AM/NS INDIA

PROCUREMENT POLICY

ARCELORMITTAL NIPPON STEEL INDIA

MVSS, PRANEETH

Contents

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1. Document Information

1.1. Revision History

Update	Date	Modifications
0	30th June 2021	Creation of the policy

1.2. Interpretation

This policy should be read in conjunction with AM/NS India's Delegation of Authority (DoA). In the event of a contradiction between this policy and the DoA, the later will prevail. In the event of a contradiction between Procurement Policy and Standard Operating Procedures (SOPs), the former will prevail.

Company policies - https://www.amns.in/about_us/policies/ ; *(Link to DoA & Procurement SOPs)*

1.3. Effective Date

This policy is effective as of the date of the signature of final approvers.

List of approvers

S.No.	Approvers	Designation
1	Wim Van Gerven	Vice President – Director of Operations
2	Hrishikesh Kamat	Chief Procurement Officer (CPO)
3	Pradyumn Kumar Jain	Head – Internal Controls
4	Nilesh Likhite	Chief Internal Auditor
5	Anil Kumar Soni	Procurement Section Head – Reporting & Governance

2. General Purpose

2.1. Objective

The objective of this policy is to provide the underlying framework for sourcing products and services at competitive prices, and in a timely, ethical, and uniform manner. This policy aims to acquaint business users with the general principles and processes that will be followed while carrying out the procurement of products and services at AM/NS India (Company). The policy also highlights best practices that are to be adopted while committing company funds in-order to achieve lowest reasonable operating cost without any compromise on quality and timely delivery.

2.2. Scope & Related Policy

2.2.1. Confidentiality & Conduct

Employees from Procurement & related functions engaging in any activity associated with sourcing are required to adhere to Company's Code of Conduct, Business Practice, & Conflict of Interest policy, including:

- Personnel will safeguard Company's confidential information as required under confidential matters in Business Practice Policy

- Company's proprietary information, including commercial strategies and other information contributing to Company's competitive advantage, will be appropriately protected

(Link to code of conduct, conflict of interest & business practice policy)

Purchaser Code of Conduct

In addition to the above policies, purchasers are expected to adhere to the following:

- All commercial discussions held with the supplier over virtual meetings/phone calls and decisions taken henceforth require email confirmation/acknowledgement from the supplier

- Purchaser shall ensure presence of another member from Procurement (ideally employee of the Company) during any commercial communication with the supplier

- Purchaser shall neither receive nor offer to take, directly or indirectly, any illegal payments, remuneration, gifts, or comparable benefits which are intended to or perceived to obtain business or uncompetitive favors for conduct of business during interactions (in any form) with the suppliers. Purchaser shall immediately notify respective reporting manager on receipt of such benefits

- Purchasers shall conduct in a cordial, ethical, transparent & professional manner with the suppliers and create confidence in them of being given a fair and a non-partisan treatment

- All Procurement personnel shall be apprised of the Supplier code of conduct to ensure the values of the Company are being followed

(Link to supplier code of conduct in appendix) ; *(Link to whistleblower, anti-bribery & anti-corruption policy)*

2.2.2. Policies

a. Responsible Sourcing Policy

For AM/NS India, Responsible Sourcing is about ensuring smooth access to the desired products and services in a way that takes social, ethical and environmental issues into consideration.

Key objectives of Responsible Sourcing include:

- Managing a supply chain that is in line with Company's corporate social responsibility policy

- Advancing procurement solutions that are compliant with needs and expectations of all stakeholders

- Building long-term value to reduce the risk to both the Company and its business partners

The Code for Responsible Sourcing (Code) forms the basis for this policy. Both purchasers and suppliers are expected to follow the guidelines detailed in the policy and ensure commitment as per the Code.

(Link to responsible sourcing policy & Code in appendix); *(Link to corporate social responsibility policy)*

b. Anti-Bribery and Anti-Corruption Policy

AM/NS has a zero tolerance anti-corruption and anti-bribery policy. Eliminating corruption is a major ethical goal for the Corporate Responsibility and Governance of the company. This policy is applicable to both employees & business partners (including customers, agents, consultants, suppliers, service providers or any other intermediaries that may act on Company's behalf) involved in sourcing process & it is the responsibility of Procurement to ensure suppliers understand and adhere to this policy.

(Link to anti-bribery and anti-corruption policy)

c. Sustainable and Ethical Procurement Policy

This policy is to ensure that purchasing decisions at AM/NS will be taken in a manner that is both ethically responsible & sustainable. The Company expects that both employees & suppliers will commit to consider:

- Environmental aspects like green procurement, energy emissions & materials used in manufacturing, product sourcing & lifecycle apart from economic factors like savings cost, true cost of manufacturing, supply, consumption and disposal of a product
- Impact of procurement on social issues such as poverty eradication, labor conditions and human rights
- Improvement in resource efficiency (recycle/reuse of materials), reduction in waste generation, extension of product lifespan and selection of environment friendly materials
- Fostering an environment of transparency, business ethics and integrity
- Ensuring all purchases are given appropriate safety considerations by establishing material safety data sheets (MSDS) for hazardous materials

(Link to human rights, health, safety & environment policy)

d. Digitalization Policy

AM/NS strives to achieve complete digital transformation to its Procurement function in-order to realize potential gains in efficiency. Procurement leadership shall focus on four key aspects:

- Continuous effort to capture internal/external information relevant to sourcing in-order to enable system driven checks/controls and better decision making through analytics
- Adoption of advanced technologies to automate various activities and processes
- Creation of user-friendly experiences to encourage more data collection/technology adoption
- Upskilling Procurement organization to build a high performing team

3. Procurement Organization

3.1. Organization Structure

Procurement structure at AM/NS India has two levels: central-level & asset-level. Central Procurement includes all categories where suppliers are operating to cater to the needs of AM/NS India in entirety whereas Asset-based Procurement operates specifically to meet the needs of respective asset location.

3.1.1. Organization Chart

Central Procurement team which is based out of Mumbai to manage sourcing for the following categories:

- Bulk Raw Materials (BRM)
- Logistics
- Procurement Administration
- Digital & Business Intelligence
- Gas & Related Services
- Land Management
- Capital Projects (Capex)

Asset-based Procurement teams (includes MRO/Consumables and Maintenance, Repair & Other Service Contracts teams) which manage respective asset locations and report directly to the CPO:

- o Pune
- o Paradeep
- o Hyper Mart

- o Vizag
- o Hazira
- o Service Center
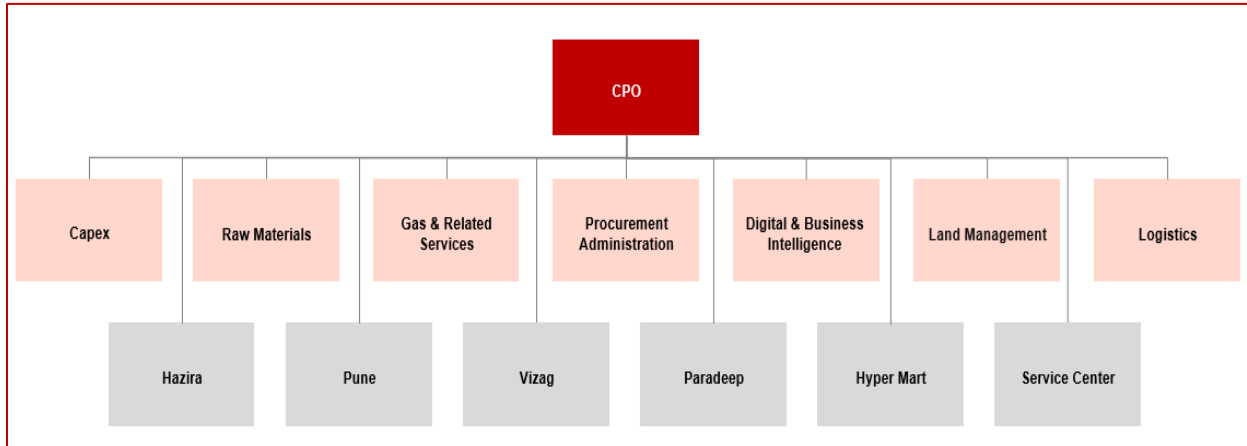
Procurement Organization Structure

Bulk Raw Materials (BRM)

BRM team procures raw materials (coke, limestone, coal, iron ore, etc.) required for Iron and Steel making.
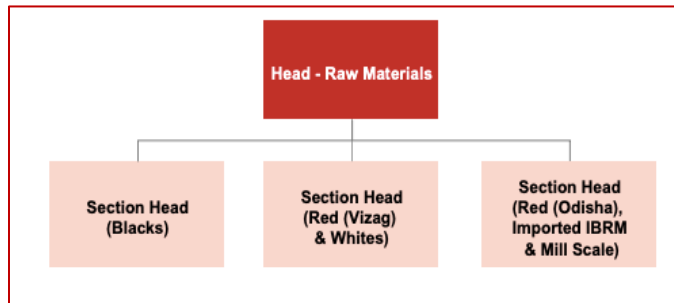
Gas & Related Services

Gas & related services team shall be responsible for meeting the energy needs for plant operations. Gas & power are critical for steel-making - used in ore processing, blast furnace & rolled steel processes.
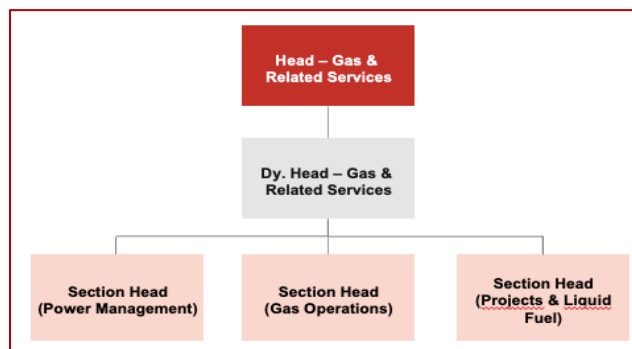
Land Management

Land Management team helps in identifying lands to be acquired for projects by performing due diligence as per established process.

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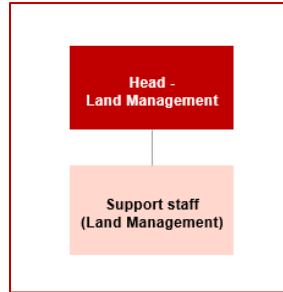
Logistics

Logistics team shall ensure both inbound and outbound movement of shipments that are under the Company's scope by identifying the most efficient and cost-effective mode of dispatch.

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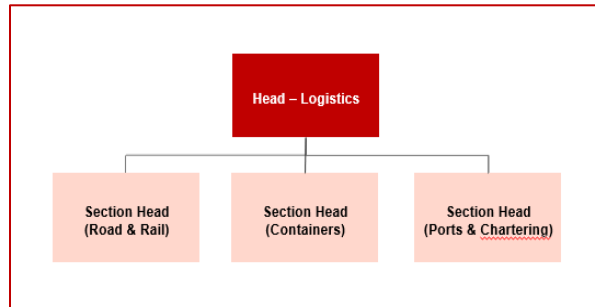
Procurement Administration

Procurement Administration team handles procedural arrangements/systems established to ensure that the adopted procurement processes allow appropriate levels of control & probity. This includes management of policy, procedures, resource allocations & review mechanisms to gauge effectiveness of procurement process.

