



INFRASTRUCTURE
MINING & METALS
NUCLEAR, SECURITY & ENVIRONMENTAL
OIL, GAS & CHEMICALS

46°38'51"N | 119°35'55"W

Waste Treatment and Immobilization Plant USA

Supplier Guide: Executing Work with Bechtel 2017



To Our Suppliers & Subcontractors



We are pleased to provide our *Supplier Guide: Executing Work with Bechtel* as an introduction to our suppliers and subcontractors on working within Bechtel's Global Supply Chain. This publication is designed to address expectations we have for our suppliers and subcontractors, provide information on points of contact, and explain how to make initial contacts, respond to a solicitation, and successfully execute the agreement you receive.

Bechtel's suppliers and subcontractors are critical to supporting our diverse business portfolio that encompasses infrastructure; power;

telecommunications; oil, gas, and chemicals; tanks, pipeline, and water; nuclear; national defense; national laboratory; and environmental cleanup & management services. We operate globally in remote locations, working with more than 10,000 suppliers annually from 70 countries, and issuing more than 100,000 transactions with total commitments approaching \$20B annually.

We provide an optimized supply chain for each project and customer. We depend on you, the supplier and subcontractor, to bring expert knowledge, innovation, quality, and integrity to our projects and customers. Together we create a robust global organization of talented people who can capitalize on opportunities and continually offer increasing value to our customers worldwide.

We continue to look for qualified suppliers and subcontractors to bring into our supply chain, those that commit to safely fabricating, delivering, and installing quality goods and services on time and within budget. Within Bechtel, we are committed to the highest safety and ethical standards in the industry, and we expect the same dedication from our supplier and subcontractor organizations. We seek suppliers and subcontractors who understand their obligations and work with us to meet our customers' expectations.

In this guide, we will refer to our Procurement and Contracts organization collectively as Bechtel's Supply Chain, as we establish our end-to-end processes for the management of goods and services, and emphasize the importance of our suppliers' and subcontractors' lower-tier suppliers and subcontractors in executing the work. Also, instead of repeating the terms "suppliers and subcontractors," we will use "suppliers" to refer to both collectively.

Please recognize that the content of this brochure includes general descriptions of our requirements, and each project may have different requirements; be sure to fully review applicable purchase orders or contracts as those will establish your obligations.

Should you have any questions, feedback, or improvement suggestions on this brochure, please contact me at +1-713-235-2531 or email dhammerl@bechtel.com, or Scott Harrison by email at swharris@bechtel.com or phone +1-571-392-6458.

Sincerely,

Principle Vice President
Corporate Manager of Procurement and Contracts



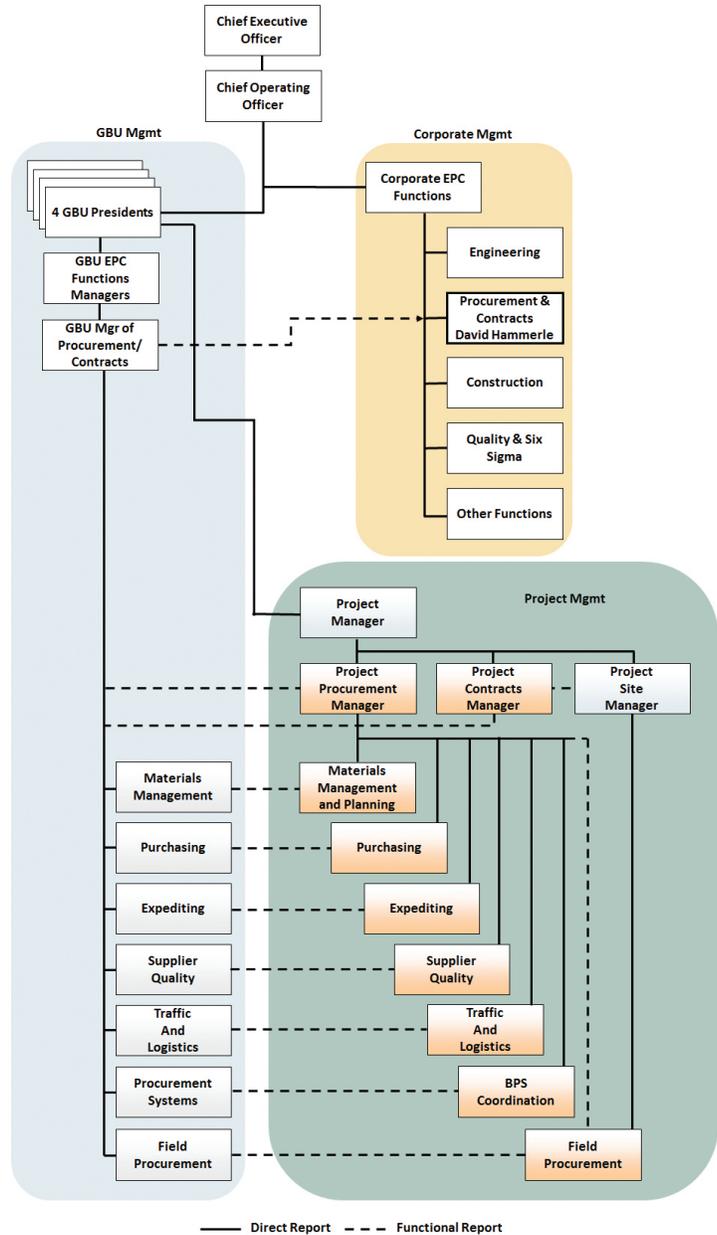
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Bechtel Organization, Business Units, and Points of Contact

The Bechtel Organization

Bechtel has a complex organization based on a matrix management approach. Reporting to our CEO, Brendan Bechtel, is the COO, Jack Futcher. The four Global Business Unit (GBU) presidents and several other organizations, including the Corporate Manager of EPC Functions, Steve Katzman, the organization responsible for governance of the engineering, procurement, and construction functions, report to the COO. Reporting to the Corporate Manager of EPC Functions is Procurement and Contracts, Engineering, Construction, Project Controls, Quality, and Safety.



