ESSENTRA COMPONENTS



2024 Edition

PROCUREMENT POLICY

SCOPE & APPLICATION

Part I: Understanding and applying the Policy

The purpose of this document is to outline the requirements for the purchase of goods and services for Essentra and its subsidiary companies and serves as a framework to achieving standards of efficiency, transparency, sustainability and ethical conduct.

The nature of our business means that we have relationships with many suppliers across the whole of our operations. We recognise the importance of these relationships in achieving our business goals. These relationships will be mutually beneficial and create value for all parties involved.

To achieve this, we will apply a consistent set of processes and practices across the Essentra business for the management of our spend and supply base, so that we:

- procure goods and services that deliver maximum value for money to Essentra and our customers
- drive sustainable procurement through all stages of the procurement process to have the most positive environmental, social and economic impacts for the communities in which we operate
- behave responsibly towards our suppliers in line with Essentra values and mutually expect our suppliers to behave in a way that reflects the principles of Essentras' Supplier Code of Conduct, mirroring our values and meeting our standards of data protection, business conduct and ethics throughout the supply chain
- manage procurement and supply chain risks to the Essentra business
- work collaboratively with our key suppliers to maximise sustainable value, drive competitive advantage through innovation and continuous improvement and foster lasting relationships
- apply agility, reasonableness and appropriate controls to ensure our procurement activities are well managed
- apply supplier sourcing and selection criteria to ensure selected suppliers meet our standards and requirements
- only enter into contracts which are fair and ethical to Essentra and our suppliers
- comply with laws and regulations and other requirements applicable to the locations in which we operate our business

Part II: Scope of Application

This Procurement Policy ("Policy") is designed to set out Essentra's position on the appointment of suppliers for the procurement of goods and services and provide guidance to employees on how they should manage any new requirements to be purchased from new, or existing, Suppliers; or how to manage **any change to requirements** from existing Suppliers, resulting in **contract variations, renewals, extensions or terminations.**

This Policy is applicable to all employees (whether fixed term, permanent or temporary), directors, officers and other individuals working for Essentra such as contractors and agency workers; and **is applicable to all** spend with the exception of the following, where it **does not apply**:

- taxes, government and regulatory fees
- payments to customers
- payments to staff or on behalf of staff such as legal services in conjunction with confidential agreements
- donations to charities and community interest groups
- professional and trade body membership fees
- subscription fees for publications
- conference delegate fees for an external event
- travel expenses in line with the Global Travel Policy
- emergency, unforeseen repairs to machines or purchase of OEM parts from machine manufacturer to ensure that production is able to resume

A Request for Exemption **must be** provided to the Director of Procurement, where it is considered, the Policy does not apply. These requests should, where possible, be raised in advance. Where an exemption is required that is of an urgent nature, and/or linked to a legal requirement, the form should be completed retrospectively.

Part III: Management and Compliance

Management of procurement activities shall adhere to established procedures and guidelines outlined in this policy, with clear roles and responsibilities defined for each stage of the procurement process. This includes but is not limited to requisition, sourcing, evaluation, negotiation, contracting, and supplier management.

Compliance with this Policy is mandatory for all employees and external parties involved in procurement activities. Non-compliance may result in disciplinary action, termination of contracts, or legal consequences as per applicable laws and regulations. Regular audits and reviews will be conducted to ensure adherence to this Policy and identify areas for improvement.

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Procurement Authority & Responsibility



1. Procurement Authority & Responsibility

Global Procurement ("Procurement") will work in partnership with the sites to achieve their business and operational requirements for the purchase of goods and services from third party suppliers, whilst achieving best overall business value for Essentra in terms of cost, quality, **service, risk, innovation** and **sustainability.**

Site Buyers or Local Procurement (or those delegated by the Site Lead) should **engage** Procurement as soon as a purchase need is identified, which cannot be fulfilled by an existing Supplier and, for any renewals, extensions, variations and/or terminations of any existing supplier contracts, and in line with the **thresholds** in this Section. This engagement **must** take place before any approach to the supply market, and any engagement with suppliers, including any incumbent suppliers.

On engagement, Procurement will work with the Site to agree the level and nature of Procurement support required and how the sourcing requirement will be executed. It is intended that Sites will have autonomy to procure those goods and services that are required only for the site in question, and where there are no broader Essentra purchasing needs.

