



## **POLICIES & PROCEDURES RELATING TO VENDORS**

### **OBJECTIVE**

Sealed Air ("SAC") Purchasing Policies impact suppliers in a number of different areas. This document summarizes those impacts extracted from formal Sealed Air internal policies.

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### **Payment terms and Processes**

- SAC policy is to pay its vendors on time, actual terms and discounts can vary considerably by industry, trade custom, and country, so payment time-frames will often vary from country to country.
- Days of credit will be calculated the from the date of receipt of goods or date of receipt of invoice, whichever is later.
- SAC's policy is to use electronic processes where available, and we require all new vendors to accept payment through EFT, and via the Xign interface, wherever possible.

### **Exceptions & Deviations**

- Deviations from the minimum standards require approval from Purchasing Management.

### **Competitive Bidding**

- Buyers are responsible for obtaining competitive bids or price quotes on certain purchase contracts for goods and/or services. Invoking competition is the most effective way of ensuring that we obtain the best value.

- Competitive bids or price quotes will only be solicited from suppliers who are listed on SAC's approved vendor list, or whom the buyer knows are qualified. Note: The primary criteria for an acceptable/qualified vendor are satisfactory financial condition, ability to perform, and suitable facilities. Suppliers of raw materials and some production supply items will ordinarily require Quality Control audit/approval before being approved to tender for business.

### **Competitive Bid/Price Quote Process:**

- SAC relies significantly on its supply base to provide high quality and competitively priced goods and services, in order to be able to provide the same to its customers. We therefore aim to create strategic partnerships with our suppliers, and to foster a business environment where products constantly improve, suppliers stand behind their products and services, and we are charged competitive prices. SAC, in turn, aims to pay every invoice in accordance with agreed terms, and work closely with its suppliers to support the development of products, processes and services. SAC expects our suppliers to actively self-assess their own standards of supply.
- While competitive price comparisons are always encouraged, competitive bids or price quotes must be obtained for the purchase of certain goods and/or services.
- Bid and quote requests should include a sufficient level of detail, in an attempt to eliminate all known variables. The recommended level of detail to be included, as applicable, is quantity, description, delivery requirement, special conditions, drawings, specifications, date information, etc.
- SAC always reserves the right not to award the contract to the lowest priced bid.

### **Contractual Terms & Conditions:**

- SAC has a set of minimum requirements for negotiation and approval of terms and conditions for its Purchasing Contracts, that recognizes the need to accommodate local business conditions and the need for specialized terms under appropriate circumstances.
- All procurement relationships with significant vendors shall be formalized using Purchase Contracts containing terms and conditions compliant with this policy.
- Contract content. All purchasing contracts must have specific terms addressing agreement scope and purpose, description of product or service being acquired, purchase price and currency, payment terms, tax provisions, title transfer and freight cost, service level and quality requirements, termination/cancellation parameters, product warranty, liability indemnification, confidentiality, governing law, Force Majeure, and term of the contract.
- SAC's own terms and conditions must be used barring exceptional circumstances.

### **Ethics**

- SAC's ethical standards for its employees are very clear. It is the Company's objective to maintain a reputation in the industry that meets the highest standard of ethical conduct. It should also be understood that the spirit of this policy requires

that SAC maintain a high degree of integrity in all of its interactions with employees, customers, suppliers, local communities, governments at all levels and the general public. Therefore, all employees have a responsibility to conduct themselves in accordance with the highest standards of integrity, honesty and fair dealing and to preclude conflict between the interests of SAC and the personal interest of the employee, as outlined in the Company's Code of Conduct. Naturally, SAC's suppliers are expected to work within the same high standards

- SAC awards contracts to suppliers on the basis of total "landed" cost and best value, which includes competitive price, quality, delivery and service. Procurement decisions are based upon business benefit to the Company and its customers and "favoritism" will not be a part of the buying process.
- An SAC buyer will not:
  - 1) Accept any gifts, favors, or entertainment from the Company's suppliers, customers or competitors.
  - 2) Accept payment of any nature in order to influence, or as a result of, business done with the Company.
  - 3) Borrow money from, or engage in other personal transactions with the Company's suppliers, customers or competitors.

Occasional normal business hospitality on a reciprocal basis is acceptable.

