



POLICY

Código: LO3CI-002

INDIRECT MATERIALS POLICY

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1 OBJECTIVE

Define the indirect procurement procedure to achieve the highest level of quality, delivery, performance and continuous improvement.

2 SCOPE

This procedure applies for all indirect procurement in the Xignux group companies.

3 GLOSSARY

Parties: shall mean the Xignux company and the supplier jointly.

Product: shall mean all merchandise that shall be bought, goods as well as, services.

Purchase order: shall mean the document that the Xignux company issues where the products or services to be acquired are specified, as well as their quantities, prices, and other information regarding the purchase.

Purchase requisition: shall mean the document that users issue in which they specify their needs.

Supplier: shall mean the individual or legal entity from whom the products are acquired from.

Users/Requestor: shall mean any employee that requests a certain material or service.

4 GUIDELINES

4.1 RESPONSIBILITIES

4.1.1. The user is responsible to generate a purchase requisition.

4.1.2. The owner of the Budget authorizes the requisition.

4.1.3. The Negotiator and/or Indirect materials buyer are responsible for:

- Ensure compliance with the procedures for the requisition of indirect materials and services.
- The selection and approval of suppliers.
- Negotiation for the user and budget owner, of the indirect materials and services, users are not authorized for the negotiation process and/or agreements on their own. In special cases, the user, budget owner or key stakeholders, may be asked to participate with the Negotiator in the process. No member of the Xignux community (user, budget holder, stakeholder or Negotiator) shall provide information about pricing and commercial terms to the supplier(s).

4.1.4 Accounts payable is responsible to process all invoices received for indirect services, or materials, to make the payment under the terms and conditions of each purchase order.

4.2 PROCEDURES

4.2.1 Indirect materials and services requisitions:

4.2.1.1 When any indirect material or service is needed, Users/Requestor must generate a requisition with the information indicated on item 4.2.2.

4.2.1.2 The indirect procurement negotiator/buyer will obtain 3 quotations for the requested material or service. In some specific cases the 3 quotations may not be required such as:

- Warranties
- Original Equipment Manufacturers
- Single source
- Urgencies that affect end customers
- Strategic suppliers

4.2.2 Purchase requisitions:

4.2.2.1 Users generate the requisition, which must include all the necessary information in relation to the indirect materials or services required and a list of potential supplier(s). Under no circumstances are users authorized to make a commitment with any supplier until the purchase order process has been completed. The requisition should include the following:

- Part number, if exists.
- Full description.
- Quantity requested.
- Name and/or number of employee who generates the requirement.
- Name of the next level to authorize the requisition.
- Drawings if any manufacturing and/or technical specifications are required.
- Special shipping conditions (if applicable).
- Unit of measure required.
- Assign the supplier in case of being a repetitive purchase.
- Budget account (if applicable).
- Authorized signatures: budget owner, the negotiator/buyer of indirect procurement, and the finance department.

4.2.3 Purchase order

4.2.3.1 In the case of repeat purchases, buyers of indirect materials will seek to utilize pre-existing, and approved suppliers. In situations where optional suppliers are available at a lower cost to the Xignux company, the negotiator is responsible for presenting the option to the user and budget holder for consideration.

4.2.3.2. Buyers process requisitions in the system to generate the purchase order, previously authorized and it is sent to the supplier.

4.2.3.3 Buyers are responsible for maintaining the purchase order file.

4.2.3.4 Requests for deviations from the original purchase requisition made by the supplier, must be approved by the requesting user and the negotiator/buyer of indirect purchases so that modifications to the original purchase requisition can be made.

4.2.3.5 Whenever the materials require a certificate or specification compliance, suppliers must provide the document with the specifications of each material.

4.2.3.6 The terms and conditions are with the purchase order. If there is a contract, the terms and conditions on it will apply.

4.3 SELECTION AND APPROVAL OF NEW SUPPLIERS

4.3.1 The basis for the selection and approval of new suppliers include one or more of the following:

- a) Supplier selection and evaluation criteria and approval of samples or services.
- b) Approval of supplier by written reference from some other Xignux company.
- c) Evaluation by third party certifying the supplier's quality system.
- d) Historical Record (applies also to reactivate non active suppliers).