If your purchase includes software and/or Software as a Service "software solution", you are required to engage with the IT Site Partner or the IT Business Partner for your function. There is a mandatory requirement that all purchases of a software solution are considered and approved by Essentra's Technology Approval Board (TAB), prior to the commitment to a supplier, and have the relevant questionnaires completed, and approved by the IT SME.

1.1 Thresholds

To support the business in its purchasing decisions, and to ensure that Procurement resources are best utilised to drive optimum benefit across the organisation, annual spend thresholds have been established.

These thresholds and requirements, provide consistent guidelines across the organisation, with the intent of reducing confusion about approval processes, and assists Essentra employees to understand where they have the authority to purchase independently of Procurement.

The Annual Contract Value (ACV) is the estimated external third party spend, prior to the deduction of any taxes, and/or rebate provisions, and should be established considering the overall Essentra 3rd party spend for goods and/or services.

The splitting of spend into smaller values to circumvent the Policy, and associated approvals under the Schedule of Authority is considered to be a breach. Procurement and Group Audit will periodically undertake checks, to ensure adherence.

1.2 New Supplier and/or New Requirement:

			Category					Due Diligence & Risk Monitoring[1]		
Annual Contract Value (ACV)	**Evidence [2]**	**Form of Contract [3]**	**Goods for Resale**	**CAPEX**	**Freight**	**Indirect Goods & Services**	**Raw Materials[4]**	**Supplier Onboarding & Code of Conduct**	**Risk Rate (Adverse Media and Sanctions)**	**Financial Monitoring**
<£5,000.00 and NOT critical spend	1 written quote	PO Terms/ Purchasing Card	Site Buyers	Site Buyers	Site Buyers	Site Buyers	Site Buyers	✓	✗	✗
>£5,000.01 and <£10,000.00 and NOT critical spend	1 written quote	PO Terms /Standard Terms	Procurement	Site Buyers	Site Buyers	Site Buyers	Site Buyers	✓	✗	✗
= Critical Spend and/or, >£10,000.01 -£25,000.00	3 written quotes	PO Terms /Standard Terms	Procurement	Site Buyers	Procurement	Site Buyers	Procurement	✓	✗	✗
>£25,000.01	Competitive Sourcing	PO Terms /Standard Terms	Procurement	Procurement	Procurement	Procurement	Procurement	✓	✓	✓

1 Managed in accordance with the Annual Contract Value (ACV) by the contract owner. Site FD's have the ability to lower the limit if required in relation to the goods and/or services to be provided.
2 To be evidenced on request.
3 If supplier terms and conditions are to be considered and/or there are deviations to the standard Essentra terms and conditions, these will require review and approval by Group or local legal.
4 Sub-Contracted Services one written quotation and to be managed by Site Buyers where spend is >£25,000.00.

1.3 Existing Contractual Changes

Variations, Extensions, Renewals and Terminations (with commercial implications):

Procurement must be consulted with, when there is a proposed change to the contractual obligations of a supplier and, in line with the table below. Consultation will ensure that any proposed changes are managed in conjunction with the strategic direction of the category and mitigate any potential risk to other regions and/or sites.

For any agreements on supplier terms and conditions, Group or local legal advice should be sought.

			Contract Type		
Category	**Annual Contract Value (ACV)**	**Extensions**	**Renewals**	**Variations**	**Terminations**
Goods for Resale	All Values	Procurement	Procurement	Procurement	Procurement
Freight	<£25,000.00	Site Buyers	Site Buyers	Procurement	Procurement
	=/>£25,000.00	Procurement	Procurement		
Indirect Goods & Services	<£25,000.00	Site Buyers	Site Buyers	Site Buyers	Procurement
	=/>£25,000.00	Procurement	Procurement	Procurement	
Raw Materials	All Values	Procurement	Procurement	Procurement	Procurement

ESSENTRA COMPONENTS

Supplier Identification, Selection, Contracting and Due Diligence



2. Supplier Identification, Selection, Contracting and Due Diligence

2.1 Supplier Identification

Where there is an **existing approved supplier**, that has the required capability and/or capacity to provide the goods or services, to the standards required, this supplier should be your preferred choice.

