

# **TCE** Supplier Management **Policy**

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**TATA** CHEMICALS EUROPE

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# Supplier Management Policy

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# Supplier Management Policy

## 1. Purpose

The purpose of this document is to articulate how Tata Chemicals Europe (TCE) will manage its supplier base. This document will set out the proposed regime for managing the TCE supplier base and identify how it will get to that stated position. Future iterations of this document will focus on the maintenance of the stated position. This document should be read in conjunction with the TCE Procurement Policy; this document will articulate:

- How TCE contracts with suppliers
- How TCE manages suppliers with whom they have a contractual relationship
- Validation of suppliers
- Validating the Supplier Base
- Approved and Preferred Suppliers
- Maintaining the Supplier Base

## 2. How TCE contracts with suppliers

TCE acknowledges it has a broad and diverse supplier base and that the very niche nature of the manufacturing processes shapes the size and complexity of the supplier base. As such there is no one size fits all approach for the management of all TCE suppliers.

Where appropriate TCE will appoint suppliers through a competitive process and typically award contracts on a three-year basis with the opportunity to extend the contract for a further two years through two increments of 12-month extensions. Any extension must be approved by the relevant business unit Director and the Business Services Director.

For niche, or sole, supplier activities contracts will be let, with the relevant sole supplier exemption criteria, as articulated in the Procurement Sourcing Process. The contract duration will be as agreed with the business unit Director, but for no longer than three years.

All contracts, unless agreed to the contrary by the Head of Procurement supported by the business unit Director, will be on TCE terms.

## 3. How TCE manage suppliers with whom they have a contractual relationship

The contractual details for those suppliers with whom TCE has a contractual relationship should be stored and maintained in TCE's Ariba system, with the relevant details entered in SAP (to enable automatic creation of Purchase Orders). All contracts that are capable of creating automatic PO generation should be so enabled. The relevant Procurement Manager is responsible for the entry of the contractual details and the maintenance of any contractual changes.

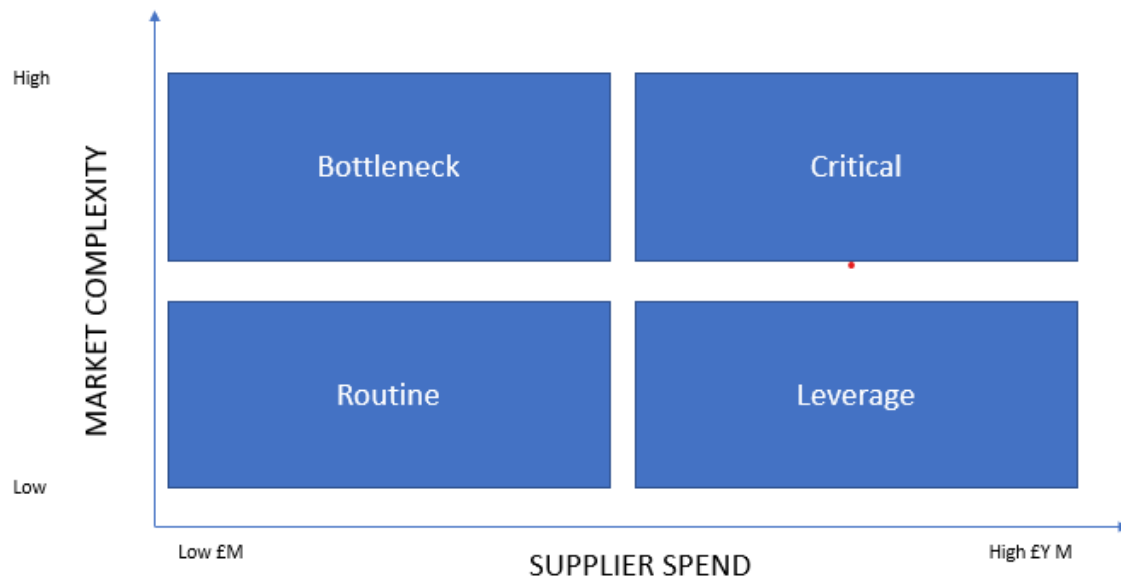
In developing category plans Procurement Managers will identify relevant to their portfolio spend and market complexity / criticality to the business.

The classification of suppliers is:

- Tier One - Critical
- Tier Two - Bottleneck
- Tier Three - Leverage
- Tier Four - Routine

**Figure 1** below positions the supplier spend and market complexity.

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All Tier One suppliers will be managed through the Strategic Relationship Management process. There will be a three-level process for managing for these suppliers:

- Level One – Monthly performance reviews (Business stakeholder – Supplier Account Manager). These meetings should focus on operational performance during the month.
- Level Two – Quarterly account review (Procurement Manager, senior business stakeholder – Supplier Account Director). These meetings should focus on KPI performance and those commercially impacting service levels, root cause analysis of problems and improved ways of working.
- Level Three – Six monthly strategic account review (Exco, Head of Procurement – Supplier CEO and Account Director). These are strategic meetings and focus on the next 6 to 12 months ahead in addition to developments in the sector and wider economy.

Tier Two and Three suppliers will be managed on a less involved basis than Tier One and Tier Two suppliers with the following post contract award management regime:

- Level Two – Quarterly account review (Procurement Manager, senior business stakeholder – Supplier Account Director). These meetings should focus on KPI performance and those commercially impacting service levels, root cause analysis of problems and improved ways of working.