4.3.2 The selection and approval of new suppliers requires an electronic approval for addition to the list of approved suppliers.

4.3.3 When the supplier is an OEM it is exempt from the required selection process and can be considered automatically an approved supplier.

4.4 MATERIALS, GOODS AND SERVICES RECEPTION

4.4.1 The warehouse manager, warehouse coordinator or buyer must make a visual inspection of the material upon receipt.

4.4.2 Once the visual inspection is made a notice of receipt is generated so that payment to suppliers is scheduled by accounts payable.

4.4.3 The approval of maintenance or general services is the responsibility of users, who must accept and sign on the supplier's invoice.

4.5 MATERIALS, GOODS AND SERVICES REJECTION

4.5.1 In those cases where products/services are rejected for quality problems, specifications, or other causes directly responsible by the supplier, the Xignux company shall report them to the supplier. The supplier, in the case of a good, will pick up the product in a term no greater than 24 hours at the Xignux company's warehouse, or in the location that the Xignux company may determine at that time. In the case of a service, the supplier will have 24 hours to propose a remedial solution that is approved by Xignux.

4.5.2 In these cases, the Xignux company shall determine if the products that were rejected need to be replaced by the supplier. It is understood, that the rejected products shall not be paid for by the Xignux company.

4.5.3 In the event that the products were already paid by the Xignux company, the supplier agrees to credit the Xignux company for the value of the rejected material. The supplier shall be responsible for all costs and damages suffered by the Xignux company and/or by any third party due to the rejection and/or substitution of the products.

4.5.4 In the event that such incidents put at risk the continuity of the production lines of the Xignux company, the Xignux company may request the supplier to immediately execute a recovery plan and to coordinate the execution of the immediate direct shipment (by land or by air) of the products to be delivered at the location that the Xignux company indicates; considering that any additional cost inherent to this operation shall be the supplier's responsibility.

4.5.5 The parties agree, that in the event, that any of the products/services provided by the supplier, damage the products that the Xignux company manufactures in any of its plants, or if they cause harm or damage to any third party, the supplier shall be responsible of all damages suffered by the Xignux company and/or by any third party due to this defect.

4.6 LIABILITIES WITHOUT RECEPTION NOTICE

4.6.1 Due to the daily operation of each of the companies' services transactions such as freight payments, fees, leases, utilities, food coupons, cash replenishment, and others, which by its origin and implementation cannot be controlled through requisitions and consequently an order is not produced, is defined that such operations are classified as liabilities without reception notice.

4.6.2 Users are responsible for generating in the procurement system multiple forms or service orders and obtain the necessary authorizations so that payment can be processed.

4.6.3 Users are responsible to check the authenticity of the invoice and tax requirements through the intranet and to the validate CFDI on SAT webpage.

4.6.4 It is responsibility of accounts payable, once they receive the original documents from users of the transactions described in the preceding section, to review the information and schedule the payment date.

4.7 CANCELLATIONS OF PURCHASE ORDERS

4.7.1 The Xignux company may request in writing from the supplier the total or partial cancellation of one or several purchase orders, and it shall be responsible for the payment of only those products that at the time of their cancellation notice were already manufactured under the purchase orders involved.

4.7.2 Under no circumstance shall the Xignux Company be responsible for the payment of the products that were manufactured by the supplier without the support of a purchase order that could have been manufactured prior to the requested date, or those that were manufactured after the date of reception of the corresponding cancellation notice.

4.7.3 In the cases of products that are no longer going to be requested due to a change in the design, or to the withdrawal of the corresponding finished products, the Xignux company shall notify the supplier regarding the necessary cancellations and the purchase orders involved. The supplier shall immediately acknowledge these cancellation requests and adjust their production accordingly. If so required, the Xignux company may request to make a last purchase from the supplier not subject to minimum order quantities.

4.7.4 In those cases where the supplier receives from the Xignux company a notice specifying that there is going to be change in the design, or that certain products are going to be withdrawn, the supplier shall keep the Xignux company informed weekly in writing, regarding the inventory position in the warehouse and production plans for the products involved, until these have been manufactured and shipped for the closing of the received purchase orders.

