 <b>AUSTIN POWDER</b> <small>Auxilio Powder Argentina - División Petroquímica</small>	<b>Procurement Process for Works and Services</b>			<b>90-ABA-PG#000003</b>
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Edition	Date	Review	Date	Approval	Date	Publication	Date
Julieta Berzero	12/16/2021	Fernando Carafenchos	05/07/2021	Fernando Carafenchos	08/05/2021	Ricardo Gomez	12/16/2021
		Julieta Berzero	05/10/2021				

## PD-Change Control Register

New document

### PD-Purpose

To supply the different needs of the users, through optimal and efficient purchases.

To contract works and services for raw materials, supplies and/or quality services that guarantee the optimal development of processes and products.

To have a process that guarantees objectivity, transparency and excellence and allows us to maintain long-lasting relationships with strategic suppliers.

### PD-Scope

It applies all the procedures carried out by the Purchasing Department of Austin Powder Argentina, Petrochemical Division (APA).

It applies to all employees, sectors and areas that the APA Purchasing Dept. attends.

The Purchasing Department works as a partner of the User. The User is jointly responsible with the Buyer for ensuring compliance with this procedure. The User has to know and understand this procedure and the policies involved when ordering a Work or Service, and the User has to cooperate with the Buyer in complying with this procedure.

### PD-References

NO APPLICABLE.


### PD-Definitions and abbreviations

- Work or Service: it is a set of activities or works performed by a Contractor company, which may involve personnel, equipment, spare parts, consumables and supplies that are necessary for the operational continuity of the APA production process.
- Contractor: any natural or legal person that performs a work or provides a service.
- Agreement: it is the agreement between two or more parties, by which the contracting parties undertake to give, do or not do something, which are clearly specified therein.
- Applicant: person, Department or Management of APA, S. A., who requests and/or uses the Service.
- Technical specification: it is a document that details the specifications of the Work or Service to be performed, including description of tasks, equipment, responsibilities, inspections, quality assurance, delivery of reports, schedule of items, method of certification, etc.
- Contract Administrator: the person responsible for APA, who is in charge of monitoring the execution and faithful compliance with the provisions of the Agreement or Service Order, and for this purpose may rely on personnel from different departments for the tasks of programming, overseeing, inspecting, etc.
- Purchase Order: it is a document that is generated in SAP; it details the type of product or service,

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the quantity to buy, the price, the payment conditions and other important information for the commercial operation.

- Purchase requisition (SOLPED): electronic document of the management system (SAP) that indicates the needs of productive and non-productive inputs, raw materials, materials, spare parts and/or services that the Users submit to the Purchasing Department.
- SAP (*Systeme Anwendungen und Produkte*): it means in English “Systems, Applications, and Products”. It is a computer system that allows companies to manage their human, financial-accounting, productive, logistic, purchasing resources and more.
- Quotation request: it is an invitation sent by the purchasing department to a supplier to submit a bid for the Work or Service that will be performed.
- Buyers: they are professionals and employees of the Purchasing Department, who are specially designated to validate the Purchasing Management and issue the orders in accordance with the procedures and policies in force.
- Authority: each and every employee must comply with this policy.

## PD-Responsibilities

**The Purchasing Management is responsible for the effective administration of this procedure and for ensuring compliance with it.**

The Area Manager is responsible for overseeing the implementation of this procedure by their assistants.

Purchasing personnel are responsible for following and applying this procedure in the execution of assigned purchases.

The Purchasing Department and Finance Management are responsible for compliance with the procurement process before agreeing to any possible contracting of a supplier and committing company funds.

## PD-Development

### Creating a SOLPED

The user who identifies a need must create a SOLPED using the ME51N SAP transaction. It must contain the following information in order to be received by the purchasing department and processed accordingly.

**Description:** it should provide a simple description of the request, including why and for what purpose.

The bidding documents along with all the documentation mentioned therein, such as drawings, schedules, inspections, etc., must be attached to it.


The SOLPED that do not comply with the previous paragraph can be rejected by the purchasing area, and it will be notified via email so that it can be changed or cancelled.

### Bid request

The Buyers receive the SOLPED according to the purchasing group assigned to it, and a bid request is created via SAP, ME41. This PDF will be sent to the suppliers that are appropriate or to the one indicated in the SOLPED, including all the Annexes such as the Technical Specifications, drawings, etc.

In the case of a service SOLPED, in addition to the above, the SHES Requirements and the requirements for entry to the plant have to be submitted.

We will not accept materials of Chinese origin when ordering material/spare parts as per company policy, due to previous negative experiences of our company, regarding the quality of the material as well as the quality guarantees, which did not match the material shipped.