The Supply Chain Organization

Bechtel, as a matrix organization, has functional managers at both the corporate and GBU levels, responsible for the work processes, automation, and assignment of skilled personnel to the projects, and then for adopting lessons learned from the projects.

Our corporate staff has senior functional managers responsible for our core competencies of prime contracts, subcontracts, purchasing, expediting, supplier quality, traffic and logistics, import/export, field procurement, and materials management. Each corporate manager is responsible for work processes, automation, tools, and training within their functional area. The GBUs are set up similarly to the corporate staff but responsible for adapting the corporate requirements to the unique GBU requirements.

When executing work, a project team is established, led by a project manager or project director, with managers of its functions assigned and reporting to the project manager. The majority of Bechtel's spend is done on projects, so the Project Procurement Manager (PPM) and Project Contracts Manager (PCM) are the primary points of contact for each project. The PPM and PCM are responsible for the execution of all spend, including developing supply chain strategies and bidder lists and completing the evaluation, award, administration, and closeout of the agreements. Therefore, any query you have specific to active work Bechtel has ongoing should be directed to the PPM or PCM. Within each project, the PPM and PCM have a staff that is assigned under a matrix assignment.

Each project also has its own supply chain organization that adopts the work processes and automation and draws on available colleagues to execute the project work.

Bechtel GBUs and Support Organizations

Infrastructure: Infrastructure’s work includes physical assets, such as roads and bridges, in addition to providing our customers power, clean water, communications, logistics, and mobility that they need to achieve their project goals. With the world population expected to reach more than 9 billion by 2050, infrastructure designed to be purposeful, smart, and sustainable will become more critical and will expand society’s access to public goods and innovations, which in turn will advance individual and community capacity, well-being, national economic growth, and overall prosperity.

Nuclear, Security & Environmental (NS&E): NS&E’s mission includes work on projects for chemical weapons demilitarization, missile defense infrastructure, scientific and national security facility operations, commercial and US Navy nuclear reactor services, procurement and project management, and environmental restoration and recovery. We use our expertise to help our government and private sector customers securely and effectively transform mission delivery across the entire facility lifecycle—from research and development (R&D) to decontamination and decommissioning (D&D).

Oil, Gas & Chemicals (OG&C): Bechtel is a global leader in the integrated design, procurement, construction, and project management of oil, chemical, and natural gas facilities. For decades, customers have relied on our expertise to deliver global liquefied natural gas (LNG) capacity; hundreds of refineries and chemical plants; enough pipeline to circle the Earth more than twice; and dozens of offshore facilities, tanks, and terminal facilities. At the same time, communities have relied on our expertise to enhance local knowledge and capacity to sustain long-term economic development.

Mining & Metals (M&M): Bechtel has completed hundreds of major mining and metals projects across six continents, enabling our customers to produce everything from aluminum to zinc. With extensive global experience in M&M projects, Bechtel is equipped to handle the most challenging projects the world has to offer. Our professionals are some of the most respected in the industry and possess expertise in the most complex facets of the mining sector.

GBU and Market Sectors

Nuclear Security & Environmental

Defense and Security

Environmental

National Security & Allied Govt’s

Nuclear

US Naval Programs

Infrastructure

Aviation

Civil

Communications

Fossil

Rail

Renewables

Transmission

Mining & Metals

Aluminum

Alumina / Bauxite

Coal

Copper

Iron Ore

Oil, Gas & Chemicals

LNG

Offshore

Onshore Oil & Gas

Petrochemicals

Pipeline

Tanks

Water

Bantrel: Bantrel, founded in 1983, is one of Canada’s largest engineering, procurement, and construction (EPC) and construction management services companies, financed by Bechtel Corporation and McCaig Investments, a Calgary-based holding company. Bantrel’s portfolio spans from OG&C and M&M development to power generation, transmission, and distribution projects across Canada. From offices located in Calgary and Edmonton, Bantrel leads the execution of a wide variety of resource-related projects in Canada and continues to build its relationships with some of the biggest producers in the energy industry, including Suncor Energy, Shell, Husky Energy, and ConocoPhillips Canada.

