



CORPORATE PURCHASING POLICY

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CORPORATE PURCHASING POLICY MANAGEMENT'S COMMENTS

The attached Purchasing policy manual encompasses all purchasing policies as approved by the COO and Vice President, Procurement. The policy statements contained in this manual represent the basic intentions and goals of the company. They establish the permanent foundation upon which the company operates and are expected to be relatively independent of the changing technologies and methods used to carry them out.

These policies are subject to change from time to time as circumstances dictate, and these changes, when approved by the COO and Vice President, Procurement, will be distributed to all manual holders.

We would like to maintain the highest level of ethics in Purchasing and deal with our suppliers on a uniform basis.

CORPORATE PURCHASING POLICY

GENERAL PURCHASING POLICY

The overall goal of Purchasing is to procure quality products and services in the most cost-effective manner and satisfy the company's requirements on a timely basis, consistent with company objectives while maintaining the highest ethical standards. Purchasing shall aim to acquire these quality products and services for the lowest long-term cost. Factors considered in determination of the "lowest long-term cost" will be identified and documented for significant purchasing decisions. Responsibility for determining the threshold or parameters for "significant" purchasing decisions requiring decision documentation shall reside with the site and corporate department heads, and such thresholds/parameters shall be incorporated in the procedures governing site or department operations.

CORPORATE PURCHASING POLICY

PURCHASING OBJECTIVES

The primary objective of Purchasing is to contribute to the efficiency of the overall operation of PCS.

In support of this prime objective, Purchasing will:

- Comply, in all respects, with all applicable laws and regulations without qualification or evasion.
- Ensure the uninterrupted flow of production by obtaining and ensuring delivery of acceptable quality goods and services, at the right time and price, unless ensuring uninterrupted flow of production is not cost-effective in the judgment of enterprise or executive management.
- Develop reliable alternate sources of supply to meet company requirements.
- Resolve complaints on all purchased goods and services.
- Provide leadership in the standardization of materials, supplies, equipment, services and policies.
- Provide leadership for the management of inventories of purchased goods so as to meet the use requirements of the company's departments at the lowest possible cost.
- Dispose of, to the best advantage, all material and equipment declared to be surplus or obsolete. All disposal activities shall be conducted in a manner that does not compromise the environment.
- Establish and maintain effective communication channels to develop a supply culture which fosters a learning and growth environment, promotes a team concept that crosses functional organizations and company boundaries, and values an individual's skills, knowledge and performance of responsibilities.
- Give prime consideration to the company's interests while seeking to maintain and further long-term, mutually profitable, ethical supplier relationships.
- Carry out the policies of the company so that the best interests of the company are served. Develop and keep up to date a purchasing manual outlining the organization, policies and procedures by which goods and services are to be procured throughout the company and ensure that the divisions operate according to these policies.

CORPORATE PURCHASING POLICY

PURCHASING OBJECTIVES

- Establish and direct a program of purchasing research designed to keep this activity conducted in line with the best and latest techniques in the field. To recommend desirable improvements resulting from these research activities are put in effect.
- Ensure pertinent information on market conditions, trends, prices, government regulations, etc. is properly disseminated to relevant personnel within the company.
- Acknowledge and fulfill its function as a service department, including its vested mandate as designated negotiator/principal with regard to outside supply and services agreements.

CORPORATE PURCHASING POLICY CONFLICT OF INTEREST

An employee is in a conflict of interest situation when he/she has an interest or a potential interest of any kind in a contract, agreement or financial relationship in which the company has an interest or potential interest. In relationships with vendors, a conflict can be created by non-monetary interests such as gifts and business courtesies, so the giving and receiving of gifts/courtesies are subject to the guidelines below.

POLICY

Employees are expected to be free of interests or relationships that are actually or potentially detrimental to the company. They shall not engage or participate in any commercial transaction involving the company in which they have an undisclosed interest. In addition to being in violation of the employee's duty of loyalty to PotashCorp, improper relationships with vendors are at odds with the company's goal of treating fairly and impartially all persons and entities engaged in business dealings with PotashCorp.

