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Critical and Restrictive Supplier
Selection Process

CC-019

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ODINSA

Concessions company of

[Logo] GRUPO ARGOS

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1. **OBJECTIVE**

To ensure the competence of suppliers for the provision of the required services by complying with the minimum criteria required by Odinsa that allow mitigating and/or eliminating risks to continue with the negotiation process.

1. **SCOPE**

These instructions apply to all potential providers in the **<<Critical and Restrictive>>** categories of **service provision** who are assessed for ESG criteria, among other factors, to select the most suitable supplier.

1. **RECRUITER**

The Contracting Departments are responsible for fulfilling the Selection Process, at the head of each Director.

1. **DEFINITIONS:**

**ESG:** The environmental[, social](https://responsabilidadsocial.net/medio-ambiente-que-es-definicion-caracteristicas-cuidado-y-carteles/?amp) and corporate governance (ESG) criteria are a set of rules to follow for our to suppliers comply with sustainability guidelines.

**CRITICAL CATEGORY:** This category includes all the **Core business suppliers** that are of high impact, risk and expense for the Organization.

**RESTRICTIVE CATEGORY:** This category includes all the **single or scarce suppliers** that are of a high impact and risk to the Organization, but a low expense.

**SELECTION:** The objective selection of the most favorable offer, proposal or quote presented by a service provider, as long as they comply with legal, technical, commercial, ESG and other criteria previously set by ODINSA.

**ENABLING REQUIREMENTS:** The minimum required documents that support the legal, compliance and financial status of a supplier.

**SIMPLE DUE DILIGENCE:** Checking for third parties with which ODINSA intends to relate on restrictive lists.

In the case of legal entities, consultation on lists must include verifying the company name and the following parties:

* Legal Representatives (Main and Alternates)
* Core and alternate members of the Board of Directors
* Shareholders, partners or associates who hold 5% or more of the share capital, contribution or participation, or hold control over the company in any way.

**OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM:** The objective of implementing the OHSMS is to anticipate, recognize, evaluate and control [the risks](https://www.chubb.com/co-es/pymes/articulos/esta-preparado-tu-negocio-para-recuperarse-de-un-desastre.html) that may affect the health and safety of a company’s employees, regardless of their size.

1. **GENERAL CONSIDERATIONS**

Purchases defined as Core purchases in the Contracting Manual are made directly by the area of ODINSA that requires the service. These correspond to negotiations that are inherent to the nature of the business developed by the Organization.

Some Cross purchases are made by SUMMA and correspond to cross-cutting issues for all Group companies.

To carry out the selection process, each contracting area must fill out the **CC-002 Supplier Selection Form** in which the information of potential suppliers that can provide the required service is registered.

By completing the different criteria, the employee will be able to make the decision to select the most suitable supplier according to their obtained score.

|  |
| --- |
| **ASSESSMENT CRITERIA** |
| **Unsatisfactory** | **Satisfactory** | **Excellent** |
| < 63% | > 64% | > 90% |

If a supplier’s selection score is equal to or greater than 64%, the recruitment process can continue.

The selection form must be part of the support documents to be attached in the “Purchase Request” module in the Dynamics AX tool.

Moreover, the employee must complete the Annex 1 tab of this form (Supplier Offer Comparison), in which each contracting department can assess the different offers regarding: price, warranty, delivery time, payment method and term.

The ***CC-002 Supplier Selection*** Form is available in the Knowledge Library under the tab: Purchasing and Contracting.

1. **METHODOLOGY**
	1. **SELECTION**

The selection criteria that make up the form are the following:

* + 1. **Enabling Requirements:**

The minimum required documents that support the legal, compliance and financial status of a supplier. Foreign suppliers without a branch in Colombia must present the equivalent document to those requested from nationals.

* + - 1. **Due Diligence:**

The contracting department will request the compliance department to carry out due diligence on the suppliers that could provide the service being negotiated. To this end, they must attach:

* RUT
* Certificate of incorporation and legal representation with a date of issuance no greater than 30 days.
* A copy of the legal representative’s I.D.
* A Personal Data Processing Authorization signed by the Legal Representative
* A list of shareholders, partners or associates who hold 5% or more of the share capital, contribution or participation, or hold control over the company in any way.
* A Due Diligence Form signed by the Legal Representative

Once the documentation is delivered to the Compliance Department, it will have three (3) business days to issue the Simple Due Diligence report and continue the Selection Process.

If the selected supplier is new, the Contracting Department will submit the simple due diligence along with the other requirements to SUMMA - Supplier Master (maestroproveedores@summa-sci.com), to create the supplier.

* + - 1. **Declaration of the Origin of Funds, Prevention of Money Laundering, Terrorist Financing, Fraud, Bribery and Corruption Form:**

The contracting department must request the completion and signing of the document by the Legal Representative of the Suppliers in the Selection Process.

This document can be downloaded from the Knowledge Library: ***“Corporate Affairs.”***

* + - 1. **Portfolio of Services:**

Each potential supplier must provide their portfolio of services to validate the completeness and clarity of the proposal and methodology for performing the service.

