

PT ANTAM Tbk. Supply Chain Management Guidelines

(Supply Chain Management)

That in order to carry out sound business practices, PT ANTAM Tbk has a strong commitment to apply the principles of Good Corporate Governance (GCG) and Code of Conduct consistently and sustainably, supported by good infrastructure and softstructure.

In order to support these efforts, the procurement process is always committed to the provisions stipulated in the Decree of the Board of Directors of PT ANTAM Tbk, namely the Supply Chain Management Guidelines which refers to the Minister of SOE Regulation regarding General Guidelines for Procurement of Goods and Services for State-Owned Enterprises.

The purpose of the stipulation of the Supply Chain Management Guidelines is to regulate the suitability of the duties, functions, rights and obligations as well as the role of the parties in the process of Procurement of Goods and Services. The parties are:

- 1) Goods and Services Users
- 2) Procurement of Goods and Services Management
- 3) Contract of Goods and Services Procurement Management
- 4) Vendor of Goods and Services Management
- 5) Material Management
- 6) Auction Committee
- 7) Authorized Officers and
- 8) Goods and Services Providers (Vendors)

The purpose of Procurement of Goods and Services is to obtain the goods and services needed by the Company by considering the quality, delivery time, from the right source with the lowest total cost and is carried out through effective and efficient procurement strategies, planning, processes and control as well as comply with applicable laws and regulations applies in Indonesia.

All forms of Supply Chain Management activities within the Company must be carried out in accordance with Company policies set out in the Corporate Governance Policy (CGP).

The basic principles of Supply Chain Management that must be constantly applied to every aspect of business processes by all levels of the Company as follows:

a. Good Corporate Governance (GCG) principles which include:

- 1) Transparency

- 2) Accountability
- 3) Responsibility
- 4) Independency
- 5) Fairness

b. Best Practices, which include:

- 1) Providing added value, means increasing the volume and quality of Company products with the lowest total cost;
- 2) Procurement must not contain technical requirements and specifications that refer to certain Goods and Services Providers;
- 3) Competitive, means the Procurement of Goods and Services must be open and widely announced (can use electronic systems). Goods and Services Providers must meet certain conditions/criteria based on clear rules and procedures and must be done through fair and transparent competition;
- 4) Optimal, means getting the best and maximum results that can be achieved by utilizing the existing potential;
- 5) Environmental insight, which supports and develops activities by taking into account environmental capabilities and impacts;
- 6) Prioritizing Safety, Occupational Health and the Environment.

c. Principles of Service Level, which include:

- 1) Efficient, means that the Procurement of Goods and Services uses limited funds and resources to achieve the set targets. Procurement of goods and services must be endeavored to obtain optimal and best results in a fast time;
- 2) Effective, means Procurement of Goods and Services must be adjusted to the needs that have been determined and provide maximum benefits in accordance with the targets set;
- 3) Responsible, which is to achieve the target both physically, financially, as well as benefits for the smooth operation of the Company;
- 4) Support and develop the ability and synergy of national business actors to be more able to compete at the national, regional and international levels.

d. The principles of the Ethical Conducts, which include:

- 1) Carry out business ethics in supply chain management according to Company ethical standards;

- 2) Work in an orderly manner by complying with applicable regulations in Supply Chain Management with a full sense of responsibility;
- 3) Transparent, means that all provisions and information regarding the procurement of goods and services, including technical requirements for procurement administration, evaluation procedures, evaluation results, determination of prospective suppliers of goods and services, are open to participants who are interested in providing goods and services;
- 4) Fair and reasonable, means that procurement must be non-discriminatory and can be followed by all Goods and Services Providers who meet the requirements with the same competency;
- 5) Open and competitive, means the procurement of goods and services must be open to providers of goods and services that meet the requirements and is done through fair competition among providers of goods and services;
- 6) Avoid monopolistic practices and unfair business competition as regulated in applicable laws and regulations, by not influencing each other directly or indirectly;
- 7) Avoiding conflicts of interest between the parties involved directly or indirectly in the supply chain management process;
- 8) Avoiding the determination of transfer pricing that is not in accordance with the applicable laws and regulations;
- 9) In all actions and decision making in Supply Chain Management, it does not exceed the specified authority limits;
- 10) Prohibited from asking, accepting and giving rewards/gifts in any form in relation to Supply Chain Management;
- 11) In Supply Chain Management, only accept and use original documents or copies in accordance with the original which can be held accountable for their authenticity in accordance with the applicable laws and regulations;
- 12) Accountable, means that it must achieve the target and can be accounted to keep away from potential misuse and deviation.

