



Eagle Family Foods Group LLC and its Subsidiaries

Procurement / Disbursement Process Policy

Revised 6/2017



Effective Date: June 22, 2017

EAGLE FOODS

POLICY: PROCUREMENT / DISBURSEMENT PROCESS

This policy addresses requirements for the initial approval to commit to an expenditure through the processing and payment of the related invoice. Compliance with this policy will ensure that all expenditures are properly approved, will facilitate an effective internal control environment for company assets, and will add to the efficiency of processing supplier invoices.

ISSUANCE OF PURCHASE ORDERS

Purchase orders provide many benefits to a plant's procurement process.

- First, before any purchase is made, creation and approval of purchase orders provide the means to ensure products being purchased are necessary to the running of our business and to ensure budget funds are available for the purchase. They provide Plant Managers and Department Managers a means of tracking what they are spending
- They also clearly communicate all the details of a purchase, including selling price, which is often the most disputed item of a transaction. Having every detail clarified, laid out and documented facilitates conflict resolution. If there are ever any disputes over what was ordered, or the agreed upon price, purchase orders serve as legal documentation that can be enforced
- Purchase orders facilitate keeping track of what products are on order or already received
- Over time purchase orders build up a picture of purchasing trends and vendor performance, which helps with planning and the creation of budgets, while also providing historical data for negotiations
- From an audit perspective, they provide an audit trail of purchases and an effective internal control for validating that all purchases are made in accordance with Company policies

Given these benefits, the following requirements are being implemented at the plants immediately;

- Purchase Orders (PO's) are now required for all purchases equal to or greater than \$500 except for utility bills
- For those vendors where there are on-going or repeated purchases, purchase orders must be issued for all purchases regardless of dollar amount
- Blanket purchase orders can no longer be used except for inventory purchases. Any open blanket purchase orders for non-inventory items must be cancelled. Going forward, individual purchase orders must be issued for non-inventory purchases

INVOICE VALIDATION

Invoices should be directed to the Accounts Payable (AP) department in a timely manner to ensure invoices are paid per terms and company takes advantage of supplier discounts when offered. No invoices should be submitted to AP without first going through the three-way matching process (Supplier invoice verified against Purchase Order and Product Receiving details) if applicable.

- Any invoices received by AP that have not gone through the three-way matching process will be returned to the respective Plant Finance Manager for follow up
- Payment will not be processed from anything but an original invoice to prevent duplicate payments. Do not submit Supplier Statements for payment as they will not be processed by AP.

For invoices where a PO is not issued (utility bills), the invoices should be signed off in accordance with the approval limits outlined in this policy. In addition, the correct General Ledger account coding should be entered on each invoice before being submitted to Accounts Payable.

PRICING VARIANCES

In the event the unit price for a line item on an invoice does match the respective PO line item, the following procedure related to the variance will be followed by AP:

- Variances of > 5% and \$1,000 will be returned to the Plant Finance Manager for follow up with the Supplier
- Variances of < 5% and < \$1,000 will be processed by AP

AUTHORIZATION LEVELS

Approval limits (“Companywide”) for non-Capital Expenditures and the related Supplier invoices are as follows;

- | | |
|---------------------------------|---|
| • Up to \$10,000 | Departmental Manager |
| • Up to \$50,000 | Plant Manager /Plant Finance Manager |
| • Up to and including \$100,000 | Manager / Director |
| • Up to and including \$250,000 | Vice President |
| • Greater than \$250,000 | CEO (<i>or two Chief Exe in absence of CEO</i>) |

Where formal, signed contracts exist, such as in the case of bulk inventory purchases, the above approval limits do not apply if the invoice in question complies with the terms of the respective contract.

Note: A Vice President or above has the authority at their discretion to set lower approval limits for their area of responsibility. However, approval limits may not be increased or delegated without the prior written approval of a Senior Executive.

CAPITAL APPROPRIATIONS

All requests for capital appropriations (“Companywide”) greater than \$25,000 must be justified through documentation of the project details, including a financial review of the internal rate of return and net present value of the project. This documentation must then be submitted for review and approval in accordance with the following approval limits;

Projects with a requested spend of;

- Up to and including \$250,000 Vice President or above
- Greater than \$250,000 CEO (*or two Chief Exe in absence of CEO*)
- Greater than \$500,000 ** Board of Directors

***Only for those projects not already approved as part of the Annual Budget*

After the initial approval of a capital appropriation, individual expenditures within that appropriation are subject to the following approval limits;

- Up to and including \$250,000 Project Manager
- Up to and including \$500,000 Plant Manager
- Greater than \$500,000 Vice President or above

Questions regarding this policy can be directed to your local Finance contact or any member of Finance management.

In addition, for any questions regarding a supplier invoice, please contact your AP representative either by phone or assigned AP email box. All invoices should be provided to your dedicated AP resource for processing via mail or email.

Accounts Payable (Richfield)

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Accounts Payable (Waukegan)

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