

# Northwest Pipe Company Purchasing Manual

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## Introduction

The purpose of this Purchasing Handbook is to establish acceptable guidelines and procedures for supply chain activities made on behalf of Northwest Pipe Company. As a representative of Northwest Pipe Company, it is expected of you to promote an environment where people are committed to honesty, integrity, fairness, and openness when interacting with our outside suppliers and internal customers. Our reputation is the single most important asset we have as purchasing professionals. Any implication of impropriety can ruin many years of hard work in developing important relationships with our suppliers and internal customers. Northwest Pipe Company depends on each purchasing professional to exercise common sense, intelligence, integrity, and sound judgment in performing all procurement activities.

## Our Culture

Working at Northwest Pipe Company comes with a need to understand key values that represent the foundation of our A.C.T. culture:

- Accountability is evident when we do what we say we are going to do, and people accept responsibility for their actions. We do not point our fingers and blame others. We own our actions.
- Commitment is not only promising to do something but investing in the necessary effort and actions to make it happen.
- Teamwork is essential for competing in a challenging and constantly changing business environment. Working together across all job functions is critical to achieving our success.
- The health and safety of each employee is a high priority at Northwest Pipe Company.
- E.S.G. (Environmental, Social and Governance) impacts are being considered.

We are the faces of Northwest Pipe Company to our vendors and internal customers. What we do matters all the time. It is up to each one of us to communicate these values to our vendors and customers within the Northwest Pipe Company family.

### Northwest Pipe Company Mission Statement

Our mission is to grow the company's profits by continually reducing the total costs of ownership over time without sacrificing quality, safety, and integrity.

Our success depends on mutual collaboration and coordination between different purchasing team members, internal customers, quality assurance, and accounting/finance members. We recognize the value of teamwork through shared experiences, rich and diverse experiences, innovative ideas and honest work ethics of our co-workers and essential suppliers.

### Purchasing Department Mission Statement

The purpose of a procurement policy and our mission is to ensure that best value – the most advantageous balance of price, quality (provide the highest optimum value of goods and services to our internal customers), and performance (timely manner to our customers) —is obtained when purchasing business-related products and services, and to minimize fraud, waste, and abuse in purchasing.

## Purchasing Ethics and Code of Conduct

- **Perception** - Avoid the intent and appearance of unethical or compromising practice in your relationships, actions, and communications.
- **Responsibility to Northwest Pipe Company** - Your loyalty is to Northwest Pipe Company. Understand the authority granted to you and apply sound judgment and consideration in both the legal and ethical implications of your actions.
- **Conflict of Interest** - Refrain from any private business or professional activity that would create a conflict between personal interests and the interests of Northwest Pipe Company.
- **Gratuities** - It is unacceptable for you to solicit money, loan, credits, or prejudicial discounts, gifts, meals, entertainment, favors, and/or services from present or potential suppliers that may influence, or appear to influence, purchasing decisions. This applies to both personal and on behalf of a charity or non-profit organization. Acceptance of meals and/or tickets to sporting or cultural events is permitted. Gifts with an estimated value of \$100.00 or greater should be reported to a supervisor.
- **Confidential Information** - The confidential and proprietary information belonging to a supplier or Northwest Pipe Company should be handled with care and proper consideration of ethical and legal ramifications.
- **Treatment of Vendors** - Treat all your vendors with a courteous, fair, and open attitude. Avoid getting too personal with a vendor.
- **Reciprocity** - Refrain from reciprocal agreements that restrain competition. Restraining competition may be a violation of anti-trust laws.
- **Federal and State Laws** - Know and obey the letter and spirit of the laws governing purchasing function and remain alert to the legal ramifications of purchasing decisions.
- **Personal Purchases** - Discourage employee's personal purchases from vendors whom we do business with that are not business related.
- **Professionalism** - Enhance your proficiency of and stature within the purchasing profession by acquiring and maintaining current technical knowledge. Northwest Pipe Company encourages participation in continued education applicable to your career.
- **International Purchasing** - Conduct all your international purchasing in accordance with the laws, customs, and practices of foreign countries, consistent with U.S. laws and Northwest Pipe Company's policies.

## Purchasing Categories

- Critical Materials
- Non-Critical materials (Maintenance, Repair and Operations including Capital Expenditures)

### Critical Materials

Northwest Pipe Company defines Critical Materials as any materials, products and/or services incorporated into the manufacturing of our finished goods. All Critical Materials purchases must be with Approved Vendors per ISO 7.4 for SPP facilities. Currently ParkUSA, Permalok and Geneva Pipe and Precast facilities are exempt from ISO Form 7.4a Supplier Rating Survey.

