved according to the Delegation of Authority Guidelines. Consideration is given to emergency purchases where invoices must be recorded immediately upon receipt to safeguard against operational risks.

5. **Invoices with POs and GRs** are recorded in SAP within 1 week only if these expenditures have been authorized on the PR and PO creation stage and the GR is completed or the Entry Sheet approved (services). A 3-way match of supplier's invoice, goods receipt entries and purchase orders must be done in SAP.
6. **Invoices without POs and Employee Travel & Expense Reports** must be recorded once an approval from the respective authorized signatory according to Delegation of Authority Guidelines is obtained.

Authorized Personnel	Authorization Limits		
	PR/PO payment	Contracts	Projects
Line Managers /Airport Managers	Less than US\$10,000	N/A	N/A
Executive Managers/ Senior Managers/ General Managers	Less than US\$25,000	N/A	N/A
Vice Presidents / General Counsel and Corporate Secretary in consultation with the CFO (contracts)	Less than US\$75,000	Less than US\$300,000	N/A
Chief Financial Officer (CFO)	Less than US\$250,000	Less than US\$500,000	Less than US\$1,000,000
Vice President of Maintenance & Engineering (This is applicable for purchase of aircraft spares and inventory)	Less than US\$500,000	N/A	N/A
Chief Executive Officer (CEO)	Less than US\$750,000	Less than US\$1,000,000	N/A
Caribbean Airlines Board of Directors	More than US\$750,000	More than US\$1,000,000	More than US\$1,000,000

7. **Invoices with Contracts** must be recorded in SAP via Purchase Requisitions with copies of rate sheet and signatory sheet attached.
8. **Invoices for Urgent Payments**. All efforts are to be taken to limit the number of prepayments in order to optimize the utilization of cash. Approval, based on Delegation of Authority Guidelines, must be obtained prior to recording an invoice for urgent payment in SAP.
9. When errors and discrepancies are noted on the invoices, the Accounting Assistant - Payables must inform the relevant User Department, Purchasing Department or the vendor in an effort to correct errors and discrepancies. These invoices will be kept on hold for posting until corrective actions are made.

Procedures

1. All goods/services invoices, debit/credit memos, employee travel and expense reports (with supports attached) and other accounts payables documentation (all locations) are date stamped and logged upon receipt by Accounts Payable.
2. The Accounting Assistant - Payables reviews all documentation received to ensure accuracy, validity and authorization of the document and that no prior entries were made for the same documentation

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prior to recording in SAP to prevent duplicate payments. Once completed, all documentation must be entered into SAP.

- The automated 3-way match must be performed for invoices with corresponding SAP POs and GRs. A manual 3-way match must be performed for invoices related to aircraft purchases and aircraft maintenance expenditures as POs and GRs are recorded in TRAX which is not integrated with SAP. SAP will generate a journal entry as follows:

	Dr	Cr
Goods Received/Invoice Receive (IR) account	XXX	
Vendor account (Accounts payable)		XXX

- Invoices without PO, Employee Travel and Expense reports are entered in SAP as:

	Dr	Cr
Assets/Expense account	XXX	
Vendor account (Accounts payable)		XXX

- Upon recording of the invoice (or accounts payable documentation), the Accounting Assistant - Payables systematically "parks" the SAP entry. The invoice (or accounts payable documentation) is submitted to the Accounts Payables Supervisor or Senior Accounting Assistant - Payables to ensure invoice amounts, currency, accounts used, vendor code and other details are processed correctly in SAP.
- The Accounts Payables Supervisor or Senior Accounting Assistant - Payables posts the invoice once the information is correct and returns the invoice (or accounts payable documentation) to prepare payment.