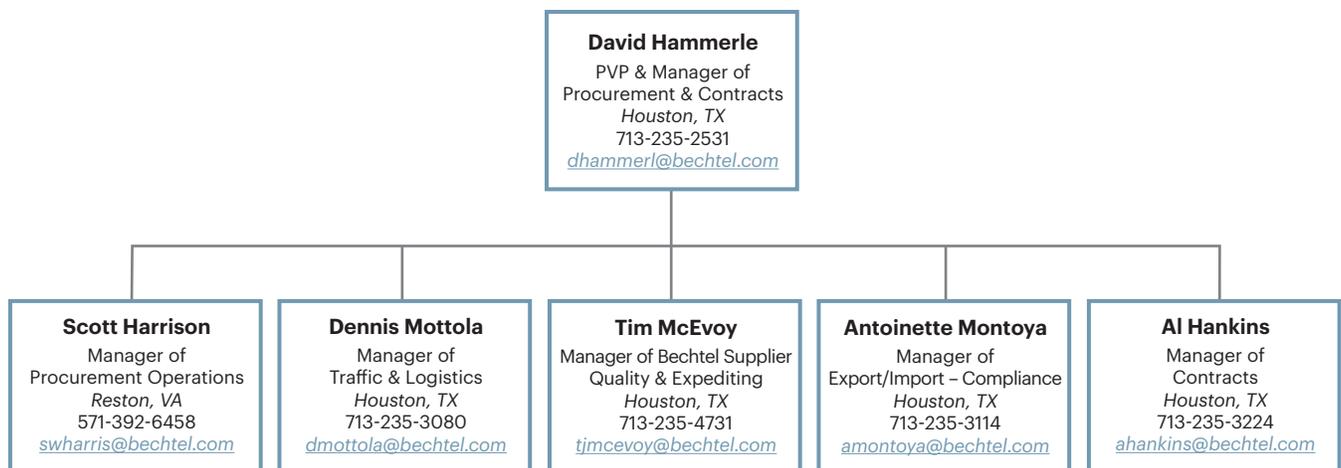


BEO: Bechtel Equipment Operations, Inc. (BEO) is a wholly owned affiliate of Bechtel, functioning as the construction equipment asset manager of Bechtel Group. BEO is actively engaged in projects across all business lines and provides projects with the full cadre of tools, consumables, and safety suppliers. It also manages Bechtel’s scaffolding program and supports heavy-lift and heavy-haul support to projects. In addition, BEO and Bechtel’s Information Services and Technology (IS&T) organizations are major buying organizations.

Bechtel IS&T Procurement and Contract: Bechtel centralizes all computer hardware and software purchased under a single organization. Although the project may periodically make purchases directly, the normal process is for purchases to be made by IS&T so that all contracts are processed through that organization.

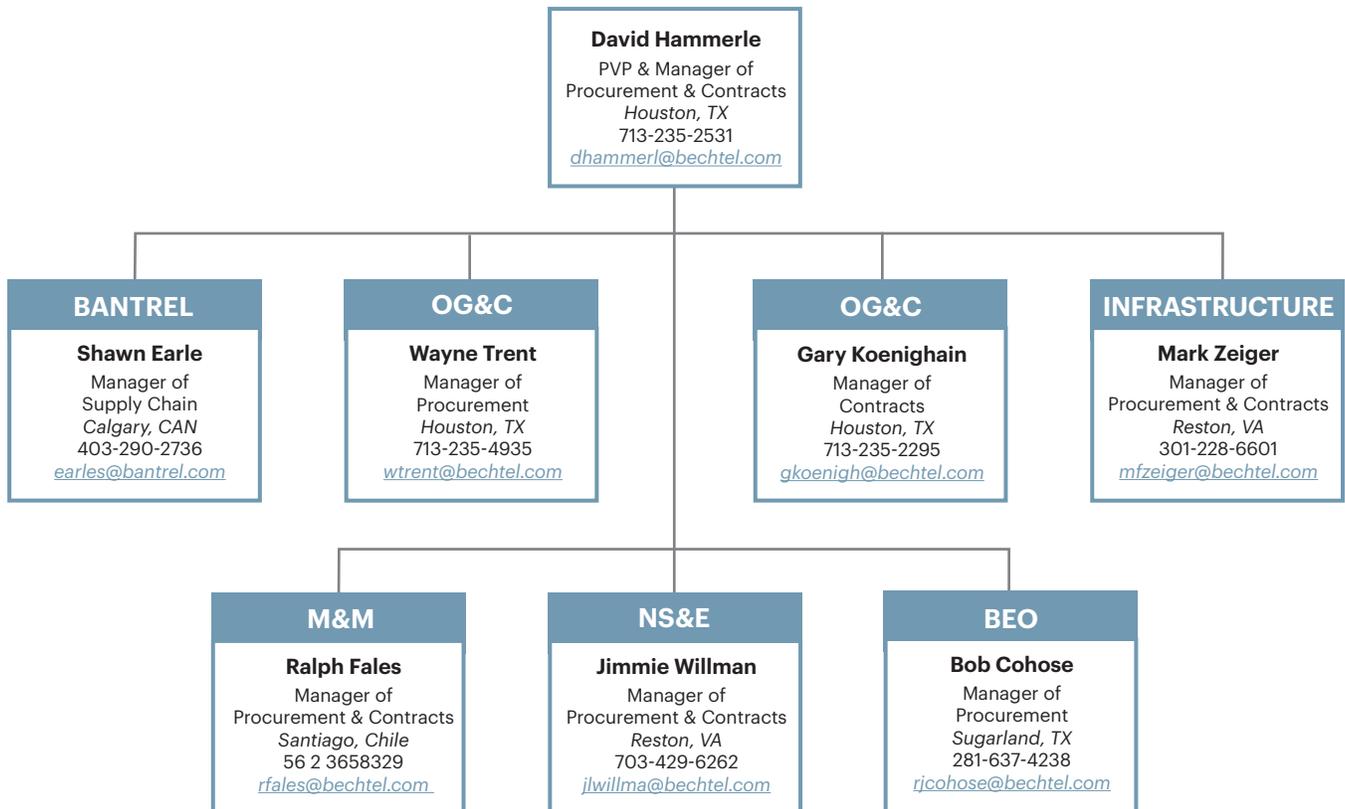
Corporate Contacts

Listed below are the corporate contacts for the supply chain function.