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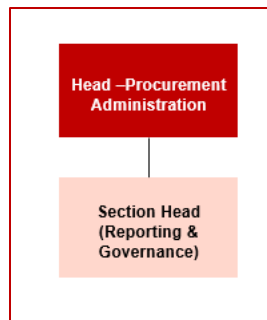
Digital & Business Intelligence

Digital & Business Intelligence team shall be responsible for devising and implementing a digital strategy that is in line with short-term and long-term objectives of the Company. All digital initiatives for Procurement shall be handled and executed by this team.
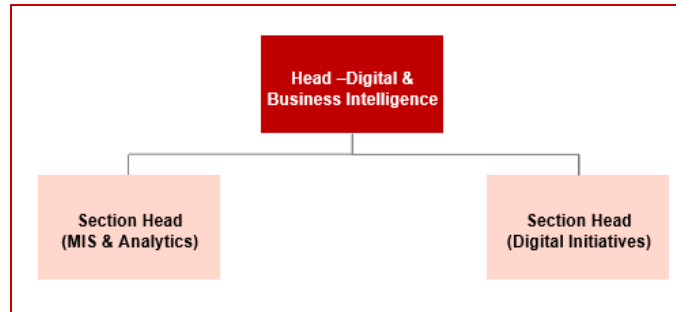
Capital Projects (Capex)

Capex team shall be responsible to conduct procurement activity for acquiring products/services that are necessary to complete approved capital projects.
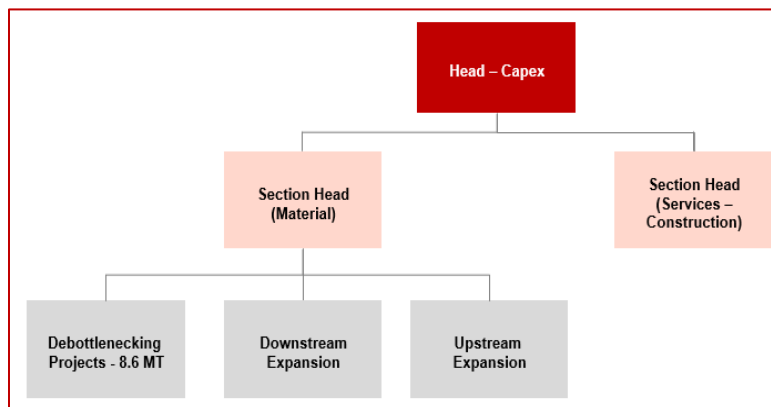
Asset based Procurement teams

A dedicated procurement team caters to the requirements (mainly maintenance, repair & operations - MRO and plant related service requirements) at every asset location. Though all procurement activity for an asset location is aligned with respective asset's Procurement Head, high value orders need additional validation from relevant Procurement Head for Hazira location as per the DoA.

MRO/Consumables – Hazira

MRO/Consumables procurement team caters to products/spares and process consumables required (including ferro alloys, metals, refractories, rolls, etc.) for Iron and Steel making. Other asset locations follow a similar structure suitable to the needs of the respective asset.
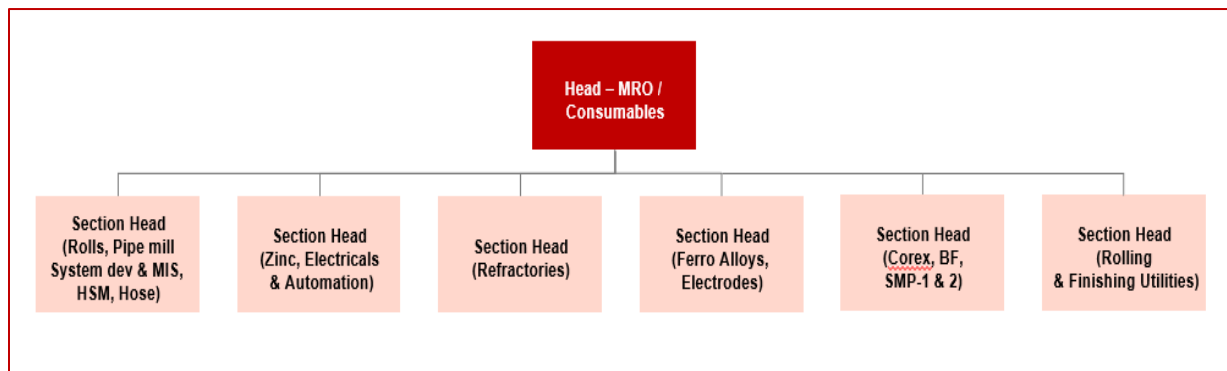
Maintenance, Repair & Other Service Contracts procurement team fulfils the service requirements of plant operations and corporate/support functions for Hazira. Other asset locations follow a similar structure suitable to the needs of the respective asset.
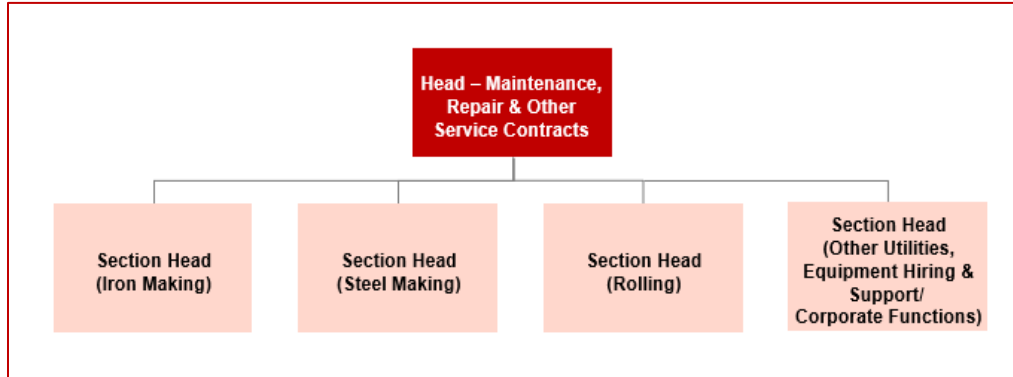
3.2. Roles & Responsibilities

The roles & responsibilities of Procurement (excluding Procurement Administration and Digital & Business Intelligence teams) are divided based on the strategic and tactical aspects of purchasing activities.

3.2.1. Strategic Purchasing

Strategic purchasing is the process of planning, implementing, evaluating, and controlling strategic purchasing decisions that are consistent with the Company's capabilities to achieve its long-term goals.

Key roles of a strategic purchaser

- Devising a category specific sourcing strategy based on market intelligence, spend analysis and existing/future demand projections

- Developing demand & supply management strategies to ensure zero stockouts/avoid excess stock accumulation & enable timely delivery of requested products/services

- Ensuring regular study of supplier market and comprehensive discovery of prices

- Driving savings – Optimizing Total Cost of Ownership (TCO) by utilizing advanced sourcing techniques such as should costing, auction, cost-value engineering, volume consolidation, etc.

- Establishing a strategic supplier base for each category and ensuring overall supplier development and relationship/performance/risk management

- Tracking category-specific strategic purchasing Key Performance Indicators (KPIs)

- Managing & utilizing data/information (contracts, bid evaluation reports, spend, savings tracker, strategy documents, etc.) for driving smarter sourcing decisions

3.2.2. Tactical Purchasing

A tactical purchaser handles the administrative aspects of purchasing and shall be the single point of contact for all purchasing related activities.

Key roles of a tactical purchaser

- Purchase Requisition (PR) to Purchase Order (PO) process management

(Link to procure-to-pay section)

- Foster professional relationships with cross-functional teams to ensure smooth processing of requests

- Regular monitoring of open backlog of PRs & POs with User teams to optimize transactional workload

- Other operational purchasing tasks such as

    - Review of supplier master with MDM cell to ensure data accuracy by eliminating errors
    - Ensuring utilization of contracts for timely processing of purchase orders
    - Ensuring document management is in line with procurement policy and statutory guidelines

3.2.3. Separation of duties

Separation of duties refers to an internal control mechanism where tasks are distributed between different departments in-order to ensure adequate control and governance. All employees discharging procurement-related functions are required to ensure separation of duties and effective compensating controls where separation is not possible or is cost ineffective.

To avoid conflicting duties, the following broader procurement tasks need to be segregated:

- Requisitioning – Authorized individuals from user departments can perform requisitioning related tasks such as raising a PR as per requirement & ensuring different levels of authorization as per DoA

- Purchasing – All purchases need to be coordinated through Procurement department in-order to ensure products and services are procured as per the requirement in lowest possible prices with clear documentation of terms and conditions

- Receiving – Inspection and documentation of delivered products/services to be done by stores and/or material handling department. For services, user department is responsible for validation

- Invoice Processing – Accounts Payable team can review and record financial obligations as and when products/services are received by validating invoices as per established process

A mitigating control mechanism needs to be identified in cases where it is not possible to eliminate conflicting activities or where it is cost ineffective. Each Procurement Head is responsible for reviewing and approving mitigating controls for their respective team. This control mechanism should:

1. Offer complete visibility to all transactions which bring about conflicting activities
2. Review such transactions regularly in-order to eliminate potential possibility of malpractice
3. Maintain documentation on the reviews held for such transactions along with findings
4. Assess the possibility to eliminate any conflicting activities

Responsibility: Internal Controls team shall be responsible for designing separation of duties. This list shall be maintained and managed by the Governance team of Procurement Administration. Internal Audit team shall review the list and provide assurance on the adequacy of the segregation.

(Link to RACI matrix in appendix); (Link to activity list in appendix)

3.2.4. Rotation policy

In-order to build wider procurement expertise, aid career development and bring new perspectives in category specific sourcing, Procurement Heads shall rotate all purchasers within procurement teams (including rotation between central and asset-level Procurement teams) every three years.

3.3. Target Setting & Measures

The performance of the Procurement function needs to be evaluated through different strategic & tactical metrics in-order to improve the team's ability to control/optimize the quantity, quality, cost and delivery speed of products and services that are being sourced. The main goal for a strategic buyer is to generate savings and optimize spend while the same for a tactical buyer is to ensure operational efficiency through lean P2P cycle times.

3.3.1. Strategic Purchasing KPIs

The strategic purchasing capability of the Procurement function can be monitored and tracked through some of the KPIs listed below:

- **Procurement savings against ABP/Procurement savings improvement (YoY) –** Procurement savings realized through strategic sourcing remain a pivotal metric to measure the success of policies employed by the Company and therefore, shall be calculated and reviewed periodically. Procurement value-add constitute both –

  1. YoY Procurement efficiency savings: Reduction in spend achieved through framing favorable contracts over and above market prices using strategic buying methodologies like volume consolidation, value engineering, alternative suppliers, rate contracts etc.
  2. Loss Minimization (or Cost avoidance): Savings achieved through mitigation of potential increases in costs/risks (that were not known in advance) through specific preemptive actions. All the forward and hedging contracts that are planned in-advance will not be considered as part of cost avoidance savings

- **Spend under contract** – Contract-centric sourcing becomes very important to accelerate purchasing processes, improve compliance, generate savings and reduce risk. Procurement team shall strive to increase spend under rate contracts to improve overall procurement efficiency and generate savings

- **Supplier development** – In-order to keep pace with price-competitiveness in the market, purchasing team must regularly identify and empanel strategic vendors in the supplier database. Development of new suppliers promotes healthy competition and reduces supplier related risks

- **Spend from single-source suppliers** – Dependency on a single supplier puts the Company in a precarious position and therefore, it is imperative to track spend being catered to single suppliers through an e-sourcing solution (necessary SAP modifications to be developed to track this spend). Single source buying should only be restricted to OEMs/specific suppliers with unique offerings. In addition, the Company strictly discourages sourcing from traders & intermediaries

- **Value engineering/Alternate product development** – The purchasing team shall benchmark and review specifications/quality against international and domestic market standards in-order to explore the possibility to develop alternate specifications/variations that may lead to total spend reduction

- **Maverick/Non-compliant spend** – Products/Services that are bought from suppliers without following the Company's procurement process constitute maverick/non-compliant spend. The purchasing team shall regularly monitor and strive to reduce this spend

3.3.2. Tactical Purchasing KPIs

The tactical purchasing capability of the Procurement function can be monitored and tracked through the following KPIs (not exhaustive) listed below:

- **PR to PO cycle time** – Monitoring and optimizing end-to-end procurement cycle time. In addition, it is important to ensure timely responses to all stakeholder (suppliers, users, Internal Audit, strategic purchasers, etc.) queries

- **Open PR/PO management** – Ensuring clean and lean list of open PRs and open POs shall aid in optimizing processing load

- **Document management** – Storing & archiving relevant records pertaining to purchases shall help in having a better control on spending & ensuring process compliance with internal/external regulations

- **Compliance to internal processes/statutory requirements**

<u>Note</u>: Procurement Head for every category shall provide specific measurable targets to respective team members based on some of the KPIs listed above. Other measures and targets can also be considered for improving the functioning of Procurement department.

4. Procurement Planning

A well-defined procurement plan for a category should ensure maintenance of appropriate inventory balance and judicial management of the fund flow of the Company. Procurement planning involves holistic assessment and validation of the requirements including:

- Products/services required
- Budget allocation
- Timelines/Frequency for procurement
- Quality/Quantity to be procured
- Existing suppliers and commercials
- Supplier market assessment

4.1. Demand Planning

Raw Materials, Gas & Related Services

Planning for procurement of raw materials, gas/energy & related services (gas transportation, regasification, etc.) is based on production plans &/or consumption norms &/or desired inventory levels.