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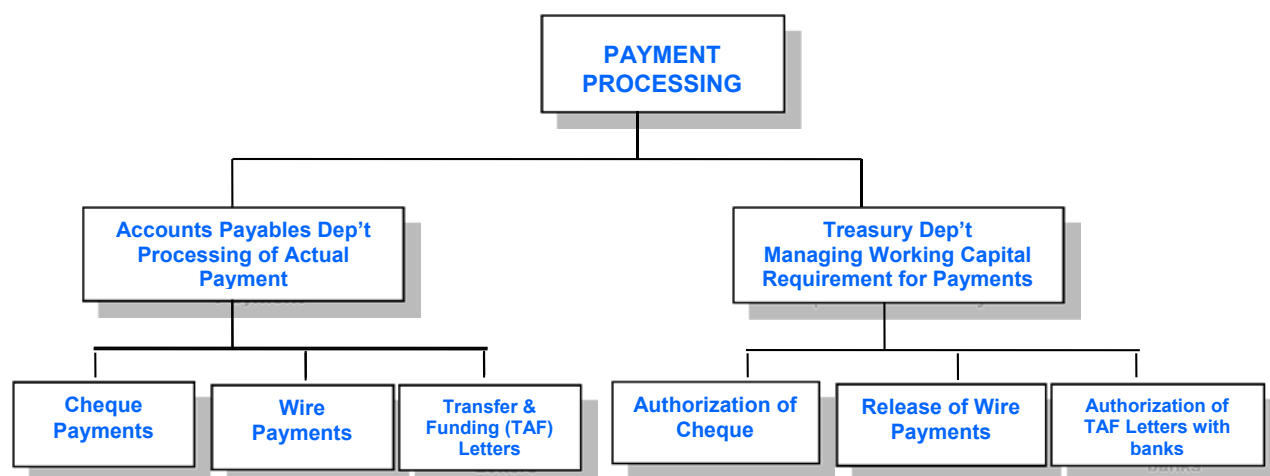
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Section 7	Payment Processing
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PAYMENT PROCESSING

The following diagram illustrates the major areas of Payment Processing:



Policies

1. All invoices should be paid on or as close as possible to their due dates. This procedure would assist management by optimizing the use of available cash balances in various currencies.
2. Weekly cheque payment processing must be made every Wednesday; weekly Transfer and Funding (TAF) are processed every Thursday and weekly Citibank wire payments are processed every Friday. Exceptions must be given for emergency payments where processing of payment to suppliers can be made on any day. Urgent requests for payments will be processed within 24 hours of receipt of the fully approved documents. Summary of invoices for payment on the scheduled weekly payment must be submitted to the Treasury Department for effective monitoring of working capital requirements.
3. Processing of urgent payments occurs in the business from time to time and non-payment may result in credit hold and suspension of services for example aircraft on ground (AOG). Relevant departments must limit requests for urgent payments in effort to effectively maximize working capital resources.
4. Access to process payments in SAP must be restricted to the Accounting Assistant – Payables, in keeping with best practice to ensure segregation of duties. The Accounting Assistant - Payables will not be given access to create vendors.
5. Access to create payments on Citibank website must be restricted to the Accounting Assistant – Payables & Treasury Financial Analyst. Further, to ensure proper internal controls are maintained, payment authorizers must not be given access to create/upload payments in Citibank website.
6. Payments are firstly approved by the Finance signatory (listed below) and then distributed to the next

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available signatory based on the following conditions:

- a. Signatory did not approve the payment being processed
- b. Signatory has the authority to approve payment amount being processed

7. Payments must be approved by authorized personnel based on signatory combinations.

Payments	Signatories
More than US\$250,000	A* & A* OR A* & B**
Less than or equal to US\$250,000	A* & A* OR A* & B** OR B** & B**
*The following authorized personnel are A signatory : 1. Chief Executive Officer (CEO) 2. Vice Presidents (VP) 3. General Counsel / Corporate Secretary 4. Chief Financial Officer (CFO) **The following authorized personnel are B signatory : 1. Executive Managers 2. Senior Managers	