There are two subcategories within the Critical Materials category:

1. Steel products
2. Non-Steel raw materials and services incorporated into our finished goods.

Steel products are defined as steel coils (mill edge and cut or slit), plates, bars, wire rods and other steel mill products.

Non-steel materials include but are not limited to components, subcontracted materials, services, and equipment that become a permanent part of our finished goods.

### Maintenance, Repair and Operations (MRO)

MRO is defined as maintenance, repair, and operations. These are products and services required for our manufacturing facilities to continue operating but are not directly incorporated into our finished products. Capital expenditure falls into this category. MRO suppliers are not required to have a completed ISO Form 7.4a Supplier Rating Survey.

## Vendor Management

### Approved Vendor Responsibilities

The Vice President of Purchasing has overall responsibility for compliance with this procedure for steel purchases. The Vice President of Purchasing will assign individual responsibilities for implementation to staff as required.

The Plant Buyer has overall responsibility for compliance with this procedure at the Plant, excluding steel purchasing. The Plant Buyer will assign individual responsibilities for implementation to staff as required.

The Vice President of Purchasing is responsible for negotiating, implementing, and managing all national purchasing agreements.

### Review and Reevaluation Period

All approved vendors will be reevaluated at least once a year by all plant locations. Reevaluation will be done by completing and scoring the vendor performance review form provided by corporate purchasing.

The purchaser has the discretion to place any vendor on a more frequent review and reevaluation period, i.e., problem vendors. Use Form 8.6a to document the vendor performance issues and changes that needed to be re-approved.

## Performance Rating System for Vendors

There are five criteria used at Northwest Pipe Company to score vendor's performance:

Criteria	Points
1. Price	10
2. Quality	10
3. Service	10
4. Delivery	10
5. Technology/Innovation	10
<i>Total Points possible</i>	<i>50</i>

## Removal Process from the Approved Vendor List

Any vendor whose performance rating is less than 65% of the total 50 points may be placed on probation. Plant Buyers is responsible for notifying the non- steel vendors and outline processes for reinstatement.

Only the Vice President of Purchasing or designee are authorized to remove steel vendors from the approved vendor list.

Only the Vice President of Purchasing or designee are authorized to remove vendors covered by a national agreement.

## Vendor Selection Process

Northwest Pipe Company's aim is to create a business environment that is open, honest, and fair. Vendors are chosen based on their ability to meet our requirements, including quality, service, and total cost. We expect our vendors to offer us the best overall value for goods and services needed.

Northwest Pipe Company selects the best sources for goods and services based on the following criteria:

- Total Delivered Cost
- Performance and Service History
- National Agreements and Contracts
- Vendor's capabilities
- Accurate and Timely fulfillment of purchase order requirements
- Documentation Accuracy
- Innovative Products and Services (E-Commerce)

## National Purchasing Agreements

The Vice President of Purchasing or designee are responsible for negotiating, implementing, and managing all national purchasing agreements.

The purpose of these national agreements is to:

- Maximize our total purchasing power.
- Standardize our best practices through e-commerce.
- Reduce or eliminate unnecessary labor expenses.
- Reduce waste.

- Increase company's liquidity.

All buyers should use the vendors from our national purchasing agreement list whenever possible.

### **Sarbanes-Oxley Act (SOX)**

As a public company, Northwest Pipe Company is required to comply with the Sarbanes-Oxley Act. This compliance act deals with the SEC's rules on Section 404 concerning the internal control reporting and auditing.

Buyers are required to document purchasing activities such as RFQs, RFIs, quotations, POs, record retention, emails, etc. Attach all pertinent documents including emails, quotations, agreements/contracts electronically to the PO in SAP for record keeping. These purchasing activities may be audited by an independent unbiased party for compliance with the Sarbanes-Oxley Act, section 404.

Buyers are required to clearly understand the policies, procedures, limits, and other financial controls relevant to purchasing activities and be following Sarbanes-Oxley requirements.

All Northwest Pipe Company locations are required to perform an annual review of all suppliers for compliance with the Sarbanes-Oxley Conflict Minerals law. Corporate purchasing will lead this task with the support and assistance from the purchasing members from each plant location to contact each vendor and request supporting documents for compliance.

### **Unauthorized Expenditures**

It is against our company's policy to place purchase orders without first being approved through the Sarbanes-Oxley (SOX) workflow release strategy.

Purchase orders must contain SAP generated ten digits. A verbal PO or using other information in place of the SAP generated PO number is considered unauthorized purchase and is not permitted.

