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# **PROCEDURES MANUAL**

## **PROCUREMENT POLICIES**

## INDEX

04 BACKGROUND

04 PURPOSE

04 PROCEDURE

04 SHOPPING FUNCTION

05 PROFESSIONAL BEHAVIOR

06 PURCHASING POLICY

09 PRINCIPLES OF CONTROL IN THE SUPPLY AREA

10 PURCHASING PROCEDURE

## **BACKGROUND**

The company requires the acquisition of materials and the contracting of services in a timely manner and in the best conditions of quality, opportunity and cost that the market offers for the development of the contracted projects.

To support this, a Procurement Policy has been developed to keep the process simple and expeditious; and to ensure that effectively through the Continuous Improvement philosophy we contribute to cost reduction initiatives, granting transparency to each of the processes, in a safe, sustainable and environmentally responsible manner.

This management of the Supply Area is based on the definition of SAXUM Engineering policies.

## **PURPOSE**

- Generate appropriate controls of the procurement process.
- Provide adequate tools for cost control.
- Provide consistency in all purchasing and contracting operations.

## **PROCEDURE**

Any commercial transaction with suppliers must be carried out exclusively

by members of the Supply Area and no other employee of SAXUM Ingeniería is authorized to provide information to suppliers or to initiate a bidding process that could affect or involve the company and as a consequence hinder any future commercial transaction. .

The Supply Area will be in charge of managing the tenders on behalf of SAXUM Engineering, making calls for tenders, conducting negotiations and ensuring that Saxum maximizes the value of money on each purchase. This will be carried out guaranteeing the provision of services on time, coordinating the necessary approvals and ensuring faithful compliance with the internal policies, rules and procedures, as well as the laws in force in the Argentine Republic.

## **PROCUREMENT FUNCTION**

The Supply Area will have the personnel, systems and services necessary to ensure the efficient execution of purchasing activities, which include:

- Maintain simple procedures that respond to the customer's purchasing needs.
- Keep an updated supplier registry open.
- Maintain updated electronic files and adequate documentation

involved in all Purchase activities.

- Analyze and evaluate the quotes received, based on the combination of factors such as price, quality, delivery time, etc.
- Select suppliers with proven capabilities and ensure that they maintain satisfactory performance in Sustainable Development.
- Minimize direct awards (single supplier).
- Prepare Letters of Recommendation, Commercial and Technical Analysis Reports of the offers received.
- Clarify any doubts that suppliers may have.
- Ensure that providers carry out the delivery of services in a timely manner.
- Maintain strict confidentiality in all purchasing activities.
- Deepen knowledge of the markets for goods and services, developing market intelligence to detect opportunities and risks.

## **PROFESSIONAL BEHAVIOR**

The SAXUM Procurement team will develop labor relations with other specialized SAXUM areas such as Engineering, Legal Affairs, Finance, Accounts Payable, etc .; making use of your support for the purposes of review, comment and information during the process of developing the

tenders and awards.

In carrying out purchasing functions and responsibilities, it is expected that Area staff will conduct themselves in a highly professional and efficient manner; complying with the following characteristics:

- Careful knowledge of SAXUM policies and practices.
- Detailed knowledge and understanding of the Market.
- Innovative attitude.
- Precise strategic planning.
- Flexibility in the selection of the purchase method that best meets the needs of users and market conditions.
- Use agile and simple contracting processes, understanding that these characteristics depend on the magnitude and complexity of the good to be supplied or the service to be contracted.
- Require a high level of compliance by Suppliers.
- Possess knowledge of legal issues, incoterms and exposure risk in commercial situations related to purchases.

## **PROCUREMENT POLICIES**

### **GENERAL POLICY**

SAXUM Engineering has as its policy the purchase of services, materials and equipment with duly approved technical characteristics, from

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suppliers that offer the cheapest cost, taking into account the technical specifications, quality, price, delivery time, service and operating costs.

All purchases must be made from commercially and financially suitable suppliers capable of satisfying the requirements. The company should try to obtain the best possible prices and all the additional benefits that could result from long-term relationships and partnerships with suppliers.

#### **SPECIFIC PRACTICES**

- All business relationships with suppliers must be honest and efficient, treating them fairly, regardless of the purchasing strategy selected. The supplier should not be allowed to create a false expectation about a particular business with SAXUM Engineering. If more than one vendor is participating in any stage of the Sourcing process, they should all receive exactly the same information, be offered the same terms, and given the same time to respond or prepare a proposal.