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On the other hand, the technical offers will be sent to the applicant for technical analysis, who must make an evaluation and inform Purchasing Department which offers are technically valid and which are not, with the corresponding justification.

For the offers that meet the technical requirements, the position should be indicated, if possible, i. e., which offer is in first, second or third place.

Based on the economic and technical evaluations, an award proposal will be prepared and approved by the Requesting Area Manager and the Purchasing Manager according to the available budget.

The Buyer will send the request for economic approval, along with the corresponding technical evaluations to the Purchasing Manager in order to decide the best option and select an award-winning supplier, who will be awarded the purchase, by issuing the corresponding Purchase Order in SAP-ME21N.

It is important to clarify that it will not always be possible to choose the best economic offer. There are other value-adding factors, such as service quality, on-time delivery, payment terms, etc., and these factors are taken into account when selecting a supplier.

**Insurance**

If the Contractor requests a financial advance, it should be requested a surety bond insurance for the amount of the advance, and establish the way in which it will be discounted.

Repair Fund Insurance: in the case of a Work, as a guarantee of the work performed, it is possible to request a surety bond insurance, for a determined amount of the Work, valid for the established period.

Performance bond insurance: In the case of a service, as a guarantee of its execution, it is possible to request a surety bond insurance for a specific amount, valid for the duration of the service.

**AUTHORIZATION SCHEME**

Purchases of up to USD 10,000 are authorized by the Procurement Manager.

Purchases of more than USD 10,000 and up to USD 20,000. are authorized by the plant Manager.

Purchases of more than USD 20,000 are authorized by LATAM Director.

Once the best offer has been defined, the buyer changes the SOLPED into PO, establishing in it the commercial conditions agreed with the supplier.

The POs should contain the following information:


- Date
- Number
- Quantities
- Detailed description of the good to be acquired
- Agreed cost price
- Terms of payment
- Agreed adjustments
- Notes

The Buyer is authorized to modify the PO by increasing its value by up to 5%. If a greater increase is required, the Buyer must obtain a written authorization from the Procurement Manager.

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The Buyer will request the release of the PO to the Procurement Manager. Once it has been released, the supplier will be notified and it will be filed with the supporting documentation (technical and commercial documentation).

The POs have to include the following provisions: Non-disclosure Agreement (if applicable) and General Conditions of Materials or Services and Special Conditions of Purchase.

Under no circumstances may a PO remain active, i.e. with a balance in favor of a Supplier, for a period longer than 12 months if during that period there were no transactions. After 12 months of its generation without transactions, the PO must be cancelled.

The supplier shall include the PO number on its delivery note and invoice.

Once the work has been received or the service has been provided according to the conditions agreed upon in the PO, it will be the user or applicant who will acknowledge receipt by issuing the HES and will inform the buyer about the completion of the service. The buyer can then indicate "Final Delivery" in SAP and block the remaining balance of the PO so that it does not appear as active.

Advance on POs and Contracts: the Buyer should coordinate with the FINANCE department regarding the availability of funds. The Purchasing Dept. can request, at its discretion, the supplier:

- Balances from the last two fiscal years
- Bank references
- Trade references
- Surety bond policy with automatic adjustment provision

**Exceptions**

All those situations that for any reason are not included in the present procedure must be properly justified, or must be contemplated in the Strategic Procurement section.

- Default supplier: when the user, generally for technical reasons, requires that the goods or services are provided by a specific supplier, which may not be the one with the most suitable quotation.
- Sole Supplier: when the good or service to be purchased/contracted is provided by a single bidder, and it is not possible to purchase/contract any other equivalent for technical or market reasons that are clearly justifiable.
- Regularization: when, due to an emergency or poor planning of needs, it is necessary to ensure the supply by omitting any of the specific procedures in order to meet the need in due time and form.

**SUPPLIER FILE**

All purchases, without exception, must have the necessary documentation and approvals to demonstrate the actions taken and ensure complete transparency. The Buyers have to obtain the following documents for each purchase.


All files must contain at least:

- SOLPED number
- Price list or quotation considered
- Catalogs

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- Price comparison
- Selection criteria
- PO copy
- Any other background information that may help to understand the business (meeting minutes)

The buyer keeps the file.

Once the PO has been sent to the Supplier, the Buyer will have to upload the information to the Server in the following path \\AR-JUR-FS\12. Abastecimiento\01.Compras

The folder name has to include the SOLPED number. If the SOLPED number is not available, it should be uploaded to the folder labeled "WITHOUT SOLPED", including the consecutive folder number.

The digital folders are organized as follows:

01. SOLPED
02. OFFER
03. COMPARATIVE
04. FINANCIAL APPROVAL
05. AUTHORIZATION REPORT
06. PURCHASE ORDER

## **CK-Related Documents**

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