Global Business Unit Contacts

Each GBU has a Manager of Procurement/Contracts, responsible for deploying tools and work processes to each new project within that GBU, staffing the project, and ensuring the proper execution of the project. Each of the managers below are responsible for all procurement and contracts activity within that GBU and the three support organizations listed above (Bantrel, BEO, and IS&T).



Standards of Conduct and Compliance

Standards of Conduct and Ethics

Bechtel is committed to the highest standards of business ethics and corporate compliance. It is Bechtel's policy to deal only with organizations whose ethical standards are similar to our own, and our ethical standards are outlined in Our Code of Conduct. As a supplier, you must have a focus on ethics in all aspects of your business practices. An outline of our Code of Conduct expectations for our suppliers follows:

Fair Treatment – Our suppliers are expected to act fairly at all times. This includes not allowing undue external factors to interfere with the implementation of a fair-treatment policy and acting upon any occurrence of using a current relationship to exert improper influence on your behalf.

No Misrepresentation – Honesty is an integral part of ethical behavior, and trustworthiness is essential for strong, lasting relationships. Bechtel employees may not misrepresent themselves, including their level of authority, or the company, to anyone. We expect the same of our suppliers.

Proprietary and Confidential Information – Bechtel respects the confidentiality of proprietary information received from suppliers and contractors, and Bechtel employees will not improperly use or disclose such information. Likewise, when suppliers have access to information that is proprietary to Bechtel, we expect them to protect and maintain its confidentiality as well.

Gifts and Entertainment – Bechtel chooses its suppliers and contractors based on the quality and value of the goods and services they are able to provide. It is Bechtel's policy to never solicit or accept gifts or gratuities that may influence or appear to influence a Bechtel employee's decision in the selection of bidders for the supply of equipment or services.

Conflicts of Interest – As a supplier, you should disclose any conflict of interest to a company you are planning to do business with. Participation in personal activities and disclosing a conflict of interest will not infringe on the supplier's ability to do business with Bechtel.

Raising ethics or compliance questions and concerns: Bechtel suppliers, subcontractors, and other third-party business partners are encouraged to ask questions about our Code of Conduct or report any suspected misconduct involving Bechtel through the Bechtel Ethics HelpLine, available 24 hours a day, 7 days a week. The HelpLine number is +1-800-232-4835.

**Uncompromising
integrity, honesty,
and fairness are
at the heart of
our company.**

Compliance with Laws and Regulations

It is our responsibility to fully comply with US export and import control regulations, and we request the full support of our subcontractors and suppliers. Compliance with US export and import laws is critical to ensuring that all parties maintain export and import privileges and sustain their ability to engage in the global marketplace.

Import/Export Compliance

Bechtel relentlessly pursues compliance with all applicable export and import regulations. Bechtel's and our suppliers' obligations for export and import clearance are defined according to the respective governing Incoterms rules, unless otherwise agreed in writing in advance by the parties. Suppliers are urged to review these requirements upon order receipt to avoid delays in export shipment or import customs clearance. In many cases where an export or import license is required, the governing national licensing authority may require weeks or even months to process, approve,

and issue an export or import license. Bechtel's Import/Export Compliance Department is available to assist with any questions about the supplier's compliance requirements or to provide third-party contacts to aide suppliers requesting compliance assistance.

Anti-Corruption and Anti-Bribery Laws, including the Foreign Corrupt Practices Act

Bechtel is committed to full compliance with all domestic and international anti-bribery laws, regulations, and conventions that prohibit corrupt actions in obtaining or retaining business or obtaining any other improper advantage, including the Organization for Economic Cooperation and Development (OECD) Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions, the US Foreign Corrupt Practices Act (FCPA), and the United Nations Convention Against Corruption. Bechtel expects that suppliers and contractors at all tiers of our supply chain will be equally committed to this anti-corruption position. Engaging in or not reporting behavior that violates, or has the potential to violate, the standards set forth in the FCPA or other anti-bribery laws and regulations will not be condoned or tolerated by Bechtel. This includes giving anything of value, either directly or indirectly, to a government official or family member of a government official, a private individual, or employees of companies wholly or partially owned by a government entity.



Anti-Boycott

It is Bechtel's policy to fully comply with the US government's laws and regulations relating to foreign economic boycotts. The US anti-boycott laws and regulations prohibit Bechtel from cooperating with or supporting a country's boycott of another country that is friendly to the United States. They also require Bechtel to report to the US government any request that has the effect of furthering or supporting such a boycott. The most frequently encountered boycott is the current Arab League boycott of Israel. US anti-boycott law is relevant to Bechtel's dealings with countries that participate in the Arab boycott against Israel or boycotts of other countries friendly to the United States. Severe penalties can result if Bechtel or any part of its supply chain fails to comply with such laws. US anti-boycott law, moreover, applies to any country that participates in the Arab boycott against Israel or any other foreign boycott against a country friendly to the United States whether or not listed. Procurements relating to boycotting countries are, therefore, subject to special requirements in order for Bechtel and its suppliers and subcontractors to comply with US anti-boycott law.