Information provided by a provider should not be published to other providers, either before or after the award is made.

- Purchasing Officers must ensure that suppliers understand what is expected of them and that the specifications of the required equipment / services are clear. The use of specifications, in a competitive process, developed by a particular supplier must be used in such a way that they do not limit or exclude other competitors; in these cases the other providers should be encouraged to present other technical alternatives.

- Once the award has been granted, the supplier must comply with all the requested specifications and with the terms and conditions specified in the order.

In addition to being a good practice, it is a sign of courtesy to reliably notify the suppliers that participated in the competitive process that the order has already been granted.

#### **RELATIONSHIP WITH EXTERNAL ENTITIES**

SAXUM Ingeniería expects that during transactions, its employees have an impartial treatment with suppliers to maintain a good image towards their clients.

Any employee who directs or participates in purchasing activities or who may have a position from which a

decision may be influenced must be aware of the SAXUM policy requirements as well as the Code of Ethics.

The purchasing power of SAXUM Ingeniería granted must not be used to obtain goods and services for the personal use of employees.

Purchase requirements channeled through the Procurement Team should not be communicated or discussed with suppliers by members of other departments, except in those cases where technical assistance is required. Compliance with these principles will help eliminate misinterpretations and leave more room for negotiations.

In order to ensure that SAXUM Ingeniería obtains advantages of respect and good reputation, the following practices must be followed in relations with suppliers and Contractors:

### **COMMUNICATIONS**

- Conduct with strict veracity in all communications and transactions.
- Respond to letters and other inquiries in a timely manner.
- Provide accurate information.

### **MEETINGS**

- Encourage productive meetings, and

politely avoid non-productive ones as well as frequent visits by suppliers.

- Receive supplier representatives on time. If this is not possible, explain why they cannot be received, and make an appointment to see them in the future.
- Provide each supplier representative with a complete, short and fair hearing for each issue that justifies it, depending on the nature of the request.
- Stay free of commitments that could intervene with free and fair competition.
- Document the important meetings through signed minutes, or electronic proof of conformity of what was expressed in it as a result of the meeting.

### **VISITS TO SUPPLIERS**

When appropriate, visit providers to stay informed on:

- Facilities
- Organization
- Capacity
- Methods
- New materials or services that may be manufacturing or selling
- Expansion or reduction plans
- Key personnel
- SD conditions (HSEC)

### **CONFIDENTIALITY**

Respect the confidentiality of supplier

information related to:

- Quotes
- Contractual arrangements
- Other confidential information
- Never post confidential SAXUM proprietary information, and restrict internal distribution to only those who need it.

## **MISTAKES**

You should not take advantage of errors incurred by the supplier or make commitments that could imply a burden that does not correspond to them.

## **COMPLAINTS**

Provide fair and timely attention to complaints or claims. Demonstrate interest in the supplier's difficulties and, when possible, cooperate with it, without this implying harm to SAXUM. Avoid complaints for trivial reasons.

## **CLAIMS**

Make claims to suppliers whenever necessary.

## **GIFTS AND ENTERTAINMENT**

- The SAXUM Engineering Procurement Team may participate in certain types of recreational and / or leisure activities that are combined with business meetings in which the circumstances are considered appropriate and of interest to the relationship between

Buyer and Seller. These types of activities include working lunches or dinners, or sporadic industry meetings. In case of doubts in this regard, the Supply Manager of SAXUM Engineering should be consulted, before accepting the invitation.

- It is not permissible, under any circumstance, to accept invitations from suppliers that imply payments for travel or hotel stays. When SAXUM Engineering considers it necessary for any of its employees to travel for business reasons, it will directly bear the expenses that this decision represents.

## **CONFIDENTIALITY**

During the bid analysis process, the information provided by the potential supplier is reviewed. This information is generally confidential and sensitive to the provider. Similarly, there is a probability that your information will leak. Therefore, it is very important to raise awareness and maintain careful attention regarding the requirements to adequately handle information during evaluations.

The distribution of the suppliers' proposals is restricted. When requested under a sealed envelope, the company procedure must be followed. Proposals

must remain in a secure and locked place while not in use.

