




Overview of Procure to Payment Policy, Procedures & Processes

Document No: SPR 30

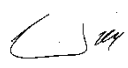
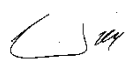
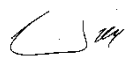
Revision: 02

Issued: February 2018

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AMENDMENTS

Section/ Paragraph Number	Rev N°	Amendment	Date	Signature
New Document	0	Creation of Procurement Procedures Overview Communication	07/04/2016	
Change Title on all pages Change formatting on all pages	1	Applies to the whole document. Applies to the whole document. Insert updated process flow chart.	20/10/2017	
Updated Turtle - Gap Analysis Process Control	2	Appendix 1 new version inserted and old version removed.	21/02/2018	



1. Purpose

This document summarizes the Procedure that governs the procurement activities that should be followed for the procurement of any goods or services for Hulamín Limited.

2. Scope

The Procedure applies to the procurement of goods and services for the account of Hulamín and directs that all procurement activities be performed by qualified individuals specifically delegated the authority and accountability for acquisition and procurement functions.

3. Responsibility

Hulamín's procurement Policy is to procure goods and services in a fair transparent and ethical manner, using sound business practices, from sources that provide maximum value for each expenditure, taking into consideration quality, price, delivery, reliability, service, procurement and engineering.

It is the responsibility of all, Process Owners, Executives, Senior Management, Middle Management, Floor Management, Co-ordinators, Shift Leaders and anyone else, **collectively end users**, trusted with a limits of authority to ensure that they are familiar with and comply with the Procurement Policy and Procedures of Hulamín Limited.

4. Procedure

There are two separate process routes that can be utilised to create a purchase requisition, the material requisition route or alternatively the work order route, both of which are described below. Some of the processes are identical for both and are therefore described generically. Where there are differences in the processes these are fully described.



Procedure	Responsibility
<p>4.1 Step 1: Identification of the Need via Material Requisition (MR) Route</p>	
<ul style="list-style-type: none"> • The end user in the area identifies the need for a certain item or service and must define the relevant technical specifications / requirements 	End-user
<ul style="list-style-type: none"> • The end user should then check if the item is available in stores as a stock item or on contract in Maximo. This is done simply by searching under all stock items, or all contracted items for a particular supplier in Maximo (using the Maximo search functionality). 	End-user
<ul style="list-style-type: none"> • If the item is available in stores or on contract a material requisition should be created for that particular item (i.e. add that item number to the material requisition) – this is critical for the following reasons: <ul style="list-style-type: none"> ◦ Drawing items from stores rather than purchasing them directly from the Supplier is far quicker and less costly – we cannot afford to be storing items that are not used/drawn ◦ The items available on Maximo are generally contracted items and we therefore get them at contract prices – rather than off-contract “free text” purchases which would typically be more costly ◦ The items in Maximo should already have the necessary technical specifications captured so there is no need then for the end user to provide this detail when capturing the material requisition ◦ It is much easier to track and analyse the spend on items in Maximo than “free text” purchases where the description of the item is controlled by the end user creating the material requisition and can be as limited as – “As per quote xyz from Supplier abc”. (If the information in the description of the material requisition is insufficient, the Buyer is authorised to reject the requisition which will then require amendment by the approver in the plant.) 	<p>End-User</p> <p>Buyer</p>



<ul style="list-style-type: none"> If the required item is not available in stores or on contract as an ITEM in Maximo, then a direct “free text” purchase may be required. In this instance the end user needs to enter all the relevant technical details for the item(s) or service(s) required including technical specifications and/or scope of work into the material requisition. If the required details are not entered into the material requisition the procurement process will be delayed as the buyer will need to source these details from the end user in any event before requesting quotations from Suppliers. 	End-user
<ul style="list-style-type: none"> End user submits the material requisition into workflow. 	End -user
<p>4.2 Step 2: Approval of Material Requisition</p>	
<ul style="list-style-type: none"> Line manager checks and approves the material requisition which then converts into an approved Purchase requisition (PR). Line management needs to check if the: - <ul style="list-style-type: none"> Material Requisition is for an ITEM in Maximo or “free text” purchase. If an ITEM in Maximo, approve the cost of the item within limits of authority. If “free text” material requisition, confirm that the necessary technical specifications or scope of work is included, and if comfortable with the specified requirements, quantity and cost then approve within limits of authority. If a “free text” material requisition has been created and the line manager knows that the required item is an ITEM in Maximo he/she should reject the material requisition and request the end user to correct the material requisition by deleting the “material” line and inserting the correct stock code under the item field, then resubmit the material requisition for approval. 	Line Manager