Payments

1. Cheque Payments

- a. The Accounting Assistant – Payables proceeds with the payment processing in SAP. The following entry is automatically generated in SAP when the cheques are printed:

	Dr	Cr
Vendor account (Accounts payable)	XXX	
Bank		XXX

- b. The Accounting Assistant - Payables prints the SAP payment voucher and the cheques. The payment voucher is attached to the invoices and the cheques prior to submitting them to the Accounts Payables Supervisor for review and approval.
- c. Cheque payments are reviewed and approved by the Accounts Payables Supervisor and then forwarded to the authorized signatories according to the Delegation of Authority Guidelines. Two (2) signatories must sign each cheque.

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Payments	Signatories
More than US\$250,000	A* & A* OR A* & B**
Less than or equal to US\$250,000	A* & A* OR A* & B** OR B** & B**
*The following authorized personnel are A signatories: 1. Chief Executive Officer (CEO) 2. Vice Presidents (VP) 3. General Counsel / Corporate Secretary 4. Chief Financial Officer (CFO) **The following authorized personnel are B signatories: 1. Executive Managers 2. Senior Managers	

- d. The Accounting Assistant – Payables is responsible for making the cheques available for the vendors to pick-up.
- e. Cheques for the various Line Stations are listed on a transmittal and forward via Jet Pak once the approval is received from the Treasury Department for release based on cash flows.

2. Transfer Payments - Citibank

- a. The Accounting Assistant – Payables prints the payment voucher and attaches them to the invoices.
- b. The Accounting Assistant – Payables then enters the wire transfer details in Citibank website and prints the Citibank payment details. The payment details report is also attached to the payment voucher and the invoices. These payment packages (payment voucher, invoices and payment details from Citibank) are submitted to the Accounts Payables Supervisor for review and approval.
- c. Wire transfer payments are reviewed and approved by authorized signatories according to the Delegation of Authority Guidelines. At least two (2) authorizers must approve the wire transfer payments via the Citibank System.

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Payments	Signatories
More than US\$250,000	A* & A* OR A* & B**
Less than or equal to US\$250,000	A* & A* OR A* & B** OR B** & B**
*The following authorized personnel are A signatories: 1. Chief Executive Officer (CEO) 2. Vice Presidents (VP) 3. General Counsel / Corporate Secretary 4. Chief Financial Officer (CFO) **The following authorized personnel are B signatories: 1. Executive Managers 2. Senior Managers	

- d. The Treasury Financial Analyst releases the payment based on cash flow once it has been duly authorized.

3. Transfer Payments – Transfer & Funding Letters (TAF)

- The Accounting Assistant – Payables Accounts prints the SAP payment voucher and attaches them to the invoices.
- The Accounting Assistant – Payables then enters the transfer payment details in the TAF log. The TAF letter is prepared and is attached to the approved payment voucher and the invoices. These payment packages (payment voucher, invoices and payment details from Citibank) are submitted to the Accounts Payables Supervisor for review and approval.
- The transfer payments are reviewed and approved by authorized signatories according to the Delegation of Authority Guidelines. At least two (2) authorizers must approve each wire transfer payments via the Citibank System.

Payments	Signatories
More than US\$250,000	A* & A* OR A* & B**
Less than or equal to US\$250,000	A* & A* OR A* & B** OR B** & B**
*The following authorized personnel are A signatories : 1. Chief Executive Officer (CEO) 2. Vice Presidents (VP) 3. General Counsel / Corporate Secretary 4. Chief Financial Officer (CFO) **The following authorized personnel are B signatories : 1. Executive Managers 2. Senior Managers	

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Working Capital Requirements