General Policy of Supply Chain Management Company, based on:

a. Strategic

The role of Supply Chain Management is very strategic because the supply of goods and services is needed continuously and is the largest cost component of the total operational costs of the Company.

b. Main Target

Supply Chain Management is to ensure the implementation of business activities as well as the creation of added value and increase Company competitiveness, to achieve Company's mission to become a low cost mining producer.

c. Customer Satisfaction

Customer satisfaction must be prioritized, to achieve the level of satisfaction of Goods and Services Users (internal) and for customers/Providers of Goods and Services (external) to support Company performance through meeting the needs of goods and services in accordance with the expected plans and delivery.

d. Integrated

Supply Chain Management is carried out in an integrated manner from all related stages including: Demand for Procurement of Goods and Services, Management of Procurement of Goods and Services, Management of Contracts for Procurement of Goods and Services, Management of Goods and Services Providers, and Management of Materials which constitute an integral and inseparable management.

e. Coordinated

Supply Chain Management Activities which include the planning, implementation and control phases must be carried out by the implementers and the responsible parties in all work units in a coordinated manner.

f. Work Proactively

Supply chain planning is carried out by the Supply Chain Management work unit at Head Office and Procurement and Material Management in the Unit/Business Unit by actively involving all relevant work units in the process of supplying goods and services.

g. Competent Human Resources

Human Resources of the Supply Chain Management are employees who have competency in Supply Chain Management and has understood the Supply Chain Management Policy. For competency enhancement, Structural officials can take the expertise certification exam from a professionally recognized national/international certification body.

h. Use of Information Technology

Supply Chain Management Activities can be carried out using Information Technology to improve effectiveness and performance.

To achieve the main objective of Supply Chain Management, namely ensuring the implementation of business activities and the creation of added value and increasing Company competitiveness, management policies are needed as follows:

a. Goods and Services Procurement Management

The Goods and Services Procurement Manager has the competency to carry out the procurement of goods and services, and is tasked with managing the Goods and Services Procurement process from the receipt of the procurement planning to the appointment of the winner of the procurement of goods and services;

Duties and authorities of the Goods and Services Procurement Manager, include:

- 1) Check the suitability of requests for goods and services procurement from Goods and Services Users or procurement planning with the Work Plan and Corporate Budget (RKAP).
- 2) Checking the validity and suitability of the document requesting the procurement of goods and services from users of goods and services. In this case including the Term Of Reference (TOR), Engineer Estimate as supporting documents for Owner Estimated Price (OE).
- 3) Requests for completeness of the Goods and Services Procurement document.
- 4) Postpone the implementation of the Goods and Services Procurement process if the request for the Procurement of Goods and Services is submitted not in accordance with the established procedures, or the User of the Goods and Services have not fulfilled the documents of the Goods and Services Procurement request. The intended documents include Engineer Estimate as supporting Owner Estimated Price (OE), Term of Reference (TOR), Justification from Authorized Officials, and other supporting documents.
- 5) Conduct technical coordination directly to the Manager of Procurement of Goods and Services in Business Units/Business Units/Head Office which are under the authority of the Head of Supply Chain Management (SCM) work unit at Head Office.
- 6) Monitor the implementation of the Procurement of Goods and Services so that they are in accordance with the procurement plan and applicable regulations.

The Goods and Services Procurement Manager will determine the Method of Procurement of Goods and Services, whether carried out by the method of Direct Appointment, Direct Selection or Auction.

a. Direct Appointment Method

Direct Appointment is the Procurement of Goods and Services which is carried out directly by appointing 1 (one) Supplier of Goods and Services or through a beauty contest.

b. Direct Selection Method

Direct Selection is the Procurement of Goods and Services made through the Procurement/Procurement and Material Management work units in Business Units/Units /Head Office or through the e-SCM System by inviting a limited number of Goods and Services Providers by requesting a letter of Quotation from at least 2 (two) Goods and Services Providers who are considered capable in their fields.

