

Supply Chain Policy

Policy: Supply Chain

Policy No.: 1331

Responsible Officer: Senior VP Finance and CFO

1.0 Scope: Day & Zimmermann Group, Inc. and its subsidiaries and affiliates

2.0 Purpose: To establish the authority and responsibility of the Supply Chain Organization regarding the Company's Sourcing and Supply Chain activities including:

<u>Section</u>	<u>Policy Topic</u>
----------------	---------------------

1331-1:	Requisition Processing and Controls
---------	-------------------------------------

1331-2:	SAP Requisition Release Strategy
---------	----------------------------------

1331-3:	Purchase Order and Subcontract Processing
---------	---

1331-4:	Purchase Order Approval Authority
---------	-----------------------------------

1331-5:	SAP Standard and Framework Purchase Orders
---------	--

1331-6:	SAP Purchase Order Release Strategy
---------	-------------------------------------

1331-7:	Competitive Bid Requirements
---------	------------------------------

1331-8:	Negotiation – Supply Chain Organization
---------	---

1331-9:	Payment Terms
---------	---------------

1331-10:	Supplier Master Database, Management and Controls
----------	---

1331-11:	Standard Terms and Conditions and Incorporating Client Flow-Downs
----------	---

1331-12:	Standards of Business Conduct in Supplier Agreements
----------	--

1331-13:	Legal Review Support Requirements
----------	-----------------------------------

1331-14:	Ethics, Conflicts of Interest Avoidance Standards
----------	---

1331-15:	Small and Diverse Suppliers
----------	-----------------------------

1331-16:	Sourcing Cost Reduction
----------	-------------------------

1331-17:	Supplier Anti-Corruption
----------	--------------------------

3.0 Definitions:

3.1 Sourcing Process – includes an approved/funded Requisition, Supply Chain led Source Selection, leading to an approved Purchase Order authorizing the supplier to provide the goods/services requested. An **Out of Process** Transaction occurs when some or all of these steps are missing or the process is performed outside the proper sequence.

3.2 SAP - The Enterprise Resource Planning System – where Requisitions, Purchase Orders, Receipts, Invoice Matching and Payment Authorizations are managed.

3.3 Competition: The process of obtaining multiple suppliers' price, commercial terms and technical capabilities for a given category of spend. Competition does not infer procuring at the

lowest available price; rather, securing the best value for the Company and compliant with customer specifications and the FAR/DFAR where applicable.

3.4 Sole Source: Where one supplier is exclusively capable of supplying the commodity or service. This may occur when the goods or services are specialized or unique in character. Written justification by Engineering/Program Management and/or Operations is required to justify a Sole Source.

3.5 Single Source: While two or more suppliers offer goods or services, the Supply Chain teammate selects one supplier in conjunction with Engineering/Program Management and/or Operations for substantial, documented business reasons, eliminating the competitive bidding process.

3.6 Directed Source: Where the customer directs the use of a specific subcontractor and/or supplier.

3.7 SAP Standard Purchase Order: A Standard Purchase Order (PO) is the most commonly used document to engage a supplier to provide goods and services.

3.8 Blanket/Framework PO: A Purchase Order without a specified quantity, unit price, or item description and has a predefined value limit along with a validity period. The costs for goods or services purchased under a Blanket/Framework PO are not recognized in our accounting systems until the invoices are received.

3.9 Release Strategy: Authority is delegated and assigned by the Business Unit/Staff Controllers to individuals through a mechanism in SAP known as the Release Strategy. Release Strategy determines the limits for the spending approval authority via a Requisition and Purchasing authority through the issuance of a Purchase Order.

3.10 Purchase Order Release Strategy: Authority is granted to individuals to release commitments on behalf of the Company via issuance of Purchase Orders in SAP.

3.11 Requisition Release Strategy: Authority is given to individuals to create or approve Requisitions in SAP based on specific dollar limits per the Release Strategy.

3.12 Sourcing Activities: Activities, led by Supply Chain teammates, ranging from creating or affecting a relationship with a supplier; and/or procuring, managing, approving or paying for goods or services from a supplier.

3.13 Office of Foreign Assets Control (OFAC): The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States.

3.14 System for Award Management (SAM): This site is operated by the General Services Administration (GSA) and lists individuals or companies debarred, suspended, or otherwise excluded from receiving federal contracts, federally-approved subcontracts, or certain types of federal financial and non-financial assistance and benefits. Suspensions are temporary

exclusions pending the outcome of an investigation, while debarments last for a set number of years and are instituted after all the facts are known. Reference section 9.4 of the FAR for more information.