PRACTICE

General Requirements and Responsibilities

Any employee who has assumed, or is about to assume, a financial or other outside business relationship that might involve a conflict of interest immediately must inform his/her supervisor in writing of the circumstances involved. At a site, this information is to be forwarded to and reviewed by senior management, and copied to the purchasing manager at the site, for a decision on whether a conflict of interest is present and, if so, what course of action is to be taken. Within corporate departments, supervisors shall forward the written notice to departmental heads, with a copy to the General Counsel. Company's Code of Conduct provides additional guidance and is the overriding authority for conflicts of interest.

The company does not seek to gain or provide any improper advantage through the receiving or giving of gifts, meals, entertainment or other business courtesies. Accordingly, it is imperative that employees act in a fair and impartial manner in all business dealings.

CORPORATE PURCHASING POLICY

CONFLICT OF INTEREST

Business courtesies are gifts, entertainment or other benefits provided by or to persons or firms with whom PotashCorp maintains or may establish business relationships and for which fair market value is not paid by the recipient. A business courtesy may be a tangible or intangible benefit, including, but not limited to, such items as cash, non-monetary gifts, meals, drinks, entertainment, hospitality, recreation, door prizes, transportation, lodging discounts, tickets, passes, conference fees, loans or use of a donor's time, materials or equipment.

As a general rule, employees must act lawfully, reasonably and with moderation in connection with business courtesies. Employees must exercise good judgment and avoid even the appearance of impropriety or illegality.

Employees may accept or provide business courtesy gifts only if:

- They are lawful;
- They are of nominal value, or if they exceed nominal value have been approved by the recipient's manager;
- They are not cash;
- They are not solicited;
- They do not obligate the recipient in any manner;
- They do not create even the appearance of impropriety or illegality;
- They are in accordance with the ordinary and proper course of business, and
- They are not exchanged on a regular or frequent basis.

Employees may accept or provide business entertainment only if:

- It is lawful;
- It is reasonable (not lavish, excessive or extravagant) and of nominal value (or if they exceed nominal value have been approved by the recipient's manager);
- There is a legitimate business purpose for the event;
- It does not obligate the recipient in any manner;
- It does not create even the appearance of impropriety or illegality;
- It is in accordance with the ordinary and proper course of business; and
- It is not regularly or frequently provided.

Determination of "nominal value" shall be the responsibility of the senior site or corporate department manager, and site or departmental operational procedures shall contain this guidance.

CORPORATE PURCHASING POLICY

CONFLICT OF INTEREST

Disposition of Unacceptable Business Courtesies

Employees should try to anticipate and avoid situations that might lead to the offering of improper business courtesies. However, if such a courtesy is extended, the employee must politely decline the offer and explain that PotashCorp's policy prohibits acceptance or retention of such business courtesies. If the situation is such that the custom of the culture would make it awkward or insulting to refuse a gift, then the employee may accept the gift and consult with the Vice President, Procurement, to determine its final disposition.

If a business courtesy gift is accepted and subsequently determined to be improper, the employee must return it to the donor with a polite explanation that PotashCorp's policy prohibits the retention of the courtesy. If the unacceptable business courtesy is of such a nature that its return is not feasible (such as a perishable gift), after consultation with site management or the Vice President, Procurement, the gift may be anonymously donated to a charitable or educational organization (with a letter to the donor that explains PotashCorp's policy and the disposition of the courtesy). Site management, in consultation with the Vice President, Procurement, may approve of an alternate disposition of the business courtesy.

Accurate Recordkeeping

Complete and accurate records are necessary for receipt of all business courtesies exceeding nominal value, as determined by site or corporate department management, and approved by the supervisor. The log of such approved and accepted courtesies shall be maintained by the recipient and include the date, gift/occasion, donating vendor and PotashCorp recipients/attendees. Logs may be reviewed by executive management upon request. A template for Logs (Addendum A) is provided with this policy. However, site or corporate department management may devise their own template provided such template at a minimum incorporates the same data as Addendum A.