The distribution of proposals should be limited so that participants in the process only receive the section related to their work. Each individual is responsible for the sections in their possession, as well as for their return to the archive once the analysis has been completed.

The delivery plan should consider the possibility of having shared proposals or sections between different participants in the evaluation process and that some of the Suppliers that were not selected request that their proposals be returned to them.

## **PRINCIPLES OF CONTROL IN THE SUPPLY AREA**

Regardless of the concepts used in Procurement, there must always be efficient controls that must be properly applied to ensure that purchasing procedures are followed.

## **MONITORING AND REVIEW**

Systematic and diligent purchasing management activities help ensure compliance and ensure controls are understood. Awards, letters of recommendation and supporting documentation, whatever their amount may be reviewed by individuals or groups desig-

nated by SAXUM.

## **AUTHORIZATION**

Authorization refers to the responsibility to take actions, sign documents and approve transactions. The important purchasing functions are generally carried out by the procurement area of SAXUM.

## **PURCHASE PROCEDURE**

### **SCOPE**

The purchasing activities of services required by SAXUM are governed by the policies, practices and procedures established in this manual.

### **PURCHASING PROCESS**

The purchase process begins when:

- SAXUM's Supply Area receives the specifications duly approved by the Engineering area, which must contain all the technical guidelines for the acquisition of the service.
- The necessary funds required to cover the costs of goods and / or services must be properly budgeted, being SAXUM's responsibility to ensure this.

SAXUM Engineering and Construction Management Teams must:

- Plan the requirements well in advance.

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- Issue the purchase documents together with all the specifications, special conditions, impressions and other documentation to identify the materials and / or services required.

- Ensure that the costs of goods and / or services required have been properly budgeted and assigned.

- Sufficiently and adequately justify purchases of goods and / or services through the direct adjudication process and obtain the corresponding approvals according to the Process.

**The SAXUM Procurement Team must:**

- Check that the technical specification sheets not only have the adequate description, but also that it is broad enough to allow the use of different alternatives. Whenever the material is specified by name or manufacturer, it will be assumed to be by material from that branch or its equivalent, unless the specifications clearly indicate that no substitutes will be accepted.

- Prepare the list of selected suppliers (Bidder List) to request quotes and review it in conjunction with the SAXUM Engineering area to be sent later.

- Safeguard in an adequate file all the relevant documentation necessary to ensure and demonstrate a transparent bidding process, documenting in electronic format the background and the different stages related to the purchase process, from the request for quotation to the sending of the letter of recommendation. . For example: sending the requests for quotation (by fax or email), negotiation process, inquiries that have been made, comparative tables, approvals, confirmation of receipt of the purchase order by the supplier, etc.

**REQUEST FOR QUOTES**

In general, competitive processes will be followed in the purchase of goods or services except when:

- There is an emergency that can cause significant delay or delays in services exceeding any savings that may have been achieved through a competitive process. In this case, the corresponding authorization must be requested.

- When an unsafe situation arises that constitutes an emergency and must be corrected immediately.

- Only one source is capable of meeting technical and delivery requirements.

- These are materials purchased direct-

ly from their Original Manufacturer (OEM) or their authorized representative.

- It is justified and advantageous for Saxum to negotiate prices directly with an experienced supplier company, and to establish previously agreed terms through a competitive process.
- Market conditions or the nature of the requirement indicate that a competitive process would not be beneficial to SAXUM, for example:
  - When one or two suppliers dominate the market.
  - It is done through the purchase of new, unusual or high-tech goods, in which quality and technical characteristics are important.

The reasons for not purchasing goods or services through a competitive process must be properly documented.

## PURCHASE MECHANISM

The general procedure for the purchase of materials is a function of the estimated total value of the goods and services specified in the specifications. Depending on the estimated total value of the equipment or service, the activity should be carried out as follows:

| <b>Total Purchase Value US \$ '000</b> | <b>Purchase Mechanism</b>   |
|--|---|
| $\leq 5$                               | Request for Quotation by email or fax to at least one supplier. Once the quote is requested by email or fax, the supplier must formalize it by the aforementioned means (fax or email).   |
| $>5 \text{ y } \leq 35$                | Tender process by email or fax with at least two suppliers. Quotes must be in writing (fax or email).   |
| $>35 \text{ y } \leq 100$              | Tender process with at least three suppliers. Quotes must be in writing (fax or email). If there are only two suppliers, you must inform and request authorization from the SAXUM supply manager to proceed.  |
| $>100$                                 | Tenders must be made through a closed envelope mechanism, and a committee must open the proposals simultaneously. Another alternative is to carry out tenders through a software (Tender Portal) where bidders will be given a username and password to upload their offers, which will then be opened simultaneously by the system. Tender process with at least three suppliers. If there are only two suppliers, you must inform and request authorization from the SAXUM supply manager to proceed. |