<ul style="list-style-type: none"> o If a “free text” material requisition does not contain relevant technical specifications or a scope of work is not detailed the line manager should reject the material requisition and request the end user to correct by amending the material requisition line details, then resubmit for approval. 	
<p>Note: If the originator of the material requisition selected a contract item (within Maximo to be purchased) then the purchase order (PO) is automatically generated and sent to the Supplier when the material requisition (MR) is approved by the originator’s line manager. There is no need for buyer involvement on an order by order basis as the pricing for the items has been negotiated under that contract with the Supplier. There are significant benefits for all parties involved in purchasing contracted items in this manner which streamlines the process, minimises lead time from requisition to delivery of the item and reduces costs. All staff is therefore encouraged to search for and select contracted items within Maximo when creating material requisitions rather than creating “free text” purchase requisitions.</p>	End-User
<p>4.3 Step 3: Identification of the Need via the Work Order (WO) Route</p>	
<ul style="list-style-type: none"> • The processes described in step 1 apply equally to the work order and the words “material requisition” need only be substituted by “Work Order, the procedures are identical. 	
<ul style="list-style-type: none"> • On approval of the WO Purchase Requisitions are automatically created dependant on the mix of ITEM, materials and services specified and the recommended suppliers’ inputted. The PR/s are however in the waiting approval (WAPPR) status and automatically workflow to a Buyer in the Procurement Office 	Buyer



<p>who is charged with securing quotations, as detailed in Step 4 below.</p>	
<ul style="list-style-type: none"> The Buyer inputs the negotiated and agreed pricing and the selected vendor into each PR and submits it back into workflow for approval within the limits of authority by line management. (Note that the buyer is entitled to reject the PR if the need has not been correctly specified and the end-user will have to reprocess a PR against the open work order. 	Buyer
<ul style="list-style-type: none"> The PR status is changed to “WAPPR” on being submitted into workflow by the Buyer and can only be approved or rejected by line management. Changes to fields on the PR are not then possible as this would affect the agreed purchase value. (It is therefore imperative that the process described in Step 1 is correctly applied in defining the need.) 	Line management
<ul style="list-style-type: none"> Line Management approve the PR which then changes status to financially approved “FPPR” and either workflows back to the Buyer for order placing or automatically converts into an approved PO if the items specified are contracted. 	Line management
<p>4.4 Step 4: Supplier selection and Negotiation</p> <p>This step involves many sub-process steps to ensure that the commercial process is conducted in an ethical, fair and objective manner. However for the purposes of this summary only the key steps/requirements have been included.</p>	
<ul style="list-style-type: none"> For non-contracted items the Buyer will need to request quotes/proposals from potential suppliers based on the specifications and/or scope of work provided by the originator. 	Buyer Originator



<p>It is therefore critical that clear, accurate and comprehensive specifications / scope of work are provided by the originator of the purchase requisition.</p>	
<ul style="list-style-type: none"> The applicable commodity Buyer will conduct the sourcing process by inviting relevant suppliers to submit a quotation/proposal for the goods or services requested. (This process may require the end user to be present and participate during a site meeting with potential supplier/s.) The Buyer will invite previously approved suppliers as well as other potential suppliers that may have been identified as market contenders to participate in this process. The Buyer, originator and other technical or quality support personnel should work together as necessary to develop an approved list of suppliers to be involved in the process. 	<p>Commodity Buyer</p> <p>Buyer, Originator, Support Personnel</p>
<ul style="list-style-type: none"> A minimum of 3 quotes is to be obtained by the Buyer for any off-contract spot purchases. Sole sourcing from a single supplier is only acceptable when there is specific justification that only a single supplier is capable of supplying the requirement (e.g. OEM suppliers) and must be signed off at the appropriate authority limit per the Procurement Policy and Procedures. 	<p>Buyer</p>
<ul style="list-style-type: none"> End users / originators must not approach suppliers directly for quotations – this is the role of the procurement department. End users / originators may need to approach a supplier to obtain information relating to their requirement and/or indicative pricing prior to creating the purchase requisition however this is not to be seen as a substitute for an appropriate, objective and fair commercial process that must be conducted by the procurement department. 	<p>Buyer</p> <p>End-User</p>