US Government Acquisition Regulations

Where Bechtel is a prime contractor to the US Federal Government, or a subcontractor to a US Government prime contractor, we will flow down to the supplier or subcontractor applicable US Government clauses from our contract. These can vary from very minimal additional requirements for Commercial Off-the-Shelf (COTS) items, to very complex requirements for cost-reimbursement subcontracts. Commercial business practices commonly acceptable around the world and in the US can be prohibited, and certain requirements could have significant consequence to the supplier or subcontractor, including disallowance of costs, other administrative remedies, and possible civil and criminal sanctions. The supplier and subcontractor must understand these complex rules in the context of their agreement with Bechtel to ensure these acquisition rules are not violated.

Supply Chain Sustainability:

Delivering Higher Quality through Sustainable Procurement

We promote sustainability not by any single activity but rather by the totality of our efforts to execute projects with excellence. By improving the sustainability in the equipment, materials, and services we procure, we are improving the quality of our projects by helping to protect people and the environment, promote economic development, and partner with communities and society.

We require our suppliers and contractors to comply with all applicable national legislation, export-import compliance, regulatory requirements, and project-specific sustainability requirements established in collaboration with our customers. They are also required to be consistent with relevant external sustainability principles and guidelines.

Our sustainability expectations may vary depending on a contractor's scope of work, site-specific requirements, or customer requirements. Suppliers and contractors may be required to respond to bid specifications and/or submit, prior to starting work, specific plans for addressing particular sustainability aspects, such as:

- Implementing a working environment that protects the health and safety of workers and communities consistent with Bechtel's standards and relevant external principles and guidelines.
- Executing programs for sustainable design and purchasing, including goods made with recycled content, of reduced toxicity, or that meet "eco-label" standards.
- Providing security services in a manner that respects human rights and is consistent with international security and human rights principles.
- Engaging with indigenous peoples, other vulnerable groups, and cultural heritage consistent with Bechtel's standards and relevant external principles and guidelines.
- Supporting our customer's stakeholder engagement, including grievance procedures and reporting.

Suppliers and contractors will be evaluated favorably in bid evaluations by demonstrating a comprehensive understanding of, and ability to respond to, these and other sustainability aspects.



We require our suppliers and contractors to comply with all applicable national legislation, export-import compliance, regulatory requirements, and project-specific sustainability requirements established by our customers.

For more information:

For more information on Bechtel's approach to supply chain sustainability, contact Beth Albers at eaalbers@bechtel.com or 571-392-6982.

"I have, in the past, heard some people comment that 'our industry is too competitive to take sustainability seriously.' I respectfully disagree. I believe that sustainability is an opportunity for competitive differentiation in our industry. I expect that in five to ten years, sustainability will become a standard, rigorous element of technical qualifications when all of our companies are evaluated by project owners. So, while in the short term, sustainability represents an opportunity for competitive differentiation, I hope that over the long term sustainability becomes mission critical to qualify for work, just as safety has over the past 20 years."

— Brendan Bechtel, CEO, Bechtel

Human Rights and Anti-Slavery

Bechtel is committed to respecting human rights everywhere we operate, consistent with Bechtel's Vision, Values & Covenants and the spirit and intent of the United Nations Guiding Principles on Business and Human Rights. To that end, Bechtel does not tolerate the use of slavery, servitude, forced or compulsory labor, or human trafficking ("slavery and human trafficking"). We expect our suppliers and subcontractors to obey the laws that require them to treat workers fairly, provide a safe and healthy work environment, and care for the environment. Bechtel expects suppliers and subcontractors to adhere to these standards and expects them to hold their own suppliers and subcontractors to the same standards.

In addition, Bechtel expects suppliers and subcontractors to:

- Employ workers above the applicable minimum age requirement.
- Maintain a workplace free from threats of violence, physical abuse, or other conduct that fails to respect the safety and dignity of the worker.
- Comply with applicable wage laws and, upon end of employment, pay for return transportation costs for workers recruited from outside the country.
- Not charge workers' recruitment fees or utilize firms charging workers such fees, and to not utilize fraudulent or misleading recruitment practices.
- Not withhold a worker's passport or immigration documents.
- Provide workers a process for escalating and reporting concerns without retaliation.
- Develop policies prohibiting slavery and human trafficking and train their staff on how to identify such practices.
- Contractually require their suppliers to conform to the same standards.



Bechtel is committed to respecting human rights everywhere we operate, consistent with Bechtel's Vision, Values & Covenants and the spirit and intent of the United Nations Guiding Principles on Business and Human Rights.

Diversity in the Supply Chain

At Bechtel, we recognize the value that a diverse supply chain system brings to our business and the impact it can have on local communities. Although we are structured around global businesses that serve a broad spectrum of industries, we all share a common supplier diversity goal: to maximize opportunities for companies in the locality of the project and for small and disadvantaged businesses. Over the years, we have found that working with a diverse cadre of suppliers and subcontractors strengthens our ability to deliver quality projects, enhances the capabilities of the local or small business community, and fosters a healthy business environment.

To assist with enhancing small and local business participation use by our suppliers, we recommend that our suppliers develop a supplier advocacy plan that accomplishes the following:

- Advise supplier's senior management on opportunities and benefits with small and local businesses.
- Sponsor, represent, and/or participate in various local, regional, and national Small Business events.
- Coordinate with Small Business organizations, economic development organizations, and other organizations at local, state, and national levels.
- Meet with small and local companies to assist them in becoming familiar with the processes involved in doing business with both your company and Bechtel and providing them with contacts.
- Promote, advise, and train your company's management personnel on the principles of the Supplier Diversity Program to foster continual support.

