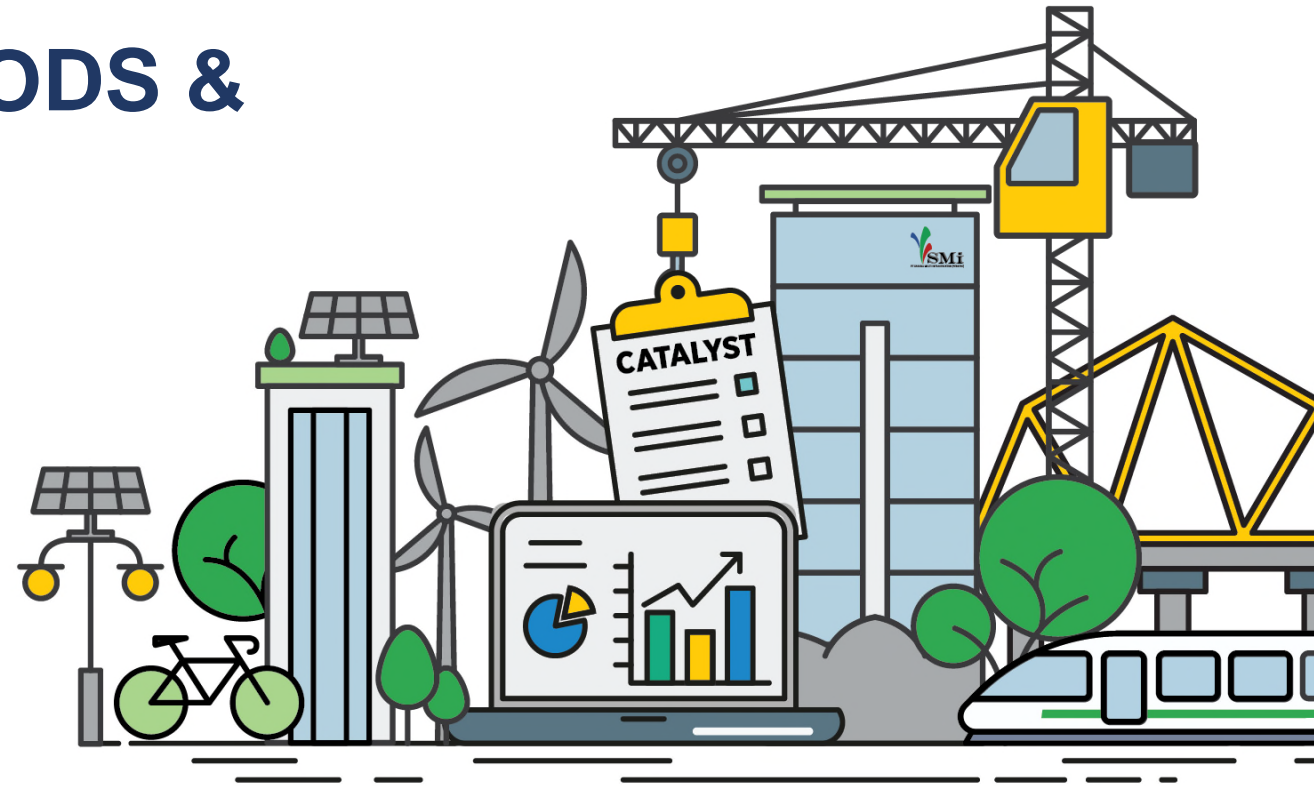


GUIDELINES PROCUREMENT OF GOODS & SERVICES





USER DIVISION

Starting from preparing TOR and OE, assisting in providing any technical explanation (Aanwijzing), until reviewing and approving the work outcomes of the Goods/Service Supplier

THE AUTHORIZED OFFICIAL (PBM)

An Official granted the power of attorney by the Board of Directors; thus, he/she has the authority to decide/approve the activities and/or transactions carried out on behalf of the Company

GOODS/SERVICE SUPPLIER

Fulfilling the provision of legislation in operating the business/activity as a Supplier; having technical and managerial skill, experience, ability in Goods/Service Procurement as well as having the human resources with competent and relevant experiences in their fields