CORPORATE PURCHASING POLICY ETHICAL CONSIDERATIONS

Employees shall at all times in the performance of their assigned duties:

- conduct themselves in a manner consistent with the highest ethical standards including the company's Conflict of Interest Policy and will purchase without prejudice;
- uphold their positions of trust in the conservation and expenditure of company funds; and
- be vigilant in preserving and protecting the integrity of the company through daily contacts and business dealings.

CORPORATE PURCHASING POLICY RELATIONS WITH VENDORS

Sound business relations with vendors are essential in order to maintain a dependable, competent source of supply for the uninterrupted flow of quality goods and services.

Purchasing is the primary source of contact and channel of communication with all vendors. Honesty, integrity, confidence and tact should be employed by purchasing staff to establish and maintain mutually satisfactory bonds of respect and understanding with vendors. These relationships will enable purchasing staff to enhance the reputation of the company in the course of their duties, building goodwill that will serve the company well in all of its activities.

In this regard, the following should be observed when dealing with vendors and their representatives in these circumstances:

INTERVIEWS

It is a major obligation of purchasing to be courteous, honest and fair in its dealings with vendors' representatives, for such treatment is expected by the company for its representatives. Courtesy shall include a prompt reception to business callers and a reasonable regard for their time. Sales representatives shall be afforded a fair and equal opportunity to present legitimate and pertinent information concerning materials, equipment, methods or techniques that the vendor company markets and that may have potential or immediate application in PCS operations.

Vendor representatives will be seen only by appointment, as unscheduled sales calls are of little or no benefit to either party. The time of both purchasing and other company personnel will not be made absolutely and indiscriminately available to any and all comers.

Other company personnel shall be given every opportunity to discuss with vendors new developments, materials, methods or ideas that may result in cost reduction or production improvements. Purchasing shall assist vendors' representatives in developing and maintaining proper relations with other company representatives and are to be informed of the results of consultations with vendors when Purchasing is not present.

CORPORATE PURCHASING POLICY RELATIONS WITH VENDORS

Contacts with vendors are not limited to purchasing. However, the purchasing group shall be kept up to date on all communications either through vendor or employee reports. This will allow the company's communications with vendors to be consistent, and Purchasing will be advised of programs and matters that may result in eventual purchases.

VENDOR VISITS

Purchasing shall, if required and approved by senior management, make purposeful visits to vendors' plants. Such visits serve to: cement good relations; enable buyers to know their sources of supply, including the caliber of service, quality, progressiveness, and manufacturing methods; and broaden their knowledge of the commodities they purchase.

TRIAL ORDERS AND SAMPLES

Purchasing shall be receptive to new commodities and ideas that appear beneficial to the company. Use of new or different products or services may be suggested by Purchasing or by other departments. Since testing is expensive, tests should be restricted to those products that appear most promising. Company personnel should avoid imposing upon vendors requests for free sample lots or free demonstration units.

DISCLOSURE OF INFORMATION

All employees shall promote the reputation of the company for integrity by respecting the confidence of the vendor regarding quotations or other confidential information. Prices shall not be divulged to competitors nor should such information be circulated indiscriminately within the company.

Purchasing shall advise employees having access to information regarding supply sources, competitive performance, bids or prices paid for any product or service that this information is proprietary and may not be divulged to anyone outside the company.

CORPORATE PURCHASING POLICY RELATIONS WITH VENDORS

Upon specific request, unsuccessful bidders should be told as fully as possible, without disclosing confidential information, the reason for rejecting their bids. All questions concerning the awarding of business should be referred to Purchasing.

CLAIMS AND ADJUSTMENTS

The clearance and execution of all claims and adjustments arising out of disputes regarding performance of equipment, materials, services or price shall be referred to Purchasing for negotiation and/or resolution. In doing so, it may be necessary for Purchasing to involve other company personnel or disciplines.