1. Prior to the releasing of payments, the Accounting Assistant – Payables submits a proposed payment list to the Treasury Department based on the payment methods and currency.
2. The Senior Manager - Treasury & Financial Management reviews and verifies whether adequate funding is available to cover all payments in the various currencies.
3. Following the review, the Senior Manager - Treasury & Financial Management authorizes the disbursement of payments once adequate funding is available in the respective currencies. If funding is inadequate the Senior Manager - Treasury & Financial Management takes the following steps:
 - a. Prioritizes the payments based on the risks associated with non-payment
 - b. Reviews the funding in the various currencies to facilitate the transfer of funds or sale of hard currency to meet the shortfall in the respective currencies
 - c. Initiates discussions with the CFO to source alternative sources of funding
4. The Payables Department distributes cheques and TAF's after daily consultation with the Treasury Department. The Treasury Department releases Citibank wires based on the due date of the payments and the availability of funds.

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ANNEX A

CONTRACT ROUTING AND APPROVAL FORM

All contracts amongst Caribbean Airlines Limited and any other party must be in writing. The ultimate responsibility for the effective negotiation and conclusion of the terms of a contract lies with the department seeking or providing the good or service being contracted (the "Owning Department"), supported by Procurement as appropriate. Once the substantive terms are negotiated by the Owning Department, this form must be completed in accordance with our corporate approval process and our Legal policy. The following departments must approve the relevant terms of the contract as they pertain to that department: 1. Finance - for budgetary, credit and payment integrity. 2. Insurance: to ensure adequate coverage and protection; 3. Legal - to ensure policy compliance and mitigation of legal risk.

SECTION I. GENERAL INFORMATION

Owning Department: _____

Contact Person: _____ Station: _____

Telephone: _____ Fax: _____ Email: _____

SECTION II. SUMMARY OF CONTRACT TERMS

1. PARTIES

Contracting Party: _____ Airline: _____
Full Name (as registered/incorporated)

Address: _____ Address: _____

Contact: _____ Contact: _____

Telephone: _____ Telephone: _____

Fax: _____ Fax: _____

2. AUTHORISED SIGNATORIES

Contracting Party: _____ Airline: Caribbean Airlines Limited

NAME: _____ NAME: _____

TITLE/POSITION: _____ TITLE/POSITION: _____
(CEO, VP, or Director & Delegation of VP; and in accordance with the Financial Authority Guidelines)

3. DESCRIPTION OF GOODS/SERVICES (including physical location and what the contract seeks to achieve):

Caribbean Airlines Contract Routing and Approval Form, revised 11/11/14
1/3

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4. TERM/DURATION		
Dates:	Start: _____	End: _____
		Renewal: _____
Payment(s) Due: (if applicable)	From: _____	Until: _____
5. PAYMENT TERMS :		
Payment Period: _____	Amount per Period: _____	
Total Annual Value of Contract: _____		
6. TERMINATION: (e.g. after one year, and with 60 days' notice)		
SECTION III :CHECKLIST		
Requirement	Description	Certified Complete By
a. Contract, Exhibits and Appendices	The contract and all documents incorporated by reference in the contract, including exhibits and appendices, are attached. All such documents have been read and agreed to in their entirety by owning/originating department and any other staff members who have obligation under this contract, and it conforms to understanding of both parties.	
b. Ancillary Agreement(s)/ Documents	Any related agreements, documents or matters relevant to this negotiation and final agreement are attached (with explanation if necessary).	
c. Warranties/Guarantees	Warranties or guarantees therein give satisfactory protection	
d. Certificate of Incorporation or Business Registration	Certificate of Incorporation or Business Registration for the contracting party has been obtained. (To be provided to the Legal Department at Section V, Step 3, below.	
SECTION IV. CERTIFICATION OF OWNING DEPARTMENT		
I have read this contract. I am satisfied with its description of the goods and services to be provided to Caribbean Airlines and certify that these reflect the terms negotiated (including, scope of work, cost, payment due dates, late charges, tax charges, insurance and confidentiality requirements and service level undertakings).		
Name _____	Signature _____	Date _____
Title _____ (Grade 7 and above)		
SECTION V – COMPLETION OF APPROVAL PROCESS (Steps 1 and 2 can be completed simultaneously)		