3.15 Source to Pay Procurement Process: The transaction steps that follow accounting practices from budget owner to supplier payment, involving Business Units and Corporate, Supply Chain, Operations, Suppliers, Accounts Payable. See Transaction diagrams in Appendix A.

3.16 Segregation of Duties: An internal control whereby tasks are apportioned between different Business Units to reduce the likelihood for fraud and error. Reference Policy 1329. See below table:

Task or Activity	By Whom
Requisition Creation / Approval	Budget Owner, Business Unit, Corporate
Purchase Order	Supply Chain - Only
Goods Receipt or Service Entry	Requisitioner or Receiver of goods / services
Invoice Creation / Transmittal/Submission	Supplier
Payment	Accounts Payable

Policy: Requisition Processes and Controls

Policy No.: 1331-01 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 Commitments will not be made on behalf of the Company without a requisition created via SAP, approved by the individual(s) responsible for the cost center or project that will be charged or their delegate. Acceptable deviations include though not limited to commitments pertaining to leases, property taxes, insurance, independent contractors supporting cleared programs and low dollar value incidental purchases as governed by the P-Card, reference Policy 1327.

2.0 This policy requires users/requesters to initiate a SAP Requisition as early in the procurement process as possible in order to establish competition and to enable the issuance of a timely Purchase Order to allow work/services to commence in accordance with project/program timelines. The precise dollar value of the final commitment noted on the Requisition is preferred, but a reasonable estimate of the expenditure will be acceptable.

3.0 The Supply Chain organization is readily available to support the Requisitioner in development of the Requisition by including such elements as: pricing, product description, part number, recommended supplier, and special commercial and technical requirements and clarifying language. Requisitioners shall focus on the technical requirements including scope of work while the Supply Chain Organization addresses commercial requirements. When performing a change order for an existing requisition already released, whether or not the requisition was previously converted into a PO, a new line item shall be added to the original requisition. Note a new and/or revised PR is required for certain changes, i.e. revision level of materials. With few exceptions, a new requisition shall not be created for a change to an existing requisition.

4.0 The Supply Chain Management Team is to monitor the status of Requisitions and close out those no longer needed.

Policy: SAP Requisition Release Strategy

Policy No.: 1331-02 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 Corporate and Business Unit Controllers, CFO, and Business Unit Presidents are authorized to delegate the authority to request funding be reserved for the securing of goods and services, to a specific teammate. Refer to Business Unit and authority matrix for further guidance.

2.0 The request to add or change an existing Requisitioners' release strategy approval level is submitted through a help desk ticket through "Service Now". IT Security ensures all appropriate management approvals are secured and will identify any Segregation of Duty (SOD) conflicts to the requestor and the Director of Corporate Supply Chain. The Director of Corporate Supply Chain will discuss conflicts with the Requisitioner's manager to ensure all conflicted access is needed.

If yes, 1) Permission is obtained from the respective BU Controller, and 2) Director of Corporate Supply Chain completes a mitigation of SOD Controls form and forwards to the Corporate Controller for review and approval, unless a form is already on file for that specific mitigation. Once approved, IT Security will grant the requested permissions.

3.0 Requisition release strategy approval levels will be maintained by Corporate Supply Chain with quarterly updates posted to MyDayZim for review by Corporate and Business Unit Controllers.

Reference: <https://www.mydayzim.com/resources/departments/purchasing/Pages/SAP-Approvers.aspx>

4.0 Requisitions for IT related purchases (software, hardware, IT services) that are to be integrated into D&Z IT processes and tools, must have an IT review and consensus as a part of the Requisition approval before they can be solicited. The Corporate IT department can create the requisition on behalf of the user, or the requisitioner can upload an email into the requisition that indicates "we concur" by the Corporate IT organization. An exception to this process is for IT related purchases based on client requirements and direct billed. In this scenario, the Corporate IT team will be informed by the BU IT team of the required procurement.

Policy: Purchase Orders and Subcontracts Processing

Policy No.: 1331-03 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 Upon receipt of a fully approved Requisition in SAP, commitments made to suppliers/subcontractors for the procurement of goods or services shall be documented by a Purchase Order or other written agreements such as Consultant Agreement, Licensing Agreement, or via Notice to Proceed including pricing, schedule, quality and warranties. All

appropriate terms and conditions including client flow-downs will be stipulated in the Purchase Order, Subcontract or written agreement.

2.0 Only members of the Supply Chain Organization can commit funds on behalf of the Company for the procurement of goods and services with the exception of Independent Contractor commitments, low dollar value incidental purchases as governed by the P-Card, reference Policy 1327. A written agreement is required and executed by the goods or services provider and a Supply Chain teammate prior to commencement of work or procurement of goods.