For goods and/or services where Essentra **do not** have an existing relationship, and/or the supplier does not have the required capability and/or capacity a formal quotation / competitive process is to be followed.

The procurement process will ensure that all suppliers have access to the same data, information and documentation except where this would compromise supplier innovation or intellectual property and have equal opportunity to engage with Essentra to seek clarification regarding Essentra's requirements, upon which to prepare their proposal.

2.2 Requirements Definition

Sites are responsible for providing data, information and documentation, specifying their functional, operational, technical, business, commercial and contractual requirements for the goods and services to be purchased. Such requirements should include demand and spend forecasts.

All requirements must be specified in a way that **does not** restrict supplier selection to a sole supplier, in order to enable competitive sourcing wherever possible.

2.3 Supplier Selection

Essentra is committed to fair, open and transparent supplier selection decisions. Communication with suppliers throughout any negotiations or other supplier engagement activity must be open and honest. Essentra must not mislead Suppliers and make commitments which Essentra is unable to fulfil in order to obtain improved pricing or terms.

For purchases over **£10,000.00**[5] proposals should be requested from at least **three suppliers.** This requirement applies even if there is an initial preference towards a particular supplier, to obtain comparable proposals, that may identify potentially better suppliers and/or terms.

Suppliers are evaluated against pre-defined requirements and criteria to ensure the best available supplier to meet Essentra's requirements is selected. These criteria should include: **service, quality, past performance, sustainability, ethics, health and safety, supply risk and financial risk**, and other criteria appropriate to the specific purchase.

All evaluations and decisions will be documented providing a clear audit trail and based on the Most Economically Advantageous Tender (MEAT), or where a minimum quality threshold is considered acceptable, and thereafter lowest price.

2.4 New Suppliers

Where possible, existing and approved suppliers should be used in the first instance. Where a new supplier is required, these suppliers are subject to due diligence checks and approval, in line with the thresholds in Section 4.

Prior to the appointment of any new supplier, the supplier onboarding process must be completed.

Where the threshold requires Procurement review and approval, these suppliers will be assessed against our existing supplier base. Vendor setups are processed by the Essentra Data team on completion of the vendor set up form.

2.5 Supplier Due Diligence

Supplier due diligence ensures a reliable and transparent procurement process, mitigates risks, and fosters strong, trustworthy relationships with our suppliers, promoting the overall success of our business.

In order to manage and mitigate supply chain risk, we require our suppliers to complete a supplier onboarding questionnaire, **irrespective of value**, that allows Essentra to assess the operating practices of the supplier, and seeks acceptance of our Supplier Code of Conduct, or provide their own, which reciprocates the principles of our Code.

Where annual spend is estimated to be **£25,000.00 or above**, a supplier is assessed, and active monitoring of the supplier, is managed in **NAVEX (Risk Rate)** for adverse media and sanctions; and **Dun and Bradstreet** or equivalent for financial risk.

Procurement will own the risk management process where supplier spend is estimated to be £25,000.00 or above.

Where any supplier notification is received, identifying a potential risk, i.e. a **RED** or **AMBER** alert from NAVEX, or a **Financial Analytics Alert** from Dun and Bradstreet or equivalent, this **must be** reviewed, a recommendation made, and referred to the Director of Procurement, who will make a decision on the acceptance or rejection of a supplier. This review **must** be completed before any commitment is made to a supplier and in advance of the supply of any goods and/or services.

2.6 Sustainable Procurement, Supplier Diversity & Inclusion

Essentra will apply sustainable procurement practices to ensure the goods and services it purchases, achieve value for money, and have the most positive environmental, social and economic impacts possible over the entire life cycle. Our **Supplier Code of Conduct** sets out the principles to which we operate and, what we expect from our Suppliers.

Essentra is committed to creating a more inclusive and diverse supply chain, while also driving business success through innovative and competitive suppliers. Small and medium sized enterprises, voluntary and community organisations, social enterprises and ethnic minority businesses are considered valued members of Essentra's supply chain.

Essentra procurement processes will be objective, transparent and ensure that our supplier selection process is fair and unbiased, through the implementation of standardised criteria and metrics to evaluate potential suppliers based on their capability, quality and competitiveness, rather than personal biases.