Process Flow:

Formation of Annual Business Plan (ABP)	Creation of asset-based requirement plans by DCM	Periodic review of plans for corrections	Booking of bulk materials & gases

Planning Mechanism: Annual Business Plan (ABP) defines the volumes to be produced at each asset. Based on the volumes and cost-drivers (yield, etc.), material/fuel planning is drawn out by Demand Chain

Management (DCM) and/or by individual asset location on the need for raw materials and fuels for every individual asset. This forms the basis for volume calculations & booking of all bulk materials & gases.

Review Cadence: DCM and/or individual asset location provides a running quarter requirement which is corrected every month depending on the change in production plan (if any - including stocking up for monsoons, etc.). Shipments are monitored and controlled by Procurement based on these corrections and the stock available on-hand against the stocking capacity at individual unit.

In addition, a weekly review meeting is conducted with Procurement Head (Raw Materials), CPO & D&VP (Operations) along with the BRM team to review the status for raw materials. Similarly, a review meeting is held with Procurement Head (Gas & Related Services), CPO, D&VP (Operations) along with the Gas & Related Services team to monitor the status for fuels procurement.

Note: Post demand planning, Procurement directly sends offline RFQs to suppliers without needing a PR.

(Link to resource & production planning SOP for raw materials & gas in appendix)

Consumables

Procurement of ferro alloys, work rolls, graphite electrodes, refractories and other consumables is based on the annual production plan for every asset.

Process Flow:

Formation of Annual Business Plan (ABP)	Creation of asset-based requirement plans by DCM	Periodic review of plans for corrections	Creation of Purchase Requisitions by user teams

Planning Mechanism: Similar to raw materials planning, DCM identifies consumables requirement at every asset location based on ABP and desired inventory levels. However, user teams are required to create PRs as per plant requirements on SAP. DCM provides running quarter requirement post monthly corrections for every asset and this forms the basis for Procurement to initiate the process for PRs.

Review Cadence: Monthly reviews shall be conducted with DCM to record changes in requirements. In addition, regular reviews shall be held with respective user teams to update status of purchases.

Note: Post demand planning, users shall create PRs on SAP to enable purchasers to start sourcing process.

MRO, Maintenance, Repair & Other Service Contracts

Procurement of spares equipment & maintenance/repair services is subject to SAP authorization and management approval. Users shall review in-house list of available products/services before raising PRs.

Process Flow:

Forecast requirements based on initial targets	Inclusion of potential requirements in ABP	Finalization of budget and ABP	Creation of PRs as per allocated budget

Planning Mechanism: User teams are expected to anticipate and forecast the requirements for the calendar year after reviewing stock levels and include these considerations while preparing the annual budget during the finalization of ABP. Post approval of the budget, User teams create PRs as per plant requirements on SAP prompting Procurement team to initiate action for sourcing.

Review Cadence: To ensure smooth and timely processing, tactical purchasers shall conduct regular reviews with user departments to discuss planned/in-process purchases.

Note: Post demand planning, users shall create PRs on SAP to enable purchasers to start sourcing process.

Capital Projects (Capex)

Procurement/Contracting plans of capital projects (Capex) is subject to authorization from AM/NS India Capex Committee (ACC).

Process Flow:

Identification of projects by user departments	→	Creation of Capex Approval Note	→	ACC Approval & Allocation of budget	→	Creation of Purchase Requisitions

Planning Mechanism: User departments from each plant area are responsible for identifying projects. A Capex Approval Note is prepared and moved by the capital projects team to AM/NS India Capex Committee (ACC). Once ACC approves a project, a new fund center is created by Finance department to allocate approved budget. User teams shall create respective PRs in SAP using this fund center.

Review Cadence: User departments are expected to identify and prioritize capex requirements for the calendar year. Approvals for the requirements shall be taken during ABP finalization. Regular reviews shall be conducted by Procurement with User departments to review the status of open PRs.

Note: Post demand planning, users shall create PRs on SAP to enable purchasers to start sourcing process.

Logistics

Planning for logistics procurement involves allocation/selection of transporters based on route code (mode/area), delivery schedule and volumes of both inbound and outbound cargo.

Process Flow:

Plan requirements based on Plant demand	→	Identify mode of transportation based on destination/TCO	→	Float RFQ & award contracts to transporters as per route code	→	Arrival/Dispatch of cargo

Planning Mechanism:

Inbound logistics

- Breakbulk, containerized cargo & bulk raw materials constitute inbound cargo

- Inbound containerized cargo comes via sea and air mode. Sea mode is chosen for Full Container Load (FCL) and Less than Container Load (LCL) shipments while air mode is chosen usually for shipments with an average weight of up to 300 kilograms. The trade and payment terms for both the modes are fixed with suppliers (to be mentioned on Purchase Orders)

- Choice and identification of logistics partner (line, FF, airline, CHA, etc.) are done basis agreed Incoterm with supplier

- Sea shipments are either brought to nearest port (basis cost and service economics) and factory-destuffed containers are road transported to the respective plant. Empty containers are returned back to the respective shipping lines

- For breakbulk & containerized cargo, logistics procurement team shall estimate the most economical mode of transportation (rail/road/sea) for the expected shipments based on the delivery terms mentioned in purchase/work orders (both Capex and Opex)

- For bulk raw material, plant operates on a vessel basis where the cargo is directly transported into the plant after unloading at the nearest port

- Purchasers importing any type of consignment shall require clearance from Indirect Taxation team

Outbound logistics

- Finished goods and damaged equipment that requires to be transported out of the plant for repair primarily constitute outbound cargo

- Based on the destination & freight rate charged from customers, logistics team identifies the most economical mode for dispatch. Finished goods are mainly moved through rail, road and coastal modes in case of domestic movements and through sea mode in case of international movements

- Procurement shall forecast transportation requirements (both inbound & outbound) for the coming month & RFQs are accordingly sent to service providers/transporters post approvals as per DoA

Review Cadence: Logistics procurement team shall conduct a monthly lifting performance review of all transporters. Findings from this assessment form the basis for business allocation for the next month.

Note: Post demand planning, Procurement directly sends offline RFQs to suppliers without needing a PR.

Land Management

User department requests Procurement for acquiring identified lands by raising PRs on SAP.

Process Flow:

User department to forecast land requirements → Inclusion of potential requirements in ABP → Finalization of budget and ABP → Creation of Purchase Requisitions

Planning Mechanism: User departments shall forecast the requirements for the calendar year and identify potential lands for acquisition. Preliminary estimation of funds required for procurement is factored in by

the user teams while preparing and finalizing the annual budget. PRs are created by respective user departments post budget approval and are released via SAP for initiating procurement process.

Review Cadence: Regular reviews to be conducted by Procurement with user departments to discuss planned/in-progress purchases.

Note: Post demand planning, users shall create PRs on SAP to enable purchasers to start sourcing process.

(Link to process note for land management at Hazira in appendix)

Note: Procurement administration and Digital & Business Intelligence are support functions and therefore, do not conduct any purchasing activity.

4.2. Budget Management

4.2.1. Budgetary/Fund management controls

- **Budget allocation**: Annual budget for the calendar year is approved during ABP finalization. All plant areas/user departments are segregated into fund centers and the approved budget is appropriately allocated to each fund center by Finance department

- **Responsibility**: User department HoD shall be the authorized budget owner against respective approved budget/fund and is expected to exercise budget/fund management controls

- **Consumption**: Budget owner shall provide availability of funds through SAP for requisitioners to create indents/PRs. If the value of a product/service exceeds funds available, then such PRs cannot be raised

4.2.2. Spend "not" negotiated by Procurement department

The following types of spend categories (not exhaustive) are under the purview of respective functional heads and therefore, not negotiated by Procurement:

- Tax – Property/Municipal/Income/Sales
- Non-recurring legal payments & audit fees
- Events/Association membership
- Custom duty
- Stall space for exhibitions
- Employee reimbursements

- Employee related expenses
- Factory license renewals
- Housing rent payments
- Pre-employment expenses
- Earnest money deposit payments
- Any other statutory fees, taxes & duties

5. Source to Contract

Source to contract covers the strategic sourcing process - the collective set of sub-processes that need to be conducted when sourcing/buying products or services. The process begins with the request for quotations and then advances to supplier selection and contract negotiation phase to eventually culminate in the decision of an award to a suitable supplier.

| Request for proposal/ quotation | Receipt & opening of offers | Offer evaluation | Negotiations & price finalization | Contract management |

5.1. Request for Quotation/Proposal/Information (RFx)

A request for quotation/proposal/information (RFx) is a business process through which AM/NS India invites offers from suppliers for the purchase of specific products or services.

Guidelines

- In line with the approved annual business requirements, inventory levels and purchase requisitions on SAP, purchasers shall initiate sourcing process for products and services

- All purchases where a valid contract is not available shall require solicitation of quotes from suppliers

- Procurement shall strive to ensure offers from a minimum of three suppliers (except OEM/specific supplier cases) who are willing to supply as per the requirements defined in the RFx

- AM/NS Procurement shall move towards system based RFx for all purchases (except BRM, Gas and related services) and therefore, all requests for quotations (RFQs) shall be sent to suppliers online and through e-sourcing functionality. Any offline RFx (direct mail enquiry) shall require prior approval from the Procurement Head of that particular category/asset location

5.1.1. RFx creation

Purchaser can prompt a request for quotation on SAP by either converting an existing PR or by adding relevant details of the requirement directly on SAP.

Guidelines

- Buyers are expected to create a list of potential suppliers for the RFx. These suppliers can be selected based on category wise approved supplier lists, user recommendations, previous purchase history or independent supplier market research

- In-order to improve efficiency and reduce cycle time, a joint mapping exercise shall be conducted by Procurement & User departments to maintain approved supplier list in material master data

- Procurement shall ensure following details (if applicable) are provided to all potential suppliers:

  - Requisitioner & Purchaser contact details
  - Quantity required and quotation format
  - Expected delivery date & validity
  - Submission guidelines & format
  - Technical specifications – drawings/design
  - Scope of work and Justification
  - Offer submission deadline
  - Standard purchasing T&C for suppliers

- It is recommended to give at-least 3 working days to the suppliers for submitting techno-commercial offers. However, purchaser reserves the right to decide the deadline date for a particular RFx

- Purchasers may extend the offer submission deadline if the responses received are inadequate or if a potential supplier requests an extension due to unavoidable circumstances

(Link to e-RFQ process manual, RFQ template & RFQ T&C in appendix)

5.1.2. Exceptions

All purchases from registered (approved) suppliers that fall under the following buckets are exempted from the e-RFx process:

- o **Products and services covered under an on-going valid rate contract**: Purchase/Work orders can be directly placed with no further RFx requirement
- o **Repeat order**: Repeat orders (up to 100% of the volume) can be directly placed at the last purchase price from the same supplier. Duration to place such repeatable orders is defined in the DoA

  (Link to PO creation and approval section for repeat order guidelines)
- o **Sub-contracting cases:** Sub-contracting involves issuing a token purchase order to allow transportation of damaged equipment from the plant to the supplier's workshop for damage assessment. Given the equipment is sent to a single supplier, such cases would not warrant an RFx process
- o **Bulk raw materials, gas & related services**
- o **Emergency:** The following cases may be cleared directly without the need for an RFx - subject to HoD approval and DoA compliance.
  - Life threatening situations (including situations that may endanger environment & property)
  - Situations that can result in immediate stoppage of plant operations

5.2. Receipt & Opening of Offers

Guidelines

- **Offer submission**: Suppliers are expected to submit both commercial (priced) bid and technical (unpriced) bid against RFxs only on the offer submission portal before the submission deadline. Any supplier response received after the submission deadline shall not be considered further in the procurement process

  Offer submission portal: https://sourcing.amns.in/e_tender/Logins/Vendor_Logins.aspx?IsRfq=Y

  (Link to offer submission process manual in appendix)

- **Responsibility:** Purchaser remains the single point of contact for both users and participating suppliers. User can only inform the relevant purchaser for any change in requirements (specifications, delivery schedule, etc.). Similarly, supplier shall conduct discussions and send both technical and commercial bids only to the purchaser. However, suppliers can reach out to technical user (mentioned in the RFx) to get clarification on the scope of work before submitting an offer

- **Offer opening**: Access to open both commercial and technical offers for an RFx is given to the relevant purchaser only after the submission deadline

5.3. Offer Evaluation and Supplier Shortlisting

Unpriced offers received from suppliers are subjected to technical evaluation. This assessment forms the basis for shortlisting suppliers for commercial negotiations. All decisions taken shall be documented, justified, and authorized in accordance with the Technical recommendation (TR) approval matrix.

