



Supply Chain Management





Supply Chain Management Process

1. Purpose

This procedure describes how WETAC will manage its supply chain functions to reduce CSR risk and encourage best practice in significant suppliers.

2. Responsibilities

Management System Manager (MSM) is responsible for the management of the supply chain process. The Audit Manager is responsible for the maintenance of the supply chain information, risk assessment, audit schedule and Corrective Action activity. The Senior Management Team (SMT) is responsible for supplier escalation in the event agreed Corrective Actions are not closed in agreed timescales.

3. Related Documents:

- WR-01 Supplier CSR Code of Conduct
- WR-03 Supplier Risk Questionnaire
- WR-05 Supplier CSR risk assessment tool
- WR-06 Supplier CSR Audit Assessment Tool
- WR-07 Supplier Risk Register and Audit Schedule

4. Procedure:

4.1 Methodology

4.1.1 Overall Methodology and Process

The high level management system process is outlined below:

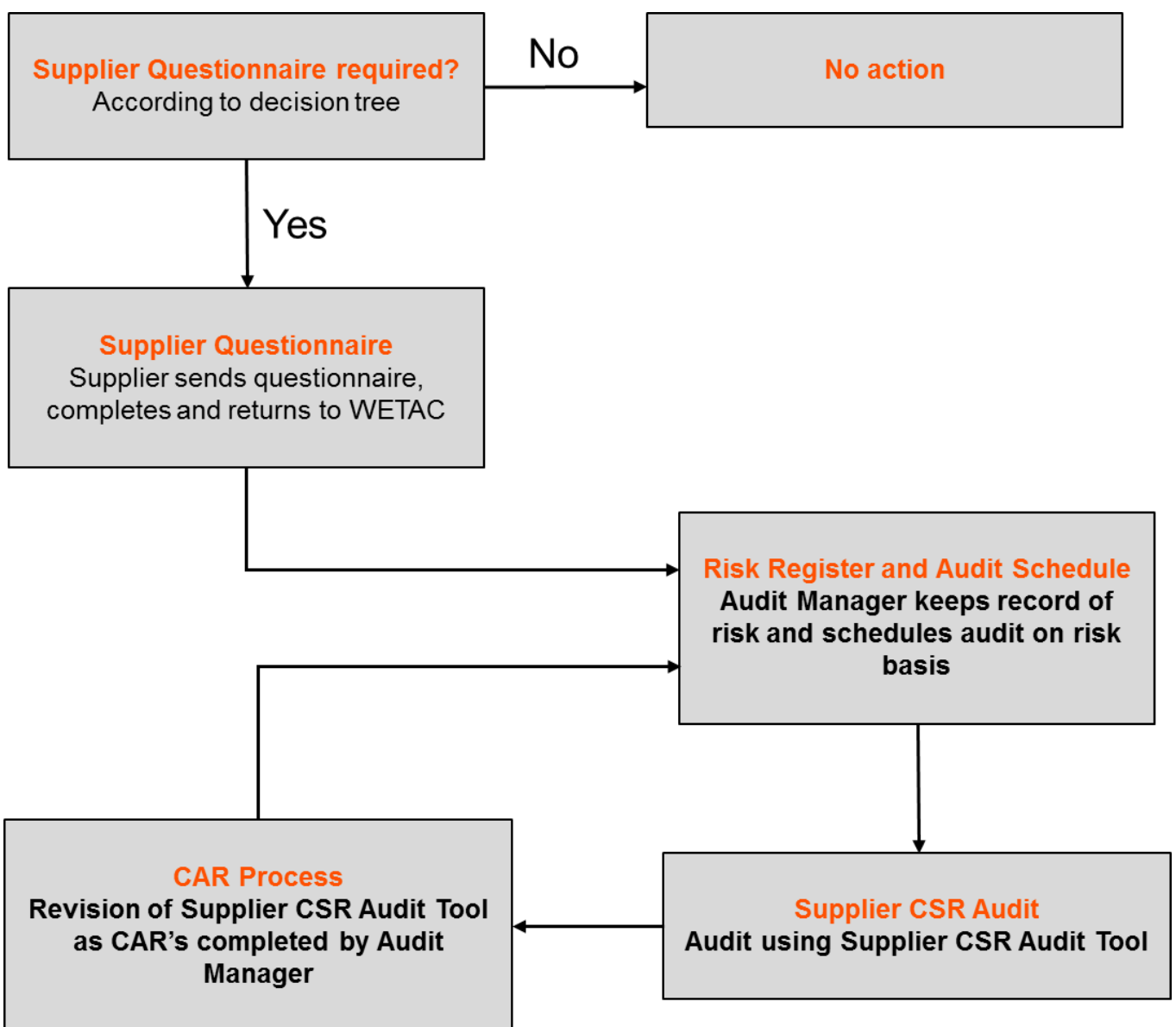


Figure 1: Top level Supplier Management Process

4.1.2 Which companies to complete the supply chain questionnaire and be risk assessed

The WETAC suppliers required to complete the supply chain question and enter the supply chain risk assessment register is outlined below.