5 Sub-Contracted services require a minimum of one written quotation

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Contracting with a Supplier & Relationship Management (SRM)



3. Contracting with a Supplier & Relationship Management (SRM)

3.1 Form of Contract

Wherever possible, Supplier Contracts will be negotiated and formed based on Essentra's Standard Terms and Conditions of Contract. Where there is a need to contract on Supplier Terms and Conditions, these **must be** reviewed by Procurement, in consultation with Group or local legal.

3.2 Contract Duration

Supplier Contracts should have a duration of **no longer than three years**. Longer term contracts may harm Essentra's ability to win good business by restricting access to improved value and innovations in competitive supply markets. Any exceptions must be reviewed and approved in advance by Procurement.

3.3 Supplier Payment Terms

Essentra minimum payment terms are 60 days Net on the receipt of goods, and a valid invoice. Any requirement to vary these payment terms to less than 60 days **must be** approved in advance by the relevant authoriser, as set out in the Schedule of Authority.

3.4 Contract Approvals & Signature, and Storage

Any Supplier Contract must be approved in accordance with the Material Contracts Procedure and the Schedule of Authority (SoA) before it is processed for signature by an authorised signatory.

Any Supplier Contract must have the following approvals before it is processed for signature by an authorised signatory:

Any Supplier Contract must be signed electronically by the relevant authorised Essentra signatory. Supplier Contracts must be not signed before Procurement, Legal, Financial and Operational approval (as required) has been received.

NOTE: only employees identified in the Schedule of Authority have the authority to sign Third Party Supplier Contracts.

Any formal agreement between Essentra and a Supplier, **must be** sent to Procurement for registration in the centralised Supplier Contract Register.

3.5 Transacting with Essentra

Throughout Essentra's supply chain, suppliers will be required, either by Contract Terms and Conditions, or otherwise in its business dealings with Essentra, to:

- comply with Essentra's supplier onboarding process including any due diligence checks and ongoing assurance
- comply with the terms and conditions of Essentra's Supplier Contract
- only supply goods and/or services to Essentra on receipt of a valid contract or Purchase Order
- send invoices to the relevant finance accounts team as identified in the Supplier Contract or Purchase Order

Essentra **will not** do business with a supplier where serious breaches of this Policy are identified and, where the supplier consistently fails to take corrective action within an agreed timescale.

3.6 Risk Management

Suppliers who are, or will be, of significant importance to Essentra, and its operations, will be proactively managed, through regular supplier reviews and ongoing monitoring, with the intention of managing and mitigate supply chain risk.

Procurement and supply chain risks will be identified and assessed with appropriate controls implemented and monitored to manage the risk.

As a result of the dynamic nature of the business environment and the constant evolution of risks that may impact our operations, the Risk Management Policy will be reviewed regularly, and managed in line with those new and changing factors that could pose new challenges.

Procurement and supply chain risks will be reviewed and reported at regular intervals (at least annually).

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Purchase Orders and Paying our Suppliers



4. Purchase Orders and Paying our Suppliers

4.1 Purchase Ordering and Paying Our Suppliers

A Purchase Order must be raised, approved, and issued to a supplier in the relevant financial system, before any commitment is made to a supplier, and in advance of the supply of goods or services.

Suppliers are instructed not to accept commitments from Essentra without a Purchase Order, and not to submit an invoice that does not clearly state a valid Essentra Purchase Order number.

Paying on time is critical to ensuring that we establish and maintain good working relationships with our suppliers and allow us the opportunity to develop collaborative relationships.

Essentra operate a '**No PO, No Pay**' policy, with the exception of Section 4.2.

Any supplier invoice which does not have a valid Essentra Purchase Order number will be returned to the supplier unpaid.

4.2 Purchase Order Exceptions

A purchase order is **not** required where the payment covers a charge. Charges are typically where the payment required is to cover the use of a service, i.e. energy use, and/or where there is no ability to goods receipt (GRN) the supply.

