



QA PROCEDURE • Supply Chain Management • Procurement and Contracting – Policy and Standard

Global Supply Chain Standard

STANDARD

Make sure Global Supply Chain (“GSC”) delivers within competitive guidelines and processes which is presented and familiar to the organization.

This standard provides a framework for Global Supply Chain (“GSC”) involvement in Sourcing, Vendor Management, Purchasing, Logistics and Travel activities conducted by PGS ASA and its subsidiaries’ (“PGS”), including each Business Area (“BA”) and departments, as well as those handled by agents, representatives, and consultants of PGS. The purpose of this Standard is to:

- Outline requirements for all Sourcing, Purchasing and Logistics of materials, products, and services in PGS.
- Ensure that PGS has effective and simple procedures and processes to handle it in a professional way in cooperation with suppliers, enabling sustainable value creation in a compliant manner and manage overall supplier risk.

Ensure PGS has an overall adequate process for monitoring and controlling Critical Suppliers.

This Standard is applicable to all PGS personnel being involved in any of the above. The SVP Global Supply Chain may approve specific or general exceptions to the requirements in this Standard.

DEFINITIONS

The main GSC processes are Sourcing and Vendor Management, Purchasing, Logistics and Travel:

Sourcing & Vendor Management: Optimize PGS’ Source to Contract process to ensure compliance, sustainability, tendering, contracting, and managing supplier relationship for the best source of supply. Monitoring supplier risk and ensuring adequate control of critical suppliers.

Purchasing: Requisition receipt, collect competitive bids and order placement/ call-off towards existing frame agreements, follow up orders for delivery, expediting and payment verification according to set policy.

Logistics: Inventory handling processes and all transportation of equipment between freight forwarder hubs, warehouses, supplier, agent, PGS office, PGS own vessels and chartered vessels.

Travel: Planning and booking of travel activities for employees, crew, and relevant partners.

GSC OBJECTIVES

- Ensure best possible commercial terms and conditions, transparency, and complete audit trail in the P&C processes.
- Reduce supply chain risk for PGS. This includes initiating credit checks, compliance verifications, and securing needed contractual performance guarantees from suppliers as well as following the general P&C procedures.
- Ensure the supply of goods and services at the right quality and quantity, at the right time and place. Capture economies of scale across BA’s and track cost and bottom-line. effects.

REQUIREMENTS

CORPORATE COMPLIANCE

General compliance Requirements

- PGS's requirements to ethics, anti-corruption, human & labor rights, health, safety, environment, and quality shall be adhered to throughout the GSC processes.
- All new suppliers and existing suppliers within this standard shall confirm compliance with the requirements to the Norwegian Transparency Act ('Åpenhetsloven') and the UK Modern Slavery.

Sustainability Requirements

PGS procurement and logistics personnel shall:

- Ensure that suppliers subject to this standard are compliant with the PGS Supplier Code of Conduct.
- Ensure that the defined procurement risk process is followed.
- Ensure that the procurement work process is updated with relevant measures as required by PGS.

Export and Sanction Control Requirements

PGS procurement and logistics personnel shall:

- Prior to engaging the supplier verify with the supplier whether the export of any item is controlled, obtain an Export Control Classification Number or equivalent item number from the supplier in accordance with the logistics "Country Specific Procedures" (SCM-LOG 1019) under "References". Prior to exporting any item out from a country, verify whether the export of such item is controlled and if PGS has a valid license. If no valid license is in place, contact Head of Legal, NSA for assistance.
- Prior to contracting with new and unknown key suppliers or business partners, always ensure that sanctions lists are screened, and sanctions laws assessed by contacting the Legal Department.
- Otherwise, follow the Export and Sanctions Control Standard ([COR-LEG-0885](#))

Segregation of Duties and Conflict of Interest

- Segregation of duties: P& shall always be involved together with the BU in procurement processes. This includes supplier registration in master data; approval of award recommendation; approval of agreement award; and/or the release of invoice for payment.
- Personnel with a conflict of interest as defined in PGS's Code of Conduct must not take part in the procurement process.

Contract Review and Approval

Anyone in PGS entering a procurement contract shall ensure that the contract has been reviewed and approved by either P&C or Legal Department. P&C shall co-sign all contract documents ([COR-PRT-0400](#)).

PROCUREMENT PROCESSES

Requirements for all commitments resulting in an invoice to PGS:

- All new suppliers shall be reviewed and approved by GSC.

