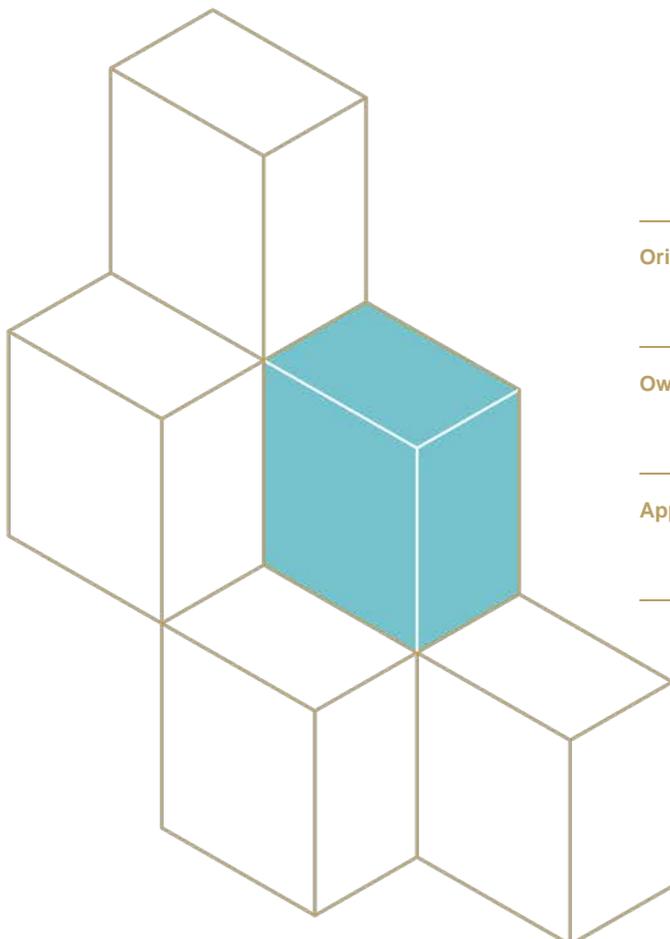


Materials Management Requirements for Contracted Storage Providers Procedure

CHRY-UKO-SCM-PROC-1014



Originator: Paul Milne

Materials Specialist

Owner: Andrew Davidson

Materials Manager

Approver: Audrey Stewart

VP – Supply Chain

Function: Supply Chain

Review Frequency: 4 years

Revision Number: 1

Issue Date: 11 March 2021

To comment on or suggest improvements to this document, please contact JM@chrysaor.com

REVISION CHANGE NOTICES

Rev	Location of Change	Brief Description of Change
1	Throughout.	This document issued by Chrysaor as part of the BMS Review Project/OMS/BMS Integration Project. Legacy Document Number(s): UK-00045.

DISTRIBUTION

Hard Copy Controlled Distribution			
Copy No	Position	Name	Address

Virtual Copyholders – Electronic Distribution by E-mail Only			
Number	Position	Name (if applicable)	E-mail Address
1	Issued to BMS		
2	Materials Manager	Andrew Davidson	Andrew.davidson@chrysaor.com
3	VP – Supply Chain	Audrey Stewart	Audrey.stewart@chrysaor.com
4	Materials Specialist	Paul Milne	Paul.Milne@chrysaor.com
5	Materials Specialist	Michael Matthew	Michael.Matthew@chrysaor.com
6	Materials Controller (J-Area)	Anthony Murray	Anthony.murray@chrysaor.com
7	OCTG Co-ordinator	Barry McIntosh	Barry.McIntosh@chrysaor.com
8	Materials Controller (GBA)	Jamie Grieve	Jamie.grieve@chrysaor.com
9	Procurement & Systems Manager	Paul Stephen	Paul.stephen@chrysaor.com
10	Materials Co-ordinator – J-Area Operations-Onshore	Jeremy Salmon	jeremy.salmon@chrysaor.com

CONTENTS

1.0 PURPOSE 4

2.0 SCOPE 4

3.0 GLOSSARY OF TERMS 5

 3.1 Abbreviations 5

 3.2 Definitions 5

4.0 ROLES AND RESPONSIBILITIES 5

 4.1 Materials Manager 5

 4.2 Materials Management Personnel 5

5.0 PROCEDURE 6

 5.1 Control Objectives and Standards 6

 5.2 Material Movements 6

 5.3 Material Storage and Security 7

 5.4 Conformance 7

6.0 REFERENCES 7

LIST OF FIGURES

Figure 1 – Materials Management Processes 4

1.0 PURPOSE

This Procedure focuses on the 'Store' module of materials management. It describes Chrysaor requirements, with respect to materials management, for contractors and third parties storing and managing materials and equipment on behalf of Chrysaor entities where SAP is in use.

The materials management process is split into four core areas, as shown in Figure 1:



Figure 1 – Materials Management Processes

- Store:** 'Store' describes the processes followed in the Receipt/Dispatch Warehouses, Central Warehouses and third-party locations regarding the goods receipt and storing of materials.
- Ship:** 'Ship' describes the processes followed in the Receipt/Dispatch Warehouses, Central Warehouses and third-party locations regarding the picking, staging and shipment of materials.
- Return:** 'Return' (and follow-up) describes the processes followed in the Receipt/Dispatch Warehouses, Central Warehouses and third-party locations regarding the return of materials from use.
- Dispose:** 'Dispose' describes the processes followed for approval to dispose of materials, and the following investment recovery.