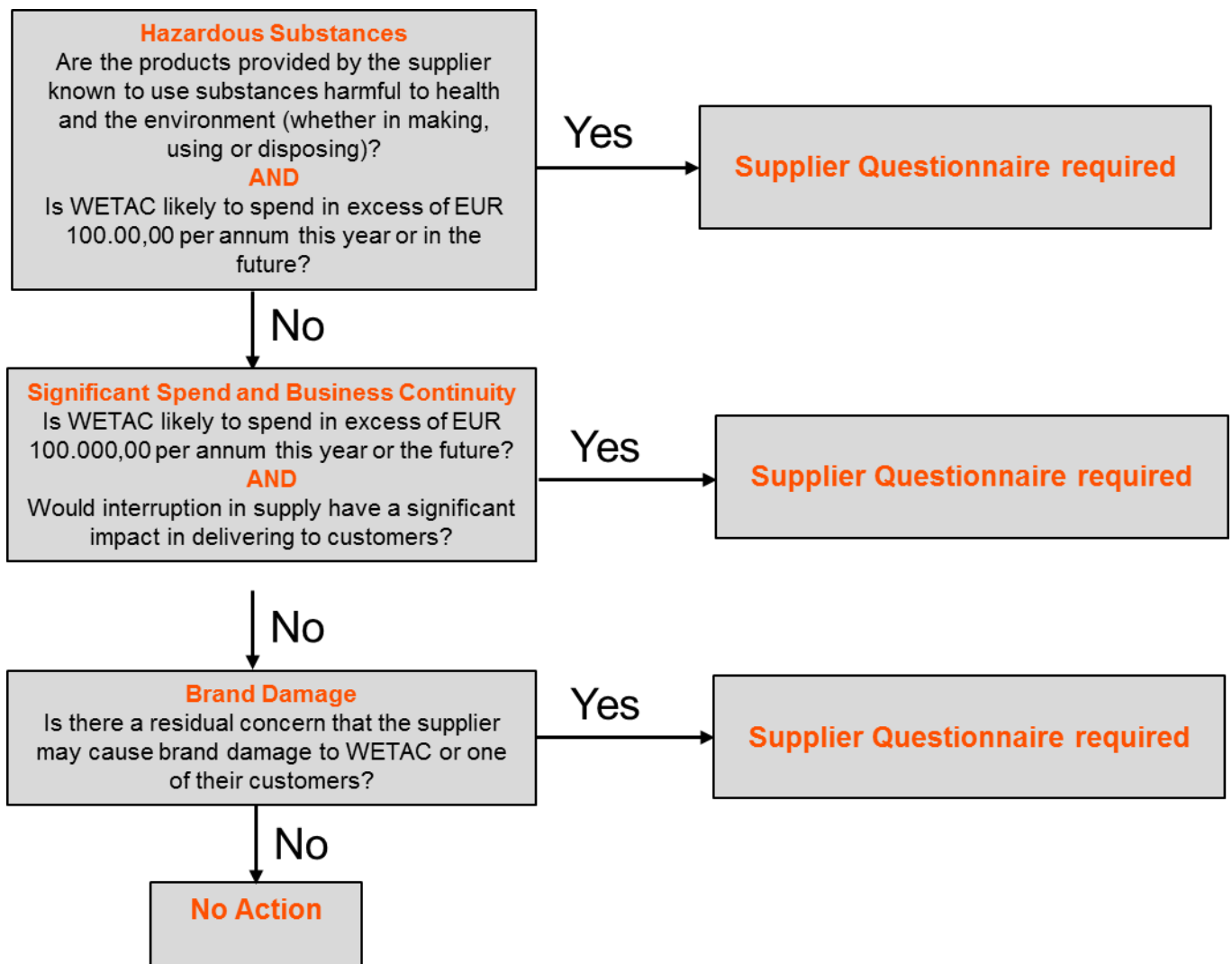


Figure 2: Assessing significant suppliers in the WETAC supply chain

4.1.3 Questionnaire Risk Assessment

The Supplier Questionnaire links with the scoring methodology in the excel spreadsheet. Care should be taken that the scoring methodology is not sent to suppliers with the questionnaire. The Questionnaire briefly covers all of the areas stated in the supplier code of conduct.

