



Day&Zimmermann

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Policy No.: Supply Chain Policy

Policy No.: 1331

Responsible Officer: Senior VP Finance and CFO

1.0 Purpose

The purpose of this policy is to establish the authority and responsibility of the Supply Chain Organization regarding the Company's Sourcing and Supply Chain activities including:

Section: Policy Topic

[1331-01: Requisition Processing and Controls](#)

[1331-02: SAP Requisition Release Strategy](#)

[1331-03: Purchase Order and Subcontract Processing](#)

[1331-04: Purchase Order Approval Authority](#)

[1331-05: SAP Standard and Framework Purchase Orders](#)

[1331-06: SAP Purchase Order Release Strategy](#)

[1331-07: Competitive Bid Requirements](#)

[1331-08: Negotiation](#)

[1331-09: Payment Terms](#)

[1331-10: Supplier Master Database, Management and Controls](#)

[1331-11: Standard Terms and Conditions and Incorporating Client Flow-Downs](#)

[1331-12: Standards of Business Conduct in Supplier Agreements](#)

[1331-13: Legal Review Support Requirements](#)

[1331-14: Ethics, Conflicts of Interest Avoidance Standards](#)

[1331-15: Small and Diverse Suppliers](#)

[1331-16: Sourcing Cost Reduction](#)

[1331-17: Supplier Anti-Corruption](#)

[1331-18: Supplier Information Security Evaluation](#)

2.0 Definitions:

2.1 Sourcing Process: includes an approved/funded Requisition, Supply Chain led Source Selection, leading to an approved Purchase Order authorizing the supplier to provide the goods/services requested. An Out of Process transaction occurs when some or all of these steps are missing or the process is performed outside the proper sequence.

2.2 SAP: The Enterprise Resource Planning System – where Requisitions, Purchase Orders, Receipts, Invoice Matching and Payment Authorizations are managed.

2.3 Competition: The process of obtaining multiple suppliers' price, commercial terms, and technical capabilities for a given category of spend. Competition does not infer procuring at the lowest available price; rather, securing the best value for the Company and compliant with customer specifications and the FAR/DFAR where applicable.

2.4 Sole Source: Where one supplier is exclusively capable of supplying the commodity or service. This may occur when the goods or services are specialized or unique in character. Depending on Business Group, a written justification by Engineering/Program Management and/or Operations is required to justify a Sole Source. In certain Business Groups, more senior approval may be required.

2.5 Single Source: While two or more suppliers offer goods or services, the SC Strategic Sourcing Specialist selects one supplier in conjunction with Engineering/Program Management and/or Operations for substantial, documented business reasons, eliminating the competitive bidding process.

2.6 Directed Source: Where the Customer/Client directs the use of a specific subcontractor and/or supplier.

2.7 SAP Standard Purchase Order: A Standard Purchase Order (PO) is the most commonly used document to engage a supplier to provide goods and/or services.

2.8 Blanket PO: A Purchase Order without a specified quantity, unit price, or item description and has a predefined value limit along with a validity period. The cost for goods or services procured under a Blanket PO are not recognized in our accounting systems until the invoices are received.

2.9 Framework PO: A Purchase Order similar to the Blanket PO concept, though strictly utilized for services whereby numerous charge codes are applied to this PO, and particularly used for services applicable to the Enterprise, i.e., Iron Mountain, Background Verifications, etc. NOTE: Issuance of a Framework PO requires the approval of the designated Supply Chain Director.

2.10 Release Strategy: The Business Group/Staff Controllers delegate and assign authority to individuals through a mechanism in SAP known as the Release Strategy. Release Strategy determines the limits for the spending approval authority via a Requisition and Procurement authority through the issuance of a Purchase Order.

2.11 Purchase Order Release Strategy: Purchase Orders issued in SAP grant authority to individuals for releasing commitments on behalf of the Company.

2.12 Requisition Release Strategy: The Release Strategy gives authority to individuals to create or approve Requisitions in SAP based on specific dollar limits.

2.12 Sourcing Activities: Activities, led by SC Strategic Sourcing Specialists, ranging from establishing and managing the supplier relationship; competitively bidding, negotiating and/or procuring, expediting, and managing goods or services from suppliers.

2.14 Office of Foreign Assets Control (OFAC): The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those

engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States.

2.15 System for Award Management (SAM): This site is operated by the General Services Administration (GSA) and lists individuals or companies debarred, suspended, or otherwise excluded from receiving federal contracts, federally-approved subcontracts, or certain types of federal financial and non-financial assistance and benefits. Suspensions are temporary exclusions pending the outcome of an investigation, while debarments last for a set number of years and are instituted after all the facts are known. Reference section 9.4 of the FAR for more information.

2.16 Source to Pay Procurement Process: The transaction steps to follow accounting practices from budget owner to supplier payment, involving Business Group and Corporate Staff functions, Supply Chain, Operations, Suppliers, Accounts Payable.

2.17 Segregation of Duties: An internal control whereby tasks are apportioned between different Business Groups to reduce the likelihood for fraud and/or errors. Reference [Policy 1329](#). See below table:

| Task or Activity | By Whom |
|---|---|
| Requisition Creation / Approval | Budget Owner, Business Group, Corporate Staff Functions |
| Purchase Order | Supply Chain - Only |
| Goods Receipt or Service Entry | Requisitioner or Receiver of goods / services |
| Invoice Creation / Transmittal/Submission | Supplier |
| Payment | Accounts Payable |