<ul style="list-style-type: none"> • The Buyer, shall analyse the quotations for conformance to the specifications, terms and conditions, quality requirements, and any other information that may be missing or unclear. Missing information may be obtained by telephone, but must always be confirmed in writing by the Bidder. 	Buyer
<ul style="list-style-type: none"> • In analysing the quotations/proposals received, the Buyer will complete the commercial evaluation and where necessary will involve the originator, approver or other technical personnel in evaluating the bids from a technical and quality perspective. This is particularly important for a new item/requirement and/or a new supplier. 	Buyer
<ul style="list-style-type: none"> • The supplier that can provide the required goods or services according to the stated technical specifications and achieves the highest overall adjudication score (based on the bid evaluation criteria, which includes cost/pricing, BBBEE level, percentage black ownership etc.) is the one that should be selected 	Buyer
<ul style="list-style-type: none"> • If the selected bid/proposal exceeds the approved purchase requisition value by more than 10% the Buyer may not proceed to order the requirement. A "Top-Up" purchase requisition must be requested from the end user so that the order value is within 10% of the mandated spend value on the combined purchase requisitions. 	Buyer End-user
<p>4.5 Step 5: Create Purchase Order</p>	
<ul style="list-style-type: none"> ○ The Buyer selects the PR for order creation and follows the processes in Maximo to create the purchase order and will insert the agreed delivery date, correct any grammatical errors where necessary and insert the agreed purchase price. 	Buyer



<ul style="list-style-type: none"> ○ If there are any special terms or conditions the Buyer will insert these too. 	Buyer
<ul style="list-style-type: none"> ○ Where the PR calls for supply of goods that would need to be imported the Buyer will first create a contract on Maximo so as to enable payment prior to receipt of the requirement and then a release order and insert the relevant forward cover rate of exchange secured for the transaction. 	Buyer
<ul style="list-style-type: none"> ○ The purchase order is then approved within purchase order limits of authority. 	Limits of Authority Matrix
<ul style="list-style-type: none"> ○ On approval of the purchase order the purchase order is e-mailed to the supplier in PDF format and, if set up, an sms is also sent to a designated cell phone number to alert the supplier to the order. 	Maximo
<ul style="list-style-type: none"> ○ A copy of the order is automatically e-mailed to the originator of the PR. 	Maximo
<p>4.6 Step 6: Receipt of the Purchase Order (Physical Goods)</p>	
<ul style="list-style-type: none"> • The physical receipt of goods will either occur through the main entrance to the plant or directly to main Stores at 7 Barnsley Road. (Definitely not through main reception area.) 	Security / Stores
<ul style="list-style-type: none"> • The bulk delivery that requires a weighbridge certificate to prove the delivered quantum may be affected through the main entrance to the plant and will be stopped at the boom by security who verifies that a delivery is taking place, stamps 	Security



<p>the documentation with a blank receiving stamp and directs the delivery to the required destination on site.</p>	
<ul style="list-style-type: none"> If the delivery is a bulk load, such as LPG or diesel or aluminium metal, the truck is weighed across the weighbridge situated at the main entrance to the site. After offloading or decanting the bulk load on site the truck is weighed out and a weighbridge certificate authenticating the actual delivery is produced. 	Security
<ul style="list-style-type: none"> The bulk delivery being affected through the main entrance to the plant is directed to and proceeds to the delivery point on site, typically a production area, where the stamped documentation is signed by a responsible representative in the area accepting the load being delivered. This documentation is to be handed back to the driver of the delivery vehicle after signature for return to security on exiting the main gate. 	End-User
<ul style="list-style-type: none"> Security provides the stamped and signed delivery documents to stores receiving who capture the receipts onto Maximo. 	Security
<ul style="list-style-type: none"> Security should not permit deliveries of other than bulk deliveries that require a weighbridge certificate to be produced through the main gate entrance and should direct such deliveries to main Stores. 	Security
<p>Note: The individual signing for the delivery on site is responsible to check that the goods being received are being delivered to the correct place, that the quantity as evidenced on the delivery documents is matched by the quantity of physical goods being received and that the quality of the goods being received is acceptable. Signing acceptance for deliveries without checking is not acceptable.</p>	End-user