3.0 Services performed by an outside entity on behalf of the Company or the Company's client must be covered by a contract, subcontract, master services or teaming agreement. The Company's standard terms and conditions consistent with federal and statutory compliance in the country where goods and services are provided will accompany any of the above documents when authorizing work or procuring goods and/or services.

4.0 Supply Chain teammates who support government contracts shall refer to the detailed policies/procedures in the BU.

5.0 Where deemed appropriate, a supplier's contract may be used to make purchasing commitments on behalf of the Company. However, this written agreement will be reviewed and if necessary, modified by the Supply Chain Organization and/or Law Department to ensure that the Company's interests are protected in the areas establishment of price, liability protection, warranty, insurance, client requirements, indemnification, and other areas of risk distribution.

Policy: Purchase Order Approval Authority

Policy No.: 1331-04 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 The Vice President – Enterprise Supply Chain, Director of Corporate Supply Chain and Business Unit Supply Chain Directors are the only individuals permitted to delegate Procurement signature authorization. This delegation is transmitted via the approved PO Release Strategy.

2.0 Procurement Release Strategy authorization limits will apply to all procurement commitments including Purchase Orders, Contracts, and Subcontracts.

3.0 Under no circumstances will an individual who approves the Requisition be the same person who approves the Purchase Order. Only individuals with PO Release Strategy authorization can commit the Company to an external procurement of goods and services.

4.0 When an out of process transaction has occurred, the Business Unit or Corporate Controller must be apprised of the occurrence by the appropriate Supply Chain Director. These occurrences will be reviewed by the appropriate Supply Chain Director monthly with the appropriate Controller. A determination will be made jointly as to counter-measures for control and spend management to mitigate these occurrences.

Policy: SAP Standard and Framework Purchase Orders

Policy No.: 1331-05 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 The Supply Chain Organization will utilize a standard Purchase Order when the details of the transaction are known. Price, quantity, delivery schedule, payment terms, and ship to addresses are the common requirements needed to issue a standard Purchase Order.

2.0 Framework Purchase Orders are created by the Supply Chain Organization and are intended for situations of recurring cost where the quantity and prices are unknown, (e.g., Utilities). Because of their unspecified nature, Framework POs do not provide the controls that are inherent of a standard PO in SAP. Framework POs are not to be used as a 'short-cut' to avoid the information or controls of a standard PO.

3.0 As a guideline, unless there is a compelling business reason for use of a Framework Purchase Order, all Company Supply Chain Organizations shall utilize a standard Purchase Order to obtain materials and equipment and non-labor related services.

4.0 Use of Framework POs will be monitored. Any excessive use will be brought to the attention of the Vice President – Supply Chain, who will review the usage of Framework POs with the Director – Corporate Supply Chain and Business Unit Supply Chain Directors. Recommendations will be made to the respective Controllers for alternative procurement transaction strategies as needed.

Policy: SAP Purchase Order Release Strategy

Policy No.: 1331-06 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 Corporate and Business Unit Controllers and the CFO are authorized to delegate PO Release authority to specific Supply Chain Organization individuals.

2.0 The release strategy for all BU's except ECM is 3 Levels (A3- A1) whereas ECM has 5 levels (A5-A1)

Reference: <https://www.mydayzim.com/resources/departments/purchasing/Pages/SAP-Approvers.aspx>

Policy: Competitive Bid Requirements

Policy No.: 1331-07 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 Competition is the best practice to ensure the Company pays a fair and reasonable price for goods and services on behalf of the Company and our Clients. The Supply Chain Organization is accountable for selecting the potential supply base sources, issuance of the Request for Proposal (RFP), and supplier recommendation to the requester regarding the most favorable sourcing decision compliant with customer/client requirements. To ensure best value is achieved, competitive quotes are required for procurements and subcontracts.

2.0 Competitive quotes are required when the procurement/subcontract value is expected to: Exceed \$25k or greater for a single item/\$20k for Government U.S. micro purchases, OR the cumulative value of the procurement over 13 consecutive periods for G&A/Overhead use and \$100k for cost reimbursable items. Please review with your Contracts Administrator or Contracts Manager as an exception exists for government contracts where \$20k guideline applies. To view specific Business Unit thresholds for which competitive quotes are required, refer to the respective Business Unit's guideline.

3.0 To support the competitive bid process, sufficient time must be incorporated into the project or program schedule to allow for bid solicitations, evaluation, reviews, and awards. It is incumbent on the Requisitioner to engage with Supply Chain in a timely manner when a "sole" or "single" source decision is necessary.