5.3.1. Technical evaluation

Guidelines

- Request for technical evaluation must be sent by the purchaser to the User department within two working days from offer submission deadline

- **Criteria**: Requisitioner/User department may evaluate unpriced bids based on the following aspects:

  - Adherence to technical specifications
  - Delivery times and schedules
  - Prior experience of working with supplier
  - Technical competence of the supplier

- **Responsibility**: Requisitioner/User department is responsible for performing technical evaluation. Purchaser shall collect all technical/unpriced bids received from suppliers and submit them to the requisitioner for technical evaluation. Requisitioner/User department may communicate with suppliers strictly on technical aspects of the requirement and any ambiguity in the scope of work and/or specifications shall be cleared before conducting a technical assessment. User department shall ensure equal and transparent access to information to all participating suppliers

- **Assessment**: Requisitioner shall prepare a technical evaluation report summarizing the results of the evaluation. This report would include a list of qualified suppliers (including an order of preference) along with justification (technical grounds for qualifying/rejecting a supplier) for taking further action. Assessment shall be conducted based on the technical parameters/requirements defined in the RFx and justification must reflect the outcome of technical analysis. All technical evaluations must be approved as per TR approval matrix

- For sub-contracting cases, purchaser shall issue a token purchase order to a particular supplier only after having a discussion on supplier's technical capability with the User department

- Suppliers that are technically not qualified shall not be considered for procurement

(Link to TR DoA for capital projects, TR template & TR approval matrix for asset locations in appendix)

5.3.2. Exceptions

Technical evaluation is not mandatory for the following cases but purchasers can check with user teams if specifications are unclear:

  - Products and services covered under an on-going valid contract where TR was obtained at the time of contract development
  - Repeat orders (where previous reference purchase/work order was created based on approved technical evaluation)
  - Emergency - Urgent/Breakdown cases

5.4. Supplier Negotiations

Commercial negotiations are initiated with suppliers post technical evaluation. The purpose of negotiations is to determine the optimal supplier (generally a technically qualified supplier with lowest bid) and finalize the terms and conditions of purchase. Purchasers shall consider and compare the Total Cost of Ownership (TCO) of offers meeting technical evaluation criteria against:

  - Historical prices for similar requests
  - Budgetary quotations

- Pricing insights obtained from market intelligence
- Bottom-up cost calculation

Following approaches are employed to conduct commercial negotiations:

- **Reverse auction**: Procurement schedules an e-Bidding/e-Auction event where suppliers place online bids and compete against each other to provide best possible offers for requested products/services

- **Direct negotiations:** Both purchaser and supplier can engage in direct deliberations to agree on an offer that is acceptable to both parties

Reverse Auction

- Reverse auction shall be used as a negotiation technique for all purchases above the value threshold defined as per DoA. However, e-Bidding/e-Auction is not mandatory for OEMs, authorized/preferred channel partners of OEMs and specialized products/services with limited supplier base

- e-Bidding/e-Auction is not mandated for procurement of raw materials and Gas & related services

- e-Bidding/e-Auction is conducted by an independent auction administration team which reports directly to the Procurement Section Head - Reporting and Governance

- Procurement shall determine a reserve price (highest acceptable price) for requested product/service that shall be authorized by Procurement Head. Contract should automatically be awarded to an optimal supplier meeting this reserve price

- If the reserve price is not met, purchaser can either cancel the e-Bidding/e-Auction event or consider the closing bid prices for direct negotiations

- A minimum of three suppliers shall be available for participation in e-Auction/e-Bidding. Any exception to this rule shall require an approval from the CPO

(Link to reverse auction guidelines in appendix)

Direct Negotiation

- Procurement shall engage in direct negotiations with potential suppliers to finalize the price for a requested product/service. Negotiation meetings can happen in both online and offline mode (AM/NS premises preferably). Procurement shall avoid visiting supplier locations or outside venues for commercial discussions

- At-least 2 representatives from Procurement shall be involved in negotiations with the supplier. Clear criteria & targets (including quality, delivery & cost) must be reviewed before initiating negotiations

- Procurement shall strive to negotiate and attain best possible prices for the requested products/services without any compromise in the quality of the offering

- Procurement needs to ensure that all commercial discussions over email must be marked to at least one more procurement personnel

- An email confirmation of price acceptance shall be required

- Negotiating parties are expected to adhere to the Code of Conduct and Responsible sourcing policy

(Link to supplier code of conduct in appendix); (Link to purchaser code of conduct); (Link to responsible sourcing policy & code in appendix)

5.5. Supplier Selection and Price Finalization

Guidelines

- Procurement is solely responsible and accountable for final supplier selection. Post negotiations, selection of an optimal supplier is based on the total cost of ownership (TCO) of each qualified supplier. Approvals shall be obtained as per DoA to validate the selection

- Purchasers shall create a proposal for sourcing decision approval by compiling the outcome of sourcing process in a Note for approval (NFA) report. This report can include following documents –

    o Sourcing decision summary
    o Approved PR and scope of work
    o Technical evaluation report
    o Supplier bid comparison sheet/Quotation Comparative Statement (QCS)
    o Auction reports & negotiation details
    o Initial and final offers from all participating suppliers
    o Key contract clauses & commercial terms (payment, rebates, penalties, renewals, etc.)
    o Email communication (clarifications, acknowledgements, etc.)
    o Any other relevant information – amendments, justification, etc.

- NFA/QCS remains the primary document for obtaining authorization as per DoA for PO/WO issuance

- No purchase commitment (written/oral) to be given to the supplier before authorization as per DoA

(Link to quotation comparative statement template in appendix)

5.6. Contracting and Contract Management

Procurement shall properly manage supplier contracts in-order to ensure that the negotiated commercial terms are fully captured and that the potential obligations/risks/interests of the Company are well taken care of in contractual terms and conditions.

5.6.1. Contract compliance

Procurement teams of every category and asset location shall institutionalize an independent contract compliance mechanism that tracks compliance of key contractual terms and conditions (T&C) in-order to minimize risk and maximize benefits from contracts. All contracts with suppliers that are deviating from standard terms and conditions of the Company shall need legal review (existence of exit clauses, warranty/guarantee, etc.), commercial concurrence of D&VP - Operations and approval of CEO. Further, any contract with a value of Rs 50 Cr. and above or any long term contract (>2 years) shall need legal review and approval of CEO with an intimation to Management Committee.

5.6.2. Contract creation

Purchaser shall ensure preparation of the contract (and subsequently PO/WO) after obtaining proposal (NFA) approval. In addition to general terms and conditions, contract shall cover:

- User's requirements - devoid of any ambiguity in expression that may occur due to geographical differences, sectorial/industry terminologies or company values including (but not limited to):

    o Products/services description and supplier details
    o Technical specifications (drawings, scheme, quality requirements, etc.)

- o Delivery/completion schedule (Incoterms) & contractual duration
- o Scope of work/Minimum order quantity
- o Renewal clauses
- o Warranties, guarantees, penalties and other special terms and conditions

- KPIs and SLAs for performance evaluation (if applicable)

- Commercials

    - o Price calculation formula including relevant price indices
    - o Payment terms (surcharge, discounts/reductions, taxation rates and other terms, etc.)
    - o Bank requisites
    - o Commercial terms and conditions around packaging, handling, freight, insurance, etc.

Purchaser may also include standard clauses on environment, health & safety requirements, supplier code of conduct and malpractice prevention as part of the contract post consultation with relevant departments. The purchaser who created the contract shall inform concerned authorities (as per DoA) to review, and approve the purchase/service contracts.

5.6.3. Contract storage and deployment

All purchase/service contracts shall be adequately signed as per DoA and centrally stored. Strategic purchasers shall be responsible to review and monitor these contracts (expiry, renewals, etc.). User teams shall be provided with contract documentation and are expected to follow the requirements/T&C of the contract. Procurement can assist User department on the interpretation of the contract.

5.6.4. Contract amendment

Any amendment to clauses of a contract can be taken up by the purchaser that created the contract & shall be finalized only after receiving approvals as per the DoA. In case of change in value/duration of the contract (including clauses that cause or likely to cause value loss such as waiver to raise debit notes, recoveries for poor performance, forgoing rebates/discounts, etc.), a final approval shall be required from the immediate/next relevant authority in the hierarchy as per the DoA. All supporting documentation on amendments shall be stored along with the original records. Purchaser shall inform all relevant stakeholders on revisions made.

5.6.5. Contract renewal

Contracts shall be renewed prior to the expiry date. Procurement shall initiate the renewal process well in advance to ensure sufficient time for conducting the sourcing process and for capturing favorable prices and other T&Cs. User department shall highlight and align any change in specifications with Procurement by providing supporting documentation and relevant approvals. Procurement shall conduct supplier market study and price discovery exercise before renewal of the contract. The approval process for contract renewals is similar to that for a new contract.

5.7. Sourcing strategy

Bulk raw materials (BRM)

Given quality requirement of raw materials for assets is stringent, suppliers are selected only from approved supplier list post alignment on technical specifications. Enquiries are sent to the approved suppliers with relevant details specifications and period of shipment.

Depending on the commodity and production requirement, Procurement either enters into long term contract or conducts spot purchasing to cater to the needs at each asset location. Procurement teams shall directly request offers from approved suppliers and initiate direct negotiations to award purchase orders/rate contracts. Auctions aren't mandatory for BRM. Coordination between asset-level & central BRM Procurement team is maintained by asset-level purchaser.

Gas & related services

Domestic Gas purchases: Given domestic purchases largely involve procurement from government-controlled entities (including mines), AM/NS expresses its interest by participating in e-bidding events conducted by leading e-commerce related service companies such as MSTC Limited that are under the administrative control of the Ministry of Steel, Government of India. Multiple buying parties participate in this e-bidding event and the contract is awarded to the highest bidder. The Company's threshold limits for bidding in such events shall be authorized as per the DoA by Procurement.

Liquefied natural gas (LNG) & spot purchases: Purchasers shall directly send requests for quotation to relevant suppliers and post offer receipt, direct negotiations are conducted (e-bidding/e-auction not mandated) to award purchase orders/rate contracts. Depending on the requirements at each asset location, the Company enters into both short-term & long-term contracts for LNG procurement.

Similar process is followed for sourcing gas related services such as gas transportation & regassification.

Except for spot purchases, hedging strategy is employed for domestic purchases and LNG procurement.

MRO/Consumables, maintenance, repair & other service contracts

Spot purchases: Purchasers shall send requests for quotation with all relevant details as specified in PR through e-RFQ platform to suppliers. Post technical recommendation from indenter, auction and/or direct negotiation are conducted as per defined value threshold in DoA.

OEMs/Specific supplier cases: Purchasers shall send a request for quotation only to the OEM/specific supplier (products/services that can be bought from only one supplier) & conduct direct negotiations on the offer received to eventually award a purchase/work order.

Rate contracts: Purchasers shall endeavor to establish rate contracts for high frequency purchases (>3 times per year) by following the strategy defined for spot purchases. Once rate contracts are given, orders can be directly placed to approved suppliers as per specifications until the validity of contract without needing additional commercial evaluation process.

Repeat orders: Procurement can place orders at last purchase price to the same supplier after receiving authorization as per the DoA. The quantity for repeat orders cannot exceed that of previous PO.

(Link to PO creation and approval section for repeat order guidelines)

Capital projects (Capex)

While the sourcing strategy for capital projects is similar to the process employed for spot purchases, proposal approval process varies based on the order value of the requirement.

All proposals (NFA) with value > INR 1 Cr. shall be evaluated and approved by the Capital projects procurement review committee. This committee is composed of the following members:

- Chief Procurement Officer
- Director & Vice President - Operations
- Director & Vice President - Finance
- Director & Vice President - Technical
- Head – Capital Projects
- Procurement Head – Capex

In addition, CEO presence shall be sought for orders above INR 5 Cr.

Value Band	Procurement process followed
< INR 1 Cr.	AMNS procurement process followed by proposal approvals as per the linear matrix defined in DoA
INR 1 – 18 Cr.	AMNS procurement process followed by Proposal approval by Capital projects procurement review committee
INR 18 – 100 Cr.	AMNS procurement process under the guidance of AM Global. Proposal approval by Capital projects procurement review committee
> INR 100 Cr.	AMNS procurement process under the guidance of AM Global & Nippon Steel Corporation. Proposal approval by Capital projects procurement review committee

Note: Remaining/balance funds (savings against allocated budget) after completion of a capital project shall not be available for further use.

(Link to sourcing process for high value capex orders in appendix)

Logistics

The sourcing strategy for logistics is similar to the process employed for spot purchases. For logistics, purchasers send requests for quotation (without a PR) to the suppliers based on the demand/logistical requirements from the Plant. Post receipt of offers, auction and/or direct negotiation are/is conducted as per defined value threshold in DoA to finalize the supplier.