Utilities generally do not require PO. Invoices or statements are generally reviewed and approved for payment by either the department head, plant manager and/or operations manager with signature and date.

## New Vendor Process

### Sarbanes-Oxley (SOX) A1 Vendor Master

Requirements for non-transportation vendors:

- Complete Section 1 and Section 2 of the AP - New Vendor Information Request form
- Enter Yes in the PSM Vendor field for critical vendors.
- Accounting to enter the letter A under the Control Data section of ABC Indicator field.
- Provide signed AP - Supplier Agreement form and Certificate of Liability Insurance if the vendor is coming onto our properties.
- Provide a current copy of the vendor's W-9 and remit to information.
- Email the documents to the corporate accounts payable and VP of Purchasing for review and approval.
- Corporate accounts payable will email the buyer with the new vendor number when ready.

Requirements for transportation vendors only:

- Complete Section 1 and Section 2 of the AP - New Vendor Information Request form
- Provide signed NWP Freight MTSA 2023 (this is in lieu of the Supplier Agreement)
- Provide copy of the certificate of liability insurance
- Provide current DOT certificate.
- Provide a current copy of the vendor's W-9 and remit to information.
- Email the documents to the corporate account payable and VP of Purchasing for review and approval.
- Corporate accounts payable will email the buyer with the new vendor number when ready.

Reactivating Flagged for Deletion Vendors

1. Obtain current W-9 and remit information from the vendor.
2. Email the documents to corporate accounts payable to reactivate the vendor.

### Extending Existing Vendor Number to Another Purchasing Org

Email the request to corporate accounts payable or corporate purchasing team with your request.



## Purchasing Requisition

Authorized NWP employees can create a Purchase Requisition either through the e-procurement punch-out process or directly in SAP. The purchase requisition shall have all the pertinent information such as product description, price, quantity, unit of measurement, delivery date needed, account assignment code, delivery to person and/or location.

Purchase requisitions can be created manually or through the punchout process.

All purchase requisition line items will be approved through the SOX workflow release strategy.

Refer to the E-Procurement BPP, the SAP Business Process Procedure on the Intranet for additional assistance or information.

It is the responsibility of the buyers to manually generate the open PR report at the minimum of once daily to determine what is required by our internal customers and to plan purchasing strategy accordingly.

### Request for Quotations/ Proposal/Information (RFQ, RFP, RFI)

Similar requests include a request for quotation (RFQ), whereby the customer may simply be looking for a price quote, and a request for information (RFI), where the customer needs more information from vendors before submitting an RFP. An RFI is typically followed by an RFP or RFQ.

### Quotations

A formal statement of promise (submitted usually in response to a request for quotation) by potential supplier to supply the goods or services required by a buyer, at specified prices, and within a specified period. A quotation may also contain terms of sale and payment, and warranties. Acceptance of a quotation by the buyer constitutes an agreement binding on both parties.

Northwest Pipe Company prefers to receive electronic form of quotations (PDF, Word, Excel, or email). Attach quotations and other pertinent information including emails to the purchase requisition number under the Header section in SAP for record keeping.

### Purchase Orders

The purchase order shall contain the following:

- Clear and complete descriptions of products or scope of services (utilize both the short text field and the long text field)
- Quantity (Include maximum/minimum unit size tolerances. if applicable)
- Price
- Unit of Measurement shall match the invoiced UOM.
- If buying UOM is different than invoiced, buyer shall use the material conversion field and/or clearly state the conversion value in PO Header Note for items without material part numbers.
- Use the PO line-item conditions to enter surcharges, discounts, freight charges, etc.
- Enter Tax Code for each PO line item with either I0 or I1. Do not leave this field blank.
- Reference Industry's standards for steel, critical parts/products, and related services (AWWA, ASME, ASTM, AWS, NSF, etc.)
- Expected delivery date.

- Incoterms and place to clearly define the point where title and ownership transfers from seller to us and who is responsible for the applicable transportation, taxes, duties, and customs.
- Payment terms (CIA, Net, or progress payments)
- Ship to address including drop ship location.
- Sales contact information - name, phone number or email address.
- Signature of buyer is not required if the PO is emailed to the vendor.

All purchase orders must include the purchase requisition number(s) for each line item. The only exception is for credit memos. Buyers can manually enter the PO line item without the PR number for RTV (return to vendor) for credit. It is recommended that you include the credit memo number in the PO line-item short text when possible and check the Return box before saving the changed PO. Attach all supporting documents to the PO for record keeping.