4.0 Instances arise where "sole source" procurement activities are necessary. A "sole source" is when only one supplier is determined to be technically acceptable. Examples include items or services only available from one supplier, specialized consultants or Subject Matter Experts, or at the Client's direction.

In conjunction with Engineering/ Program Management and/or Operations, the Requisitioner shall provide his/her rationale via email or memo to support a "sole source" award. The Business Unit President and Vice President- Enterprise Supply Chain must approve all sole source decisions over \$25,000.

Reference:

[Single/Sole Source Justification Form](#)

5.0 In instances where an emergent issue arises requiring teammates to take action regarding selecting a supplier to limit risk, harm or to avoid a more expensive intervention, the initiator of supplier selection in the emergency situation must document via email the circumstances, and obtain concurrence within 48 hours by the appropriate BU approval authority located in the Release Strategy.

Supporting documentation is required for the process deviation and included with the Requisition initiation and approval after the supplier has performed/delivered the service/goods. All emergency procurements and/or subcontracts will be reviewed by the Business Unit Supply Chain Director to identify instances where the above process has not been followed. Any non-compliant transactions will be shared with the BU Controller and Internal Audit to consider further actions.

6.0 Criteria for initiating business relationships with new suppliers for goods and/or services will be based on the prospective supplier accepting our terms and conditions, ability to meet requirements for product quality, competitive pricing, reliability and the capability to continue to provide stable supply. All current and prospective suppliers shall be considered on an impartial basis based on the ability to meet our technical, quality, and delivery requirements at the most economical price. Additionally, award of a Subcontract or Purchase Order shall be made based on objective, competitive evaluation criteria and retained in the Buyer's file if the award is challenged internally and externally by budget holders and/or other interested parties.

7.0 A Supply Chain representative is required to approve commercial terms while the Requisitioner confirms supplier proposals are technically adequate, within their delegation of

authority, and seeks respective input from Law Dept/Contracts, Finance, etc. Competitive bidding should be utilized for impartial selection when awarding work to our suppliers.

8.0 When soliciting proposals from competing sources, the Supply Chain teammate will develop a sourcing strategy to include the source selection evaluation technique and the solicitation method in support of the Business Unit.

9.0 Commercial and technical requirements will be provided to all potential suppliers. Any supplier information acquired as part of a Sourcing Activities shall be held in confidence and not disclosed to other bidders before and after the award.

10.0 Supply Chain Organization deliberately manages the supplier base to minimize excessive reliance on a single supplier in addition to preventing a single supplier from becoming excessively dependent on the Company for their business

Policy: Negotiation – Supply Chain Organization

Policy No.: 1331-08 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 The preservation of Sourcing Leverage (the actual committing of business to a supplier/subcontractor) and Risk management (exposure to the Company by adverse supplier performance) is the business responsibility of the Supply Chain Organization.

2.0 The Supply Chain Organization is to be engaged at the onset when a 3rd Party supplier is anticipated to perform a service or deliver goods to the Company.

3.0 Negotiations for price, quantity, terms and conditions with a supplier must be led by the Supply Chain Organization on behalf of the BU budget holder. Any commitment to begin work or delivery will be made by Supply Chain teammates along with the supplier/subcontractor's written acceptance of the agreement on price and other terms that have been reached. A memorandum summarizing the negotiation will be prepared and placed in the appropriate file.

4.0 Negotiations are to be fair, ethical and in accordance with all relevant Company Policies, most current available procedures, training and techniques and in compliance with state and federal laws.

Policy: Payment Terms

Policy No.: 1331-09 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 The Company's standard supplier/subcontractor payment terms for check payments are Net 60 Days. The Company's standard supplier/subcontractor payment terms for electronic payments are Net 45 Days. Exclusions from Net 45 or 60 Day payment terms are Yoh Independent Contractors, SOC Independent Contractors, small business subcontractors covered under FAR accelerated Pay Clause on forward deployment who are managed

separately, MSP third party suppliers who have 'paid when paid' terms and government contracting where flowdowns from the prime contract stipulate payment requirements.

2.0 Circumstances may exist where less favorable terms are permitted which will require the appropriate BU Controller approval.

3.0 Changes to less favorable terms may be as a result of the following conditions:

Condition	Response
Supplier temporary financial distress	Deviation for no more than 90 days
Small and/or diverse supplier	Deviation that includes a recovery plan
Supplier request as a result of a large up-front investment for a D&Z project	Deviation for a time consistent with the condition
Mobilization costs	Deviation for the up-front period
Supplier start-up operation	Deviation in association with a recovery plan

4.0 As a standard operating policy, the Supply Chain Organization will pursue more Company favorable payment terms with the supplier base to enable D&Z to fund new products, expand into new markets and to facilitate added capacities to in-turn acquire additional supplier provided goods and services for mutual growth and prosperity.