Diversity in the Workforce and Fair Employment

Bechtel is an equal opportunity employer, and employment decisions are made without regard to race, color, gender, age, religion, national origin, ancestry, physical or mental disability, veteran status, sexual orientation, gender identity, caste, and other grounds for discrimination prohibited by applicable law. Bechtel expects suppliers and subcontractors will have employment policies and practices that prohibit employment decisions being made with regard to any legally protected characteristic and be in full compliance with the laws and regulations in the country where work is being performed.

Environmental, Safety & Health

Bechtel has a strong commitment to providing a safe and healthy workplace. To facilitate this approach, we have established Environmental, Safety & Health (ES&H) requirements that apply to all projects regardless of geographic location. Subcontractors selected to perform work on our projects are expected to comply fully with all applicable laws, regulatory requirements, and Bechtel's ES&H requirements.

Our expectations of our suppliers and subcontractors are that they will:

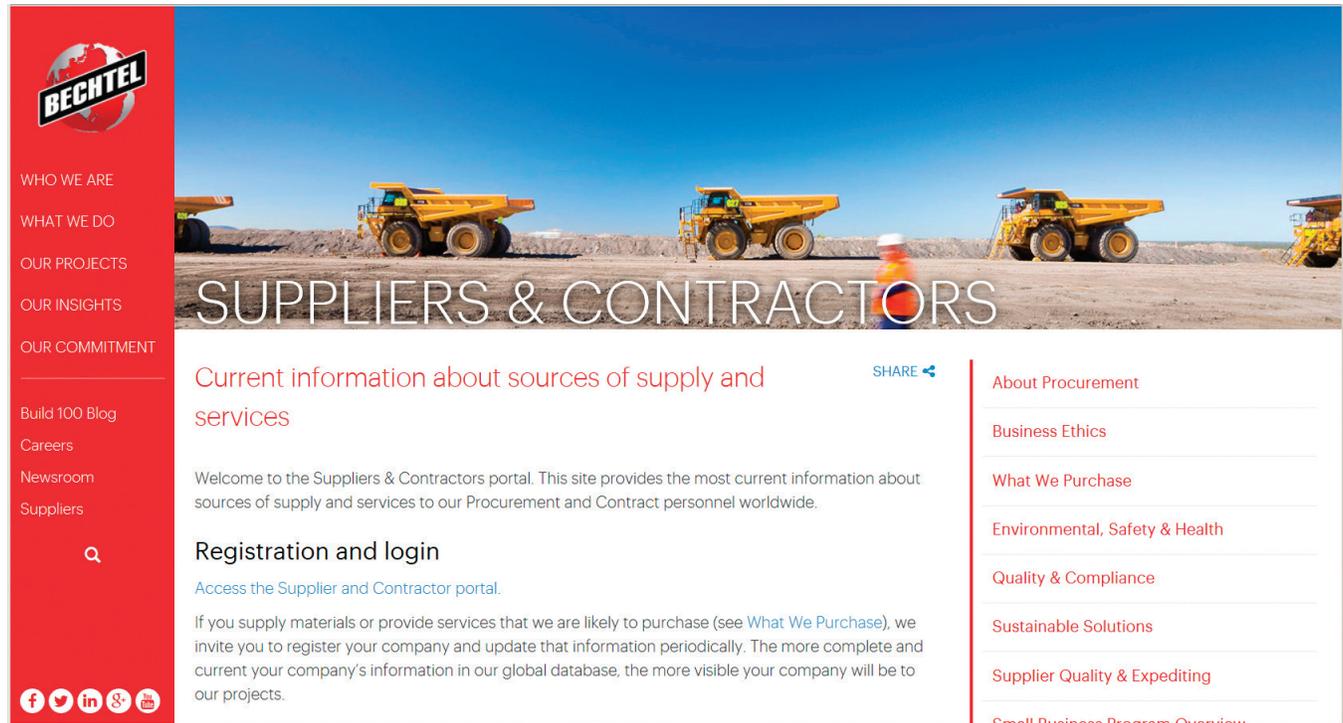
- Perform all work with a commitment to eliminating and/or mitigating ES&H hazards and impacts.
- Establish visibility on the critical importance of safety and health from senior management down to the crafts.
- Conduct all activities in a manner that protects Bechtel employees, customers, subcontractors, and local communities.
- Notify their management and Bechtel of any safety incidents.
- Acquire and maintain insurance consistent with the terms of their contract.

ES&H requirements may apply depending on scope of work, site-specific equipment, or when specialized equipment is used. Subcontractors will be expected to demonstrate in their proposal that they have applied the appropriate ES&H requirement associated with the scope of work. These requirements must be flowed down to lower-tier suppliers. Subcontractors should also perform regular inspections and periodic evaluations of their work activities, and the results will be made available for Bechtel's review.

Suppliers may be required to provide a written Safety & Health Plan that addresses Bechtel's safety requirements and specifically addresses the hazards and corresponding mitigation measures associated with their scope of work. Receipt, review, and approval of this plan are conditions precedent for mobilization of payment.



Making Initial Contacts



BECHTEL

- WHO WE ARE
- WHAT WE DO
- OUR PROJECTS
- OUR INSIGHTS
- OUR COMMITMENT
- Build 100 Blog
- Careers
- Newsroom
- Suppliers

SUPPLIERS & CONTRACTORS

Current information about sources of supply and services SHARE

Welcome to the Suppliers & Contractors portal. This site provides the most current information about sources of supply and services to our Procurement and Contract personnel worldwide.