### Punchout Vendors

Northwest Pipe Company utilizes third party software for SAP Punchout vendors. New Punchout vendors can be added to the current list. SAP Punchout transcodes are:

- /KCP/1 - Purchasing overview / tracking
- /KCP/2 - Create purchase req./order

Each plant location can work with the IT department to customize SAP Punchout including setting the date and time for SAP to collect the released purchase requisition line items, automatically creating the PO, and transmitting the PO to the vendor.

SAP Punchout POs will show created by ADMIN.

Each plant also can opt out of the SAP Punchout ADMIN POs by contacting IT to turn off the auto PO create feature. For punchout vendors, you can use the SAP transcodes ME21N or ME59N to manually create the POs. You have the option to disable SAP from automatically transmit the manually created POs by selecting the ZXML line and delete it when you Save each purchase order.

OO	ZXML	XML/PDF mes..	6	EDI	VN	6348	EN	<input type="checkbox"/>	1
----	------	---------------	---	-----	----	------	----	--------------------------	---

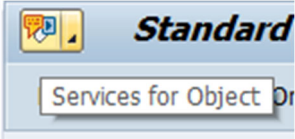
Otherwise, SAP will send the manually created PO to the vendor after you select Send immediately (when saving the application) and Save button to complete the PO process.

4 Send immediately (when saving the application)	▼
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The designated buyer will receive email order acknowledgment. It is the responsibility of the buyer to update the PO information including tax code in SAP and notify the requisitioners accordingly.

## Communications

The preferred method of communications to external vendors and internal customers is via email. You can electronically save all pertinent information including documents, emails, and notes at the PR and/or PO level in either in the Header or Line-item locations using the Services for Object symbol below.



As an organization, we need to make sure that all forms of communication are sent and received as intended, even if it seems trivial. Please follow up to for closure before you move on.

## Freight Terms

Most businesses use Incoterms codes for freight conditions. Some domestic businesses use the Uniform Commercial Codes (UCC). Below are the 11 Incoterms and 2 UCC codes. SAP uses Incoterms codes.

**Incoterms for any mode or modes of transport:** EXW, FCA, CPT, CIP, DAT, DAP and DDP.

**Incoterms for sea and inland waterway transport:** FAS, FOB, CFR, and CIF.

### Incoterms

#### **EXW (Ex Works)**

EXW means that the seller fulfills his obligation to deliver when he has made the goods available on his premises to the buyer. In particular, he is not responsible for loading the goods on the vehicle provided by the buyer or for clearing the goods for export, unless otherwise agreed. The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination. This term thus represents the minimum obligation for the seller.

#### **FCA (Free Carrier)**

FCA means that the seller fulfills his obligation to deliver when he has handed over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into his charge. When, according to commercial practice, the seller's assistance is required in making the contract with the carrier, the seller may act at the buyer's risk and expense.

#### **FAS (Free Alongside Ship)**

FAS means that the seller fulfills his obligation to deliver when the goods have been placed alongside the vessel on the quay or in lighters at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment.

#### **FOB (Free on Board)**

FOB means that the seller fulfills his obligation to deliver when he places the goods on board at the port departure. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. The FOB term requires the seller to clear the goods for export.

#### **CFR (Cost and Freight)**

CFR means that the seller must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel is transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment. The CFR term requires the seller to clear the goods for export. This term can only be used for sea and inland waterway transport.

#### **CIF (Cost, Insurance and Freight)**

CIF means that the seller delivers the goods on board the vessel or procures the goods already delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. The seller also contracts for insurance to cover against the buyer's risk of loss of or damage to the goods during the carriage. The buyer should note that under CIF the seller is required to

obtain insurance only on minimum cover. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

**CPT (Carriage Paid to)**

CPT means that the seller pays the freight for the carriage of the goods to the named destination. The risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered to the carrier is transferred from the seller to the buyer when the goods have been delivered into the custody of the carrier. "Carrier" means any person who, in a contract of carriage, undertakes to perform or to procure the performance of carriage, by rail, road, sea, air, inland waterway or by a combination of such modes. The CPT term requires the seller to clear the goods for export.

**CIP (Carriage and Insurance Paid To)**

CIP means that the seller delivers the goods to the carrier, or another person nominated by the seller at an agreed place and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination. The seller also contracts for insurance to cover against the buyer's risk of loss of or damage to the goods during the carriage. The buyer should note that under CIP the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

**DPU (Delivered at Place Unloaded)**

Delivered at Place Unloaded (DPU) (formerly referred to as DAT for "Delivered at Terminal") requires the seller to deliver the goods at the disposal of the buyer after they've been unloaded from the arriving means of transport.

DPU is the only Incoterms rule that requires the seller to unload goods at the place of destination.