Policy: Supplier Master Database, Management and Controls

Policy No.: 1331-10 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 The Company shall only procure goods and/or services from suppliers who have been approved in Safety, Quality and Financial categories and uploaded into the SAP Supplier Master Database.

2.0 New suppliers shall be entered into the SAP database by the Supply Chain Organization's Supplier Master Administrator.

3.0 Establishing a new supplier in SAP is an activity requiring the supplier to provide information related to their business. Suppliers provide their company information via the Ariba SLP portal.

4.0 Suppliers shall complete and sign the applicable W-9 or W-8 form, business classification form, and payment instructions. : "The Supplier Master Administrator conducts a Tax Identification match, an OFAC (Office of Foreign Assets Control) check on foreign suppliers to ensure we can do business with them, and a SAM (System for Award Management (SAM) validation to check for debarment and suspension status of suppliers: all of which are completed before a supplier can be loaded into SAP

5.0 Occasions will arise where it is necessary to deactivate a supplier from providing goods and/or services to the Company. All deactivation decisions shall be reviewed and approved by the Corporate Supply Chain Director.

6.0 Subject to including any required government contract terms and conditions, the Company will not discriminate against any prospective supplier, subcontractor or joint venture partner as a result of the race, creed, color, religion, sex, age, national origin, handicap, marital status or veteran status of its ownership, management, staff or operating personnel. Qualification and approval will be based upon demonstrated ability to perform, not upon any of the characteristics listed above.

7.0 Annual reviews of suppliers will be conducted by the Corporate Supply Chain Director. Suppliers who have not had any spend history within several years may be deactivated from SAP and new paperwork must be completed should the Company need to utilize the supplier in the future. Annual reviews are also conducted to ensure valid W8s and W9s have been uploaded for all suppliers.

Policy: Standard Terms and Conditions and Incorporating Client Flow-downs
Policy No.: 1331-11 Effective: 7/18/2012; Last Review Date: 11/27/2018
Responsible Officer: Senior VP Finance and CFO

1.0 The Corporate Law Department shall develop, review, update and maintain standard commercial terms and conditions for use by the Supply Chain Organization, all supplier agreements and subcontracts. These shall address, at a minimum:

- Price
- Delivery/Schedule
- Acceptance
- Statement of Work or Specifications
- Term and termination
- Payment terms
- Liability/ Indemnification]
- Insurance Requirements and coverage
- Confidentiality
- Quality
- Safety
- Warranty
- Default
- Disputes
- D&Z's Ethics Policy
- Governing Law
- Assignment
- Client Contract Provisions (if any)

2.0 Standard terms and conditions shall be used in initial negotiations with all suppliers and subcontractors. The Law Department must authorize any substantive deviation from the standard language. Deviation authority may be delegated to Supply Chain on a case – by – case basis. Activities to engage the Law Department regarding includes:

- Exclusivity
- Limits of Liability
- Client Contract Provisions – Flow-downs
- Liquidated Damage Provisions

- Liability Indemnification
- Dispute Resolution
- Governing Law
- Claims
- Termination for Convenience and Default
- Warranty
- Client Notification

3.0 There may be instances where it is necessary to begin negotiation of an agreement with terms and conditions provided by a supplier. In that case, the BU Supply Chain Director will review and attempt to include the substantial language of the Company's standard terms and conditions into the supplier agreement. Any conflicts between the supplier terms and conditions and Company's terms and conditions should be reviewed with the contract department or the Law Department.

4.0 Client requirements (flow-down clauses) that pertain to work that is subcontracted or purchased to support a client project will be included as an attachment or written into the subcontract agreement by the Supply Chain Organization.

5.0 The Supply Chain Organization will ensure the appropriate mandatory prime contract clauses (suitably modified to identify the contracting parties) and/or D&Z general and special provisions or clauses are included in all solicitations and awards.

Policy: Standards of Business Conduct in Supplier Agreements

Policy No.: 1331-12 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

The below ethics clause will be included in all Subcontract, Master Service Agreements, Enterprise, and Consultant Agreements. Any deviation to this policy will require the approval of the Vice President, Enterprise Supply Chain.

“Contractor will conduct itself and shall cause its employees and agents to conduct themselves in a manner consistent with Company's policies, including the “Defense Industry Initiative Supplier Code of Conduct” as outlined in Company's website <http://www.dayzim.com/about/suppliers>. Accordingly, Contractor warrants that this Agreement will be performed in material compliance with all applicable laws and regulations, including, without limitation, laws and regulations related to safety, health, the environment, fair labor practices and unlawful discrimination. Company shall have the ability and the right to terminate this Agreement for Default immediately if Contractor or any of its employees or agents violates any provision of this paragraph.”