Depending on the nature of cargo, rate contracts/POs are awarded after concluding negotiations. Long term contracts are usually given to rail & road transporters for fixed destinations in order to get best negotiated rates. Transporters are allocated to different freight belts (a unique route code given to each destination) and are accordingly assigned work based on the share of business volume handled at the respective freight belt and the past performance. Delivery order is auto generated on SAP for both inbound & outbound cargo. Apart from rate contracts, logistics also caters to ad hoc requirements.

6. Procure to Pay

Procure to pay process plays a critical role in ensuring compliant & efficient buying by integrating purchasing with accounts payable systems. This process involves selecting products/services, enforcing compliance & order, receiving & reconciliation of goods/services, invoicing and payment.

Purchase Requisition → Purchase Order → Goods & Services Receipt → Invoicing

6.1. Purchase Requisition

A purchase requisition (PR) is a document prepared by the User department to request a purchase of products/services. Creation of a purchase requisition is the first step to initiate the purchasing process.

6.1.1. PR creation and approval:

- Based on the ABP, budget is allocated to each plant area. Requisitioner or a representative from every plant area/corporate department raises a Purchase Requisition (PR) with complete specifications and delivery requirements on SAP. This PR shall be within sanctioned budget limit and shall need approvals from authorized budget owners. Approved PRs may include the following (but not exhaustive):

  - Detailed technical/product specifications
  - Drawings/Design elements
  - Quantity required
  - Scope of work and justification
  - Expected delivery date & validity
  - Requisitioner contact details
  - List of potential/preferred suppliers who can cater to the request (if available)
  - Estimated value of product/service being sourced
  - Unique material/service codes (if available)

- Requisitioner/User teams are expected to forecast demand for required products/services and accordingly plan to combine volumes. Requisitioner should make a concerted effort to create a single consolidated PR in-order to derive the benefit of economies of scale. Split PR to avoid approval at higher levels of management is prohibited and is considered non-compliant

- Purchaser may not be able to initiate procurement process without availability of complete information regarding the requirement and therefore, requisitioners shall ensure all details are entered while creating a PR. Purchasers shall reserve the right to accept and process a PR based on the completeness check

- In case of an equipment breakdown or repair, requisitioner can create a "sub-contracting" PR in SAP to allow transport of equipment from the plant to the supplier's workshop for a comprehensive damage assessment exercise. The supplier who will perform the assessment shall be selected by the purchaser after discussion on supplier's technical capability with the User department. Processing of such PRs should be as per DoA guidelines

- During an emergency, procurement process can be initiated without needing a PR - subject to DoA compliance. Emergency PRs shall be documented in the system within 72 hours of availing products/services

  (Link to purchasing process in an emergency section)

- A PR is considered fully approved when it is authorized by relevant budget owners (as per DoA) on SAP. Purchase orders (PO) can be created only for those PRs that are fully approved.

- **Open PR review**: For PRs that are pending for over twelve months, tactical purchasers shall conduct joint reviews with User teams once in every two years to decide and conclude pending PRs (by either short closing undesirable PRs or by initiating PO conversion for PRs that are required)

6.1.2. PR amendment

- Any amendment to the PR can only be taken up by the authority that created the PR. All amended PRs should fall within sanctioned budget and are subject to re-release on SAP as per the DoA

- Procurement can recommend change in requirements with respect to product/service specifications, quantity and delivery time in view of special circumstances in the supply market. Suggested changes shall be discussed with requisitioner/User team for initiating both budget adjustment and PR amendment process

6.2. Purchase Order

A purchase order (PO) is a commercial document issued by Procurement department to a supplier when placing an order for products/services that are to be delivered at a prescribed date. This document indicates both the details on the products/services that are to be purchased (including technical specifications, quantity, price, etc.) and the terms & conditions (T&C) of the purchase. Each PO has a unique number to assist both supplier and purchaser to track delivery and payment.

Types of contracting instruments:

- **Purchase Order**: One off material order against a PR
- **Work Order**: One off service order against a service PR (SPR)
- **Rate Contract**: Contract with defined prices/volumes for a predetermined period

6.2.1. PO creation and approval

- The tactical purchaser shall proceed on PO creation through SAP once the commercial decision is approved. Following documents form the basis for PO creation:

  - Approved rate contract
  - Approved sourcing decision document (Proposal/Note for Approval - NFA)
  - Previous purchase/work order created for the required product/service

- PO can only be placed if the final value is within the sanctioned/allocated budget (PR value)

- Order can only be given to a registered supplier. In case the order is finalized to a supplier who is not registered with AM/NS, the new supplier should ensure registration formalities are completed before order placement.

  (Link to supplier onboarding process section)

- Orders shall indicate the following (but not exhaustive) details/T&C:

  - Purchase order number
  - Item description
  - Unit price
  - Quantity with tolerance (if required)
  - Payment terms
  - Delivery (Inco terms)
  - All additional expenses – packaging, handling, insurance, transportation, etc.
  - Other AM/NS general purchasing T&C

- **Token PO for a sub-contracting PR**: In case of an equipment breakdown, a token PO is created on SAP against a sub-contracting PR to allow transport of equipment from the plant to the supplier's workshop for damage assessment. The value of the PO will be changed as per PO amendment policy after diagnosing the problem & identifying the actual cost of repair

- **Repeat orders**: Repeat orders can be placed within six months of last PO date at the same purchase price. A reference of previous PO shall be mentioned for creating the new PO. The last PO that is being taken as a reference for repeat ordering shall have been awarded after following the entire sourcing exercise (right from market discovery to final negotiations). This new repeat PO shall then require approvals as per DoA. The quantity of repeat order must not be more than that of previous PO

- Orders can be directly placed to approved suppliers as per specifications mentioned in a valid rate contract without needing additional technical qualification, negotiation, or proposal approval

- Like PRs, POs are also subjected to local release strategy (as per DoA) in SAP. Procurement shall review and confirm placement of orders to approved suppliers. Split PO to avoid approval at higher levels of management is prohibited and is considered non-compliant. Only released PO can be issued to the suppliers

  (Link to PO approval matrix in appendix)

- **PO acknowledgement**: All orders above INR 50 lakhs in value shall require the tactical purchaser to take a confirmation from the supplier on order acceptance before issuing the PO

- **Open PO review**: Tactical purchaser shall review open POs once every two years & decide to either make delivery revisions or short close POs that are not required post consultation with the User team

6.2.2. PO amendment and cancellation

- Any amendment request to a PO can be taken up by the tactical purchaser post consultations with the User department. All changes/commercial implications shall be captured in the NFA document. For the changes (quantity, payment terms, etc.) requested, requisitioner/user teams shall ensure relevant approvals as per the DoA.

  Amendments to an existing PO shall require a revised & re-approved PR. The following (not exhaustive) situations are a few scenarios where a revised PR is needed to amend an existing PO:

  - o Final order value exceeds PR value – allocated budget needs to be adjusted
  - o Change in scope of work

- Procurement must inform suppliers whenever a PO is nullified/canceled. User department consent is required for taking this action. All communication records shall be included as supporting documentation against the PO. A PO may be cancelled due to the following (but not exhaustive) reasons:

  - o Change in prices, quantity, terms & conditions
  - o Supplier's inability to supply as per specification/delivery period initially agreed upon

6.3. Goods & Services Receipt

The process of goods & services receipt involves matching of goods/services that the Company receives against the agreed PO/contract terms thereby validating that the goods/services received are in line with the expectations - both in terms of quality & quantity requirement.

- **Goods receipt:** Goods receipt deals with material procurement. Both stores and user department are responsible to check the goods against agreed terms in the PO & ensure physical inbound movement

- **Service receipt**: Service receipt deals with services/works procurement. User department is responsible to inspect and validate the fulfilment of services/works in terms of quality, quantity, timelines and performance criteria agreed with the supplier in the WO

Guidelines:

- Suppliers initiate delivery of products as per the agreed terms on the purchase order. Store representative receives the product at the gate and prepares inbound delivery against the PO on SAP by validating invoice number and other relevant details

- **Gate entry**: Security department performs gate entry for the products after verifying basic checks (transport vehicle number, driver details, entry permits, value declarations, transit insurance, etc.)

- **Quantity inspection**: Goods are immediately transferred to weighbridge for weighment post gate entry. After recording this data, product is transported to respective store for unloading. Another round of quantity inspection is carried out to capture any tonnage loss due to internal transfer. In addition, regular physical verification exercises are conducted by stores

  Goods Receipt: A goods receipt note (GRN) is created on SAP by stores department against the inbound delivery number. GRN is an internal document produced after inspecting delivery for proof of order receipt. Any quantity loss due to internal transfer from gate to the store is accounted for in GRN. Goods receipt is to be performed and registered in SAP based on shipment documents such as:

    - Invoice
    - Bill of landing/AWB
    - Tax bill
    - Quality certificate, Origin certificate, etc.

- **Quality inspection** : Quality checks shall be performed only after the creation of GRN and therefore, delivery can only be enabled after completion of quality evaluation. An alert is provided to the User department confirming receipt of product. User department is responsible for performing quality tests (weight, damage %, impurities content, etc.) & based on the assessment, results are updated on SAP and the product is reserved/stored in an appropriate storage bin. Stores department shall follow up with User department on all inspection requests that have been pending for more than 7 days

- **Service Receipt**: Manpower required to perform a requested service shall be allowed entry into the plant by the Security department after conducting basic profile checks. Post entry, supplier shall directly perform the service at the relevant plant area under the supervision of the User department. Based on the workmanship of the supplier, a quality clearance report shall be prepared by the User department. Results from this report shall be updated on SAP

- **Returns**: A rejection tag is given on SAP by the user if issues are identified during quality inspection. A system generated alert is sent to both purchaser and supplier once user generates a return request. While the User department is expected to provide feedback on the received products, claims shall be managed by the purchaser in accordance with contract clauses and in close consultation with Legal and User department. This is to ensure consideration of quality adjustment in payouts. In case of issues, supplier shall take corrective and/or preventive actions within agreed timeframe. Otherwise, company may charge the supplier for non-fulfilment of liabilities

6.4. Invoicing

Invoicing highlights the process for executing payment to suppliers on the products/services delivered.

- **Invoice upload:** Suppliers shall submit a soft/scanned copy of the invoice (clear & readable copy) on the invoice portal (https://sourcing.amns.in/veinvoice)

- An accurate e-invoice shall have a digital signature and shall explicitly mention basic details such as supplier/recipient information, invoice item details, PO/WO references, etc.

(Link to sample e-invoice in appendix)

- **Invoice validation**: Suppliers uploading e-invoices on the portal can check whether the uploaded invoice are accepted. System checks have been put in place that automatically verifies details present on the invoice. Invoices rejected by the system will have a remark detailing reason for non-acceptance

- **Grounds for invoice rejection**: The following (but not exhaustive) causes can lead to invoice rejection:

    o Any deviation from PO/WO details
    o Missing PO/WO number and invoice date
    o Handwritten invoice
    o Missing signature on the invoice
    o Any deviation from GST guidelines with regards to contents in the invoice

- Invoices accepted by the invoice portal will automatically move forward while rejected invoices are notified to suppliers along with the reason for rejection.