DPU can apply to any—and more than one—mode of transport. The buyer and seller should specify and agree upon a named place of destination.

DPU requires the seller to clear goods for export, where applicable, without any obligation to clear the goods for import, pay import duty or carry out import customs formalities.

**DAP (Delivered at Place)**

DAP means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. The seller bears all risks involved in bringing the goods to the named place.

**DDP (Delivered Duty Paid)**

DDP means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination. The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to clear the goods not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities.

## Uniform Commercial Code (UCC)

### F.O.B. and F.A.S. Terms

Unless otherwise agreed the term F.O.B. (which means "free on board") at a named place, even though used only in connection with the stated price, is a delivery term under which:

1. (a) when the term is F.O.B. the place of shipment, the seller must at that place ship the goods in the manner provided in this Article (Section 2-504) and bear the expense and risk of putting them into the possession of the carrier; or
2. (b) when the term is F.O.B. the place of destination, the seller must at his or her own expense and risk transport the goods to that place and their tender delivery of them in the manner provided in this Article (Section 2-503);
3. (c) when under either (a) or (b) the term is also F.O.B. vessel, car or other vehicle, the seller must in addition at his or her own expense and risk load the goods on board. If the term is F.O.B. vessel the buyer must name the vessel and in an appropriate case the seller must comply with the provisions of this Article on the form of bill of lading (Section 2-323).

Unless otherwise agreed the term F.A.S. vessel (which means "free alongside") at a named port, even though used only in connection with the stated price, is a delivery term under which the seller must:

- (a) at his or her own expense and risk deliver the goods alongside the vessel in the manner usual in that port or on a dock designated and provided by the buyer; and
- (b) obtain and tender a receipt for the goods in exchange for which the carrier is under a duty to issue a bill of lading.

Unless otherwise agreed in any case falling within subsection (1)(a) or (c) or subsection (2) the buyer must seasonably give any needed instructions for making delivery, including when the term is F.A.S. or F.O.B. the loading berth of the vessel and in an appropriate case its name and sailing date. The seller may treat the failure of needed instructions as a failure of cooperation under this Article (Section 2-311). He or she may also at his or her option move the goods in any reasonable manner preparatory to delivery or shipment.

Under the term F.O.B. vessel or F.A.S. unless otherwise agreed the buyer must make payment against tender of the required documents and the seller may not tender nor the buyer demand delivery of the goods in substitution for the documents.

## Northwest Pipe Company Freight Policy

1. Determine who is responsible for freight charges.
2. Determine when or where title and liability transfers.
3. Once the determination is made, enter the Incoterms code in the header section of the PO under the Delivery/Invoice tab. For example: Incoterms DAP NWP SAGINAW VIA TRUCK. There is no freight condition for this order. The freight charge is inclusive of the selling price.
4. If you know there is a freight charge for the order, but you don't know the exact amount, get freight cost estimate from the vendor. Do Not enter \$0.00 dollar amount. It is best to enter the estimated freight charge amount than to leave blank or enter \$0.00. Follow up with the vendor to get the actual freight cost as soon as the order has shipped.
5. SAP will not let you change the freight amounts once a Good Receipt is created.
6. Enter the appropriate Freight Condition (FRB1, FRB2, ZFRC or Z3PF) in the PO line item under the Conditions tab.
7. For multiple PO line items, use your best judgement to divide the freight charge or charges for each PO line item.
8. It is not recommended to enter the freight charges under the Header section of the PO if you are planning to add new PO line item(s) afterward.
9. Do Not enter a PO line-item freight condition IF the delivery is free of charge. This creates a mess for AP to reconcile and close out in SAP.
10. See freight conditions matrix below for details.

Freight Conditions	Rail	LTL	TL	Ocean	Barge	Air	Freight Invoice from	Single PO line item	Multiple PO line items	Multiple shipments
FRB1	Yes	Yes	Yes	Yes	Yes	Yes	Carrier/3PL	Yes	No	No
FRB2	Yes	Yes	Yes	Yes	Yes	Yes	Vendor	Yes	No	No
ZFRC	Yes	Yes	Yes	Yes	Yes	Yes	Vendor	Yes	Yes	Yes
Z3PF	Yes	Yes	Yes	Yes	Yes	Yes	Carrier/3PL	Yes	Yes	Yes

**Note:** Please make sure that you regularly update the open PO line items in SAP prior to the receiver creating ASN and/or GR.

SAP will block you from making any changes to the PO line-item freight conditions code and dollar amount when ASNs and/or GRs are created. The only solution is to delete the PO line-item and create new PO line items (referencing the PR number and line from the deleted PO line item) with conditions required.

