



## **SUPPLIER/VENDOR SELECTION POLICY**

**PT Astra Argo Lestari, Tbk.**

### **Supplier/Vendor Selection Policy**

#### **I. Introduction**

PT Astra Argo Lestari Tbk (“the Company”) is consistently and continuously committed to implementing Good Corporate Governance. The Company acknowledges that Suppliers/Vendors play a vital role in the Company’s operations and business sustainability. The quality of the Company’s output is directly impacted by the Suppliers/Vendors’ ability to meet the required goods and services. The Supplier/Vendor Selection Policy aims to ensure that the Company acquires excellent Suppliers/Vendors that aligns with its requirements and to ensure that the selection process and evaluation of goods and/or services procurement within the Company are executed in an effective, efficient, competitive, fair, reasonable, transparent, and accountable manner.

#### **II. References**

1. Applicable Tax Regulations.
2. SOP PROS-PRC-01 on Procurement of Goods or Services at Site.
3. SOP PROS-PRC-10 on Procurement of Goods or Services at Head Office
4. SOP PROS-PRC-05 on Fertilizer Procurement Procedure
5. SOP PROS-PRC-08: SOPs for Tender of Procurement of Goods or Services
6. SOP PROS-SOS-01 to 09: SOPs for Contractor Control in OHS
7. Joint Commitment No. 001/SHE-PRC/V/2023: Requirements for Fulfillment of OHS Aspects of Contractors/Third Parties
8. Board of Directors Decree No. 111/SK-DIR/IV/2023 on Business Ethics

#### **III. Definitions**

1. Supplier/Vendor is a party providing goods and/or services in accordance with the Purchase Order issued by the Company, excluding other principals signed by the Marketing Division.
2. Employee is an individual working for the Company who receives wages based on an employment relationship.
3. Supplier/Vendor Prequalification is the process of assessing business competence, capability, and fulfillment of requirements for suppliers/contractors prior to submitting bid documents. Only qualified suppliers/contractors can submit bids.
4. Vendor List is a compilation of Suppliers/Vendors providing goods and/or services to the Company that have been approved and have been partners of the Company.
5. Tender for Procurement of Goods and/or Services is the procedure for appointing Suppliers/Vendors by notifying several of them to submit bids for the procurement of certain goods and/or services offered by the company, followed by the determination of the winner according to the Company's specified requirements.
6. Direct Appointment for Procurement of Goods and/or Services is the procedure for appointing a single Supplier/Vendor when the brand/license part/unit is held by a specific supplier/vendor.
7. Business Ethics is a system of values derived from the corporate culture and adopted by the company, Board of directors, management, and all employees as a guiding principle for interactions with both internal and external environments.

#### **IV. Requirements & Criteria for Supplier/Vendor Selection**

Suppliers/Vendors engaged in the procurement process of goods and/or services within the Company are required to adhere to the prequalification procedure. This process entails a comprehensive evaluation of the supplier/vendor's financial resources, experience in similar procurements/projects, managerial and operational capabilities, and overall integrity.

Prequalification requirements for suppliers/vendors of goods and/or services procurement in the Company:

- a. Registration Form and General Criteria
- b. Administrative Criteria

c. Technical Criteria

The criteria considered as the basis for recommending the nomination of the winning Tender or Supplier/Vendor selection are as follows:

1. Giving priority to a legal entity that complies with all legal aspects relevant to the business field in accordance with the provisions of the prevailing laws and regulations.
2. Having technical proposal (specifications/work standards) that can be accounted for, supported by laboratory test results, specifications, or original product in the form of a brand authorization letter.
3. Offering quality of goods and services, including specifications/brand of goods or services, that must meet requirements (needs), neither under nor over specification.
4. Possessing the ability to deliver quality service in fulfilling orders at a competitive and transparent price as determined by the Company.
5. Providing a comprehensive warranty for the goods/services offered (100% warranty coverage or long warranty period).
6. Being willing to adhere to the Term of Payment.
7. Having expertise, relevant experience, technical and non-technical capabilities, and effective management in line with the business field.
8. Demonstrating track record and reputation of maintaining product quality and timeliness of service.
9. Having the necessary resources to meet the Company's requirements for the procurement of goods and/or services, in terms of quality and quantity.
10. Ensuring that workers, including suppliers/vendors working in the Company's Project/Area, comply with the Company's Occupational Health, Safety, and Environment (HSE) rules and Safety Requirements.
11. Possessing administrative capability in terms of reporting project service progress periodically, whether on a daily, weekly, or monthly basis.

**V. Mechanism or Procedures for Supplier/Vendor Selection**

the Company's procurement policy mandates that all procurement of goods and services to meet the Company's needs must undergo a selection process. This process

may involve a qualification tender selection and/or direct appointment as stipulated in the Company's Standard Operating Procedures (SOPs).

In the process of supplier selection, the Company follows these steps:

1. Suppliers/Vendors must pass prequalification criteria.
2. The Vendor List is reviewed to determine if the required goods and/or services are available from existing Suppliers/Vendors. If so, procurement can proceed through a tender or direct appointment.
3. If the required goods and/or services are not available from current Suppliers/Vendors, the Company will evaluate potential new Suppliers/Vendors according to the technical specifications outlined in the Company's SOPs.

## **VI. Enhancing Supplier/Vendor Capabilities**

In order to maintain a consistent standard of quality for the goods and services provided by Suppliers/Vendors, the Company has established clear guidelines in the Company's SOPs. This not only promotes transparency but also encourages the Company's partners to enhance their capabilities. By regulating technical details, the Company aims to foster a relationship with Suppliers/Vendors based on quality, transparency, and continuous improvement.

## **VII. Relationship between Employees and the Company with Suppliers/Vendors**

In establishing relationships with Suppliers/Vendors, employees must consistently adhere to the principles of equality, partnership, and fair business competition through the following actions:

1. Maintaining and prioritizing the interests of the Company.
2. Ensuring that employees, the Company and Suppliers/Vendors uphold Business Ethics.
3. Upholding integrity, independence and objectivity in conducting transactions with Suppliers/Vendors.
4. Building honest and effective communication for continuous performance improvement.
5. Prohibiting the acceptance of gifts/rewards of any kind, directly or indirectly, from Suppliers/Vendors or prospective Suppliers/Vendors that could influence the decision in selecting Suppliers/Vendors and result in losses for the Company.

6. Providing accurate, transparent, and clear information to Suppliers/Vendors while prioritizing information security aspects.
7. Building and fostering a work culture of mutual trust through performance evaluation for continuous improvement, conducting objective assessment of Suppliers/Vendors, and imposing sanctions if they fail to meet the Company's standards.
8. Ensuring that selected Suppliers/Vendors do not have conflicts of interest with the Company and/or Company employees and/or employees' families.

#### **VIII. Violation and Sanction**

If a Supplier/Vendor fails to provide services according to the agreed terms, the Company will impose sanctions on the Supplier/Vendor and reserves the right to prohibit the Supplier/Vendor from participating in procurement for the Company and its subsidiaries.

#### **IX. Person in Charge**

The Senior Vice President of Procurement and Chief Financial Officer are responsible for overseeing and ensuring effective implementation of the Supplier/Vendor Selection Policy within the Company.

#### **X. Others**

The Supplier/Vendor Selection Policy must be complied with by all Company employees, Suppliers/Vendors, and prospective Suppliers/Vendors.

The Supplier/Vendor Selection Policy will be reviewed periodically to adapt to the Company's business needs and changes in applicable company regulations.