- Suppliers are expected to adhere to the guidelines prescribed for tax invoice under GST and VAT rules. Payment is blocked if there is any deviation or if a supplier fails to file GST returns on time

- **Payments**: Invoices are posted on SAP & payments are generated by Accounts Payable team post validation of the order basis 3-way match in SAP on quantity/value across respective documents - approved PO, Goods Receipt Note & Invoice document. Payments to be done on PO/WO credit terms

- **Payment blocking**: If the invoice provided is not digitally signed or is not an e-invoice, payment is withheld by placing an accounting block on SAP until supplier provides a hard copy of original invoice

- **Communication**: Supplier shall communicate all invoice related issues directly to the Accounts Payable department

(Link to detailed tax invoicing guidelines in appendix)

Types of payouts

- **Open Account:** An open account transaction refers to the payment term where products/services are shipped and delivered before the payment is due. Payment shall be done as per the invoicing policy after qualitative/quantitative inspection of delivered products/services

- **Advance Payments**: Procurement shall strive to avoid advance payments whenever possible - it is a prudent business practice not to pay for products/services until they have been received in good order or rendered satisfactorily. However, if prepayment has to be made as per supplier's request, Procurement shall create a Down Payment Request (DPR) on SAP to initiate an advance payment. Open requests for advance payments shall be regularly monitored by Accounts Payable team

    (Link to down payment request and payment clearance guidelines in appendix)

- **Letter of Credit (L/C):** L/C is a letter from a bank guaranteeing purchaser's payment to the supplier to be received on time and for the correct amount. Procurement will initiate a request to Finance department along with supporting documentation for opening of a letter of credit based on agreed payment terms. Accounts Payable will only be involved in the process if there is a discounting provision under the letter of credit. On providing bill of exchange, Accounts Payable shall verify and validate documents for acceptance. Any other bank guarantee document shall be monitored by the Treasury department and details are to be stored on SAP

- **Cash Against Documents (CAD) via bank:** To mitigate credit and performance risk, a bank nominated by the purchaser and accepted by the supplier is involved as an intermediary. The seller sends the original shipping documents to the bank & the bank validates the same for authenticity as per the contract. The purchaser transfers the funds to the bank and once the bank has received both the funds and the documents, it forwards the original shipping documents to the purchaser and the cash to the supplier

- **Clean bill discounting:** Bill discounting is a source of working capital finance for a supplier. This is an arrangement where a supplier collects bill amount by selling the invoice to a bank before payment is due by the purchaser. On the due date, banks shall receive the invoice amount either directly from the purchaser or via the supplier. This method not only ensures instant payment to a supplier but also allows longer credit period to the purchaser

7. Supplier Management

This section provides a clarity on how the Procurement function deals with its suppliers in-order to deepen engagement in a structured and transparent manner.

7.1. Supplier Development

7.1.1. Supplier Discovery

AM/NS India strives to work with reputed suppliers who not only are cost-effective but also can deliver the expected quality and OTIF (on-time in full) as it directly correlates with improved financial and operational results. Given supply markets shift rapidly, search for new, suitable suppliers with good financial health should be undertaken on a regular basis to ensure competitiveness.

The following situations would demand an increased focus on supplier discovery:

- Improving competition for product/service requests

- New business development requiring new category of suppliers

- Deployment of a new or revised purchasing strategy

Sources: The following can be potential starting points for finding new suppliers

- o Internal & external databases (Other companies of AM/NS Group, Steel/Mining sector)
- o External open tender platforms including newspaper advertisements
- o Online market search
- o Trade/Community journals & Supplier catalogues
- o Professional events (industry news, seminars, trade shows, exhibitions, etc.)

Responsibility: Supplier discovery is under the purview of purchasers. A business case needs to be prepared by the purchaser before on-boarding a new supplier in the system. This business case shall justify as to why the company needs this supplier & mention quantitative/qualitative benefits before being considered for on-boarding.

7.1.2. Supplier Onboarding

Each new supplier is required to complete registration formalities on AM/NS vendor registration portal (https://sourcing.amns.in/VRP/VendorRegistration) to initiate the on-boarding process. The following details are mandatory to be considered for registration:

- General details – Name, Address, Contact Details, Product/Service Catalog, Source Reference, etc.

- Business details – Type of business/firm, Industry experience, Experience with group companies, Balance sheets, Annual turnover, Product category, etc.

- Financial/Taxation details – Bank details, GST/PAN details, Stock exchange listing, Trading currency, MSME (Y/N), ECC certificate etc.

- Certification/Accreditations – ISO certification, ECC certificate, etc.

- Acknowledgement of conflict of interest policy, privacy policy, etc.

In addition, the following information can be provided for expediting the on-boarding process:

- General details – Company website, Overview documents, Overseas/Indian office details, etc.
- Business details – Registration number/certificate, Major customers, Details of machinery installed, Workshop address, Technical contact details, etc.
- Financial/Taxation details – Stock exchange name, MSME registration number, CST registration number, VAT registration number, Excise range/division/collectorate, GST self-declaration, etc.
- Certification/Accreditations – Registration certificate, MSME certificate, CST certificate, VAT certificate, Sustainability accreditation, Health & safety accreditation, etc.
- Regulatory details – PF, ESIC, etc.

Approval process:

Suppliers can self-register by submitting above-mentioned details. This will enable the new supplier to access open RFxs. For any PO/WO to be issued, supplier needs to be added in the supplier master and a supplier code needs to be generated. Purchaser shall initiate this process by triggering a request for approvals on the MDM portal (https://myamns.in/MDM). The following approvals are required on the MDM portal to generate a supplier code on SAP:

PO/WO value	Approval matrix
< INR 1 Cr.	Level 1: Security Level 2: Procurement Head of relevant category Level 3: Master Data Management (MDM) cell
> INR 1 Cr. (or) if the supplier is a trader	Level 1: Security Level 2: Procurement Head of relevant category Level 3: Procurement Head – Reporting & Governance Level 4: CPO Level 5: Master Data Management (MDM) cell

As part of the approval process, new suppliers might be:

- required to provide supporting technical documentation and other information related to origin and quality of products/services to authorized company representative
- required to provide access for site visits
- verified by company appointed/external auditors when appropriate

(Link to supplier master management section)

7.2. Supplier Consequence Management

Any decision to block a supplier is taken only after considering both the recommendation from relevant departments (as mentioned in the table below) & the Company in the context of procurement in entirety. This includes the respective roles & obligations of the supplier & Company under the terms & conditions of the PO/WO/contract. The supplier database in SAP shall reflect one of the following "block" status:

- Purchase block - System will not allow purchasing activity (accounting activity permitted)
- Payment/Accounting block - System will not allow accounting activity (purchasing activity permitted)

Responsibility: MDM team reserves the right to block suppliers based on the recommendations received. A justification shall be provided with the recommendation. No further approvals are required on SAP. Suppliers shall be informed on the decision taken along with the reason in-order to enable remediation.

Suppliers can be blocked by MDM cell due to the following (but not exhaustive) reasons:

Reason	Initiated by	Approved by	Block type	Guidelines
Prolonged inactivity	*Management Policy*		Both purchase & accounting block	Suppliers are blocked if there is no transaction for a period of 3 years. Blocking activity to be carried out 1st month of each calendar year.
Continuous defaulting and GST non-compliance leading to financial/credibility loss to AM/NS	Associate/AM /DM/Manager (Taxation department)	Head – Taxation department	Purchase block	Information shall be shared with respective Procurement team prior to block.
Financial disputes including cases of advance payments	Associate/AM /DM/Manager (Accounts Payable department)	Head – Working Capital	Both purchase & accounting block	Information to be shared with respective Procurement team prior to block.
Frequent performance issues, deviation from T&C & breach of established policies	Associate/AM /DM/Manager (Procurement department)	CPO	Purchase block	Poorly performing suppliers (as per evaluation criteria) shall be partially blocked from further participation in purchasing activity. Such suppliers are not blocked from accounting activity to ensure clearance of old invoices.

Other situations that might require review for blocking:

- Non-compliance with Company's ethical policies

- Infringement of ethical standards in business dealings

- Resorting to malpractices that resulted in or might have resulted in loss to AM/NS

Unblocking a supplier: The blocked status of a supplier can be revoked only with approval and justification from the same authority that requested a block in the first place:

Reason for block	Revoking authorization
Prolonged inactivity	Procurement HoD
Continuous defaulting and GST non-compliance leading to financial/credibility loss to AM/NS	Accounts Payable Head (or) Indirect Taxation department
Financial disputes including cases of advance payments	Accounts Payable Head
Frequent performance issues, deviation from contract T&C & breach of established policies	CPO

7.3. Supplier Performance & Relationship

7.3.1. Supplier Performance Management

Objective:

- Establish an appraisal methodology which, as far as practicable, provides an effective, timely, accurate and consistent reflection of supplier performance

- Evaluate and identify performing and non-performing suppliers for:
    - effectively using the relationship for mutually beneficial business associations
    - eliminate non-performing suppliers responsible for high cost of transactions
- Assist the strategic supplier in developing and tracking performance improvement action plans

Frequency: Supplier performance evaluation shall be an annual exercise. Procurement is expected to conduct performance evaluation for at least 50% of the suppliers with POs/WOs above INR 1 Cr.

(Link to supplier classification section)

Responsibility: The prime responsibility of supplier evaluation is with Procurement team - User department shall provide inputs to Procurement, wherever required. Procurement shall hold discussions with suppliers on the overall performance to identify root causes for performance gaps and prompt suppliers to initiate corrective action. If a supplier has been awarded multiple POs/WOs/contracts by Procurement teams from different categories, then the Procurement team that has awarded a higher value PO/WO/contract shall assume responsibility for conducting the supplier evaluation with assistance from other Procurement teams.

Process: Supplier Evaluation is based on three key quantitative criteria:

- Quality   •   Delivery   •   Contractual/Commercial Performance

Apart from above factors, post sales service, reliability, relationship & TCO may also be considered.

Information: The data for supplier evaluation is extracted from SAP and/or Procurement department and the computation of supplier score is carried out based on supplier evaluation mechanism.

Weightage of the Criteria: The supplier evaluation mechanism will be based on a 100 base point level:

Criteria	Weightage %
Quality	50%
Delivery	10%
Commercial Performance	40%

Conditions: Important factors and conditions for consideration under each of the criteria.

Criteria	Factors & Conditions

Quality	• Ability of product/service to consistently meet/exceed quality expectations
	• This may be evaluated by analyzing defects/disruptions/failures, effectiveness of quality management systems, cooperation, service/support & other reliability tests
	• For example - Number of cases of rejection can be monitored where:
	  o Deviation of norms due to purchaser's request considered as acceptance
	  o Deviation of norms due to supplier's request considered as rejection

Delivery	• Ability to "correctly" deliver products/services
	• This may be evaluated by examining delivery compliance (reliability), transparency & responsiveness (communication mechanisms), packaging & logistics, environmental considerations, etc.
	• For example - Conformance to schedule can be monitored where:
	  o Any delivery received after the agreed delivery date to be treated as delayed delivery unless it is due to purchaser's request
	  o Deliveries received more than 15 days in advance to be treated as non-conformance unless the advancement is due to purchaser's request
	  o When part delivery is made instead of quantity scheduled, it is to be treated as non-conformance of the schedule

Commercial Performance	• **Pre-award performance**: Response to RFQ enquiries & subsequent queries/clarifications, extent to match special commercial terms, deviation from general terms, adherence to established policies, etc. - 20% weightage • **Post award performance**: Deviation sought to PO terms, compliance of dispatching & invoicing instructions, after sales services, etc. - 20% weightage

Rating Indices and Score: Procurement teams shall internally agree on specific metrics for each criterion to quantify performance of a supplier. The following table highlights sample metrics that can be utilized to evaluate supplier performance:

Criteria	Metrics
Quality	Measurement through Quality Consistency Index (QCI) in % QCI = (Number of consignments accepted during the year/Number of consignments received during the year)

Delivery	Measurement through On-Time Scheduled Quantity Index (OTSQI) in % OTQSI = (Number of deliveries where quantity & delivery is within norms as per schedule/Total number of deliveries during the year)
Commercial Performance	Measurement through Compliance Tracking Index (CTI) in % CTI = (Number of compliance issues adhered to/Total number of compliance issues)

Rating Criteria: The overall score is derived by taking a weighted average of scores against each on the criteria. The performance evaluation matrix is as follows:

Overall Rating Range	Grade	Description
>90%	A	Excellent
>75% to <=90%	B	Very Good
>60% to <=75%	C	Good
<=60%	D	Not Satisfactory – Removed from approved supplier panel. Determine root cause & initiate corrective action

Guidelines for Supplier Rejection: Suppliers scoring a "D" do not qualify as per evaluation criteria and therefore, shall be blocked and removed from approved supplier panel. The supplier panel committee shall consider performance reports to make appropriate modifications to the approved supplier panel. System restrictions are in place to not allow RFQ or PO to a blocked supplier.

(Link to supplier evaluation template in appendix)

7.3.2. Supplier Classification

All suppliers at AM/NS are to be classified into three major buckets as mentioned below:

Classification	Description
Strategic company partner	Suppliers with consistent "A" rating as per supplier evaluation methodology (OR) local/global suppliers which are specifically approved for a specific category and/or spend and/or time-period based on strategic importance (high dependence – monopoly, etc.)
Basic/Regular supplier	Suppliers with consistent "B" or "C" rating as per supplier evaluation methodology – Such suppliers are selected via normal sourcing process
Non-performing supplier	Suppliers with consistent "D" rating

Responsibility: Procurement shall be responsible to periodically review and maintain this classification of relevant suppliers on SAP based on the participation history.

Frequency: Classification of suppliers to be reviewed and updated annually.