2.0 SCOPE

This Procedure applies to all contractors involved in storing and managing inventory on behalf of Chrysaor.

Materials management covers the day-to-day management and movement of materials and the storage of inventory within a warehouse.

The type and volume of inventory to be stored and managed by the contractor is agreed between Chrysaor and the contractor, with the overall objectives being:

- Ensuring the contractor meets the key control objectives as set out in the contract scope, this Procedure, and the contract management plan (if applicable)
- Ensuring Chrysaor-held materials are available as required, in a fit-for-purpose condition, in compliance with Chrysaor and regulatory requirements
- Ensuring inventory-related holding costs are optimised whilst still meeting operational requirements

A Contract/Agreement should be in place with third party storage providers to address materials management expectations.

3.0 GLOSSARY OF TERMS

3.1 Abbreviations

DS	Duty Suspended
FCG	Free Circulating Goods
PO	Purchase Order
UK	United Kingdom

3.2 Definitions

Not applicable.

4.0 ROLES AND RESPONSIBILITIES

4.1 Materials Manager

The Materials Manager is responsible for:

- Implementing and monitoring conformance with this Procedure across the United Kingdom (UK), both internally and externally
- Maintaining the materials management requirements defined in this Procedure
- Approving all proposed changes to this Procedure
- Reviewing this Procedure in accordance with applicable timelines

4.2 Materials Management Personnel

Materials Management personnel are responsible for:

- Conformance with this Procedure
- Notifying the Materials Manager on any improvement or when a change is required to this Procedure

5.0 PROCEDURE

5.1 Control Objectives and Standards

All inventory being managed on behalf of Chrysaor is properly safeguarded, with all receipts, transfers and withdrawals properly recorded in a timely manner. In addition, contractors are required to ensure that receipts, transfers, issues and inventory records reflect the correct customs status of the material being stored:

- UK: Free Circulating Goods (FCG) or Duty Suspended (DS)

Inventory balances are required to reflect actual quantities on hand, and all events that affect their underlying valuation conform with applicable accounting principles.

5.2 Material Movements

5.2.1 Receipt of Chrysaor-owned Materials at Third Party Contractor's Storage Locations

All material movements into the contractor's site are documented on a Pre-notification Form, CHRY-UKO-SCM-FORM-1232 [Ref 1] or vendor delivery ticket. If this is not done, a non-compliance is raised and reported to the Contract Manager (in accordance with UK Service Improvement Notice Procedure, UK-01620). The Pre-notification Form [Ref 1]/vendor delivery ticket is copied to the Chrysaor Material Controller so they can perform the material movement in SAP.

The contractor marks all materials with Chrysaor's material master number, where applicable; as detailed on the Purchase Order (PO), or as directed by the Chrysaor Materials Controller. The contractor also labels Chrysaor's materials with the relevant plant information and customs status.

5.2.2 Issue of Chrysaor-owned Materials at Third Party Contractor's Storage Locations

All material movements out of the contractor's site are documented on a Pre-notification Form [Ref 1], vendor delivery ticket or SAP-generated delivery document. If this is not done, a non-conformance is raised and reported to the Contract Manager (in accordance with UK Service Improvement Notice Procedure). The Pre-notification Form [Ref 1], vendor delivery ticket or-SAP generated delivery document is copied to the Chrysaor Material Controller so they can perform the material movement in SAP.

The Chrysaor representative requesting the materials (unless otherwise documented in the scope of service) defines any inspection and/or certification requirements for material before they leave the contractor's site. If specific inspection and/or verification is required, it is clearly marked on the documentation and the Chrysaor representative arranges for the inspection to be carried out.

5.2.3 Material Movement Tracking

The contractor issues a monthly inventory balance report to the Chrysaor Materials group so they can assure the inventory balance in SAP is reconciled and reflects the physical inventory. Where applicable, contractors also provide monthly reports on repairs and staged materials.

Note: *If the contractor is granted direct access to Chrysaor SAP, specific instructions, documentation and training is provided, and there is no requirement to maintain an independent inventory.*

5.3 Material Storage and Security

All contractors with a scope of work for storing material or equipment on behalf of Chrysaor are responsible for the security of both internal and external storage to protect the material and equipment against loss or damage. The storage facility should be secured with only authorised personnel having access. Within the storage locations, all Chrysaor material is required to be segregated from other client/contractor-owned material and clearly marked as belonging to Chrysaor where appropriate.

5.4 Conformance

To ensure the scope of materials management is being adequately performed, Chrysaor periodically reviews site security, storage conditions, and performs a stock check of physical inventory.

The contractor will be requested to provide assistance to facilitate the stock count.

When completing the physical inventory checks, once the initial count has been completed, any discrepancies are reviewed and a recount carried out if deemed necessary. A reconciliation exercise will be conducted to resolve and account for all discrepancies.

An audit report is submitted after each stock check. The report includes, but is not limited to:

- General comments on storage and stock conditions
- Details of the discrepancies (value and line item)
- Findings and actions

Particular attention is to be paid to areas where frequent adjustments are made, as this is normally a sign of lack of adherence to the processes.

6.0 REFERENCES

Note: *The BMS document references below are subject to change. The electronic BMS should be consulted for the most up-to-date revisions.*

1. Pre-notification Form, CHRY-UKO-SCM-FORM-1232.

OMS Documentation

- UK Service Improvement Notice Procedure, UK-01620