CREDIT CONTROL AND COLLECTION PROCEDURE

EGC/SOP/SL/002

Revision No: 00

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APPROVAL

	DESIGNATION	SIGNATURE	DATE
Reviewed By:	MR		26th June 2026
Approved By:	MD		26th June 2026

REVISION HISTORY

Rev Date	Rev No.	Changes Description	Author
26-June-26	00	Initial Procedure	Sales & Finance

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1.0 PURPOSE

This procedure defines the process for managing customer credit and accounts receivable, including customer credit evaluation, establishment and approval of credit limits, release of sales orders based on credit status, invoice issuance, monitoring of accounts receivable, and collection and escalation of overdue payments.

Responsibilities are shared between the Sales and Finance Departments to ensure proper financial control and timely payment collection.

2.0 SCOPE

This procedure applies to all sales activities including manufacturing and trading of marine equipment, supply of instruments, mechanical equipment, spare parts, maintenance of safety instrumented system and pipeline products and related services to clients within the oil and gas industry.

This procedure also applies to all customers conducting business with Essem Group of Companies Sdn. Bhd. (EGC), including oil and gas operators, EPCC contractors, skid packagers or fabricators, and trading companies or distributors.

3.0 REFERENCE DOCUMENTS

Control of Records	EGC/SOP/CP/002
ISO 9001:2015	Clause 8.2.3
Quality Management System Manual (ISO 9001:2015)	EGC/QM/002

4.0 DEFINITIONS & ABBREVIATIONS

AR	Accounts Receivable
DO	Delivery Order
EGC	Essem Group of Companies Sdn. Bhd.
EPCC	Engineering, Procurement, Construction, and Commissioning
Exco	Executive Committee
GA	General Assembly
GRN	Good Received Note
JCT	Job Completion Ticket
LC	Letter of Credit
LOA	Limit of Authority
PO	Purchase Order
QMS	Quality Management System
SC	Service Completion or Service Completion Certificate
SOA	Statement of Account
SOP	Standard Operating Procedure
SSM	Suruhanjaya Syarikat Malaysia / Companies Commission of Malaysia

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5.0 RESPONSIBILITIES

5.1 Sales Department

5.1.1 Identify customer requirements

5.1.2 Submit customer credit application together with supporting documents to Finance

5.1.3 Ensure PO terms match agreed payment terms

5.1.4 Support collections activities when necessary

5.2 Finance / Credit Control

5.2.1 Perform credit assessment

5.2.2 Set and maintain customer credit limits

5.2.3 Monitor accounts receivables and ageing report

5.2.4 Follow up overdue payments

5.2.5 Review customer credit limit periodically

5.2.6 Maintain customer records & documentation

5.2.7 Reconcile customer statements and resolve discrepancies

5.2.8 Issue SOA and reminder notices

5.2.9 Recommend account suspension for chronic overdue accounts

5.2.10 Prepare ageing and collection reports for management review

5.2.11 Ensure compliance with company credit control policy and LOA

5.3 Management

5.3.1 Approve high credit limits beyond LOA

5.3.2 Approve credit exceptions and special arrangements

5.3.3 Review ageing reports and collection performance

5.3.4 Approve bad debt write offs where applicable

5.3.5 Support legal or recovery actions for severely overdue

5.3.6 Ensure adequate resources and controls for credit management

6.0 CUSTOMER CREDIT APPLICATION

6.1 New Customer Registration

6.1.1 Before accepting orders on credit, the customer must submit these required documents:

- Company registration (SSM)
- Latest audited financial statements and ageing report
- Trade references
- Completed Credit Application Form
- Bank reference / statements
- Purchase order terms and conditions

6.1.2 For government-linked or major oil companies, simplified evaluation may apply.

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6.2 Customer Classification

6.2.1 Customers are categorized to assess risk:

Category	Example	Risk Level
Tier 1	Major Oil and Gas Operators	Low
Tier 2	EPCC contractors	Medium
Tier 3	Fabricators / skid packagers	Medium
Tier 4	Trading companies	Higher

6.2.2 Credit limits and payment terms will be determined accordingly.

7.0 CREDIT LIMIT APPROVAL

7.1 Credit Assessment Criteria

7.1.1 Credit limits are determined based on:

7.1.1.1 Financial strength
7.1.1.2 Payment history
7.1.1.3 Project value
7.1.1.4 Industry reputation
7.1.1.5 Trade references
7.1.1.6 Existing exposure