7.3.3. Supplier Master Management

AM/NS India has a centralized supplier management function (Master Data Management cell) that is responsible for maintaining supplier database and related master data for all locations and categories.

Guidelines

- **Scope**: Activities pertaining to code creation, blocking/unblocking, modifications (additions, deletion), etc. in supplier master

- **Responsibility**: Master Data Management (MDM) cell is in-charge of maintaining supplier master data

- **Information stored**: All details captured during supplier registration is maintained and periodically updated in SAP

  (Link to supplier onboarding section)

- **Vendor code creation**: Post validation of information provided by the supplier on the registration portal by relevant authority from Security, Finance and Procurement teams, MDM cell will approve vendor code generation on SAP.

- **Vendor code modification**: Any change to the existing data shall be recommended by relevant stakeholders (Procurement, Corporate accounts, Treasury, etc.) along with a justification to the MDM cell. Post approval, requested changes shall be made in vendor master and intimated to all relevant departments

- **Review cadence**: MDM cell shall monitor records in the supplier master every quarter to ensure data accuracy. Change log of supplier master to be reviewed by Head-MDM cell. Findings from the review shall be shared with both Head-Accounts Payable and CPO. Inactive supplier analysis to be performed by MDM cell yearly

- In addition to other details, purchaser and the MDM cell shall jointly ensure that preferred payment terms of a particular supplier are stored in the supplier master. This information can be obtained from both registration details and PO/WO/contracts issued to the supplier. Procurement can enforce a supplier to operate on the same payment terms for future transactions across categories unless approved in the PO/contract as per DoA

8. Material Master Management

The material master contains information on all the materials that the Company procures and shall remain the central source for retrieving material-specific data. Standardization of material being procured by generating unique material codes would lead to proper accounting, optimization of inventory levels and simplification of procurement process.

Guidelines

- **Scope**: Unique material codes need to be generated for following materials that are regularly sourced:

  - Equipment Spares
  - Raw Materials
  - Packaging Materials
  - Production Consumables
  - Fuels and Gases

- **Responsibility**: Material code creation and maintenance of material master is a joint responsibility of Material Codification Team (MCT) and User department

- All materials shall be identified by a unique code for a given set of specifications. Any change in specifications would need creation of a new material code to avoid duplication.

- **Material code creation:** Concerned creator (plant engineer) fills in technical details of material & raises a request via "MatCo-GeN" tool (in-house web-based material code creation software). Post

approval from respective department HoD & cataloguer (member of MCT), MCT will initiate action for code creation after necessary checks (attributes, specifications, etc.)

- For any new code creation request, MCT shall first conduct a basic duplication check and accordingly inform the creator if there is an existing code available before rejecting the request

- **Material code modification**: Creator from User department is responsible to raise a request to the cataloguer team post approval from HoD. Necessary changes to be made based on the type of modification requested. Major changes such as change in material, change in item etc., cannot be modified. Creator will have to proceed for new code creation accordingly

- MCT is responsible to inform relevant department on creation/modification of a material code

- **Material code blocking**: MCT performs following process whenever it identifies a duplicate code:

Scenario	Action
Material code has no history of PR & PO	Material code shall be blocked for further procurement
Material code has a history of PR & PO but zero stock level	Material code shall be blocked for further procurement
Material code has a history of PR & PO and has stock in both the codes	Such stock is transferred (code to code) & the duplicate code is flagged for no further procurement

- **Material code unblocking**: Creator is responsible to raise a request to MCT for unblocking of a material code post approval from department HoD

- **Review cadence**: Material master shall be reviewed on a periodic basis (ideally once every quarter) by MCT and user department

- For any activity on master data (code creation, modification, unblocking, data enrichment, plant to plant extension or creation of template), creator shall provide respective HoD approval

Note: Similar standardization exercise shall be taken to create unique service codes for services (e.g. plant maintenance & repair services, IT services, corporate services, etc.) procured.

(Link to material code creation policy in appendix)

9. Purchasing Process in an Emergency

This section outlines the steps to be followed for sourcing products or services during an "emergency". Occasions where stipulated procedural process of procurement cannot be followed due to exigencies of business might necessitate placing an emergency order.

The following cases can be considered as an emergency:

- Life threatening situations – major accidents, environmental hazards & other safety related incidents

- Situations that can result in immediate stoppage of plant operations – critical equipment failure, etc.

Note: Under no circumstances will poor planning be considered as an emergency. Any exception to this shall require a justification from the User team and approval from Director and Vice President(s).

Guidelines

- **Purchasing process:**

- No RFx process required. Requisitioner can directly contact the supplier and avail the products/services after receiving adequate approvals
- Purchase should be restricted to bare minimum quantity required
- PR/PO processing shall be completed as per DoA within 72 hours of availing products/services. All PO documents released via this route to be tagged as "exceptional circumstances"

- **Approving authority**: Emergency situations require approval from ED Ops./D&VP Ops. for users to procure material/services without following the procurement process. Procurement approvals to follow as per DOA. In case of emergency situations at plant, following approvals are required:

  - For all values < INR 1Cr. : ED (Operations) approval required
  - For all values >= INR 1Cr. : D&VP (Operations) approval

- **Supplier Selection**: Purchase should be ideally made from authorized/registered suppliers. Requisitioner shall keep Procurement in loop and ensure proper protocol is followed for emergency situations

10. References / Annexure

10.1. Terms & Definitions

S.No.	Term	Definition
1	Company	Arcelor Mittal/Nippon Steel India
2	Procurement	Procurement function for respective category /asset location
3	CPO	Chief Procurement Officer
4	Procurement Head	Person in-charge of the end-to-end procurement activities for respective category/asset location
5	Category	Individual purchasing segment
6	Purchaser	Specialist from Procurement responsible for purchasing products/services of defined category
7	User	Employee of business function (plant area) who requests for sourcing of products/services by raising indents/PRs
8	Supplier	A company or representative from a business that makes products/services available to AM/NS India
9	HoD	Head of department
10	DoA	Delegation of Authority
11	KPI	Key Performance Indicator
12	TCO	Total Cost of Ownership
13	SOP	Standard Operating Procedures
14	ABP	Annual Business Plan
15	Code	Code for Responsible Sourcing
16	RFx	Acronym to reference all requests to the supplier – Request for Proposal (RFP), Request for Information (RFI), Request for Quote (RFQ), and Request for Bid (RFB)
17	RFQ	Request for quotation
18	PR/SPR	Purchase requisition/Service purchase requisition
19	PO/WO	Purchase order/Work order
20	OEM	Original Equipment Manufacturer
21	MDM	Master Data Management
22	MSDS	Material Safety Data Sheet

10.2. DoA & Procurement SOPs

DoA (latest).pdf   P2P SOP - Bulk.pptx   P2P SOP - Others.pptx   SOP - Hazira.pdf

SOP - Vizag.pdf   SOP - Paradeep.pdf   SOP - Pune.pdf

10.3. Supplier Code of Conduct

- Supplier shall neither receive nor offer, directly or indirectly, any illegal payments, remuneration, gifts, donations, or comparable benefits which are intended to or perceived to obtain business or uncompetitive favors for conduct of its business

- Supplier (including relatives of the supplier) shall not enter into financial or any other relationship with AM/NS employee or relatives of the employee that creates actual/potential conflict of interest

- Suppliers shall not meet or invite AM/NS employees after office hours or out of AM/NS premises for conducting any procurement activity (negotiations, contract signing, etc.)

- Supplier shall be committed to supply goods and services of the highest quality standards and best in the industry backed by efficient after-sales service

- Suppliers shall strive to provide Material Safety Data Sheets (MSDS) to highlight precautionary measures to consider while procuring hazardous materials

- Suppliers shall promptly disclose information about all related parties and group entities and update formation of any such new entity

- Supplier shall not discuss commercials with the technical user at any point in the sourcing process

- Supplier shall promptly report any act of misdemeanor or actual/possible violation of Code of conduct

- Supplier shall comply with all applicable laws & regulations (including the Code), both in letter & spirit

10.4. Responsible Sourcing Policy

Responsible Sourcing Code

The Code for Responsible Sourcing includes four key areas:

1. **Health and Safety:** Zero accident rate is a priority for AM/NS India, both for its employees and its suppliers and therefore, it is expected that the supplier is working towards the same goal

   Commitment from suppliers
   - Identify, evaluate and eliminate Health & Safety risks
   - Develop an effective mechanism for preventing injuries & work-related illnesses
   - Ensure leadership visibility & clear accountability for matters relating to Health & Safety
   - Investigate all incidents and near hits to prevent future recurrences
   - Update and test emergency response procedures

2. **Human Rights:** AM/NS India requires its suppliers to meet the highest applicable standards in line with United Nations Declaration on Human Rights and the International Labor Organization's Declaration of Fundamental Principles and Rights at Work

   Commitment from suppliers
   - Promote 'freedom of association'
   - Eliminate forced or compulsory labor

- Abolish child labor
- Eradicate unlawful discrimination and harassment in the workplace
- Offer competitive compensation and remuneration n compliance with the applicable Regulations/Labor laws

3. **Ethics:** AM/NS India is committed to fair / open business practices and expects its suppliers to adhere to the Anti-Bribery and Anti-Corruption Policy

   Commitment from suppliers
   - Establish clear governance and internal controls to ensure ethical business practices
   - Demonstrate accountability
   - Conduct effective training on tackling suspected non-compliances

4. **Environmental Stewardship:** AM/NS India constantly strives to improve environmental performance in-order to achieve the goal of making safe sustainable steel. Suppliers are expected to make similar improvements further down the supply chain

   Commitment from suppliers
   - Institutionalize an environment management system
   - Ensure compliance with relevant environmental laws and regulations
   - Develop more environmentally efficient production methods
   - Make efficient use of natural resources

AM/NS Responsible Sourcing process

1. All purchasers may deliberate with users on the following before initiating action:
   a. Possibility to not buy the product/service at all
   b. Information on technological developments made with respect to the product/service that is in line with AM/NS Responsible Sourcing objectives
   c. Provision to optimize Total Cost of Ownership (TCO) through minimal consumption/reuse of resources (water, energy, etc.)
2. All suppliers are expected to operate in a way that is coherent with the Code
3. Risk assessment of suppliers to be regularly carried out by purchasers based on principles mentioned in Code

Expectation from a purchaser

Purchaser maintains direct contact with suppliers and therefore, plays a crucial role in furthering Responsible Sourcing. It is in the interest of the Company that the best practices/ideas (as highlighted in the Code) are shared with suppliers and obtain buy-in to work towards Responsible Sourcing.

Expectation from a supplier

AM/NS India seeks a collaborative relationship and therefore, encourages all suppliers to identify and develop performance improvement programs to align with Responsible Sourcing. Supplier shall inform the purchaser of the necessary steps being taken and share learning points/ideas in own supply chains to promote Responsible Sourcing principles.