Direct selection is carried out by comparing technical offers and prices that meet the requirements and negotiating, both technical and price, in order to obtain the best quality goods/services at competitive prices.

c. Auction Method

Auction is an open procurement of goods and services that refers to the basic principles of Supply Chain Management, widely announced in advance through the Daily Newspaper, the official Announcement from the Company, and/or the Website of the Company/e-SCM system, to provide opportunities to the Goods and Services Providers who are interested and meet the qualifications to be able to take part in the Auction.

b. Management of Goods and Services Procurement Contracts

The Manager of the Goods and Services Procurement Contract has competency in making the Procurement of Goods and Services Contract by considering the smallest risk for the Company.

Duties and authorities of the Manager of Goods and Services Procurement Contracts, include:

- 1) Preparing Goods and Services Procurement Contracts for the needs of new Goods and Services Procurement Contracts and for amending the Goods and Services Procurement Contract.
- 2) Checking the validity and completeness of documents for the preparation of Contracts for the Procurement of Goods and Services in accordance with applicable regulations.
- 3) Request the required documents from relevant parties for the purposes of preparing the Goods and Services Procurement Contract.
- 4) Negotiating Contracts for the Procurement of Goods and Services to protect the interests of Company.
- 5) Evaluate the work plan/strategic services of the Unit/Business Unit to be determined.
- 6) Performing technical coordination directly to the Manager of Goods and Services Procurement Contracts in Unit/Business Unit/Head Office which are under the authority of the Head of Supply Chain Management work unit at the Head Office.

- 7) Evaluating requests for amendment/addendum for contracts submitted by Goods and Services Users and/or Goods and Services Providers by taking into account the performance of Contracted Goods and Services Providers and always fulfilling the conditions agreed in the Procurement of Goods and Services Contracts.
- 8) Monitor the performance of the implementation of the Goods and Services Procurement Contract from the beginning to the end of the contract validity period.

c. Management of Goods and Services Providers

The Goods and Services Provider (vendor management) has the competency to manage the administration and monitor the performance of the Goods and Services Provider.

Duties and authorities of the Management of Goods and Services Providers, include:

- 1) Manage the registration of Goods and Services Providers as Corporate Partners.
- 2) Determine the qualifications of Goods and Services Providers who are registered as Company Partners based on applicable regulations.
- 3) Grouping Goods and Services Providers registered as Company Partners based on the nature of the business, line of business, type of business, working capital, domicile, and performance.
- 4) Evaluate the performance of Goods and Services Providers registered as Companies Partners to get competitive providers of goods and services according to Company's interests.
- 5) Conducting supplier surveys at least once a year to Goods and Services Providers who are registered as Company Partners.
- 6) Performing technical coordination directly to the Manager of the Goods and Services Provider in the Business Unit/Unit /Head Office which are under the authority of the Head of the Supply Chain Management work unit at the Head Office.

d. Material Management

Material Management has competency in the material management of Company which consists of inventory management, commodity management and warehouse management.

Material Managers in Business Units/Units are required to conduct technical coordination directly to the Material Managers at the Head Office which are under the authority of the Head of Supply Chain Management work units at the Head Office

Material Managers in Business Units/Business Units/Head Office are required to coordinate with all relevant parties in order to obtain a material management system that is both effective and efficient in accordance with applicable regulations.

e. Bank Guarantee (Bid Bond/Performance Bond)

In the procurement process with a procurement value above Rp500 Million, requires to use Bid Bond in the bid document and Performance Bond after the winner being appointed , along with the rules contained in the Supply Chain Management Guidelines on Bid Bonds and Performance Bonds.

1. Bid Bond

- a. The validity period of the bid security is at least 30 calendar days from the opening date of the bid or can be determined otherwise based on the complexity of the Goods and Services Procurement process as specified in the procurement document.
- b. The type of bid security currency must be the same as the currency used in the offer. In the case of bidding using two or more types of currencies, the bid guarantee is in the currency of a greater bid value and the other bid values are added after being converted according to the exchange rate on the date of the bid letter.
- c. Issued by a Commercial Bank/Foreign Bank operating in Indonesia, not from a Rural Bank/BPR, and not from Insurance, or as specified in the procurement document.