[GEP SMART | Get Ready for a New Supplier Request Process \(sharepoint.com\)](#)

ONLINE - New Supplier Requests Quick Reference Guide.pdf - All Documents (sharepoint.com)

- All purchases above US\$ 1,000 require a Purchase Order (PO) referring to PGS' General Terms and Conditions for Procurement of Goods and Services ([GTC](#)), including PGS' Supplier code of conduct.
- The following areas have exemptions from the PO coverage requirement:
 - Salaries and Social
 - Travel and Entertainment
 - Communications (telephone and courier services)
 - Rent and Property Expenses (including utilities)
 - Professional Fees (including audit, consultant, lawyer fees)
 - Memberships
 - Courses and seminars
 - Tax and Governmental charges
 - Finance/Loan payments
 - Insurance
 - Fuel & Lube
 - Freight forwarding
- Smaller and approved miscellaneous purchases should not result in an invoice to PGS. Everyone is encouraged to handle such through personal expense claims to PGS.

Additional requirements for single purchases or annual spend exceeding total value of US\$100,000

- An approved PGS standard contract template shall be used unless exemption approved by P&C or Legal. The approved PGS standard contract template is available in PGS contract filing system.
- Competitive tendering: a minimum of two (2) competitive quotes shall be obtained to secure the most optimal technical and cost-effective bid. Exemption to this is when only one (1) supplier meets the PGS requirements.
- The tendering and contracting process shall be documented in the PGS contract filing system at all PGS locations and shall clearly show the basis for the supplier selection.
- Exceptions from the competitive tendering principle must be issued in writing with a brief explanation in a [Bid Waiver \(COR-PRT-0507\)](#) for approval prior to selection of sole source supplier in accordance with PGS Authorization Matrix ([COR-PRT-0400](#)).

Additional requirements for purchases exceeding total value of US\$1 million

- A procurement strategy shall be developed by GSC in cooperation with BA and approved according to PGS Authorization Matrix ([COR-PRT-0400](#)).

DELEGATION OF AUTHORITY IN PROCUREMENT MATTERS AND SIGNING OF CONTRACTS

Authorization rules

- Authorization rules for the procurement process are outlined in PGS Authorization Matrix ([COR-PRT-0400](#)).
- Approval must be obtained from GS or Legal if other than a relevant PGS standard contract template is being used.

Signing rules

Signing rules are outlined in PGS powers of attorney available on Legal SharePoint for each PGS entity ([COR-PRT-0400](#)).

COMMERCIAL TERMS & CONDITIONS

Payment terms

- Standard payment terms are 45 days from the later of (1) receipt of a correct invoice or (2) proper delivery of the goods or performance of the services. Exceptions shall be approved and documented by VP P&C or VP Finance.

Delivery Terms

- Standard delivery terms are Incoterms Free Carrier (FCA). Exceptions shall be approved by VP P&C.

Invoice Requirements

All invoices addressed to PGS companies must include a reference:

- PGS purchase order number, or
- PGS contract number, or
- Department and person of contact in PGS
- All invoices need to be addressed to the correct entity

Cargo Insurances

- All cargo with a value higher than US\$ 5 million going to and from PGS vessels and warehouses requires a separate insurance coverage - see Standard Shipment Procedure (SCM-LOG 1010) for more on Cargo Insurance.

EXEMPTIONS ON EMERGENCY PURCHASES AND FUEL**Emergency purchases**

GSC shall be notified immediately after an unplanned situation that requires the immediate purchase and supply of goods or services to avoid stop in production, loss of revenue or HSE critical situations.

Fuel

Due to the nature of the need for fuel in the operation, fuel products are exempt from the ordinary tendering process and qualification as stated in this standard (Link: Fuel Standard to be developed).

REFERENCES

Control of

Supplier contracts – shall be archived electronically in PGS [Supplier and Contract management](#) system according to PGS

Reference		
Type	Title	Number
IMS Documents	Code of Conduct	COR-COM 0563
IMS Documents	Corporate Responsibility Policy	COR-RSP 0983
IMS Documents	HSEQ Policy	HSEQ-GOV 1063
IMS Documents	Human Rights Standard	HSEQ-GOV 0837
IMS Documents	Supplier Code of Conduct	SCM-SOU 1293
IMS Documents	Standard Shipment Procedure	SCM-LOG 1010
IMS Documents	Country Specific Procedures	SCM-LOG 1019
WebLink	Anti-Corruption Statement	
IMS Documents	Bid Waiver	SCM-SOU 0507
WebLink	GEP Portal	
IMS Documents	Delegation of Authority Policy (Retired)	COR-BUC 0548
IMS Documents	Export and Sanctions Control Standard	COR-LEG 0885
WebLink	HSEQ- Contractors Management Site	
IMS Documents	Legal Procedure	COR-LEG 0933
IMS Documents	PGS Authorization Matrix in Procurement Matters	SCM-SOU 0400
WebLink	PGS General Terms and Conditions for Procurement of Goods and Services	
WebLink	Procurement & Contracting Processes	
IMS	Anti-corruption procedure	COR-COM 0810