Registration and login
[Access the Supplier and Contractor portal.](#)

If you supply materials or provide services that we are likely to purchase (see [What We Purchase](#)), we invite you to register your company and update that information periodically. The more complete and current your company's information in our global database, the more visible your company will be to our projects.

- About Procurement
- Business Ethics
- What We Purchase
- Environmental, Safety & Health
- Quality & Compliance
- Sustainable Solutions
- Supplier Quality & Expediting
- Small Business Program Overview

Registration

Suppliers are critical members of our procurement and contracting functions, supporting a diverse global business portfolio encompassing power; transportation; communications; mining; oil, gas & chemicals; and US government services.

If you supply materials or provide services that we are likely to purchase, we invite you to register your company via <http://www.bechtel.com/suppliers>. After registering, it is important that you update your information periodically to keep us current with your company's capabilities. The more complete, targeted, and current your registration information, the more visible your company will be to our projects around the world. Note that we use the services of Dun & Bradstreet to provide us with information and intelligence about active and potential suppliers, so registration requires that your company has a DUNS number. Go to <http://www.dnb.com> for more information.

Once you have registered your company, you will also be able to learn more about Bechtel's supply chain requirements, review specific project opportunities, and submit qualification information about your company into our worldwide database of suppliers and subcontractors.

Making Contacts, Pre-Bid Communications

Bechtel is a global company with many large, complex, and remote projects. We have 1,700 procurement and contracts professionals working in all parts of the globe. Understanding how to make appropriate contacts in an organization is an essential element of being a successful supplier.

Where do I find out about projects and contacts?

You can find out about projects in a number of ways. The best place to find out about points of contact is in the Supplier and Contracts Portal. The portal provides current projects and the lead procurement and contracts professionals, including information on Small Business advocates. A listing of selected projects that Bechtel is actively working on is

accessible via this portal: <http://www.bechtel.com/suppliers>. Registration is required to get project information. Once registered, you can access the list and see tendering opportunities as well as project contact information. Note that expression of interest in a project does not guarantee future bid opportunities or work.

In addition to the supplier portal, a number of the GBUs have supplier forums where they discuss upcoming projects, procurement and contracts packages that will be bid, and points of contact. Another source is to contact the Procurement and Contracts Manager for the GBU; however, this approach may not be ideal because of the limited availability of these personnel.

Who do I talk to?

We break down our communications into pre-bid and bid phases. Prior to the request for proposal/quotation being released, you can have discussions with procurement, contracts, engineering, and other functions to provide data on products and services. If your contacts are with our engineering group, please be sure to also find the corresponding contracts representative so that your capabilities are known and you are included on a bidders list.

During the bid phase, all communication with other parties must stop, and all communications must flow through the procurement representative. If you do not follow this process, you could find your company being disqualified in the bidding process. The single point of contact will be found on the Bid Request. All requests for clarifications, meetings, and correspondence should be channeled through that single individual or portal if an electronic solicitation process is being utilized.

Once you know who to talk with, understand that you will likely find a professional who is very busy and has limited time for discussion. Know what we do, and how your service or project will fulfill some need within Bechtel. If you make contact hoping someone will answer these questions for you, you may be diminishing the value of the contact. Build a compelling case for use of your company on that project. Demonstrate your value as a low-cost supplier or service provider; i.e., show geographic readiness and servicing capabilities as a full-service provider or a small or disadvantaged company that will increase our supply chain diversity by using new technology or an easier construction methodology, in a geographically preferable location, with large inventories and open shops that can be dedicated to Bechtel, as well as discounted spares or any other ideas that create an advantage for the project. And don't stop there: make multiple contacts; show persistence.

How do I get on a bidder's list?

Registering as a supplier or contractor will not guarantee you will be added to a bidder's list, which gives the names of the companies that have been reviewed as likely meeting most or all of our requirements. Following up with the project is essential so they are aware of your capabilities and interest.

How do I get qualified to perform work?

Financial Reviews

Bechtel looks at a number of factors in determining if a supplier or subcontractor is qualified to be invited to perform work on a project. Financial data is collected and analyzed to determine the stability and adequacy of the supplier's financial resources to perform the work and also to evaluate whether any bonding may be required. Financial data can be provided through one of Bechtel's financial providers such as Dun and Bradstreet or publically available data such as SEC 10K filings or the supplier's audited financial reports, which are typically required to be submitted with the proposal. Companies like Bechtel will look at your financials such as annual sales volume and present net worth. We may also analyze financial ratios such as working capital/total assets, sales/total assets, retained earnings/total assets, and sales/total assets.

Quality Management Systems

Bechtel evaluates suppliers to confirm that their quality programs meet the requirements specified in procurement documents. Early in the requisition process the engineering department determines the quality requirements applicable to the commodity being procured. These requirements range from general quality program elements published in International Standards Organization (ISO) 9001, more specific requirements as stipulated in the ASME Boiler and Pressure Vessel Code, or unique requirements specified by clients. Potential bidders are required to provide information that demonstrates their respective quality programs satisfy the requirements. The Bechtel review may be performed prior to award or through a series of reviews throughout the procurement, based on the complexity of the item being procured. These reviews may be performed as a standalone activity or as part of a Supplier Survey.