The current list of exceptions, which shall be reviewed periodically, are:

- telecommunication services (landline and mobile call charges)
- utilities, for example electric, gas, water, refuse
- insurance premiums & claims
- taxes, rates and other regulatory payments
- postal services (excluding courier services)
- freight
- grant (payments) to research partners and collaborators, where Essentra acts as lead partner
- rent (where covered by a signed Long-term Lease Agreement)
- payments to employees
- payments for the acquisition of land and property
- payments for the disposal or acquisition of securities and investments
- subscriptions for professional bodies, and/or where the purchase requires online payment
- purchasing using Company Credit Card payments
- Travel & Expenses using Credit Card payments
- Intercompany Non-Inventory Costs

Where it is not possible to determine the final invoice value at the outset of the services commencing, an estimation should be used based on the service of requirements and rates agreed.

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Supporting Items



5. Supporting Items

5.1 Service Level Agreement (SLA)

Where Procurement are engaged and/or required to undertake a vendor approval, they will do so in a timely manner.

The SLA to conduct this activity is:

Activity	Response	Output
Vendor onboarding	Within 3 working days	Review conducted, and progressed on basis of receipt of fully completed request
Quotation and Sourcing support	Within 3 working days	Acknowledgement and assignment of individual, initial contact and further understanding of support required. Timescales for delivery of support to be agreed in consultation with the requestor

5.2 Legal and Regulatory Compliance

All employees are required to comply with the relevant Essentra policies and procedures and are personally responsible for doing so.

Policies and Procedures applicable to engagement with third party suppliers, and which you should be familiar, are:

- Supplier Code of Conduct: Supplier Code of Conduct
- Schedule of Authority

And the below documents, which can be found on PolicyTech

- Conflict of Interest;
- Anti-Bribery and Corruption;
- Sanctions and Export Control;
- Anti-Trust and Competition Law

5.3 Approvals and Governance

All procurement purchasing commitments **must** be undertaken in line with Essentra's Schedule of Authority.

All employees will make themselves aware of and adhere to the delegated authorities applicable to the transactions they undertake.

5.4 Toolkit

To aid the business in its transactions, a procurement toolkit is provided. This Policy and the Toolkit are intended to provide those within the business the essential tools and guidance needed to navigate the complexities of the procurement processes efficiently and effectively. This toolkit serves as a valuable repository of information, templates, and best practices.

Toolkit Link

5.5 Definitions

Annual Contract Value (ACV): total estimated annual spend.
Call-off Contract: the contract for the supply of Products and entered into between the Customer and Supplier.
Category: the classification of suppliers based on the goods and or services that they supply
Contract: purchase contracts that establish a legally binding relationship between the Supplier and the Customer that protects both entities throughout the procurement process.
Contract Register: central repository held by Procurement to store third party supplier contracts.
Critical Spend: where one or more site, or regions purchase the same or equivalent Goods or Services.
Deliverables: documents (including the Documents) and/or other products of the Products as specified in the Order.
Directs: goods, materials, and services that are directly related to the making of an organisation's product or services.
Dun and Bradstreet (D&B): technical solution used to establish the financial viability of a Supplier.
Goods: items, articles, products or commodities that Essentra purchases from a supplier.
Indirect: purchase of goods and services that do not become part of an organisation's final product or service.
MEAT: most economically advantageous tender (MEAT) enables the Customer to take account of criteria that reflect qualitative, technical and sustainable aspects of the Supplier submission as well as price when reaching an award decision.
NAVEX: technical solution used to manage the onboarding of a Supplier, and the ongoing risk related to adverse media and sanctions.
Order: written (including electronically) placed order by the Customer for the supply of Products in accordance with the Call-off Contract.
Products: products (or any part of them) as identified in the Order.
Schedule of Authority (SOA): sets out relevant persons, activity, and thresholds that they have the authority to approve, on behalf of Essentra.
Services: intangible activities, amenities, benefits or assistance.
Supplier: person or firm from whom Essentra purchases the Goods or Services.
Supplier Code of Conduct: document that outlines the standards and behaviours expected from Essentra and its suppliers.
Supplier Relationship Management (SRM): approach to building mutually beneficial relationships with suppliers.
Thresholds: estimated annual spend for the goods and/or services to be purchased. The estimation of spend should include all Essentra requirement.

5.6 Questions and Further Support

For any questions, support and further guidance on the Policy please contact Procurement at

procurementandsupplierdevelopment@essentra.com

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