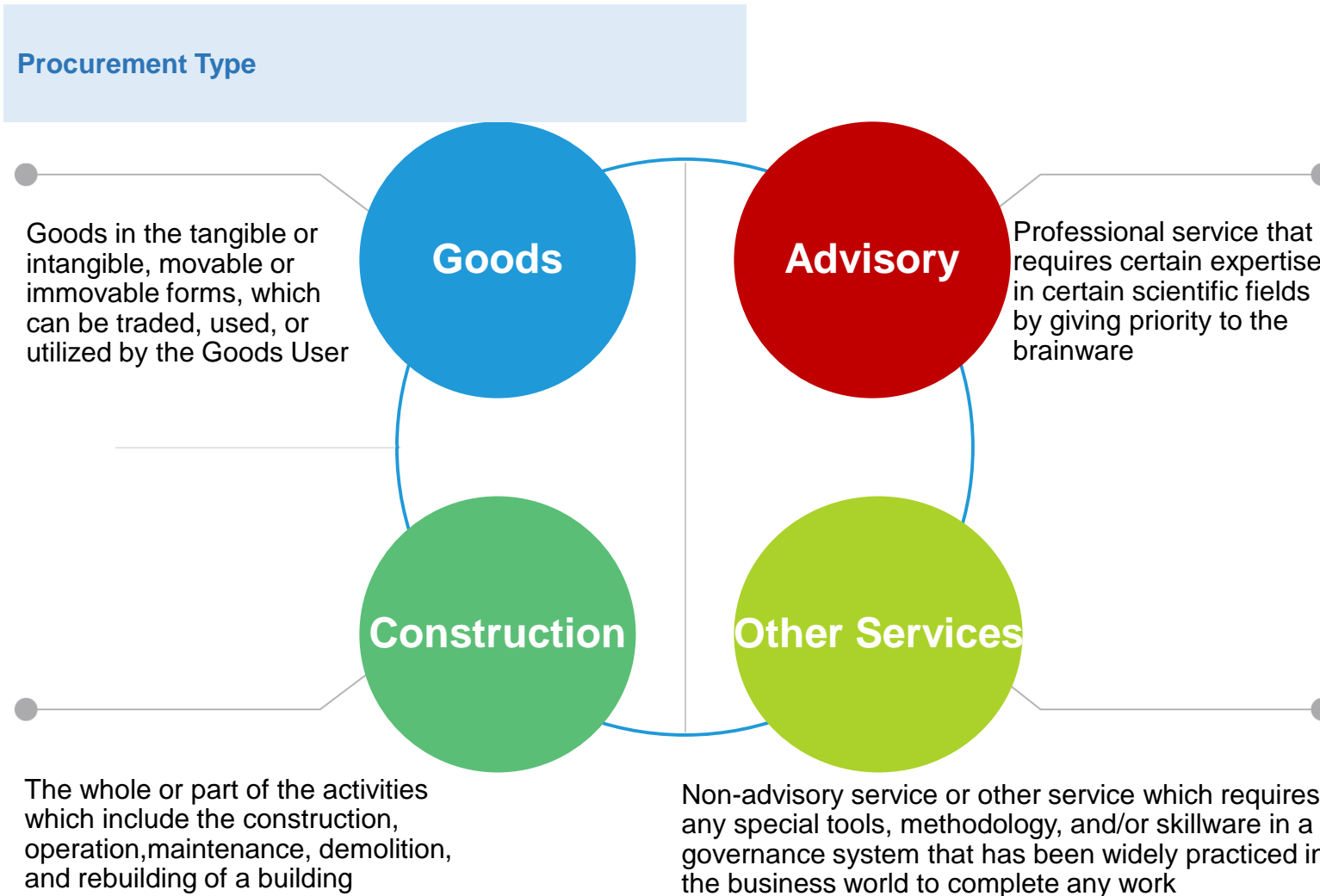
LEGAL DIVISION

Starting from preparing the template of general terms and conditions as specified in an agreement draft related to the Goods/Service Procurement which will be attached on the Procurement documents, until giving other input related to the legal aspects of the Goods/Service Procurement

PROCUREMENT OFFICER

Ensuring that the process of the Goods/Service Procurement fulfills the basic Procurement principles and ethics as well as does not violate any applicable provisions. Starting from the planning preparation, proposal review, proposing the supplier to PBM until the archive management.

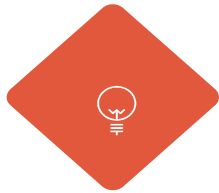
Procurement Scope & Type



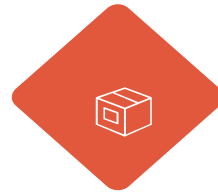
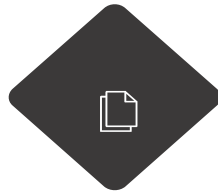
Procurement Basic Principles and Ethics