2. Performance Bond

- a. The guarantee value is listed in a number and is not different.
- b. Performance bonds submitted before the signing of the contract or before work begins, can be tolerated the delivery of Implementation Collateral maximum of 10 (ten) working days from the date of entry into force of the contract or before the commencement of work by considering the time for management at the Bank and delivery of Implementation Collateral.
- c. The Implementation Collateral is issued by a Commercial Bank/Foreign Bank not from a Rural Bank (BPR) and not an insurance.
- d. The name of the Goods and Services Provider listed in the performance guarantee letter must be the same as the name in the Contract.
- e. The validity period of the implementation guarantee until the completion of the contract period is added at least 1 (one) month.

f. General Requirements for Goods and Services Provider

General Requirements for Goods and Services Providers are basic requirements that must be fulfilled by all groups of Goods and Services Providers, both general, specific and strategic Goods and Service Providers, which include:

- a. Not under court supervision, not stated or in the process of filing for bankruptcy, business activities are not being stopped, are not currently carrying out criminal sanctions, which are stated in the form of a statement letter by the relevant Goods and Services Provider.
- b. Has paid the tax obligations last year (SPT/PPH) and has monthly PPh or VAT reports for at least the last 3 (three) months, except for new Goods and Services Providers who have not been obliged to report. In the process of verifying aspects of taxation, the Manager of Goods and Services Providers coordinates with the work units in charge of the field of Treasury/Verification/Tax and Insurance in the Unit/Business Unit/Head Office.
- c. Financial Requirements, which concern the financial problems of Goods and Services Providers, financial ratio analysis is performed. In the process of verifying financial aspects, the Manager of the Goods and Services Provider coordinates with the work unit in charge of the field of Treasury/Verification/Tax and Insurance in the Unit/Business Unit/Head Office.
- d. The latest yearly financial statements that have been audited by a Public Accountant are required for the procurement of goods and services with a value above Rp500 Million.

g. Sanctions on Goods and Services Providers

Sanctions are imposed on the Goods and Services Provider by providing a Letter of Warning (SP 1 & SP 2) from the Company, while the types of sanctions currently in force are:

a. Under Review

- 1) Given the opportunity to improve performance over a certain period of time in accordance with their line of business.
- 2) Under review sanctions are imposed on providers of goods and services that obtain SP1 or SP2. The validity period under review follows the period of SP1 or SP2.
- 3) For violations that are not contract implementation, then under review sanctions can be determined for another 3 months, 6 months and 1 year based on the level of violations committed by the Goods and Services Provider.
- 4) Goods and Services Providers determined by under review sanctions cannot participate in new procurement of the same type (same commodity) until the under review sanctions are declared terminated by the Contractor of Goods and Services Procurement or Managers of

Goods and Services Providers. During sanctions under review, the Goods and Services Provider remains active as a partner and can participate in other procurement that is different (the commission is different).

- 5) If within the stipulated time period, the Goods and Services Provider cannot improve its performance or is even worse, the Manager of the Goods and Services Procurement Contract or the Manager of the Goods and Services Provider can change their status to a suspended period of 6 (six) month or 1 (one) year.

b. In a Suspended Period

1) Goods and Services Providers who enter suspended status are not allowed to take part in the next procurement process of goods and services, or if they are following an unfinished procurement process (no appointment yet) their qualifications are canceled, and still given the opportunity to complete the contract / PO which is under implementation.

If the monitoring for the next 12 months after the 12 (twelve) month suspension period ends does not receive under review sanctions again then the previous sanctions are whitened.

If in monitoring for the next 12 (twelve) months after the suspended period of 12 (twelve) months ends and receive under review sanctions again 1 (one) time, then the blacklist sanction is imposed.

After the sentence is suspended, the Goods and Services Provider can submit an application to participate again in the Procurement of Goods and Services by attaching a sufficiently stamped statement stating/promising not to commit another violation.