10.5. RACI Matrix for AM/NS India Procurement

RACI model is used to ensure role distinction. The acronym 'RACI' stands for:

R – Responsible (those who are required to do the task)

A – Accountable (those who are ultimately answerable for task execution)

C – Consulted (those whose opinions are taken into account -> usually two way communication)

I – Informed (those who are kept in loop on progress made -> usually one way communication)

Process	Sub-Process	CPO	Category Head	Purchaser	User	Supplier	Others – IT, Finance
Category Management	Category Strategy & Planning	C	R, A	C	C	-	I
	Demand Planning / Supply Assessment	I	C	C	R, A	-	I
	Category Risk & Performance Management	I	R	C	A	-	I
Supplier Management	Supplier Relationship Management Strategy	C	R, A	C	C	I	-
	Supplier Development – Discovery & Onboarding	I	C	R, A	C	I	C
	Supplier Performance & Risk Management	I	C	A	R	C	I
Strategic Sourcing	Requirements & Specifications Definition	I	I	C	R, A	I	I
	Sourcing Strategy & Execution	C	R, A	C	C	I	I
	Supply Market Analysis & Planning	I	C	A	R	-	I
Operational Process	Creation & Release of Purchase Requisition	I	I	I	R, A	-	I
	RFQs & Offer Collection	I	I	R, A	I	C	I
	Technical Evaluation	I	I	C	R, A	I	-
	e-Auction & Negotiations	I	I	R, A	-	C	I
	Purchase Order Execution (Proposal Creation, Approvals, PO Release, etc.)	C	C	R, A	I	I	C
	Invoice Processing & Payment	I	C	C	I	I	R, A
Contract Management	Contract Negotiation / Drafting / Execution	I	C	R, A	C	C	I
	Contract Renewals & Termination	I	C	R, A	C	I	I

	Contracts Storage & Maintenance	I	C	R, A	I	I	C
Governance & Control	Master Data Management	I	R, A	C	I	C	C
	Delegation of Authority, SOPs & Policies	R, A	C	C	C	I	I
	Monitoring & Compliance	I	R, A	C	C	I	I

10.6. Separation of duties – Activity list

The following day-to-day activities (not exhaustive) also need segregation to ensure internal control:

S.No.	Separation of duties
1	Maintain Purchase Order V/s Process Vendor Invoices
2	Maintain Purchase Order V/s Goods Receipts to PO
3	Maintain Purchase Order V/s AP Payments
4	Vendor Master Maintenance V/s Maintain Purchase Order
5	Release Blocked Invoices V/s Maintain Purchase Order
6	Maintain Purchase Order V/s Enter Counts & Clear Diff - IM
7	Maintain Material Master Data V/s Maintain Purchase Order
8	Maintain Purchase Order V/s Service Acceptance
9	Requisitioning V/s Maintain Purchase Order
10	Maintain Purchase Order V/s Service Master Maintenance
11	Release Requisitions V/s Maintain Purchase Order
12	Maintain Purchase Order V/s Enter Counts - IM V/s Clear Differences - Inventory Management
13	Maintain Purchase Order V/s Enter Counts - WM V/s Clear Differences - WM
14	Maintain Purchase Order V/s Manual Check Processing
15	Maintain Purchase Order V/s PO Approval
16	Maintain Vendor Master Data & Enter/Modify Requisition & Approve Purchase Requisition & Enter/Modify Purchase Order & Approve Purchase Order
17	Enter/Modify Requisition & Approve Purchase Requisition & Enter/Modify Purchase Order & Approve Purchase Order
18	Approve Purchase Order & Enter/Modify Purchase Order
19	Maintain Asset Master & Enter/Modify Purchase Order & Approve Purchase Order
20	Maintain Material Master Data & Enter/Modify Requisition & Approve Purchase Requisition & Enter/Modify Purchase Order & Approve Purchase Order
21	Enter/Modify Purchase Order & Approve Purchase Order & Goods Receipt
22	Maintain Material Master Data & Enter/Modify Purchase Order & Approve Purchase Order
23	Maintain Vendor Master Data & Enter/Modify Purchase Order & Approve Purchase Order & Process Vendor invoice
24	Vendor Master Maintenance V/s Purchasing Agreements
25	Vendor Master Maintenance V/s Manual Check Processing
26	Maintain Vendor Master Data & Confirm changes to Vendor master & Manual check processing

10.7. Resource & production planning SOP – BRM & Gas

Resource Planning
SOP - BRM & Gas.pdf

10.8. Process note – Land matters

Process note - Land
Matters.pdf

10.9. Auto-RFQ manual, RFQ template (to be defined by category) & RFQ T&C

Auto RFQ process.pdf   RFQ template.pdf   RFQ T&C.pdf

10.10. Offer submission process manual

Offer submission
process.pdf

10.11. TR template & TR approval matrix

TR template.xlsx   TR DoA - Capex projects.pdf   TR Approval Matrix (Hazira).pdf   TR approval matrix - Vizag.pdf   TR approval matrix - Odisha.pdf

10.12. AM/NS India e-Bidding/e-Auction guidelines

Purpose

Given AM/NS India procures products and services that are of high value in nature (in terms of transaction volume and transaction amount), e-Bidding and/or e-Auction is used as a negotiation technique as part of the procurement process. This fast track negotiation technique used by the Procurement department allows transparency, equality of opportunity and the ability to demonstrate that the outcomes represent the best value.

Note: e-Auction/e-Bidding events for AM/NS India are scheduled and conducted on the auction portal - https://auction.amns.in/

Policy

e-Bidding/e-Auction is only required for purchases above the value threshold defined in AM/NS India's Delegation of Authority (DoA). This limit is subject to modifications from time-to-time basis policy decisions taken by Management. e-Bidding/e-Auction is not mandatory for the following cases:
• OEMs
• Authorized/Preferred channel partner of OEM
• Specialized products/services with limited supplier base

Note: Any exceptions (critical breakdown/shutdown jobs, other emergency situations, etc.) to the policy mentioned above would require approvals as per DoA.

e-Bidding versus e-Auction

e-Bidding is an online bidding event without an awarding commitment where multiple suppliers participate to provide best possible offers for requested products/services. In contrast, e-Auction automatically leads to awarding a contract based on the best offer after completion of the online bidding event.

Note: Procurement department may analyze and implement different types of auction depending on the nature of requirement. Presently, AM/NS procurement only follows reverse English auction model for conducting e-Bidding/e-Auction due to system limitations.

Pre-requisites before conducting an e-Bidding/e-Auction event

The following steps must be completed before initiating an e-Bidding or e-Auction process:
• Closure of RFQ and/or advertisement process
• Clarification of any ambiguity in the scope of work or specifications
• Receipt of all bids from suppliers

Note: In addition to above-mentioned conditions, technical evaluation of received bids must be completed in-order to conduct an e-Auction. While all suppliers meeting the above criteria can participate in an e-Bidding event in-order to enable competition, technically rejected suppliers may be considered out of the negotiation process and therefore, might not allowed to participate in an e-Auction. However, purchaser can include technically rejected supplier/s to create better competition on a case-to-case basis.

Communication

Process intimation: Purchasers are expected to apprise participating suppliers on the sourcing process (including whether e-Bidding or e-Auction is envisaged) in advance. Suppliers shall be informed that the contract is automatically awarded if the reserve price is met during the event.

Event notification: Purchaser shall schedule the e-Bidding/e-Auction event with a minimum 24 hours' notice so that suppliers can plan accordingly. In case of scheduling conflicts, a mutually convenient time slot should be agreed upon and notified to all participating suppliers no later than 24 hours prior to start of the event. An auto-reminder on e-Bidding/e-Auction event is triggered to participating suppliers at least 1 hour before start of the event.

Information access: Login credentials and other relevant details are to be sent by auction administration team at least one day prior to the start of the e-Bidding/e-Auction event.

Scheduling

Purchaser should compile the following details and set up an e-Bidding/e-Auction event on the auction portal:
• Supplier details – vendor code, name, contact person name, email id, mobile #, etc.
• Offer details – PR number, description, initial bid prices, currency, etc.
• Auction details – schedule, duration, auctioneer selection, etc.

Supplier concurrence

All participating suppliers are required to acknowledge and adhere to AM/NS' T&C prior to the start of the event. Any deviation from this rule will result in exclusion of such suppliers from participating in the e-Bidding/e-Auction event.

Reserve price and Threshold price

Procurement team shall strive to define and establish reserve price based on market value. If the e-Bidding/e-Auction is being conducted for multiple line items, reserve price shall be determined on a lot-basis.

Reserve price: Reserve price is the highest acceptable price for the purchaser to buy from a supplier. Suppliers must meet the reserve price i.e. closing bid price of L1 supplier must be less than or equal to the reserve price in-order to automatically award the contract. If the reserve price is not met, purchaser can decide to either cancel the event or consider the closing bid prices for further negotiations.
Reserve price can be determined using the following benchmarks:
• Past purchase history – previous PO/WO prices
• Market price movements – pricing insights obtained from market intelligence
• Reference price from other sources – product catalogues, group companies, etc.

Industry best practice for conducting an e-Bidding/e-Auction event

• e-Bidding/e-Auction is generally conducted in a buyer's market - an economic situation where there is supplier abundance for the required products/services
• A minimum of three suppliers shall be available for participation in e-Auction/e-Bidding. Any exception to this rule shall require an approval from the CPO
• Total landing cost should be considered as the initial bid price by a supplier for the e-Bidding/e-Auction event. These prices should be comparable in nature, e.g. specifications and purchasing conditions must remain same for all participating suppliers

SOP during e-Bidding/e-Auction event

Process

e-Bidding/e-Auction process for suppliers starts with the threshold price (typically the initial price quoted by each supplier). Suppliers bid against each other over a specified time-period by decreasing the initial quoted price in-order to win the contract.

Responsibility

e-Bidding/e-Auction is conducted by an independent auction administration team which reports directly to the Head of Procurement Administration.

Disclosed information

For supplier: Details such as bid amount, discounts, price movements, # of participants etc. shall not be visible to the participating suppliers. Only price ranks are available to the suppliers. Total bid value is taken into consideration for identifying the L1 supplier. Suppliers shall be able to see price rank based on the total bid amount rather than line item-wise bids.

For purchaser: Purchaser will not have access to any information on bids placed by suppliers during the e-Bidding/e-Auction event.

Participation challenges

If a supplier faces any login-related issue or commits any error during the e-Bidding/e-Auction event, it is the supplier's responsibility to inform the auction administration team of the issue immediately over an email with a carbon copy to the purchaser. Such suppliers are also expected to submit their final price on this email before completion of the e-Bidding/e-Auction event for further consideration. Suppliers will be considered out of procurement process if the representative fails to submit the final price before completion of the e-Bidding/e-Auction event.

Note: Only the price mentioned on the email will be considered for comparison against closing bid prices of other suppliers. If the price meets the reserve price & is L1, such suppliers can be considered for an awarding commitment. If none of the prices (both L1 auction price and price mentioned on email) meet reserve price, purchaser has the sole discretion to decide whether the supplier who was not able to smoothly participate in the e-Bidding/e-Auction event be considered for further negotiations.

Supplier Absenteeism

Any supplier absent for the e-Bidding/e-Auction event is considered out of the procurement process. Any offline price consideration after the event requires an approval from the CPO.

SOP after e-Bidding/e-Auction event

Summary report

Auction administration team is expected to provide a detailed summary report post completion of the event to the relevant purchaser.

Direct negotiation shall only be initiated with suppliers if the reserve price is not met. Purchasers are expected to inform suppliers that the price discovered during the e-Bidding/e-Auction event will be considered as the final price and that no further negotiations will be encouraged if the reserve price is met. In addition, purchasers may ask suppliers to provide detailed break-up of prices by line item.

Offer retraction

If a L1 supplier retracts the final offer after the e-Bidding/e-Auction event, then the supplier must be blocked for further business. Any exception to this rule must require an approval from the CPO. Appropriate action can be taken by the purchaser with the remaining suppliers to complete negotiations.
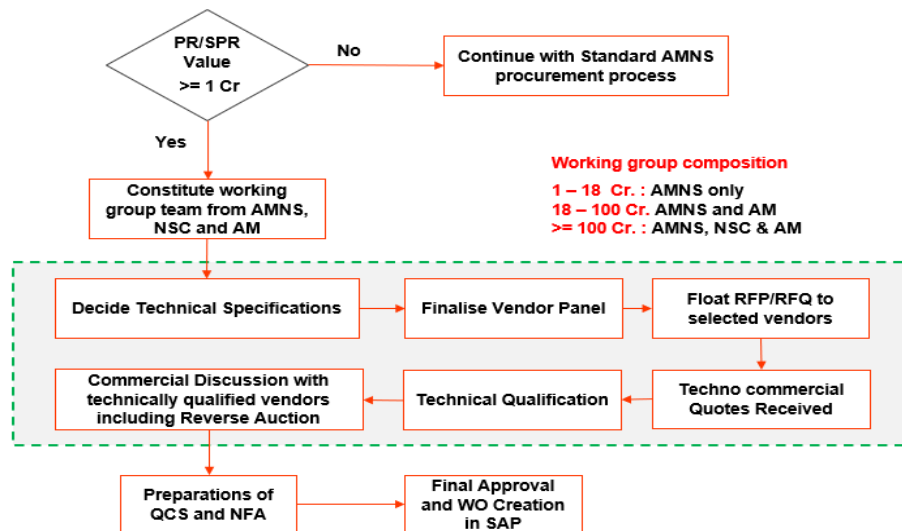
Documentation

Purchasers must explain and document how the reserve price has been determined for a particular e-Bidding/e-Auction event. This justification should be submitted along with other documents for proposal creation.

10.13. Quotation comparative statement template

QCS.xlsx

10.14. High value capex orders

10.15. PO approval matrix

PO approval
matrix.xlsx

10.16. Sample e-Invoice

e-Invoice.pdf

10.17. Down Payment Request and Payment Clearance Guidelines

Policy on Down
Payment Request.pdf

10.18. Invoicing

Tax invoicing
guidelines.pdf

10.19. Supplier evaluation template

supplier evaluation
template.xlsx

10.20. Material code creation policy

Material code
creation policy.pdf