Due to the nature of Tier Four suppliers, an annual performance review is required where payment terms, invoicing and payment are monitored and reviewed in line with the contract.

With all the supplier relationships, regardless of tiering both Procurement and the business unit have roles to play in managing suppliers:

- Procurement – Managing the commercial terms and contractual documentation.
- Business Unit – Managing and reporting on the day-to-day performance of the supplier. The business unit is also responsible for overseeing the site mobilisation and de-mobilisation of suppliers and ensuring that suppliers are briefed on site procedures and Health & Safety. It is the business unit

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that is responsible for ensuring that suppliers adhere to TCE site-based policies and practices.

### 4. Validation of Suppliers

As part of the Procurement Sourcing Process all potential suppliers are checked and validated, at the pre-qualification stage of tenders, for the following:

- Insurance – valid and relevant insurance policies are held by the supplier to meet their obligations to TCE.
- Health & Safety (H&S) – there have been no notable, or reportable, H&S incidents within the last three years that would give TCE cause for concern.
- Financial Credit Check – using recognised credit checking authority the relevant financial probity checks are undertaken to ensure that the supplier has suitable funds to continue to trade with TCE. Where the annual TCE spend with the supplier accounts for 50% or more of the supplier's annual turnover this should be noted in both the Procurement Risk Register and the appropriate Category Plan.

The validation of Suppliers lasts from three years of the validation activity, or from the expiry of the associated contract, whichever is the latter. It is the obligation of suppliers to inform TCE if any of the details relating to the criteria above have changed.

All suppliers who have an existing contract will be deemed to have been validated (insurance policies, Health & Safety performance and financial review), unless known to the contrary. Where existing contracts are extended then the re-validation activity is undertaken as a conditional component of the extension.

Where single source contracts are let the supplier validation activity remains unchanged. TCE operates a policy that no contract can be awarded unless the supplier has been validated, unless there is an urgent operational requirement as sanctioned by the appropriate business unit director.

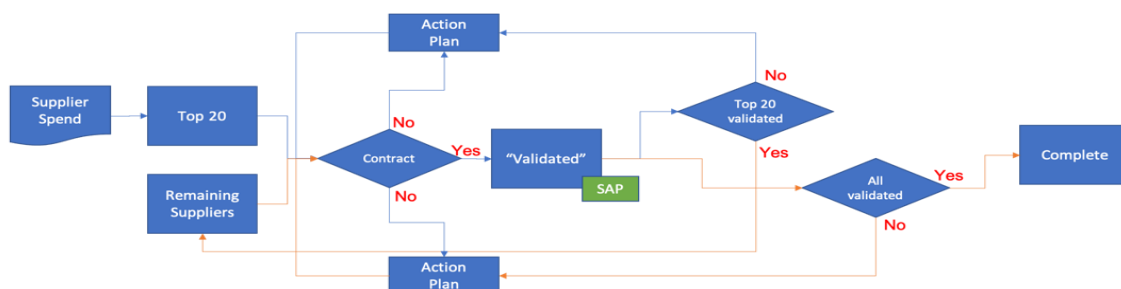
In the instance where a selected supplier fails to meet one or more of the validation criteria and the service from that supplier is deemed essential then confirmation of supplier use from the appropriate business unit director is required and the details of the associated risk entered in the Procurement Risk Register.

All Tier 1 and 2 suppliers subject to the SRM regime described above will have periodic financial health checks to confirm their ability to trade and meet TCE's requirements.

### 5. Validating the Supplier Base

As the TCE Procurement Department deploys category plans as part of validating the plan an assessment of supplier validation should be undertaken, following the process identified in Figure 1 below will provide a pathway to validating the supplier base.

#### Category Centric - Supplier Validation



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## 6. Approved and Strategic Suppliers

TCE Procurement Department has defined a list of approved suppliers, these are suppliers with whom a current expenditure liability exists and whose credentials have been verified. As category management is deployed across the Procurement Department the Approved Supplier List will be strengthened to create an additional Strategic Supplier List. Once the Approved Supplier List and Strategic Supplier List have been delivered TCE will have the ability to not only spend with validated suppliers but to deliver value for money by aggregating spend with the most relevant suppliers.

## 7. Reviewing the Supplier Base

Every six months (mid-April and mid-November) a spend report will be published detailing those suppliers with whom there has been no spend in the last 14 months. The list of those suppliers will be shared with Procurement Managers and business stakeholders to understand whether these suppliers are put on block.

For those suppliers that have no existing contract and no expenditure in the last 14 months it is highly unlikely that these suppliers meet the validation criteria, as detailed above, and any future spend with these suppliers will require both validation and contract action.

During these six-monthly reviews supplier master data will be reviewed to check for duplicate supplier records and to understand the number of vendors that have been added to the supplier base.

## 8. Maintaining Supplier Validation

Supplier validation is undertaken and maintained via Ariba and a list of validated suppliers can be accessed on QlikView via the Procurement dashboard. In addition to the alert capability in Ariba Procurement Managers in conjunction with business unit stakeholders should review the list for those suppliers whose validation is due to lapse in the coming six months.

## 9. Supplier Code of Conduct

TCE expects that all suppliers will follow the TCE Supplier Code of Conduct, the code can be found attached to this document.

## 10. Review

This policy will be reviewed annually, in April by the Head of Procurement.

Last Review Date: 01.04.2025