Vendors with complaints about unfair treatment or unethical or illegal practices may raise such complaints in any of three ways. The vendor may direct such complaints to the site General Manager, to the Vice President, Procurement, or to ComplianceLine, the external hotline operated by an independent firm engaged by PotashCorp. In each case, such complaints shall be thoroughly and impartially investigated and appropriately addressed. Formal vendor complaints shall be documented at each site, and on an annual basis the number and substance of such complaints shall be communicated to the Subsidiary President and the Vice President, Procurement.

SUPPLIER RESEARCH AND DEVELOPMENT

We expect our vendors to apply every possible method of examination and measurement to their products and services in a continuous search for better value. We encourage our vendors to inform us about new ideas and developments. It is the responsibility of Purchasing to receive maximum advantage from this readily available source of constructive ideas and applications. We shall keep our vendors fully and currently informed but shall not disclose information considered confidential or potentially detrimental.

CORPORATE PURCHASING POLICY RELATIONS WITH OTHER DEPARTMENTS

The value of Purchasing to the company depends on the service it renders on procuring materials, services, supplies and information necessary for operations of the other departments. A high degree of coordination and communication between departments is paramount.

Members of the purchasing staff should obtain the advice of Engineering, Maintenance, IT, Distribution, Legal, Tax, Insurance, Finance and other specialized departments on problems relating to their respective areas of interest so that decisions reflect the most authoritative opinion available.

Request for price and availability of specific items relative to possible future requirements should be made through Purchasing in memo form or other locally acceptable methods. It should be specified that the intent is to accumulate data and not to commit to a purchase.

Although vendor contact is primarily a Purchasing responsibility, it is recognized that various departments must seek technical information that may affect the selection of materials or equipment. As soon as it is determined this information may impact a potential purchase, Purchasing must be advised so the potential bidders lists can be developed. Upon request, Purchasing will arrange for visits of qualified technical personnel from suppliers or potential suppliers. Similarly, whenever Purchasing feels that such representatives calling on Purchasing have something of value to offer, they will arrange meetings with appropriate company personnel. If appropriate, a representative of Purchasing will be present at these meetings. When convenient, further contacts, requests for samples, etc., arising from such meetings are to be handled through Purchasing. Written reports of meetings should be circulated to purchasing and other interested parties.

The effectiveness and efficiency of Purchasing depends greatly on the amount of advance notice of requirements. Therefore the purchasing discipline must receive adequate notification of potential purchases to provide for sufficient performance of the necessary procurement functions. All departments should advise Purchasing of any requirements likely to arise from any new development as soon as this information is available.

CORPORATE PURCHASING POLICY RELATIONS WITH OTHER DEPARTMENTS

Price information will only be given by Purchasing to those within the company who require this information in the performance of their duties. In interviews with salespeople, **no one** shall commit himself to a vendor on preference for any product or source of supply, nor give any information regarding a competitive supplier's performance, final approval or price. Requests by vendors for information of this nature shall be denied. After proper approval is obtained, only Purchasing is authorized to commit to a selected vendor at operational sites. Within corporate offices for purchases not delegated to Corporate Procurement staff, the department head shall delegate purchasing commitment authority under the guidelines provided in the Corporate Accounting Procedure Manual (section 2.02).

CORPORATE PURCHASING POLICY SELECTION OF SOURCES OF SUPPLY

PHILOSOPHY

The company recognizes the importance of developing a strong support base geographically close to its various operations. It is in the best economic interests of the company that materials, services and personnel skilled in areas relevant to the industry be readily available as and when required by the company. It is the company's goal that 60% or more of purchasing on an overall annualized basis should be concluded with local vendors on competitive terms, excluding purchases for major expansions, energy, transportation and raw materials.

EVALUATION

It is the responsibility of Purchasing to develop and maintain adequate numbers of competent vendors for all material and service requirements of the company. This ensures better opportunity for continuity of supply, fosters competition and generates good will and a broader range of industry contacts.