Caribbean Airlines Contract Routing and Approval Form, revised 11/11/14 2/3

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STEP 1: FINANCE		
Procurement: This contract has been reviewed and meets with the Procurement Department's selection criteria as guided by CAL's established policy.		
_____	_____	_____
Name	Signature	Date

Title		
Treasury & Financial Management: I am satisfied with the description of Caribbean Airline's financial obligations, including payment terms, taxes, budget and approved business plan compliance, and all other financial provisions of this contract. (Approving Department (Finance) will provide comments to the originating Department for further negotiation or amendment before indicating approval if deemed necessary).		
_____	_____	_____
Name	Signature	Date

Title		
STEP 2: INSURANCE		
Insurance Risk Manager: I am satisfied with the insurance obligations and undertakings of all parties and certify that these comply with Caribbean Airline's insurance policies. (Insurance Department will provide comments to the originating Department for further negotiation or amendment before indicating approval if deemed necessary).		
_____	_____	_____
Name	Signature	Date

Title		
STEP 3: LEGAL REVIEW		
Assigned Caribbean Airlines Attorney at Law: I have reviewed the terms of this contract and have duly advised on the legal implications of the terms therein in relation to legal risk as well as Caribbean Airlines Limited's legal and other policies.		
_____	_____	_____
Name	Signature	Date

General Counsel & Corporate Secretary		
Title		

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APPENDIX III

INVESTMENT POLICY



Treasury Department

Investment Policy Statement

Caribbean Airlines

			
	Investment Policy		
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CAL Strategy / Guidelines

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1. INTRODUCTION

This Investment Policy Statement shall guide the investment of surplus funds of Caribbean Airlines Limited (CAL). Investment funds are to be maintained as cash available for withdrawal when the need arises.

2. OBJECTIVES

- Each asset class (the three main asset classes are equities (stocks), fixed-income (bonds) and cash equivalents (money market instruments)) should be diversified across a group of investment products with sufficiently dissimilar characteristics to minimize the possibility of significant concentration in individual assets. This diversification should consider investment style, strategy and terms.
- Caribbean Airlines' exposure to any single investment firm or product should be limited such that an event which has a negative impact on all investors within the firm or product does not cause a disproportional negative impact on the value of Caribbean Airlines' investment.
- The investment of funds shall provide incremental return to assist in meeting the operational needs of Caribbean Airlines and shall employ a total return philosophy where realized gains and losses will be recorded.

			
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3. GUIDING PRINCIPLES

The investment of funds shall consider asset diversification, total return, suitability, and the experience, quality and capability of investment personnel. It will be guided by the following investment objectives, in order of priority:

1. preservation and safety of principal;
2. liquidity; and
3. yield.

3.1.1 Safety

Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The idea of safety is to mitigate credit risk, interest rate risk, currency risk and country risk.

3.1.2 Credit Risk

			
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CAL will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

1. Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which CAL will do business.
2. Diversifying the portfolio so that potential losses on individual securities will be minimized.

3.1.3 Interest Rate Risk

CAL will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.
2. Investing operating funds primarily in shorter- term securities.

3.1.4 Currency or Exchange Rate Risk

CAL will minimize the risk of loss resulting from changes in exchange rates by holding the majority of its investments in US Dollars, the major currency of expenses.

			
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3.1.5 Sovereign Risk

In financial theory, financial obligations of governments are often referred to as *riskless securities*. However, although these obligations constitute the best risk, they have a residual risk for the financial institution holding them. This risk is referred to as the sovereign risk of that country. It is the risk of loss experienced by a financial institution due to changing social, economic, or political factors specific to one country and can range from social or economic deterioration through legal and regulatory harassment, to deep recession, political breakup of the country, or the increase in financial institution income taxes. All such events could reduce CAL's earnings or capital.