Procurement Basic Principles

EFFECTIVE



COMPETITIVE



FAIR AND REASONABLE



Procurement Ethics

EFFICIENT

TRANSPARENT

ACCOUNTABLE

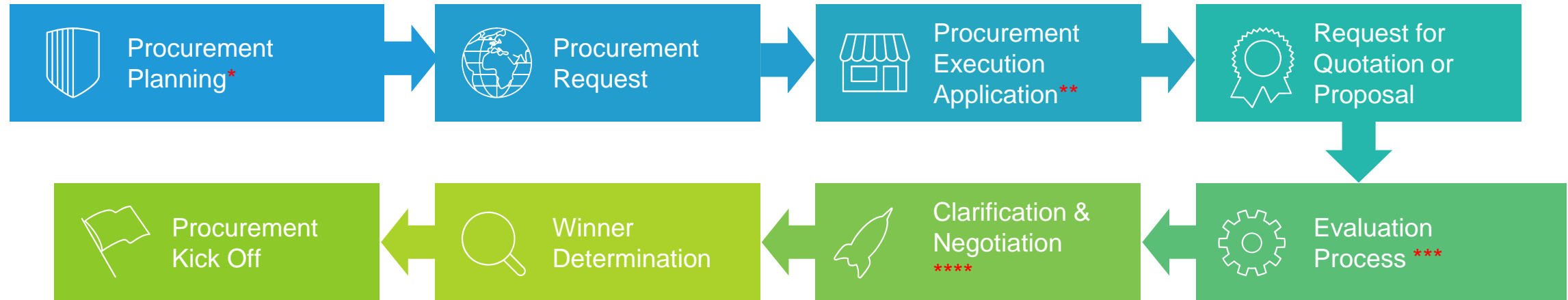
- To carry out any duties in an orderly manner, accompanied by a responsibility to reach the target and objectives of the Goods/Service Procurement in a smooth and accurate manner
- To work professionally and independently based on honesty and integrity as well keeping the confidentiality of the Documents of Goods/Service Procurement to prevent any discrepancy in the Goods/Service Procurement process

- To avoid influencing each other, either directly or indirectly, to prevent and avoid any unfair competition
- To avoid and prevent any conflict of interest of the parties involved
- To avoid and prevent any occurrence of fund waste and leakage in the Goods/Service Procurement process

- To avoid and prevent any abuse of authority and/or collusion with the aim of personal gain, group or other parties which may either directly or indirectly harm the Company.
- To avoid accepting, offering or promising to give or receive any gifts, rewards of any kind to anyone who is known or reasonably suspected to be related to the Goods/Service Procurement process

Goods/Service Procurement Procedure

Procurement Process



* Procurement Planning includes the planning of goods/services needs, budget costs, and estimated time of the Goods/Service Procurement execution. DIRPT (Master List of Annual Procurement Plans) shall be prepared based on the needs for the routine and identified Goods/Service Procurement

** The User Division ensures the fund availability and submits a procurement request accompanied by Procurement Specifications to DUP.

The Goods/Service Procurement with a value above IDR 1 billion must obtain principle approval from PBM

*** The Procurement Officer/Procurement Team may ask the Goods/Service User to participate in conducting technical evaluations or providing input to the Procurement Team related to the technical specifications/quality offered by the Supplier.

****Exploring wider opportunities to increase value for money, with focuses not only on the lowest price but also other factors such as quality, service, delivery time/schedule, technical equivalence, and others. The objective is not to obtain the lowest price, but to obtain the best and most competitive price agreement in the market without compromising the quality of the required goods/services .

Proposal Evaluation Method

01

Quality

1. Using the Two-Cover Method or Two-Stage Method
2. For the Goods/Service with complex nature and uses high technology. The difficult work scope and deliverables shall be specified in Terms of Reference (TOR)

02

Quality and Cost

1. Using the Two-Cover Method
2. For the Goods/Services of which nature of work is related to high technology and requires in-depth technical evaluation and/or complex work

03

Quality and Lowest Cost

1. Using the One-Cover Method or Two-Cover Method
2. For the Goods/Service of which scope or technical specifications are clear and it is estimated that most of the Potential Suppliers invited will be able to carry out the work from a technical point of view. However, the technical evaluation is still required

04

Lowest Cost

1. Using the One-Cover Method
2. For the Goods/Services whose scope or technical specifications are clear and it is estimated that most of the Potential Suppliers invited will be able to carry out the work from a technical point of view

Engagement Form & Contract Type



AGREEMENT/CONTRACT

For the Goods/Service determined by the User Division to have the complex nature and high risk

For the Goods/Services that require ongoing maintenance and operational services based on the User Division's request

The use of the Agreement/Contract does not refer to the value of the Goods/Service Procurement

A Winner Announcement Letter can be used as a form of temporary Goods/Service Procurement engagement until the issuance of an Agreement/Contract. However, the Winner Announcement Letter does not apply as a payment basis for the Provider

The Contract Agreement shall use the Company's standard agreement/contract format from the Legal Division.