4.8 DELIVERIES OF THE PRODUCTS

4.8.1 The supplier shall be responsible to comply with the date, quantity, and quality specified in the purchase order.

4.8.2 The Xignux company shall not be obliged to pay the products that the supplier shipped in excess of what was specified in the purchase order. The Xignux company may decide to return the excess products to the supplier without any responsibility to cover the costs incurred to return the excess product, such as the loading preparations and the transportation service to its destination.

4.8.3 If the supplier detects in advance, a compliance problem, with regard to the quantities and/or the delivery dates of the product requested in the purchase order, it shall notify in writing the cause of this compliance problem to the Xignux company. In addition, the supplier shall proposed a solution presenting its partial delivery / delivery dates proposal and await instructions from the Xignux company. The forgoing does not obligate the Xignux company to accept the partial delivery / promised date of the product. If this noncompliance puts at risk the continuity of the production lines or causes a stop in the production lines of the Xignux company, the Xignux company may cancel said purchase orders, and place them with an alternate supplier, without any obligation or responsibility to buy such volumes from the original supplier. In the event, that if the alternate supplier commercializes the products at a higher price, the additional cost that the Xignux company will have to pay shall be borne by the original supplier. Also, the Xignux company may demand from the original supplier the payment of damages suffered by the Xignux company and/or by any third party due to this noncompliance.

4.9 PAYMENTS TO SUPPLIERS

4.9.1 It is responsibility of the supplier to correct all inaccuracies in the data represented on the invoice in a timely manner to adhere to the payment terms.

4.9.2 Indirect material buyer has the responsibility to follow up on the invoices with inaccurate data and make sure the corrections are completed prior to the supplier receiving payment

4.10 CONFIDENTIALITY

4.10.1 At all times, before, during, and after a purchase order, the supplier shall keep confidential any information provided by the Xignux company; besides not disclosing or allowing the disclosure of any information to any person different from its own employees, for whom this knowledge is essential for the execution of their assignment related to the purchase order.

4.10.2 The supplier shall immediately give notice to the Xignux company of any suspicion of the existence of any disclosure of the confidential information of the Xignux company. The supplier is expected to immediately implement the necessary corrective actions to stop or eliminate the reoccurrence of this problem and share these corrective actions with the Xignux company.

4.10.3 The supplier undertakes to keep confidential the information that is in its possession for a period of (5) five years from the termination date of the commercial relation, as well as during its validity period. In the event that the Xignux company terminates the commercial relation with the supplier, the supplier shall return to the Xignux company or destroy all information, materials, drawings, tools, etc. that contain confidential information; including deleting or destroying any information kept in its electronic files.

4.11 INTELLECTUAL PROPERTY RIGHTS

4.11.1 If the Xignux company provides to the supplier the manufacturing designs or formulas of the requested products, or if it requests the supplier to make the design or formula, the Xignux company shall be the final owner of the intellectual property rights of said design or formula.

4.11.2 The supplier understands and accepts that the Xignux company does not transfer its registered trademarks or the intellectual property rights in the purchase order, except for the right to use them to manufacture or to provide the requested products.

4.11.3 In the event that the supplier is found to have unauthorized or misused patents, registered trademarks, copyrights, industrial designs, or intellectual property exclusive of the Xignux company, then the supplier shall indemnify the Xignux company for any resulting amount as sanction for the damage caused.

4.12 XIGNUX ETHICS CODE

4.12.1 It is responsibility of all Xignux employees to operate properly according the established Xignux Ethics Code. For the procurement department and for all users the following are the sections and subsections that apply;

IV. Ethics Norms

- B) Relationships with customers and suppliers.
- D) Conflict of Interest.

4.12.2 Supplier Interaction Code of Conduct. Vendors and suppliers must know we will be fair, Xignux's interests will dictate our decisions about what products and services to buy. Our decisions will be based on factors such as quality, price, service, and reliability. All suppliers will be treated with respect, courtesy, and in a professional manner. The highest demonstrated ethical standards are expected to be exercised in the Xignux Buyer-Supplier relationships.