In evaluating the relative qualifications of existing and potential vendors, Purchasing shall select those qualified sources that offer the optimum combination of the following considerations for the facility(ies) served:

- Exhibits documented excellence on safety, health and environmental performance and performs drug testing if a provider of contract labor
- Current and historical financial position
- Reliability and reputation
- Willingness to work with PotashCorp in developing mutually beneficial arrangements
- Satisfactory performance
- Proof of an active, effective quality program that stresses continuous improvement. ISO certification may be desirable.
- Competitive prices
- Management integrity and progressiveness
- Position in industry
- Trade relations

CORPORATE PURCHASING POLICY SELECTION OF SOURCES OF SUPPLY

- Suitable physical facilities
- Inventory levels and storage locations
- Stable labor force and raw material sources
- Cooperative and available source of technical advice
- Proof of regulatory compliance
- Electronic communication capability
- Accessibility
- Contribution to local economy

Key vendor performance shall be evaluated periodically. The legitimate competitive advantage accruing to an established supplier through continued opportunity to supply our needs must be earned and maintained by satisfactory performance.

BUSINESS AWARDS

When significant business is to be awarded, Purchasing shall document the bidding and selection process, retaining alternate price quotes and other materials explaining the final award decision. These records shall remain on file for the duration of that commercial relationship.

Purchasing shall periodically test through rebidding the business whether the company continues to be best served from trade with a specific vendor for specific services. Such rebidding exercises shall respect the terms of active contracts.

CORPORATE PURCHASING POLICY RISK MANAGEMENT

POLICY

It is the corporate policy to maintain consistency in the protection of assets through the use of insurance, bonds, progress payments, retainage, holdbacks and other accepted methods when using contractors/service providers.

INSURANCE

All contractors, and service providers shall provide proof of financial responsibility in the form of adequate insurance coverage. Purchasing or a third party delegated by the company to assume the responsibility must obtain and review the insurance certificates from companies under consideration to perform work prior to committing an order or contract. Insurance requirements are defined in the company's applicable Terms and Conditions. Purchasing is responsible for establishing basic supplier data for quick and easy reference. This should include developing methods to retain and track individual insurance certificates by location.

BONDS

Under certain conditions, bonds may be required as part of a construction contract. Bonds generally have not been required for equipment, supply and service contracts. The principle types of bonds utilized include:

- Bid Bonds, which afford protection against an offer being withdrawn after opening.
- Payment Bonds, which require the contractor to guarantee payment of suppliers and subcontractors.
- Performance Bonds, which afford protection against a contractor's failure to fulfill a contract.
- Labor and Materials Bonds, which afford protection against substandard workmanship and materials.

CORPORATE PURCHASING POLICY RISK MANAGEMENT

CONTRACTORS

Depending on the experience of the contractor and their history with sub-contractors (subs), controls for payment of subs may:

- a. Rely on monitoring of an exclusive bank account to remit to subs or
- b. Direct payment by the company to individual subs

The implementation of the control will be determined by the project manager. As a guideline, managers for projects with budgets of \$5 million and greater should consider whether this system should be implemented. However, in all projects, including those below \$5 million, the cost of the project, its relative complexity, and the experience and capability of the general contractor will all influence the decision on what control is exercised.

General contractors must submit to a review by the company's credit group to evaluate their financial stability.

The project controls coordinator must be identified to the Corporate Controller to give some assurance that an appropriate control has been selected and has been implemented.

CORPORATE PURCHASING POLICY

TYPES OF PURCHASING AGREEMENTS

One of the major pricing aids available to a buyer is utilization of a wide variety of contract types. To determine the best type of contract to use, a buyer must consider those available and the factors influencing the use of each. The most important factors are:

- The intensity of competition among potential suppliers.
- Each supplier's cost and production experience in manufacturing identical or similar items.
- The availability, accuracy and reliability of pricing data.
- The extent of the business risk involved.

In a rapidly changing economic and technological world, purchasing many items on a fixed price basis may be costly and wasteful. Generally speaking, as the complexity of the item or service being procured increases, so does the complexity of the pricing mechanism. There are four basic types of contracts:

- Fixed price
- Incentive
- Cost-type
- Alliances

These are arranged according to risk, with firm fixed price contracts (minimum risk to buyer) at one end and cost contracts (maximum risk to the buyer) at the other end.