## Returns/Credit Memos

- Obtain the return authorization and credit memo for vendor.
- If the credit memo amount is the same as the original invoiced amount, you can instruct the receiving person to use SAP transcode MIGO to enter the credit memo by:
  - o Enter the PO number and line item.
  - o Enter the credit memo number in the Delivery text field.
  - o Change the movement type from 101 to 122.
  - o Enter the quantity returning to the vendor (RTV).
  - o Save when done.
- This action will re-open the PO line item to receive replacement quantity. This line item will show up in your open PO report.
- If you do not want the replacement item, go to change PO (ME22N), and check the Deliv. Compl. button in the Delivery tab.

If the credit memo amount is different than the original invoiced amount due to handling and/or restocking fees, you will need to manually create a new PO line item by using the SAP transcode ME22N.

- Enter the PO number.
- Copy the account assignment from the original PO line item.
- In the short text field, manually type RTV plus additional information to denote return to vendor for credit. Be sure to reference the credit memo number.
- Enter the original purchased price.
- Use the PO line-item conditions to enter applicable the return freight charge, restocking and/or processing fees.
- For return to vendor, the discount codes are used for processing and/or restocking fees. The two commonly used codes are RB00 Discount (Value) and RC00 Discount/Quantity.
- Before you Save the PO entry, **it is especially important that you check the Return button to the right of the menu bar.**
- The receiving person can use MIGO with the default movement type 101 to receive the RTV PO line item.
- SAP will automatically net the RTV PO line-item price and change the movement type to 166 in the background.



## Blanket and Open POs

Blanket or Open POs are convenient for repetitive items with or without pricing agreements or supply contracts.

It is recommended that Blanket or Open POs with high delivery rates (2 or more per day) be kept to a 1-to-3-month period in order to keep good receipts and invoice verification and reconciliation manageable.

Close the PO and issue a new Blanket or Open PO at the end of the period.

## PO Delivery Schedule

PO Delivery Schedule is a useful feature in SAP for combining multiple purchase requisition line items with the same material part number or breaking up large quantity over multiple delivery dates under the same PO line-item number. See below for example.

S..	C	Delivery D...	Sched. Qty	Time	Stat. Del. ...	GR Qty	Purchase ...	Req...	N...	Open Quantity	Sc...
	D	08-15-2023	2,365,000.000		08-15-2023	2,365,000.000	11411029	10			1
	D	08-15-2023	1,275,000.000		08-15-2023	1,275,000.000	11411029	40			2
	D	08-15-2023	2,076,000.000		08-15-2023	2,109,940.000	11411029	20			3
											0

## PO Tax Code

There are 2 tax codes for U.S. plant locations.

- I0 for A/P Sales Tax, Exempt
- I1 for A/P Sales Tax, expensed (Included in Invoice)
- There are 3 tax codes for SLRC plant 0019, there are 3 tax codes.
- B0 Deferred IVA 0% Input tax.
- B4 Deferred VAT Tax 16%
- B5 Deferred VAT Tax 8%
- For SLRC plant 0020, the items purchased are typically always material for the SLRC 4020 location (US) and would be exempt from sales taxes. Use tax code I0 for equipment rental or something at an actual jobsite.

You do not need to enter the tax code for the stock transport orders (STO).

## Key Performance Indicators (KPIs)

Procurement KPIs are a type of performance measurement tool that are used to evaluate and monitor the efficiency of our procurement management. These KPIs help us to optimize and regulate spending, quality, time, and cost.

### 1. Quality KPIs: Ensure quality

#### Compliance Rate

Contractual and policy compliance are pivotal to ensure legal security. If these compliance rates dip down, they can spike up indirect and maverick spend. A foolproof purchasing contract with clearly defined penalties can improve the compliance rate.

#### Metrics to note:

- The ratio of disputed invoices to total invoices
- The total difference between the price paid and the price quoted.

#### Supplier Defect Rate

Supplier defect rate is used to evaluate a supplier's individual quality. Measuring supplier defect rates and breaking it down based on the defect type will offer actionable insights into a supplier's trustworthiness. Supplier defect rates are usually measured in defects per million.

Supplier defect rate = Number of substandard products/Total number of units tested

#### PO Accuracy

Low PO accuracy hikes up operating costs. Procurement KPIs are measured across supply categories, buyer segments, and more. This metric will help businesses ensure whether suppliers are delivering what was ordered and if it was delivered at the right time.

#### Indicators to track:

- The ratio of product/service delivered outside the pre-defined service target
- % of erroneous delivery over the total number of purchase orders in a period of time

### 2. Delivery KPIs: Improve delivery

#### Rate of Emergency Purchases

Emergency purchases are those unplanned orders which are acquired to prevent the shortage of products/services. This metric is measured with the ratio of emergency purchases to the total number of purchases over a fixed period of time.