### **Freight & Carriage**

- It is essential that the buyer or the individual acting as buyer agrees with the Supplier of the goods and records the details of that agreement within the Purchase Order header text (if different from the standard terms of Purchase) or Contract on the following material terms:
  - who pays for freight, carriage and import duty, and
  - who selects the carrier
  - who arranges freight and carriage, and export/import clearance
  - when the liability for loss or damage in transit (risk) transfers to SAC, and
  - when title (ownership) transfers to SAC
  - who is insuring the goods in transit
  - what other costs are the respective parties at risk of incurring if for instance transport or unloading is delayed (e.g. demurrage)
- While this may represent an insignificant cost or liability for low value supplies, large costs can accumulate for products that are bought repetitively or products of significant size or weight traveling over a significant distance.
- The trade terms provided below will help facilitate and manage contracts effectively.

### **TRADE TERM DEFINITIONS**

- Trade terms often differ between the USA and other countries, and while they may appear to be similar in content, the interpretation may be quite different. Buyers &

suppliers should endeavor to insure that they are interpreting the terms in the same way, either in line with the Article 2 of the Uniform Commercial Code (UCC) for the USA, or in line with INCOTERMS 2000 issued by the International Chamber of Commerce outside of the USA.

#### Within the USA

- **FOB or FREE ON BOARD:** For purchases in the USA, sales (or trade terms) are promulgated under Article 2 of the Uniform Commercial Code (UCC). Such terms are popularly prefaced with the prefix FOB. FOB related trade terms are commonly used for US domestic contracts with an additional qualifier to define the freight and title liabilities, which are different from the international interpretation of FOB in the INCOTERMS.

#### Outside the USA

- Where goods cross international borders, the only reliable method of recording the agreements established by the buyer is by reference to INCOTERMS 2000. These provide shorthand terminology that is well defined and understood. Any other terms would require lengthy description in legal terminology, requiring the input from legal counsel, and should be avoided. However, INCOTERMS do not define when title transfers, so this must be defined in the purchase order.

### Purchase Orders

- Purchase Requisitions and Purchase Orders (or Service Orders) must be used to procure materials, commodities, equipment, supplies and services which in the ordinary course of business are necessary to the manufacturing and sales operation of the Company. Most especially, it is mandatory to use Purchase Orders to procure any “inventoried” product – that is any product whose stock is managed by our systems to be part of our sold products or services.
- Purchase Orders are NOT mandatory for low cost items of an expense nature (that is “non-inventory”), and are frequently not the preferred process to use. The preferred processes for such low cost items (less than US\$5,000 or local equivalent) are by Purchasing Cards, by using blanket orders from Preferred Vendors (see Low Value Purchasing below) or by using the Travel Expense process. However, if Purchasing Cards, blanket orders or Expense processes are not possible, the normal Purchase Requisition and Order process should be used unless included in the exceptions below.

### **Low Value Purchasing**

- **Purchasing cards** are the preferred process for low value purchasing, wherever possible for goods and services under US\$5,000 per transaction or local equivalent. Preferred vendors should be used wherever possible.
- **Blanket orders** can be also used with selected vendors where a variety of low cost items are purchased. Blanket orders cover a financial commitment rather than specific items, with detailed item requirements being defined by locally authorized end users. Consolidated invoices can then be approved by the appropriate authorized cost centre managers.

- Company supplied personal **Corporate Travel & Entertainment credit cards** should be used wherever possible for the purchase of goods and services relating to travel and entertainment, and costs reclaimed via Expense Claim Forms. T & E credit cards can also be used, on an exceptional basis, where low cost office supplies items cannot be bought through Purchasing Card capable suppliers.
- Purchasing cards cannot be used for inventory, or outgoing freight charges, nor should they be used for staff travel expenses, unless there are pre-approved exceptions.

### **Exceptions & Deviations to the Purchase Order Process**

Areas where Purchase Orders are not required to be used (following the “non-PO” Invoice process) are as follows (the purchasing department will on request assist in the procurement of these items):

- Real estate, either by purchase or lease
- Major construction, plant additions or alternations
- Utilities such as gas, electricity or water
- Insurance and surety bonds
- Advertising
- Certain professional services such as the employment of public accountants, outside consultants, etc
- Temporary staff
- Transportation of personnel (other than the procurement of company-leased vehicles)
- Communication services, including voice and data
- Membership and medical fees

It is MANDATORY that all other purchases are processed through Purchase Requisitions and Orders. Payments for PO vendors require authorization through the recordation of a receipt of the goods or services; therefore receipt recording must be done in a timely manner.