* + - 1. **Statement of social security and parafiscal contribution payment**

The supplier must review, complete and sign *Form* ***CC-011 Supplier Selection Statement*** “Enabling Requirements.”

* + - 1. **Investigations or sanctions by environmental authorities in the last 5 years:**

The supplier must review, complete and sign form ***CC-011 Supplier Selection Statement*** “Enabling Requirements.”

* + - 1. **Complaints regarding human rights issues with respect to their stakeholders and/or that negatively affected their reputation:**

The supplier must review, complete and sign form ***CC-011 Supplier Selection Statement*** “Enabling Requirements.”

* + - 1. **Form AS\_013 Personal Data Authorization signed by the Legal Representative**

The supplier must review, complete and sign the indicated form, thereby granting authorization for the documentation to be reviewed.

**If they do not comply with any of the indicated enabling requirements, they must not continue completing the CC-002 Selection Form. The process of the supplier(s) being assessed would be terminated.**

* + 1. **Assessment Criteria:**
			1. **Financial Analysis:**

The supplier must review, complete and sign form ***CC-011 Supplier Selection Statement*** “Assessment Criteria.”

• L*everage Index*: Document indicating the index.

Formula:

*Debt*

*EBIDTA*

• *Operating Margin Index*: Document indicating the index.

*Operating Profit*

Formula:

*Income*

• *Net Margin Index*: Document indicating the index.

*Net Profit*

Formula:

*Income*

With this information, the contracting department must complete the field of: Financial Analysis of the selection form, according to the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| **Financial Analysis** | Operational Payment Capacity | Complies |  |
| Does Not Comply |  |
| Leverage Index: Debt/Ebitda | Good | ≤4% |
| Acceptable | ≥4.1% to 6% |
| Poor | ≥ 6.1% |
| Operating Margin: Operating Profit/Income | Good | ≥5.1% |
| Acceptable | Between 1% and 5% |
| Poor | ≤1% |
| Net Margin: Net Profit/Income | Good | ≥1.1% |
| Acceptable | Between 0% and 1% |
| Poor | ≤0% |

* + - 1. **Specific Experience:**

The contracting department will give the specific experience of potential suppliers a score according to the number of:

Projects (designs and/or consultations, among others) they have developed with respect to the current subject of negotiation.

Each contracting department is autonomous in determining the number of projects to score as: *High, Medium, Low*, and the period of time in which they were provided.

**Supporting Document:**

The potential supplier must provide the certifications issued by its customers validating that it developed contracting subject and their execution time and year of the work, as well as other criteria required by the contracting department.

|  |  |  |
| --- | --- | --- |
| **Projects (Designs, Consultations, and others)** | **5. High** | **> # projects** |
| **3. Medium** | **> # projects** |
| **1. Low** | **> # projects** |

* + - 1. **OHS Criteria:**

Applies for contracting services that involve the supplier executing activities in projects run by ODINSA.

***Supporting Document:***

**Self-assessment certificate of compliance with the OHSMS issued by the ARL with the risk percentage (less than 30 days):**

This document applies to all types of suppliers. It validates the score of the state of the supplier's management system. **Applies to Domestic Suppliers.**

The conventions for scoring are included in the following table, in accordance with the provisions of Resolution 0312 of 2019 of the Ministry of Labor:

|  |  |
| --- | --- |
| CRITERIA | ASSESSMENT |
| If the obtained score is less than 60% | CRITICAL |
| If the obtained score is between 60 and 85% | MODERATELY ACCEPTABLE |
| If the obtained score is greater than 85% | ACCEPTABLE |

**International suppliers** must submit:

ISO 45001 certification or Form ***CC-011 Supplier Selection Statement*** “Evaluation Criteria,” completed and signed by the Legal Representative or Statutory Auditor.

* + - 1. **Environmental:**

This criterion weights the performance of a supplier with respect to climate change, biodiversity, natural resources, and other factors.

***Supporting Document:***

* The supplier’s environmental policy.
* Environmental management system under ISO14011 standards or equivalent.
	+ - 1. **Work:**

This criterion validates the commitment the provider must have to its employees’ health care and well-being.

***Supporting Document:***

• Corporate policies or guidelines for compliance with labor regulations.

* + - 1. **Social:**

This criterion responds to the supplier's relationship with its employees and society.

***Supporting Document:***

• Corporate policies or guidelines for compliance with human rights and gender equality, among others.

* + - 1. **Supplier Offer Comparison**

This score follows that which was obtained by the supplier in **Form CC-002 - Annex 1. Supplier Offer Comparison,** in which the criteria are evaluated: price, warranty, delivery time and payment method.

* + 1. **Sustainability:**

The OHS, environmental, labor and social criteria give the **level of sustainability risk** presented by the potential supplier a score.

If they have a score equal to or greater than 18%, the supplier does not present risk in this matter. If the score is less than or equal to 17%, the supplier presents a high sustainability risk.

|  |  |  |
| --- | --- | --- |
| **Supplier Offer Comparison Score** | Good | ≥4.1 |
| Acceptable | Between 3.1% and 4% |
| Poor | ≤3% |

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| **CHANGE CONTROL** |
| **VERSION** | **DATE** | **CHANGE** |
| 1 | 08/22/2022 | First Version |
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