Policy: Legal Review Support Requirements

Policy No.: 1331-13 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 To manage risks as a result of a business decision or situation which requires knowledge from a legal perspective, the Supply Chain Organization personnel shall seek counsel and support from the Law Department on legal issues that involve the procurement of goods and

services. The Law Department shall be engaged when legal matters and issues arise such as, but not limited to, the following:

- Supplier Contract Tools and Template Creation and Usage Conditions
- Client - Flow-down terms
- Risk of litigation
- Audits by governmental agencies
- Substantive breach of contract (i.e., termination for default, warranty)
- Claims relating to Supplier performance
- Terms that seek to apply the laws of non-U.S. jurisdictions
- Unfamiliar or unusual terms and conditions
- Operating in new or un-assigned regions or countries

2.0 Prior to engaging the Law Department, the Business Unit Supply Chain Director will review such issues to determine whether Law Department engagement is warranted.

3.0 The Law Department, with support where appropriate from a member of the Supply Chain Organization, shall co-develop and maintain standard Procurement terms and conditions that protect the Company's interests and limit risk.

Policy: Ethics, Conflict of Interest Avoidance Standards

Policy No.: 1331-14 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 Conducting business in accordance with Day & Zimmermann's code of ethics is an expectation for all teammates. The code of conduct policy is distributed annually to employees as part of the overall Ethics and Compliance Program. All teammates involved in the Sourcing Process will adhere to the requirements of the Company's Code of Ethics and Standards of Business Conduct. Additionally, per the below policy, standards of ethics and compliance are required for non-employees who work at the Company's direction – consistent with Policy 1004. <https://www.mydayzim.com/resources/ethics/Pages/CodeofEthics.aspx>.

2.0 Teammates engaged in sourcing activities will ensure all steps are taken to avoid any Conflict of Interest or even the appearance of a Conflict of Interest with suppliers. A conflict of interest arises when a teammate has a personal interest thereby causing a conflict between the personal interest and the interests of the Company. The Supply Chain teammate must contact his/her associated management or Ethics Officer when concerns regarding conflicts of interest arise.

3.0 All Supply Chain teammates must complete a Conflict of Interest form annually to disclose any real or potential conflict of interest.

4.0 The Ethics Officer and the Business Unit Supply Chain Director will review the certifications annually for his/her respective Business Unit. The Business Unit Supply Chain Director is also responsible to ensure any disclosures about real or potential conflict are appropriately vetted and resolved.

5.0 Types of Conflict of Interest situations to avoid include:

- A financial interest in a supplier

- An outside interest that compromises or diverts employee responsibility from Company responsibilities
- Relatives employed by the Supplier who may have the potential to be involved in the business relationship

6.0 All interactions with suppliers, contractors, consultants, and subcontractors will be open, objective, and fair. Decisions related to the sourcing process shall be based on objective factors such as price, quality, delivery, and compliance with all technical or commercial documents and then applied equally to all suppliers, contractors, consultants, and subcontractors.

7.0 To ensure adherence to this standard, teammates involved in sourcing activities will not accept gifts, loans, entertainment or other special considerations from an individual and/or organization performing or seeking to partner with the Company.

8.0 Suppliers who aggressively and/or repeatedly make an attempt to gain favor by offering gifts or other enticements shall be reported immediately to the Vice President, Enterprise Supply Chain, Business Unit Supply Chain Director and the Ethics Officer.

Policy: Small and Diverse Business Supplier Participation

Policy No.: 1331-15 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 The Company will actively seek to purchase goods and services from small and diverse base of disadvantaged businesses.

2.0 Day & Zimmermann's Supplier Diversity Program makes it possible to initiate communications with small and diverse disadvantaged businesses to build relationships. Teammates responsible for identifying, qualifying, selecting and managing the procurement process for goods and services shall make good faith efforts to include qualified small and diverse suppliers in the sourcing process.

3.0 Resources for sourcing small and diverse suppliers will be published through the company's intranet site at:
<https://www.mydayzim.com/resources/departments/purchasing/Pages/SupplierDiversity.aspx>

4.0 All Company Supply Chain Teammates shall:

- Provide increased opportunities for small and diverse businesses to compete for procurement awards. The Company encourages utilizing local, small and diverse disadvantaged businesses to participate in the Company's sourcing process.
- Strive to include at least one diverse supplier on each formal RFP issued except in situations where:
 - No alternative suppliers or service providers will satisfy the requirements.
 - Goods or services are included in current Master or Enterprise Agreements.
 - Dollar value of goods or services is estimated to be less than \$25k.
 - The Company's client has directed the sources for goods or services.
 - Situations preventing open/full competition (e.g. unusual/compelling urgency).