FIXED PRICE CONTRACTS

The firm fixed price contract is simply an agreement for the buyer to pay a specified price to the seller when the latter delivers that which was purchased. If a fair and reasonable price can be determined, either by competition or by adequate price or cost analysis, a firm fixed price contract may be the best choice. Among its advantages are that it requires minimum administration (no auditing of costs), it gives the seller the maximum incentive to produce efficiently, and all financial risks are borne by the seller.

CORPORATE PURCHASING POLICY

TYPES OF PURCHASING AGREEMENTS

INCENTIVE CONTRACTS

Incentive contracts are appropriate when the following three conditions all exist:

1. A significant amount of uncertainty exists regarding the level of effort required to accomplish the task properly.
2. The supplier's management can, through its efforts, have an impact on the level of effort and costs required.
3. The size of the procurement justifies the efforts involved in establishing and managing the resulting contract.

Under certain circumstances low risk, well-defined projects can use incentive contracts. These types of contracts are generally more costly to administer. All costs that are allowable under the contract must be agreed on in advance, and subsequently, they must be audited. There are two basic types of incentive contracts:

- Fixed price incentive
- Cost plus incentive fee

Fixed Price Incentive

This contract calls for a target price, a ceiling price and a variable profit formula. This is used when a reasonable target price can be established but exact pricing is impossible without payment of a contingency. For example, both buyer and seller agree on a reasonable target price. Cost reduction may be shared or accrued to the buyer. A ceiling price or upper limit is agreed upon above which the buyer would not pay regardless of seller's cost. This type of contract has its greatest application in the purchase of high-cost, long-run production items.

CORPORATE PURCHASING POLICY TYPES OF PURCHASING AGREEMENTS

Cost plus Incentive Fee

The buyer and seller agree beforehand on a tentative fee based on the estimated target cost. If the seller can reduce costs below target costs, both parties may share in the reduction. Under this contract, a seller can lose all or part of its fee, but all costs must be paid by the buyer. This type of contract is used in development work where successful results are reasonably certain.

COST-TYPE CONTRACTS

Cost Type Contracts are used where there is a large number of components of the feedstock and/or service that are subject to volatility of price due to supply demand, currency, freight etc. This is the only way to prevent the supplier from building in large contingency fees to cover the risk in these various components. Since this type of contract requires extensive analysis, the administrative cost must be factored into the equation on cost analysis. The Seller is guaranteed reimbursement for all their allowable costs (fee portion) plus the cost of the variable priced components. This type of contract puts the buyer in a less controlled position, so, where possible, it is important to have the components tied to some independent index. At times it is the only method available to purchase some goods and services. Several examples of cost type contracts are:

- Cost plus Incentive
- Cost plus Fixed Fee
- Cost plus Award Fee
- Cost without Fee
- Cost Sharing
- Time and Materials
- Letter Contracts

ALLIANCES

For certain categories of spend, it may be in the company's interest to establish an alliance with a vendor/vendors able to support company goals.

A strategic alliance, once established, shall be honored by all covered operations.

CORPORATE PURCHASING POLICY

TYPES OF PURCHASING AGREEMENTS

SUMMARY

The buyer's preference for a firm fixed price contract is just the starting point for an analysis of alternative contract choices. As the buyer considers all available contract types, he or she must weigh the preference for fixed prices against the risk involved, the time available, the degree of competition involved, experience with the industry involved, the apparent soundness of the offered price, the technical and developmental state of the item being purchased, and all other technical and economic information that affect the purchase transaction. Determination of the best contract type for a given situation requires a careful analysis of all the relevant factors.