<ul style="list-style-type: none"> The driver of the delivery vehicle returns to the main entrance to the plant where security will check that the delivery documentation has been signed for in the plant. If not the driver will be sent back into the plant to secure the necessary signature before being permitted to exit the plant. 	<p>Driver Security</p>
<ul style="list-style-type: none"> During office hours Stores Receiving take possession of a copy of the signed delivery documentation and the weighbridge ticket, if one has been produced. Outside of office hours security take possession of a copy of the signed delivery documentation and the weighbridge ticket, if one has been produced and hold the documentation for Stores Receiving to collect the next day. The driver is permitted to exit the site and retain at least one copy of the signed delivery documentation and the weighbridge ticket, if one has been produced. 	<p>Stores Receiving Security</p>
<ul style="list-style-type: none"> Deliveries to main Stores are received in the receiving area and checked with the documentation being stamped and signed for by a Stores Receiving Representative who takes possession of the delivery. 	<p>Stores Receiving Representative</p>
<ul style="list-style-type: none"> If the goods delivered are Stores stock items they are inspected by the Inventory Controller and then binned in the store. 	<p>Inventory Controller</p>
<ul style="list-style-type: none"> If the goods delivered are not stock items, Stores first check the physical delivery and paperwork against the order requirements on Maximo before affecting delivery to the originator in the plant, who signs for acceptance of the goods received, which acceptance record is filed by Stores. 	<p>Stores End-User</p>



<ul style="list-style-type: none"> Whether delivered through the main gate or to stores the Receiving Clerk captures the delivery onto the Maximo system by selecting the relevant order and order lines, inputting the actual quantity delivered, the document's date and the relevant document number. The delivery documentation is scanned onto Maximo and the original documents are forwarded to Creditors department for matching to the invoice at a later date once the invoice is received. 	<p>Receiving Clerk</p> <p>Creditors department</p>
<p>4.7 Step 7: Receipt of the Purchase Order (Services Rendered on Site)</p>	
<ul style="list-style-type: none"> Where services have been rendered on site, physical receipt through Stores Receiving is not possible or required. Instead a completion certificate needs to be signed off on by the responsible plant person, within limits of authority, and this document is to be handed to the supplier. 	<p>End-User</p>
<ul style="list-style-type: none"> In signing off the completion certificate the responsible person is doing so on behalf of Hulamin and is accepting the service provided as being complete and in accordance with the ordered requirements. 	<p>End-User</p>
<ul style="list-style-type: none"> The supplier is responsible for attaching the completion certificate to his invoice and providing both documents to Creditors Department for payment purposes. Where hours have been worked under Hulamin supervision and a completion certificate cannot be signed off on as the services are ongoing then the time keeping records are to be used to substantiate the quantum of the invoiced amount instead of a completion certificate. 	<p>Supplier</p> <p>Creditors Department</p>
<p>4.8 Step 8: Payment of the Purchase Order</p>	



<ul style="list-style-type: none"> • Creditors Department on receipt of the supplier's invoice match the invoice to the receipt against the purchase order on Maximo where a physical delivery occurred. Where the value on the order matches the value on the invoice the invoice is processed and paid. If there is not a match then the query is referred back to the responsible Buyer to resolve. 	<p>Creditors Department</p> <p>Buyer</p>
<ul style="list-style-type: none"> • For services rendered on site Creditors Department select the purchase order lines for payment and in doing so create both the receipt and a system invoice for payment purposes. Where the value on the order matches the value on the invoice the invoiced is processed and paid. If there is not a match then the query is referred back to the responsible Buyer to resolve. <p>5. <u>Breakdown Procedure for after-hour Purchase Orders and deliveries.</u></p>	<p>Creditors Department</p> <p>Buyer</p>
<p>Some background on the need for such a procedure is provided below:</p> <ul style="list-style-type: none"> • Under normal operating conditions no supplier is allowed to make deliveries onto site without a valid Hulamin order number. Security enforces this by not letting suppliers through the main gate to make deliveries during office hours unless they have a valid Hulamin order number, and main stores do not accept deliveries without a valid Hulamin order number. 	<p>Security</p>
<ul style="list-style-type: none"> • After-hour order placement or deliveries are not to be encouraged, however it is recognized that due to the nature of our operation, in certain instances real "breakdown" situations do occur. 	