By lowering the rate of emergency orders, organizations can:

- Save costs
- Improve procurement plan
- Reduce supply risks
- Ensure continuity

#### Supplier Lead Time

Supplier lead time is the amount of time that elapses between the time a supplier receives an order and the time when the order is shipped. This KPI is often measured in days. Vendor lead time starts with availability confirmation and ordering and ends with the delivery of goods.

Supplier lead time = Delivery time (Goods and receipts delivery) – Order time (PO acceptance)

### **Purchase Order Cycle Time**

Purchase order cycle time is measured in hours or days from the time a purchase requisition is submitted to the time when it is transmitted to a vendor or contractor. This KPI covers the end-to-end ordering process which makes up the whole purchase order cycle.

### **Vendor Availability**

Vendor availability is used to measure a vendor's capacity to respond to emergency demands. This procurement KPI helps organizations determine the degree of reliability they can place on a vendor.

Vendor availability (%) is measured by the ratio of the number of time items available on a vendor's side to the number of orders placed with the supplier.

## **3. Cost-Saving KPIs: Receive savings**

### **Cost per Invoice and Purchase Order Side**

The cost spent per invoice and purchase order can vary from one organization to another depending on the factors that are included in this calculation. An organization that follows a manual approach will have higher processing costs when compared to other organizations that use an automated process.

A recent APQC survey shows that organizations with little to no automation in place end up spending at least \$10 or more per invoice.

### **Spend Under Management**

Spend under management is the percentage of procurement spend that is regulated or controlled by the management. As an organization's spending under management rises, its ability to optimize cost and forecast expense increases with it.

SUM = Total approved spend (i.e., direct, indirect, and service-related cost) – Maverick spends

### **Procurement ROI**

Procurement ROI is used to determine the profitability and cost-effectiveness of the procurement investment. This metric is best suited for internal analysis.

Procurement ROI = Annual cost savings / Annual procurement cost

### **Price Competitiveness**

Little to no competition among vendors can lead to a place where a few suppliers enjoy a monopoly. This can lower quality over the long run. Here the emphasis is placed on shortlisting vendors that offer the buyer a distinct competitive advantage.

Price competitiveness can be measured by comparing the price paid with the published market prices listed on procurement market intelligent sites like Beroe Inc.

It also gives procurement leaders the ability to create custom reports that show key metrics like PO cycle time, the rate of emergency purchases, and the annual procurement savings to annual procurement costs.

**Improve Performance with eProcurement Tools**

To step up procurement performance, organizations need to take KPI measurements and tracking digital. Using a cloud-based tool will help organizations with data collection, segregation, routing, retrieval, and much more. This lets procurement staff spend more time analyzing the collected data.

**Confidential Information**

Great care should be taken when dealing with vendor's proprietary information with regard to disclosure, storage, etc. Refer to the Code of Business Conduct and Ethics on our intranet.

<https://intranet.nwpipe.com/wp-content/uploads/2022/11/Code-of-Business-Conduct-and-Ethics-Rev.-11.21.pdf>

**Insider Trading**

Northwest Pipe Company is a publicly traded corporation, disclosure of information relevant to the company's performance and not publicly available may be a violation of the SEC's insider trading laws.

Refer to the Insider Trading Policy on our intranet.

<https://intranet.nwpipe.com/wp-content/uploads/2022/11/Insider-Trading-Policy-Rev.-12.22-clean.pdf>

**Corrective Actions**

For Purchasing Best Practices Non-Compliance

- Report to immediate manager (for first offense)
- Report to Plant Manager (for second repeated offense)
- Report to Operations Manager (for third repeated offense)
- Report to VP of Operations (for repeated and unresolved offenses)

## Environmental, Social and Governance (ESG)

### ESG Vision

Northwest Pipe Company strives to conduct business in a manner that promotes responsible and proactive management of Environment, Social, and Governance (ESG) matters. When considering engaging with outside suppliers, purchasing professionals are expected to factor prospective suppliers' ESG-related practices during the decision-making process, such as:

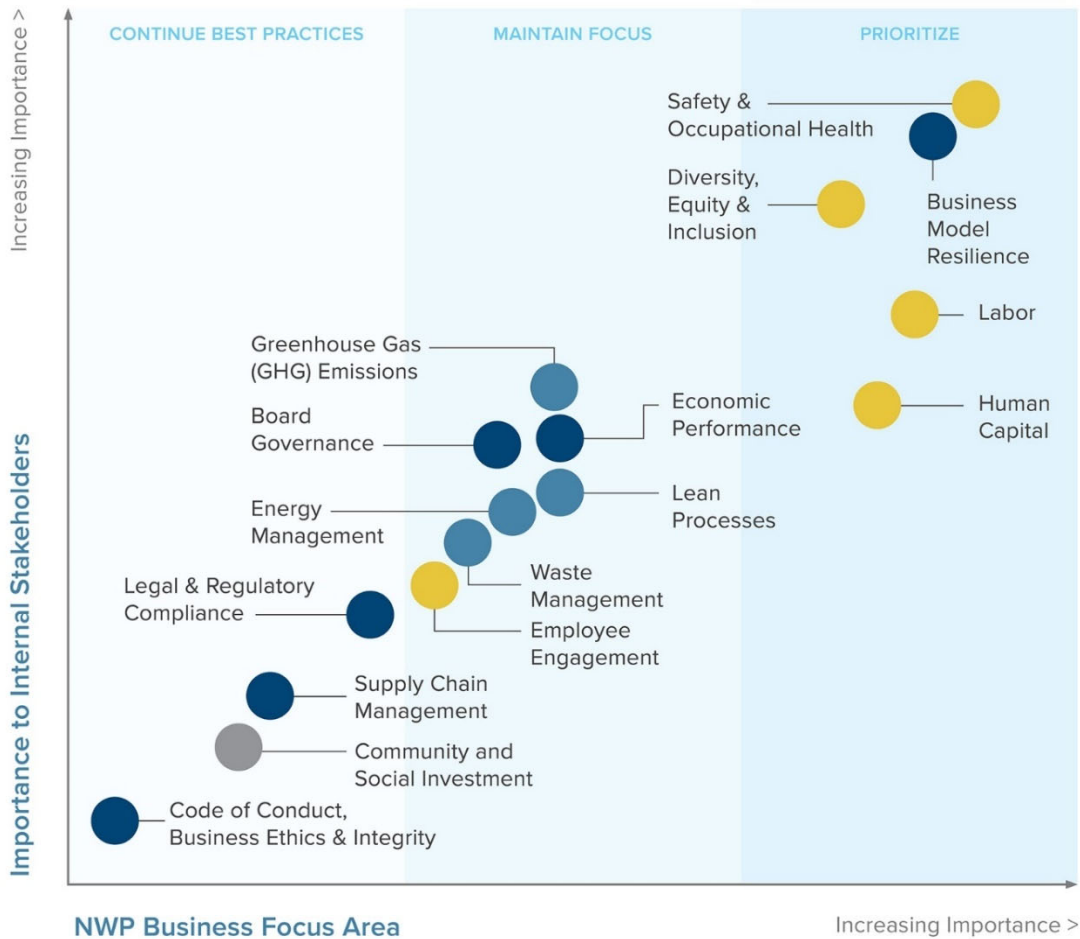
- Suppliers demonstrate a commitment to sound corporate governance, ethics, and internal controls.
- Suppliers adhere to all applicable environmental and human rights laws and regulations.
- Suppliers demonstrate concerted efforts to minimize greenhouse gas emissions, waste generation, and energy and water consumption in its products' life cycles.
- Suppliers prioritize the use of recycled and/or ecofriendly materials and avoid using excess packaging of their products.
- Suppliers consider the use of renewable energy sources in their production practices.
- Suppliers provide and maintain safe working conditions and have enacted reliable health and safety policies for their employees.
- Suppliers promote a working environment that supports diversity and inclusion, and where employees are respected and valued.

### Materiality Assessment

Northwest Pipe Company conducted a materiality assessment to identify the top issues as they relate to our long-term business performance and ESG strategy. Through employee and stakeholder interviews, we identified 16 key ESG topics to focus on and ranked them according to their importance to internal stakeholders and the Company's long-term business goals. While all topics are important, material topics are separated by the level of attention and resources that may be needed to improve performance. As shown in our Materiality Assessment chart below, the Company will continue to maintain and manage performance of the topics identified in the "Continue Best Practices" category; however, these topics do not require the same level of attention and focus as the topics in the "Prioritize" category.

Our ESG materiality assessment is ongoing and will be periodically reviewed to ensure the topics that are most important to the Company's business and stakeholders are properly considered.

## 2023 MATERIALITY ASSESSMENT



### CATEGORIES

- Responsible Business Practices
- Community Building
- Environmental Sustainability
- Employees & Culture

### Resources

<https://intranet.nwpipe.com/>

<http://www.parkusa.com>

<http://www.nwpipe.com>