CORPORATE PURCHASING POLICY COMMITMENT AUTHORIZATION LEVELS

Only those persons delegated by the subsidiary President are authorized to commit the company for materials, equipment, supplies and services. Subsidiary-based or departmental "Purchasing and Requisition Commitment Authority" schedules will establish who is authorized to requisition materials, equipment, services and supplies and what the maximum delegated authority is for position titles and individual employees. Such delegated authority shall be consistent with the Limits of Authority outlined in the Corporate Accounting Procedure Manual (Section 2.02).. Each site will append its "Purchasing and Requisition Commitment Authority" list to this policy section.

The "Purchasing and Requisition Commitment Authority" schedules should be sufficient for the respective employees to efficiently perform their assigned procurement responsibilities. It is desirable that commitment authorization levels be electronically stored and managed. All approval authorizations should be periodically reviewed for appropriateness.

Purchasing practice in regard to requirements for purchase orders shall be consistent with corporate accounting practice as reflected in the Corporate Accounting Procedure Manual. That manual establishes that purchase orders are not required for: travel expenses; telephone, fax and usage charges; contracts, leases, customer refunds and freight on product shipments; travel advance requests' payroll distribution and remittances; foreign exchange contracts; legal and audit fees; utilities; insurance; advertising; bursaries or grants; moving expenses; professional memberships; brokerage fees; taxes, royalties and other statutory payments; natural gas; purchases under \$100 and credit card purchases. Even though purchase orders are not required, site-based "Purchasing and Requisition Commitment Authorities" will identify those able to commit company funds for such expenses.

The responsibility to commit company funds for the procurement of all materials, equipment, services and supplies at sites is delegated to Purchasing, based on approved requisitions. Within corporate offices for purchases not delegated to Corporate Procurement staff, the department head shall delegate purchasing commitment authority.

CORPORATE PURCHASING POLICY CONTRACTS

Contracts have the purpose of establishing firm relationships with desirable suppliers, assuring supply, establishing pricing mechanisms and other terms of trade. Many purchases are made subject to the company's standard terms and conditions, a condition of acceptance of the company's purchase orders. In these instances the terms and conditions define the contract between the company as buyer and the vendor. For certain kinds of purchases, a negotiated contract will be required. To be valid and enforceable, a contract must contain four basic elements:

1. Agreement resulting from an offer and acceptance;
2. Consideration or mutual obligation;
3. Competent parties; and
4. A lawful purpose.

Transactions that may require a contract include, but are not limited to:

- Energy (electricity, gas, etc)
- Major feedstocks/raw materials
- Major expenditures for equipment, supplies or services
- Real estate transactions
- Third party leases
- Business consultants
- Environmental or waste disposal transactions
- Professional services (engineering, accounting, testing, etc)
- Outsource agreements
- Commodity agreements
- Supply integration agreements
- Electronic information technology agreements

All contracts must be written to comply with all applicable federal, state and local laws. The terms and conditions incorporated into a contract should conform to accepted company standards.

CORPORATE PURCHASING POLICY CONTRACTS

Evergreen contracts permit an automatic renewal of the agreement if the company fails to act before specific deadlines. The use of evergreen contracts other than for raw material and energy purchases should be very limited. Any such existing contracts, outside of raw material and energy, should be reviewed and converted to regular type agreements as soon as possible, unless the purchasing department documents in its files the compelling reasons for retaining the evergreen provision. All contracts should include a specified term.

A Letter of Intent, which describes the basic commercial issues of an agreement, may be required when a business situation requires a commitment to a supplier prior to the execution of a formal written contract.

The most common forms of contracts include the following:

- **Blanket Orders**
These are contracts placed with local suppliers for use by specific company employees. They cover requirements that are quite small in dollar value whose use is both sporadic and unpredictable. Total dollars spent each period is also tightly restricted.
- **Systems Contracts**
This contract form is typically used for products that are industry standards such as fasteners, electrical supplies, plumbing supplies, janitorial supplies, and office products. These contracts should minimize paperwork, attack small order problems, and reduce inventories.
- **Annual Contracts**
Contracts are typically established for products that are used in large volumes with some degree of predictability. The primary objectives of this contract form are to assure supply continuity, to maximize purchasing leverage by consolidating requirements, and to minimize inventories by scheduling deliveries to coincide with needs. Goods covered by this form of agreement are those used for production and other high-volume needs such as copy-machine paper.