7.2 Credit Approval Authority

Credit Limit	Approval Authority
Up to RM 20,000	Sales Manager
RM 20,001 to RM 50,000	Sales Manager & Finance Manager
RM 50,001 to RM 250,000	Group Chief Operating Officer / Head of Subsidiary
RM 250,001 to RM 500,000	Group Chief Operating Officer / Head of Subsidiary & Group Chief Financial Officer
RM 500,001 to RM 1,000,000	Group Managing Director & Group Chief Financial Officer
RM 1,000,001 to RM 2,000,000	Exco
Above RM 2,000,001	Board of Directors

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8.0 PAYMENT TERMS

8.1 Typical payment terms:

Customer Type	Typical Terms
Major Oil and Gas Operators	30 – 60 days
EPCC Contractors	60 – 90 days
Fabricators	30 – 60 days
Trading Companies	30 days or advance

8.2 For new or high-risk customers, terms may include:

8.2.1 Advance payment/Pre - payment
8.2.2 Partial advance with Milestone
8.2.3 Letter of Credit (LC)
8.2.4 Bank Guarantee (BG)

9.0 SALES ORDER CREDIT CHECK

9.1 Before confirming any order:

9.1.1 Sales submits Purchase Order to Finance with document in Clause 6.1.1.

9.1.2 Finance verifies:
9.1.2.1 Credit limit
9.1.2.2 Outstanding balance
9.1.2.3 Overdue invoices

9.1.3 Order approval outcome:

Condition	Action
Within credit limit	Release order
Exceeds limit	Seek management approval
Overdue invoices	Hold order until settlement

10.0 INVOICE ISSUANCE

10.1 Invoices must be issued promptly after:

10.1.1 Delivery of goods i.e. DO and GRN
10.1.2 Completion of services i.e. JCT and SC
10.1.3 Milestone completion (if project based)

10.2 Invoice package should include:

10.2.1 Invoice
10.2.2 PO
10.2.3 Delivery Order
10.2.4 Signed delivery acknowledgement
10.2.5 Inspection reports (if applicable)

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10.3 For project clients (EPCC), additional documents may include:

10.3.1 GA Drawing

10.3.2 Schematic Diagram

10.3.3 Material test certificates

10.3.4 Packing lists

10.3.5 QA/QC documentation

10.3.6 Other related documents

10.4 The Finance Department shall issue the invoice in accordance with the agreed payment terms.

10.5 The invoice shall be recorded in the Accounts Receivable system.

11.0 MONITORING OF ACCOUNTS RECEIVABLE AND AGEING REPORT

11.1 The Finance Department shall regularly monitor outstanding invoices using an Accounts Receivable Aging Report, typically categorized as:

- Current
- 30 days
- 60 days
- 90 days
- Over 120 days

11.2 The ageing report should be reconciled on monthly basis and resolve the discrepancies. Subsequently, submit for management review.

11.3 The report should be reviewed periodically to identify overdue accounts and potential credit risks. The SOA and reminder notice should be issued for overdue payout exceed more than 60 days.

12.0 COLLECTION PROCESS

12.1 For overdue invoices, the following collection actions shall be taken:

Overdue Period	Action
1–30 days	-
31–60 days	AR Team to follow up by email and phone call
61–120 days	The SOA and reminder notices issued
Over 120 days	Escalation to Management

12.2 The Sales Department may assist in communicating with the customer to facilitate payment.

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13.0 ESCALATION AND CREDIT CONTROL ACTIONS

13.1 If payment remains outstanding beyond acceptable limits, the following actions may be implemented:

13.1.1 Temporary suspension of further orders
13.1.2 Reduction or withdrawal of credit limit
13.1.3 Requirement for advance payment
13.1.4 Escalation to senior management
13.1.5 Legal recovery actions where necessary
13.1.6 Provision of doubtful debts

14.0 RECORDS

14.1 The following records shall be maintained as evidence of implementation:

14.1.1 Customer Credit Evaluation Form
14.1.2 Approved Credit Limit Records
14.1.3 Sales Order Credit Approval Records
14.1.4 Invoices and supporting documents as in Clause 10.2 and 10.3
14.1.5 Accounts Receivable Aging Reports
14.1.6 Collection Correspondence

14.2 All records shall be retained in accordance with the EGC's document retention policy with a minimum retention period of five (5) years as required by ISO 9001 and ISO 45001, and a minimum of ten (10) years as required by API Q1, unless otherwise specified by applicable legal, statutory, regulatory, or customer contractual requirements, in which case the longer retention period shall prevail.

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