## CONTENTS OF THE QUOTE REQUEST

The written request (fax or email) for quotes must include the following:

- a) Cover letter with a summary of SAXUM requirements, clearly establishing the closing date and time for receipt of offers.
- b) Specifications (sheets, plans, documents) for each equipment or services, defining their characteristics.
- c) Commercial conditions.
- d) Instructions indicating rules and recommendations that must be followed during the process.

The request for quotations must be written (email or fax), or in a sealed envelope according to the value of the purchase in accordance with the detail in point 8.4 of this procedure and considering whether they are critical and strategic items for the project.

Offers in sealed envelopes will be received in the Supply Area and will only be opened after the closing date and time for receipt of offers. They can be opened before the closing date and time only if quotes have been received from all invited providers.

At least three SAXUM Engineering employees must open the sealed envelopes. Employees participating in the opening of envelopes should prefe-

rably be from the supply area or employees who are working directly with the project in question.

The main function of the group that opens the offers will be:

- Open offers.
- Sign or initiate the quotations received (all the pages that make the financial proposal)
- Identify the original copy
- Sign the Bid Opening form.
- Sign the observations made in the opening of envelopes, if any.

Bids received after the formal opening date will be returned unopened to the issuer, along with a letter explaining that the quote was invalidated as a result of late receipt.

Exceptionally and when the other quotes have not yet been opened, a late quote may be accepted with the approval of the Supply Manager.

All quotes will always be treated in a strictly confidential manner. Clarification requests related to commercial terms may be requested by email or fax. (Eg: payment terms less than 30 days, Advances, etc.).

## EVALUATION OF QUOTATIONS AND AWARD

The SAXUM purchasing officer will prepare the quotation evaluation to determine and recommend which is the best offer. This will be done by issuing a letter of recommendation.

Initially, the technical evaluation will be the responsibility of SAXUM Engineering, who will evaluate the proposals and then issue the Technical Analysis Report (TAR), which will include a technical ranking of the bidders with a brief description of the advantages and disadvantages of the offers of each of them. This technical evaluation will then be sent to the client, who will carry out a new technical analysis and then prepare the final technical ranking. The final results of the technical evaluation will be forwarded to the Procurement Team for final consolidation.

## SELECTION CRITERIA

The supplier chosen is the one that offers the most attractive combination of quality, price, delivery, performance, service and warranty.

The main selection criteria includes the evaluation of factors such as:

- Quality and technical conditions according to specifications.

- Price, including the possible impact of the exchange rate and possible costs of ackaging, transportation, mobilizations, customs expenses in the case of imported origin equipment, etc. The comparison of costs will be made taking into account all the costs involved up to the stage of use of the equipment and / or services.

- Costs in case of termination of contracts or service order.
- Environment when applicable, eg: Chemical Products
- Other costs, if applicable, for example: price increase
- Delivery schedule
- Services post-sale
- Guarantees and their impact on costs
- Operating costs

When the general conditions are similar, the best price option will be recommended; in case of equal prices, the company with the content with the highest Argentine participation will be chosen according to the company's policy of optimizing regional and national resources.

The award recommendation letter (LOR) will be approved by the managers of SAXUM Engineering and subsequently by the client according to the following authorization chain according

to the amounts to know:

*PM: Project Manager*

*P: Purchasing Manager*

*AM: Administration Manager*

*FROM: Executive Director*

## **PARTIAL AWARDS**

The selection of the best alternative in a competitive process, based on a vertical evaluation of the proposals received, that is, making a comparison of the total value of each bidder constitutes a standard procedure.

However, the buyer may recommend an award based on a horizontal evaluation of a purchase from two or more suppliers, in those cases where a economic advantage of a value not less than US \$ 1,000 (provided that the bidders have been informed of the possibility of a direct award or if the supplier accepts a partial award, although it has not been announced in advance).