LETTER OF ORDER (PO/SPK)

For the Goods/Service Procurement which does not have one of the criteria for the mandatory use of Agreement/Contract and Official Receipt

A Letter of Goods/Services Order in the form of Purchase Order ("PO") for Goods Procurement or Work Order ("SPK") for Procurement other than Goods

PO/SPK should at least contain information regarding the name of Goods/Service, unit price, settlement schedule, payment mechanism, and other transaction points

PO/SPK can be submitted in a form of scanned copy via email or generated by the system as a winner determination to the Supplier

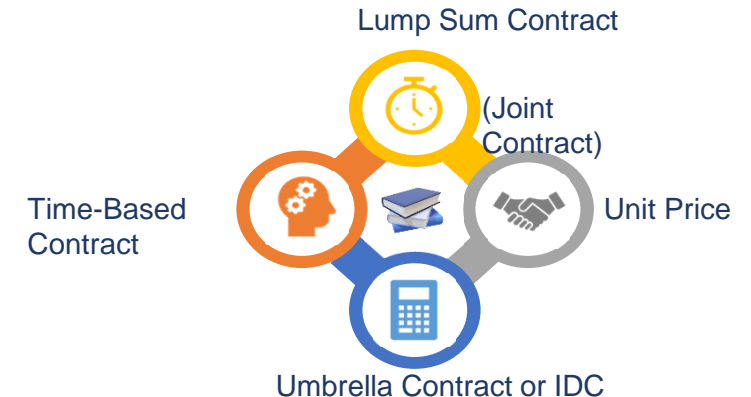


RECEIPT

For the Goods/Service Procurement which uses a Direct Purchase method or has a value of up to IDR 30,000,000 (thirty million rupiah)

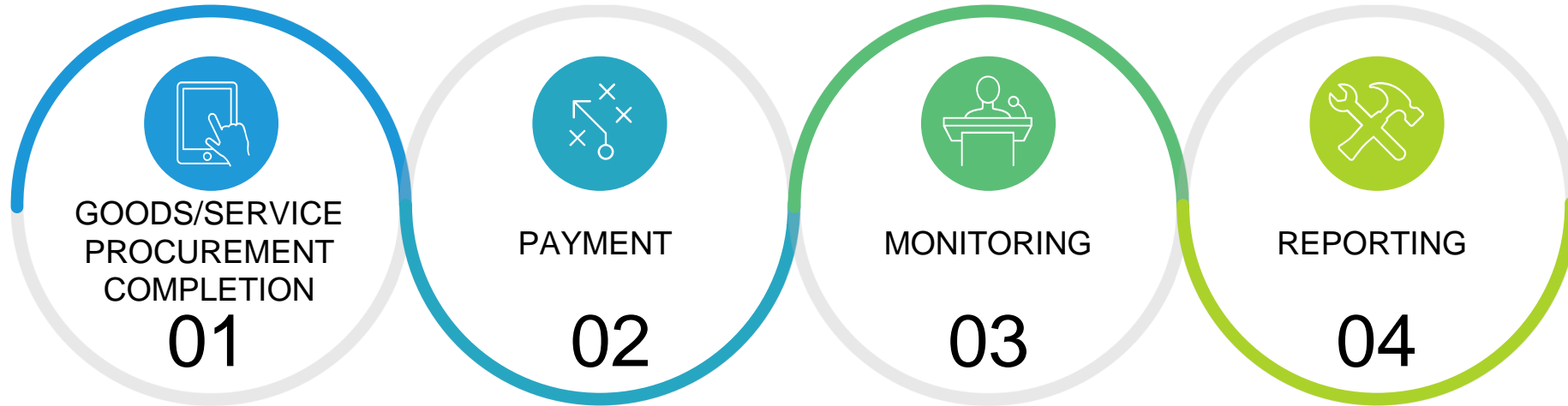
On a case-by-case basis, the form of engagement through the direct purchase method can be in the form of a payment receipt duly stamped or a proof of transfer

CONTRACT TYPE



Umbrella Contract or IDC

Work Completion and Reporting



Minutes of Handover (BAST) of Goods or Delivery Order for Goods Procurement

Minutes of Handover (BAST) of Work or Work Completion Report for Procurement of Advisory, Other Services, and Construction Work

Payment to the Provider via:

1. Payment Order (SPM)
2. Advance Payment Application (PUM)
3. Petty Cash Expenditure (PKK)
4. Down Payment Accountability (PJUM)

Monitoring the progress of the Goods/Services fulfilment in accordance with the engagement