CAL will minimize the risk of loss resulting from sovereign risk by, where possible, strategically diversifying its portfolio across countries.

3.2 LIQUIDITY

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

3.3 YIELD

The investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of the aforementioned safety and liquidity objectives.

			
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4. APPROVED INSTITUTIONS AND LIMITS

Investment Institution	Limit (US\$000)
GORTT and GORTT agency securities	50,000
Trinidad and Tobago Treasury Bills	50,000
First Caribbean International Bank (FCIB)	30,000
Scotiabank	30,000
RBTT Bank	30,000
Republic Bank Limited (RBL)	30,000
First Citizens Bank (FCB)	30,000
Trinidad and Tobago Unit Trust Corporation (UTC)	30,000
Citibank	30,000
Guardian Asset Management (GAM)	10,000
Caribbean Money Market Brokers Ltd (CMMB) Repurchase Agreements	5,000

Overall, the maximum maturity should be one year or less.

4.1 New Investments and Rollovers

Two authorized signatories authorize new investments and the rollover of existing investments. Such decision should be made in conjunction with the guiding principles stated above and should take into consideration the financial institution's existing percentage holding of CAL's portfolio as compared to their board limit.

			
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5. APPROVED INVESTMENT PRODUCTS

The following categories of investment products are authorized as indicated:

5.1 Cash Instruments

- a. Trinidad and Tobago Treasury Bills
- b. Money-market mutual funds
- c. Bank Deposits (must be partly guaranteed by the Deposit Insurance Corporation)
- d. Repurchase agreements
 - i. For the purpose of this policy, a repurchase agreement is an investment transaction between an investor and a bank of securities dealer in which the bank of dealer agrees to sell a particular instrument to the investor and simultaneously agrees to repurchase that investment at a certain date in the future at a market value of not less than the principal amount of the funds disbursed.
 - ii. A fully collateralized repurchase agreement is an authorized investment if the repurchase agreement is secured by the Government of Trinidad and Tobago (GORTT) securities and GORTT agency securities.
 - iii. Reverse repurchase agreements are not permitted.

5.2 Government of Trinidad and Tobago obligations and agency securities.

			
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5.3 Fixed income securities

- a. Certificates of Deposits (CD)
- b. Call Deposits
- c. Participatory Investment Note Certificates (PIC)
- d. Bankers Acceptances (BA)
- e. Other Fixed Income Securities: Between meetings of the Board, if deemed advisable, investments in other fixed income securities not specifically authorized by the policy may be made if approved by the entire Board.

5.4 Fixed income mutual funds Fixed income mutual funds are domestic or global funds invested in a portfolio of high quality debt securities. Eligible investment pools are authorized investments under the following terms and conditions:

- a. To be considered an eligible investment pool and to maintain eligibility, the investment pool must furnish, on a quarterly basis, an offering memorandum or other similar disclosure instrument that contains, at a minimum, the following information:
 - iv. The types and percentage breakdown of securities in which the pool is invested;
 - v. The maximum stated maturity date of any investment security within the portfolio;
 - vi. The objectives of the pools;
 - vii. The size of the pool
 - viii. The custodian bank that will safe-keep the pools' assets;
 - ix. Whether the only source of payment is the assets of the pools at market value of whether there is a secondary source of payment. such as insurance or guarantees, and a description of the secondary source of payment;

			
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- x. The name and address of the independent auditor of the pool;
- xi. The requirements to be satisfied for CAL to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for CAL to invest funds in and withdraw funds from the pool;
- xii. The performance history of the pool, including yield, average dollar-weighted maturities and expense ratios; and
- xiii. Any changes or addenda to the offering memorandum.

6. AMENDMENT OF INVESTMENT POLICY

The Board will review and, if necessary, update CAL's investment policy statement on an annual basis.

APPENDIX IV

CASH STATEMENT OF OPERATIONS

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