- Utilize all available D&Z Supply Chain Resource to identify qualified small and diverse suppliers to be included in the bid proposal process.

5.0 Small and Diverse Supplier Categories

To be classified as a Small or Diverse Supplier, the business must be in one of the following categories:

- **Women-Owned Business:** A business that is at least 51 percent owned by a non-minority woman or women; or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more women, and who controls the daily management and operation of the business.
- **Minority-Owned Business:**
A business that is at least 51 percent owned by a minority individual or group(s); or, in the case of publicly owned businesses, at least 51 percent of the stock of which is owned by one or more minority groups, and whose management and daily operations are controlled by one or more of those individuals. Minority classifications include African Americans, Hispanic Americans, Asian-Pacific American, and Native American (American Indian, Eskimo, and Aleut).
- **Service-Disabled Veteran-Owned Small Business:**
A small business owned by one or more service-disabled veterans where service-disabled veterans make up at least 51 percent of the ownership and where the veteran or his/her caregiver control daily management and operations of the business. The business must be small under the North American Industry Classification System (NAICS) code assigned to the procurement.
- **Small Business:**
A business that is independently owned and operated, is organized for profit, is not dominant in its field, and does not exceed the size standard for the product or service it is providing according to the NAICS codes and size standard list in 13 CFR Part 121.201 via <http://sba.gov/size>
- **Hub Zone:**
A small business (except tribally owned concerns) that must be owned and controlled (not less than 51%) by U.S. citizens, or a Community Development Corporation, or an agricultural cooperative, or an Indian tribe. Its principal office must be located within a "Historically Underutilized Business Zone," and at least 35% of its employees must reside in a HUB Zone.
- **LGBT Owned Business:**
A business that is at least 51 percent owned by an LGBT individual or individuals; or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more such individuals, and who controls the daily management and operation of the business
- **Other Groups:**
Groups whose members are found to be disadvantaged by the Small Business Administration pursuant to Section 8(d) of the Small Business Act as amended.

6.0 Certification:

To ensure the Supplier Diversity Program includes eligible diverse suppliers, the Company will recognize those companies certified by the following agencies:

- Women's Business Enterprise National Council
- National Gay & Lesbian Chamber of Commerce
- National Minority Supplier Development Council
- Other Regional Minority Supplier Development Councils
- Representations and certifications made to and accepted by the US Federal Government, when applicable
- U.S. Department of Veterans Affairs
- Local, state, and federal government agencies

7.0 Supplier and Subcontractor Certifications

Company employees responsible for purchasing from suppliers and subcontractors that are categorized as diverse must secure applicable certifications to ensure that the supplier has met the requirements of a recognized government agency, a diverse business group or organization, or has self-certified themselves. These certifications are uploaded into the SAP Supplier Master.

Policy: Sourcing Cost Reduction

Policy No.: 1331-16 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 Supply Chain personnel will keep track of their cost savings on every procurement transaction regardless of the dollar amount.

2.0 Cost savings calculations may fall into one of the below categories:

- Savings based on Previous Price versus New Price (for similar quantities)
- Negotiations of bid price, which may include:
 - Reduction in price
 - Negotiating reduction and/or elimination of required fees
 - Receiving service for free (e.g. get 3 suites when you book a room block instead of 3 regular rooms)
 - Eliminated or Altered the Level of Service
 - A consistently purchased product is reduced or eliminated altogether by Supply Chain
 - Substitution for an equivalent product less than what the requester requisitioned
 - Altered payment terms
 - Elimination of single source through competition

3.0 Supply Chain personnel will submit cost savings on a quarterly basis to their respective BU Supply Chain Director, who in turn will validate the information and share with BU Operations and Finance after validation, the BU Supply Chain Directors will send the information to the Corporate Supply Chain Director, who aggregates the information for the entire Company.

4.0 Aggregated cost savings data will be provided quarterly to the Vice President, Enterprise Supply Chain.

Policy: Supplier Anti-Corruption

Policy No.: 1331-17 Effective: 7/18/2012; Last Review Date: 11/27/2018

Responsible Officer: Senior VP Finance and CFO

1.0 The objective of the Supplier Anti-Corruption policy is to communicate the expectations for suppliers regarding Anti-Corruption, and to establish the requirements for vetting suppliers for Anti-Corruptions matters in accordance with applicable laws and regulations prior to signing contracts with suppliers.

2.0

- Anti-Corruption Laws

Our suppliers must comply with the anti-corruption laws, directives and/or regulations that govern operations in the countries in which they do business, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act.