The methodology is simple – each question in each area is worth 1 point for the desired answer (Yes/No) or 0 points for non completed answers or the alternative (e.g. No/Yes, depending on question). For answers requiring more detailed information than yes or no, then the scoring potential is higher. In the environmental section the response to whether the company requires an environmental permit changes the potential top score from 5 to 12. For companies requiring an environmental permit, the expectations set around the subsequent questions regarding air and water monitoring increase in importance with higher scores achieved as a result of higher monitoring frequencies. For companies not requiring an environmental permit, voluntarily monitoring of air and water emissions is scored as good practice. The country of operation is a significant factor in the overall level of CSR risk. Information from regarded indices is used to compare with the company responses and referenced in WR-05 Supplier Risk Questionnaire and Scoring. The scores are translated for company and country into a score of 1 to 3 which represents low to high risk categorization. The overall risk rating looks at the overall score for the company and average score of the country risk to generate an overall position.

The output of the scoring methodology is a matrix which highlights areas of high risk by CSR area and overall against the company and country data.

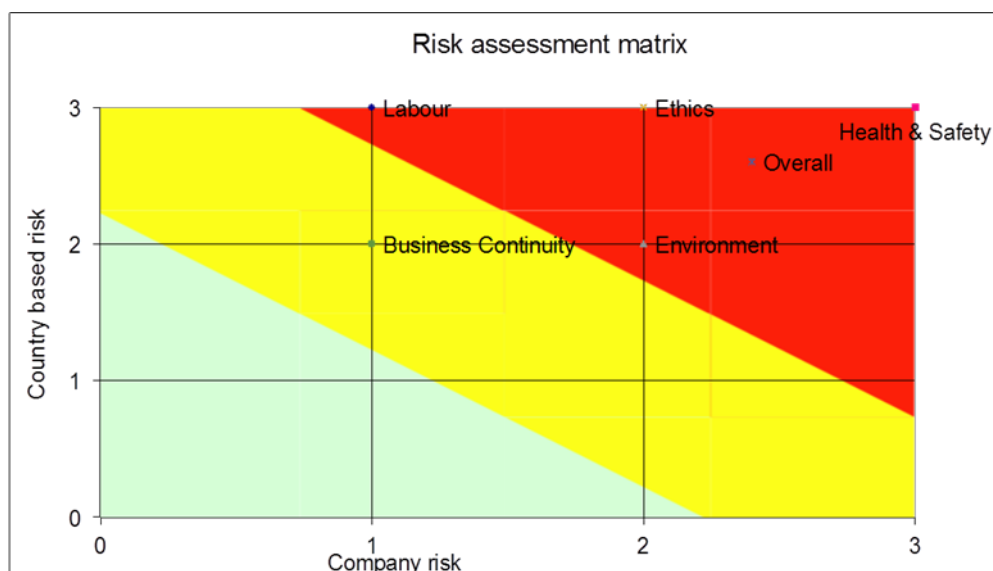


Figure 3: A sample risk assessment for a fictitious company

The overall risk rating score will be entered into WR -07 Supplier Risk Register and Audit Schedule.



4.1.4 Supplier Audit eligibility

Following the submission of questionnaire and calculation of the supplier risk rating, the Audit manager will assign the supplier a rating of “high”, “medium” or “low” CSR risk based on the table below.

Suppliers rating “high” will instantly be considered for upcoming supplier audits. Suppliers rated medium may be asked for further information or subject to spot checks to ensure medium is the appropriate status and the risk assessment process is fit for purpose. Suppliers rated low may be asked for further information or considered for auditing to spot check and ensure the risk assessment process is fit for purpose.

4.1.5 Supplier Audit Choice

Supplier eligible for audit may be chosen according to the following criteria:

- 1) Risk rating
- 2) Audit history and previous performance
- 3) Importance to WETAC
- 4) Feedback following customer audit activity