<ul style="list-style-type: none"> In a breakdown situation that occurs after hours, there is no buyer available for the plant to work with to ensure that an order is placed in the normal manner prior to delivery of the goods. In this instance, therefore a breakdown procedure is required that allows suppliers to deliver goods (after hours only) without a valid Hulamin order number, but this requires certain controls to be in place as described in the procedure below. 	
<p>5.1 Breakdown Procedure</p>	
<ul style="list-style-type: none"> Breakdowns are to be considered as exceptions as well as assets requiring repairs. A breakdown repair or an off-site repair transaction, is to be validated by either a breakdown type work order, or an Off Site Repair type work order. Further, the services, or works, or supply of goods, is be awarded to a preferred supplier on the Purchasing system and the preferred supplier must be a supplier that would normally provide such services, or works, or supply such goods. 	End-User
<ul style="list-style-type: none"> Responsible engineer or manager (designated Hulamin person) in the area concerned should procure the critical item(s) as a priority under the breakdown condition, in accordance with company Authority matrix/limits, and arrange for emergency delivery thereof. 	End-User
<ul style="list-style-type: none"> Delivery is to be effected via the 7 Barnsley Road entrance only where Stores receiving is located. (Nothing is to move through the main reception area or through the main gate.) 	Stores receiving
<ul style="list-style-type: none"> The designated Hulamin person should then contact security (ext 6637) at the 7 Barnsley Road entrance only to inform them that a breakdown has occurred and that a delivery from that particular 	End-User



<p>supplier is expected (provide description of what is to be delivered, quantity to be delivered, supplier from whom the delivery is expected and approximate time of delivery).</p>	
<ul style="list-style-type: none"> Security will log the expected delivery into the "emergency deliveries / breakdowns" log book kept at the 7 Barnsley Road entrance only. 	Security
<ul style="list-style-type: none"> When the supplier arrives at the 7 Barnsley Road entrance only (and does not have a valid Hulamín order number), security will first confirm whether an emergency delivery has been logged for that particular supplier and if so will proceed with the steps detailed below. 	Security
<ul style="list-style-type: none"> If no expected emergency delivery has been logged for that supplier, they will not be allowed onto site by security. Security will request details from the supplier as to who and where the delivery is for and will endeavour to contact the responsible person in that area involved to confirm the requirement for the delivery 	Security
<ul style="list-style-type: none"> The supplier will then be required to complete the breakdown certificate as provided by security who will check the details thereof prior to allowing entry. 	Supplier
<ul style="list-style-type: none"> The vehicle will then be allowed entry, and delivery to be affected to the specified area. 	Security
<ul style="list-style-type: none"> The designated Hulamín person will need to accept delivery, and sign for receipt on the Breakdown Certificate in line with the actual delivery received. 	End-User



<ul style="list-style-type: none"> The supplier must, upon exit from the Hulamin main gate, return one original copy to the Security Office which document will be processed by the Stores Receiving and Procurement Departments the following day during working hours. 	Supplier Stores Receiving and Procurement
<ul style="list-style-type: none"> The supplier is expected to forward a copy of the breakdown certificate to the applicable buyer along with their invoice. 	Supplier
<p>Note: If a breakdown occurs during normal working hours the responsible Buyer must be involved in the supplier selection process and is to communicate a formal purchase order to a Supplier for the urgent requirement/s. If an area is unsure of which Buyer to contact then they are to contact their area Buyer who will then assist them further. End users may not commit Hulamin to a supplier during normal working hours even in a breakdown situation.</p>	Buyer End-user