We require our suppliers to refrain from offering or making any improper payments of money or anything of value to government officials, political parties, candidates for public office, or other persons. This includes a prohibition on facilitating payments intended to expedite or secure performance of a routine governmental action like obtaining a visa or customs clearance, even in locations where such activity may not violate local law. Personal safety payments are permitted where there is an imminent threat to health or safety.

Our suppliers are to be aware that in some countries, commercial enterprises are often owned or controlled by the government. Employees of such state-run enterprises could fall under the definition of "government officials" and payments to them could be considered bribery under the U.S. Foreign Corrupt Practices Act or other anti-corruption laws.

We expect our suppliers to exert due diligence to prevent and detect corruption in all business arrangements, including partnerships, joint ventures, offset agreements, and the hiring of consultants.

Supply Chain shall refer to D&Z policies in Section 1500 to determine appropriate risk assessments and vetting for all international business relationships.

- Illegal Payments

Our suppliers must not offer any illegal payments to, or receive any illegal payments from, any customer, supplier, their agents, representatives or others. The receipt, payment, and/or promise of monies or anything of value, directly or indirectly, intended to exert undue influence or improper advantage is prohibited. This prohibition applies even in locations where such activity may not violate local law.

- Anti-Trust

Our suppliers must not fix prices or rig bids with their competitors. They must not exchange current, recent, or future pricing information with competitors. Our suppliers must refrain from participating in a cartel.

- Gifts/Business Courtesies

We expect our suppliers to compete on the merits of their products and services. The exchange of business courtesies may not be used to gain an unfair competitive advantage. In any business relationship, our suppliers must ensure that the offering or receipt of any gift or business courtesy is permitted by law and regulation, and that these exchanges do not violate the rules and standards of the recipient's organization, and are consistent with reasonable marketplace customs and practices.

- Insider Trading

Our suppliers and their personnel must not use material, non-publicly disclosed information obtained in the course of their business relationship with us as the basis for trading or for enabling others to trade in the securities of our suppliers, customer or competitors.

- Human Trafficking

Our suppliers and their personnel are required to comply with our commitment to respecting human rights and combatting all forms of human trafficking. Suppliers should be vetted to ensure that they do not have a history of human rights violations. Suppliers must commit to complying with our zero tolerance policy against trafficking in persons.

3.0 Vetting Suppliers for Anti-Corruption Matters

- Corporate Supply Chain will be the single point of contact for supplier set up in SAP. The Procurement function will verify that suppliers and subcontractors who are involved with government contracts are not identified on the U.S. Governments OFAC and SAM lists. The Company will also comply with any other such list published by relevant authorities in the countries where we do business where practical.
- Supply Chain shall follow the processes set forth in D&Z policies Section 1500 relating to Anti-Corruption for all international business relationships.
- D&Z's Munitions and Government (DZMG) and D&Z's Government Services (DZGS) businesses shall follow additional business unit policies for risk assessment and vetting for suppliers
 - For DZMG and DZGS, for any purchase of non-commercial goods over \$30,000 the buyer will verify through a third party, that the supplier is not listed on any of the U.S. Government's "do not use" list. Per FAR 9.409.
- The Supply Chain Organization will issue an annual communication to the Company's suppliers to reiterate the requirements for suppliers to conform to the Company's anti-corruption policies. The suppliers will also be reminded that failure to comply may result in loss of business.

- Possible reasons for the Company to suspend a supplier include:
 - Commission of fraud or criminal offense in obtaining or performing a contract
 - Violating antitrust laws related to the submission of offers
 - Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, violation federal criminal tax law, or receiving stolen property
 - Intentionally using a false 'Made in America' label]
 - Violations of the Drug-Free Workplace Act of 1988
 - Committing unfair trade practices
 - Any action indicating a lack of business integrity or business honesty that seriously and directly affects the present responsibility of a government contractor

- If suspension of a supplier becomes necessary based on any of the above reasons, notify the Law Department immediately.

4.0 The Company's Supply Chain organization is responsible for ensuring that the suppliers sourced are vetted in accordance with the requirements of this policy and the suppliers understand the Company's expectations regarding Anti- Corruption as described in Section 2.0 above.

5.0 Related policies include:

- [Policy 1418](#) – Human Rights and Against Trafficking in Persons
- [Policy 1502](#) – International Business Relationships
- [Policy 1505](#) - Compliance with Laws/Regulations Governing Imports / Exports
- [Policy 1504](#) - Foreign Corrupt Practices Act Compliance
- [Policy 1506](#) – Anti-boycott Laws and Reports Required Thereunder