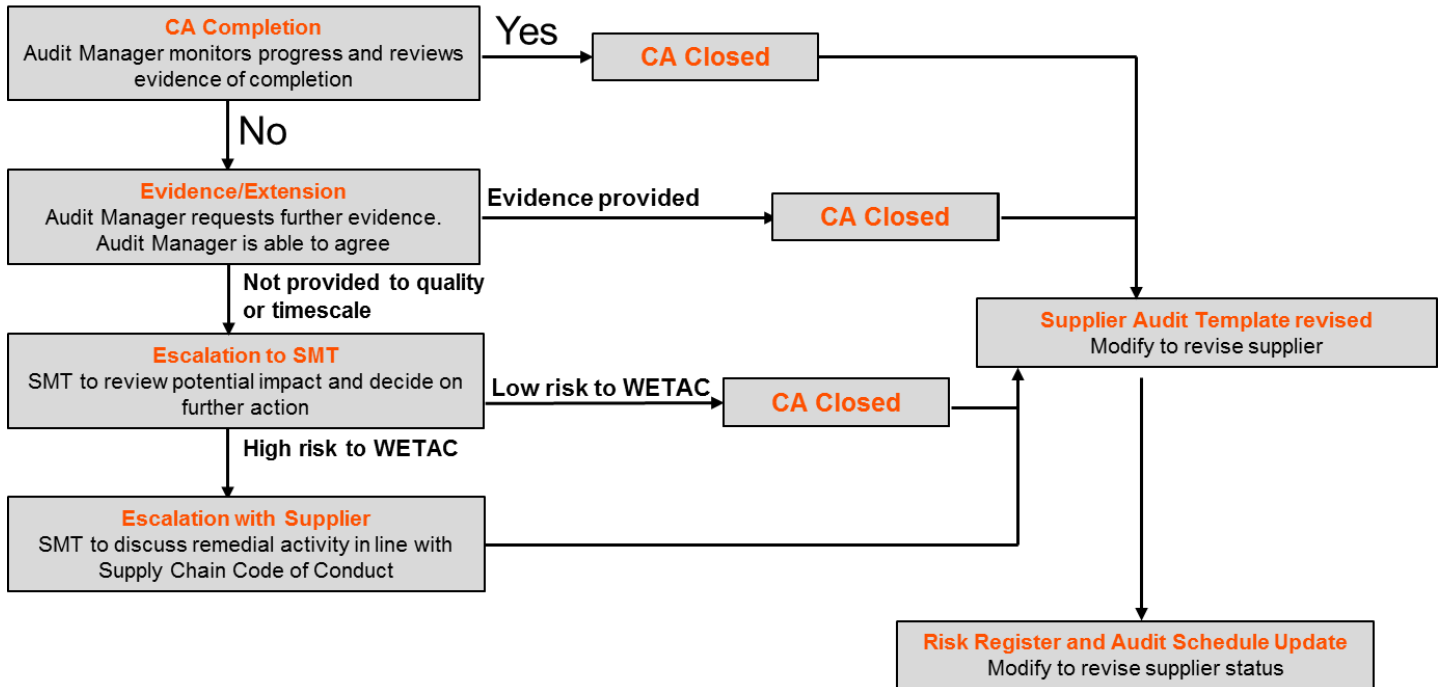
4.1.7 Supplier Audit

The supplier audit will take place utilizing the **WR-06 Supplier CSR Audit Assessment Tool** which defines the critical points of investigation within health safety, environmental management, labour, ethics and business continuity. The scoring system works as follows:

- The Overall rating is the result of the total amount of the findings pondered by the equal weighting of each axes. A penalty of 10 points is applied for each critical non compliance.
- The overall rating will classify the supplier in 4 categories:
 - A: Excellent - score $\geq 90\%$
 - B: Good – $70\% \leq \text{score} < 90\%$
 - C: Acceptable – $60\% \leq \text{score} < 70\%$
 - D: Poor – $\text{score} < 60\%$ or non compliance to any sensitive point.
- Critical and Sensitive parameters are weighted differently in the evaluation. In case of Non Compliance, both will cause a penalty of 10 points to the total score. NC's to any sensitive questions will automatically cause an audit score of class D (poor).
- Corrective Actions will be documented on the **WR-06 Supplier CSR Audit Assessment Tool** and agreed with the auditee.

4.1.8 Corrective Action

Corrective Actions identified within the audit will be documented on a supplier specific **WR-06 Supplier CSR Audit Assessment Tool**. The process below outlines the follow-up and settlement process for Corrective Actions.



4.1.9 Revision of Risk Register

Following the process outlined in 4.1.8, the Audit Manager updates the Risk register and audit schedule to provide a current risk rating for all eligible WETAC suppliers.

4.2 Failure of a supplier to respond to Supplier Questionnaire, provide supplementary information or respond to an audit request

The Audit Manager will determine prior to engaging the supplier the appropriate timescale for a supplier to provide the Supplier Questionnaire, supplementary information or respond to an audit request. If the supplier fails to respond in the timescale communicated, the Audit Manager can agree to lengthening the timescale up to 25% of the original timeframe. Failure of the supplier to respond following the extension will result in escalation to the SMT.