5.2 Attachments

Appendix 1 Flowchart: Purchasing Turtle Gap Analysis process control

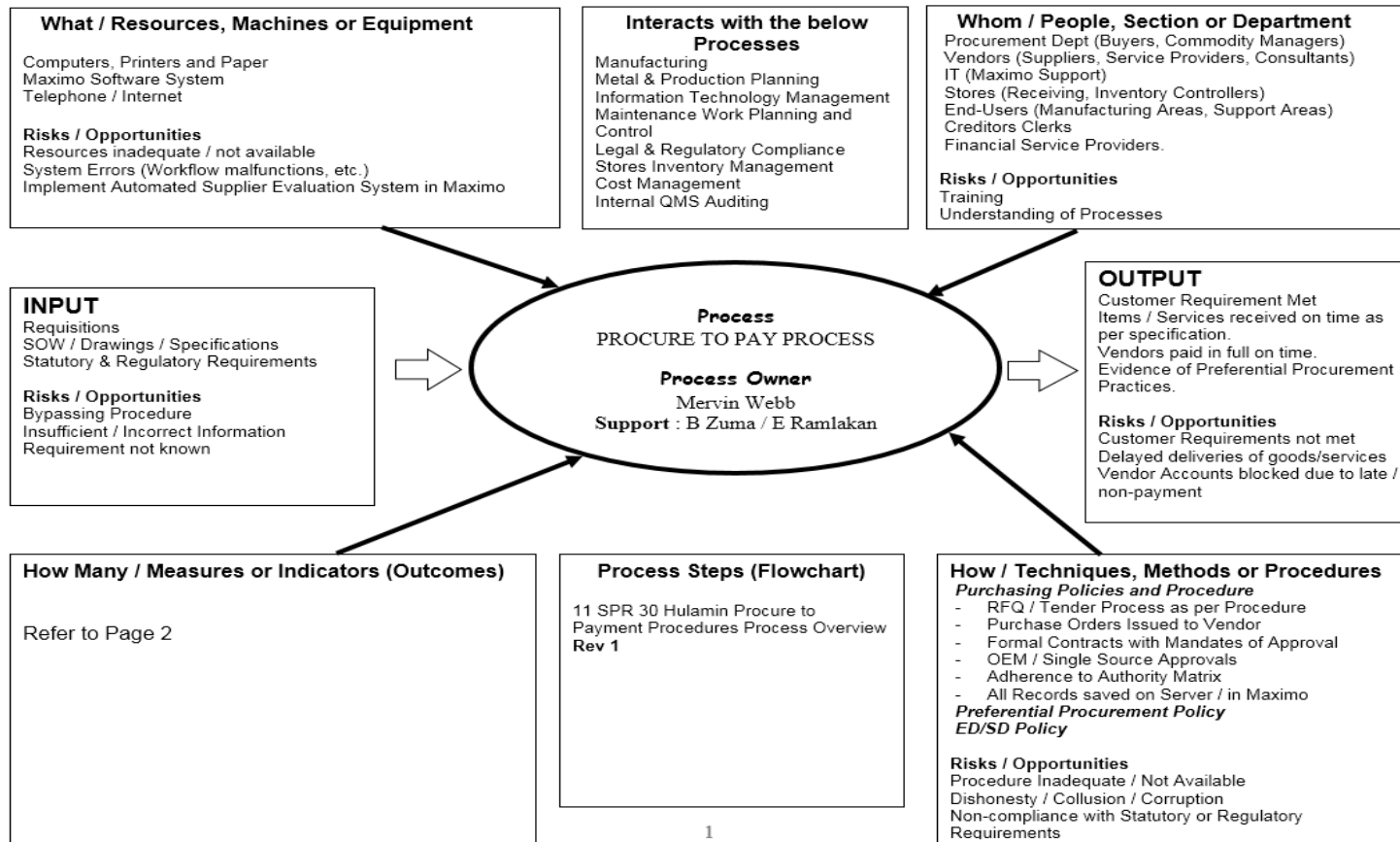
Appendix 2 Flowchart: P2P Procurement and Stores Process Flow Rev 1

5.3 Records

Record	Doc No	Retained By	Retention Period	Destroyed By
Procedure	SPR 30 (SCM 11)	Process Owner	Not destroyed	n/a



Appendix 1 Flowchart: Purchasing Turtle Gap Analysis process control





How Many / Measures or Indicators (Outcomes)

Buyer Performance measured on BI System :

- Count & Value of Free Text Requisition lines
- Count & Value of Order Lines on Contract

To drive increased contracted spend. Implies well managed spend and adds value. Increased ease and speed of creating PO from approved PR

- Average Material Request PR APPR to PO APPR
- Average Work Order WAPPR to PO APPR
- Average OSR WAPPR to PO APPR

Above days measured to check that Buyers are acting timeously to meet plant requirements

Vendor Performance and Evaluation on BI system and Commodity Dashboards

- Percentage of PO's Fully Delivered & Delivered on Time

To check that vendor delivery performance is aligned to order terms and plant requirements

- BBBEE Vendors at Level 4 or better
- BBBEE Spend

To measure whether BBBEE spend is aligned to company objectives. Striving to better score & increase spend

Vendor Performance measures assist with meeting certain requirements in the quarterly Vendor Evaluation

NOTE : Above measures on BI system can be drilled down into, to review individual transactions contributing to the score.

Maximo Reports analysed weekly iro. Outstanding PR's and PO's

- PR Ageing Report
- Approved PR's Not Yet Actioned
- Stores Re-order PR's
- Overdue PO's Awaiting Approval
- Approved PO's Not Sent

Risks / Opportunities

Performance Indicators / Software System not adequate

Inaccurate Data



Appendix 2 Flowchart: P2P Procurement and Stores Process Flow Rev 1