CORPORATE PURCHASING POLICY CONTRACTS

All contractual documents concerning materials and/or services must clearly state the legal jurisdiction and the point of delivery and acceptance of the materials and/or services by the company.

CORPORATE PURCHASING POLICY TERMS AND CONDITIONS

It is important that suppliers, contractors and service companies review, understand, concur with and abide by the company's applicable Terms and Conditions. Purchasing will assure that the appropriate Terms and Conditions are provided to each supplier company, either electronically or by mail as applicable, along with the valid purchasing documents.

STANDARD TERMS AND CONDITIONS

There are different types of standard Terms and Conditions designed for specific transactions. The Purchase Order Attachment will be utilized for materials and supplies. A Construction/Maintenance Attachment will be utilized for construction, maintenance, or service activities to be performed either at or on behalf of the company.

NON-STANDARD TERMS AND CONDITIONS

Before non-standard Terms and Conditions can be utilized, they must be reviewed and approved by Purchasing management and the Legal Department. The use of non-standard Terms and Conditions is not encouraged, but may occasionally be necessary in order to satisfy the requirements of both the buyer and seller and to achieve a very favorable position for the company. History indicates that procurement of such items as technical services, contract engineering, transportation and distribution services, travel, and consulting services may require negotiation of non-standard Terms and Conditions.

CORPORATE PURCHASING POLICY CONFIDENTIALITY

It is recognized that most of the transactions relating to the company's purchases are confidential, especially with regard to our suppliers and competitors.

It is considered unethical and illegal, as well as damaging to the company's competitive position, and a breach of trust, to allow company proprietary information about one supplier's quotation to pass to another supplier. Discussing proprietary information in telephone calls made/taken while vendors are present, leaving documents on desks during supplier interviews, and conversing with other buyers within hearing of suppliers in other offices are some examples of behavior that can allow proprietary information to pass to others inappropriately. These types of situations should be avoided.

Passage of pricing, technologic or strategic information from an employee of the company to an employee of a competitor is not only unethical, but is likely to be in violation of one or more of the various antitrust laws and should be scrupulously avoided.

All files within Purchasing are to be maintained in an up-to-date and confidential manner. Access to these files and any other documentation found within this department shall be restricted.

Proprietary information requires protection of the name, composition, process of manufacture, or rights to unique or exclusive information which has marketable value and is upheld by patent, copyright, or non-disclosure agreements. Others in the organization may be unaware of the possible consequences of the misuse of such information. The purchasing personnel should therefore avoid releasing information to other parties until assured they understand and accept the responsibility for maintaining the confidentiality of the material. Extreme care and good judgement should be used if confidential information is communicated verbally. Such information should be shared only on a "need to know" basis. If the purchasing professional is unclear regarding disclosure requirements, corporate counsel should be consulted.

CORPORATE PURCHASING POLICY CONFIDENTIALITY

Some examples of information which may be considered confidential or proprietary are:

- Pricing
- Bid or quotation information
- Cost sheets
- Formulas and/or process information
- Design information (drawings, blueprints, etc)
- Company plans, goals, strategies, etc.
- Profit information
- Asset information
- Wage and salary scales
- Personal information about employees or trustees
- Supply sources or supplier information
- Customer lists and/or information
- Computer software programs

The following are recommended guidelines in dealing with confidential information:

- The attitude of the purchasing personnel regarding the preservation and proper disbursement of confidential information should be one of vigilance; i.e., divulging information only on a “need to know” basis.
- When transmitting confidential information, document the information in writing, and clearly label it as confidential.
- Consider the use of a formal confidentiality agreement (i.e., disclosure or non-disclosure agreements) clarifying parameters for use of the information and responsibilities inherent in its use.
- When dealing with any information, whether or not classified as confidential, extreme care, sound judgement and integrity should be exercised in determining the effects of its use, and in providing adequate protection based on its content.