DUP Report Output:

- a. The procurement realization is compared with the procurement plan in accordance with the Company's Work Plan and Budget (RKAP) and DIRPT.
- b. Reports of Goods/Service Procurements of which work is still in progress and of which work has been paid/completed.
- c. Other reports deemed necessary

PROCUREMENT PROCEDURE

PT SMI Procurement Procedure regulates that dispute settlement is a provision regarding the settlement of a dispute between the parties in the Goods/Services Procurement engagement. The methods taken can be through the court or outside the court, comprising the deliberation, mediation, conciliation or arbitration in Indonesia. The dispute settlement, firstly through a deliberation, if no agreement is reached, it shall be settled through a district court or arbitration.

STANDARD CONTRACT WITH GOODS/SERVICE SUPPLIER

Referring to the said procedure, the detailed provisions regarding the dispute settlement have been stated in a standard contract of PT SMI with the Service Provider, specified in general terms of the agreement.

Potential Supplier List

Registration of Potential Supplier is carried out through PT SMI application media or other media. It should contain information regarding the business line and brief profile of the Potential Supplier

Registration of the Potential Supplier can be carried out through:

<http://vms.ptsmi.co.id/ VendorPortal/Login>

Verified Supplier List

Acceptance of Potential Supplier as a **Partner List** in accordance with the general requirements specified. It should contain the completeness of the Supplier legality and other general requirements

Approved Supplier List

A list of the suppliers declared to have the ability and competence to accept the work or is called the **Approved Supplier List**. This classification goes through the process:

1. In which the Supplier have ever transacted with PT SMI according to the validity period
2. Of Execution of Prequalification

BLACK LIST

The suppliers who have been specified in the Company's blacklist are not allowed to take any part in the selection/participation process of the Goods/Service Procurement in the Company for 3 (three) years as of the date they are specified as a Blacklist.

Owner Estimate (“OE”)

The User Division determines an OE based on the work scope or technical specifications of the required goods

The OE is not confidential and can be specified in the Procurement Document, but is excluded for the procurement using the direct appointment method

The OE should take into account VAT and cost of inflation or the assumption of a price increase, as well as a reasonable profit for the Supplier



In carrying out the OE preparation, the User Division may consult with DUP to obtain related information, including the unit price of goods/personnel, market prices and prices of goods/unit prices of similar works that have been carried out and other written information that can be accounted for.

In the OE calculation, it is possible to use an estimated price/cost calculation from a third party, but the calculation is only as a reference

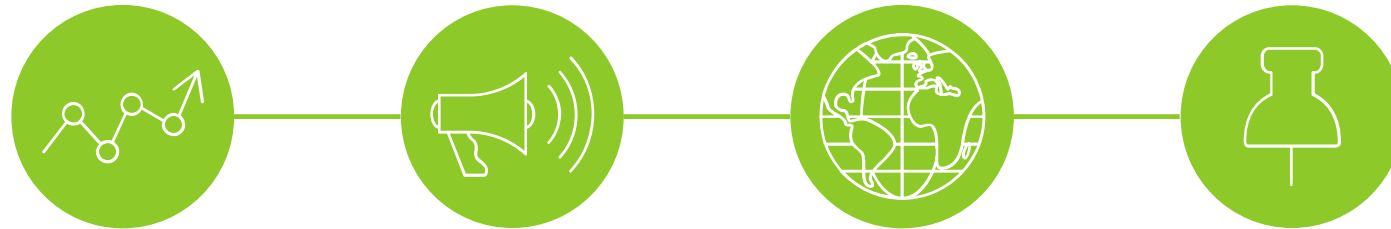
The OE must calculate the ‘Out of Pocket Expense’ (OPE) beside the professional services which can be calculated on a lump-sum basis or made on a reimbursement basis according to the existing proof of OPE expenses. The OPE costs can consist of: business travel expenses, shipping, permit/legal document issuance, communication costs and other operational costs

Owner Estimate (“OE”)

Continued

The OE must not take into account any unexpected cost component

For routine (non-project) procurement needs, the unit price value in the OE should not be more than the unit price in the ongoing contract. This excludes the unit prices influenced by government regulations or other authorized agencies



The realization of the Goods/Service Procurement should not exceed the OE

Data that can be used as the OE calculation basis covers the local market prices, cost information officially published by the Central Statistics Agency, prices/tariffs of goods/services issued by manufacturers/sole agents, list of standard rates, and other accountable information

Based on the User Division's request, DUP may carry out the Request for Information (“RFI”) process from several Potential Suppliers to obtain the estimates of :

1. Scope
2. Deliverables
3. Market price

Thank you,



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