## **CLARIFICATION OF QUOTES**

The clarification of the proposals will be carried out when necessary as a consequence of the complexity of the specifications for the construction of the project, to understand its implications and ensure that the bidders fully know the requirements of SAXUM.

Clarifications are generally required for:

- Ensure that users (Engineering / Client) understand the scope of the proposals submitted and that bidders understand the scope of the application requirements.
- Achieve full compatibility (technical and commercial) of the proposals with the Request for Quotation.
- Define the effects of significant changes to the original requirements that may have been introduced after receipt of proposals.
- Ensure that the bidders have documented all the relevant aspects and allow the correction of the errors detected in the quotes.
- Discuss the price of items that may not be in accordance with the requirements in the Request for Quotation.

The objective of the clarifications will be to ensure that the bidder has not been disqualified without having made the fair and reasonable considerations to its proposals.

During this process, the Purchasing Officer and the Supplier can exchange correspondence (letters, e-mails and faxes). Once all issues have been resolved, bidders will confirm any clarification or modification in writing.

The Purchasing Officer must document all activities during the clarification process (including verbal communications) and ensure an adequate file. The meeting minutes signed by the Supplier are considered adequate documentation for the final selection.

During the Clarification stage, changes in the economic proposal will not be accepted; Any changes to the specifications must be made ensuring that no advantage is given to any of the bidders.

### **LEVELING OF QUOTES**

Leveling is an internal process that aims to adjust quoted prices to a common basis so that they can be compared.

The purpose is to present each quote in its actual position, before choosing the supplier to whom the order will be awarded.

Only the following areas will be leveled:

- Technical quality, for example, progress in its efficiency, reliability, operation, etc.
- Work Schedule / Delivery Times
- Freight and Customs expenses, if applicable
- Proposed organization and key

personnel.

- Payment schedules, cash flow, etc.
- Other implicit issues, such as inventory levels.

The Leveling process will be carried out once all the clarifications have been carried out.

### **REJECTION OF A QUOTE**

Whenever there may be reasons not to award a business, all written offers will be rejected and the purchase will be canceled or restarted.

Reasons for rejecting proposals can be, for example:

- That the requirements of the Request for Quotation are not complied with.
- Inappropriate, unclear or poor specifications.
- Quotations prepared not independently, but with mutual agreement between the bidders.

The decision to reject proposals will be made in writing and will be approved by the Supply Manager.

### **PRE-AWARD MEETING**

For the purchase of all critical equipment or services involving large investments, a meeting will be scheduled with the selected bidder (s), prior to

the award and once approval has been obtained, if this is deemed necessary.

The objective of these meetings will be to ensure the successful start of the service delivery or provision process.

## **NEGOTIATION**

Provided it is appropriate and with the objective of improving the conditions of the most economical proposal of the competitive process, additional elements identified during the evaluation process may be negotiated.

Some cases in which negotiation can be considered during the competitive process are:

- Quoted prices exceed the budget and are higher than market estimates
- Lack of a real competitive environment for being a monopoly market
- Significant changes in the requirements since the quotations were received
- Savings opportunities.

The negotiation will be the responsibility of a team made up of the Purchasing Officer, the Client, the Purchasing Manager and the person in charge of Engineering, the latter in the event that the amount of the purchase justifies it; and this will be duly docu-

mented following the aforementioned procedures for meetings with suppliers.

## **PURCHASE ORDERS**

All Purchase Orders will be prepared and issued by the SAXUM Supply Area.

The SAXUM Procurement Team will ensure that the provider's communications do not conflict with the Purchase Order.

The SAXUM Procurement Team will be responsible for clarifying any queries related to commercial issues in the Purchase Order, and will coordinate any technical clarifications with the end user.

## **CHANGES OF ORDER**

All modifications to a Purchase Order require a Change of Order that has the prior approval of the Purchasing and Administration Manager, if this affects your budget. If there is an impact on the price and conditions, the approval of the order change will take place according to what is mentioned in point 8.7 of this manual. In determining the approval level, the original value plus all subsequent changes will be taken into account.

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## PRICE ADJUSTMENTS

SAXUM's Procurement Team must agree adjustment formulas for contracts and service orders in conjunction with the awarded provider in order to update prices over time, taking into account the inflationary process in which Argentina is in, as well as also the updates of parity for each one of the unions that intervene in the services.