Supplier Surveys: Capabilities, Capacities, Skills, and Support

A supplier's ability to meet requirements depends on its capacity, process capabilities, and management systems that support consistent, safe, and sustainable fabrication and delivery of quality materials and equipment. Surveys assess each of these elements beginning with information provided by suppliers. A team of subject matter experts (SMEs) then completes an on-site evaluation of supplier capacity, capabilities, engineering, project team, business systems, and other management systems. Team members may include various engineering disciplines, representatives from Quality, and any other SMEs necessary to fully evaluate supplier capabilities. Significant issues are documented and addressed prior to moving forward with a purchase order (PO). For work performed at the job site, Bechtel will also review the suppliers' safety and health history to assess its safety record to ensure it meets our stringent requirements.

Other Areas We Review

Depending on the scope of work, location of the work, complexity of performance, required resources and risks to performance, we may review other areas including the following:

- Safety record
- Engineering capabilities
- Bonding capacity
- Labor relations
- Shipping capabilities
- Export capabilities
- Social and Environment sustainability programs
- History of violations of standards of conduct and compliance to laws
- Key sub-supplier ad qualifications in the above areas

Responding to Solicitations

Once you are on the bid list, you will receive a Request for Bid or Request for Proposal. Review carefully the Instructions to Bidders to ensure you submit a timely bid that conforms to all the requirements. The solicitation will normally contain four sections:

- Bid Request cover letter
- Instructions to Bidders with the Form of Proposal attached
- Material Requisition (scope, specifications, drawings, drawing data submittal requirements, and terms and conditions of the resulting award)
- Confirmation of Intent to Bid



The Form of Proposal

Use the Form of Proposal to provide the details of your bid. This document needs to be filled out completely and accurately, and it must contain any assumptions you use in completing the document. The Form of Proposal must be returned with your bid/proposal. The Form of Proposal is signed with your certification that you understand the requirements and will comply with our bid in the event of an award. The form of proposal addresses the following:

- **Exceptions to the Terms and Conditions** – Our terms and conditions are consistent with the Uniform Commercial Code and project-specific terms that are flowed down from the project’s prime contract. Exceptions to our standard terms and conditions by supplier increase our risk to performance and could result in your bid being disqualified.
- **Exceptions to Technical Specifications** – Innovation is encouraged, but suggesting an approach that deviates from the technical specifications may be viewed as an alternate bid, so if you are proposing something different than the requirements, discuss this with the Buyer.

Other requests for pricing and disclosures include the following:

- | | | |
|--------------------------|---------------------------------------|-----------------------------------|
| ▪ Pricing | ▪ On-site technical advisory services | ▪ Harmonized system numbers |
| ▪ Testing and inspection | ▪ Tagging and markings | ▪ Sub-suppliers that will be used |
| ▪ Painting and coatings | ▪ Insurance | ▪ Diversity of supply chain |
| ▪ Spare parts | ▪ Labor agreements | ▪ Safety and environmental |
| ▪ Special tools | ▪ Bid validity | ▪ Sustainability practices |
| ▪ Packing and protection | ▪ Schedule | ▪ Buyback provisions |
| ▪ Special training | ▪ Transportation requirements | ▪ And more |

You may be asked to submit a detailed schedule showing key milestones from receipt of order to the final deliverable. This step provides you and Bechtel with an understanding of the critical path issues and how deliverables from both the supplier and Bechtel will affect how milestones are achieved.

Alternate Bids

Our standard language often contains an invitation to submit an alternate bid. The alternate bid will only be accepted if the supplier submits a conforming bid that meets the solicitation requirements, unless it is approved in pre-bid communications with the Buyer. An alternate bid should be submitted when:

- An improved product can be offered that will lower total costs;
- An alternate product or a standard product, which is available with improved commercial terms, can be proposed that provides the required form, fit, and function; or
- An alternate product can reduce total delivery time.

Price

Once suppliers are identified, the bid, evaluation, and award process commences. After receipt of proposals, a technical and commercial evaluation is conducted. The commercial assessment includes review of pricing against a vast database of historical pricing, comparison to current conditions in the industry, and reviews with the appropriate category manager for that commodity group. Through a triangulation process of analyzing the price against three data points, negotiations will commence to establish the preferred low-cost solution.

The buyer may negotiate or conduct a reverse auction. Bechtel's reverse auction tool may be utilized to obtain either initial or final pricing from the suppliers. The bid instructions will communicate to you the potential use of reverse auction and whether it will be used to collect initial or final pricing. Negotiation may instead take place to reach the optimal combinations of terms and conditions to meet project goals.

Understanding Total Evaluated Costs

Our solicitations allow us to select the most favorable proposal. The low bidder is not always selected. We will evaluate all costs associated with the acquisition of your product or service, including extra costs like taxes, duties, transportation, import/export costs, quality surveillance, and additional engineering. Your bid will be adjusted to include these additional costs.

Our specifications can be complex and, at times, specify products or technical requirements that could potentially be unnecessary for the intended purpose. We strongly encourage suppliers to help us reduce our costs through innovative approaches. Openness to sharing ideas with Bechtel over technology, work process, and alternative methods is essential for ensuring advancement of value in improved total costs of ownership, lower costs, shorter lead times, or increased satisfaction of Bechtel's customers.

The largest impact you can have is on the price of the product you have submitted. What can you do to impact the low-cost evaluation? First, solid past performance will potentially reduce the costs we estimate for quality surveillance. If you have multiple fabrication facilities, use the facility that will minimize transportation, import/export, and tax burden.

Hints on Responding to an RFP

Read the Full Bid Package: Ensure you have a full understanding of the technical and commercial requirements in the solicitation and have reviewed the terms and conditions. For suppliers to avoid cost or schedule impacts after award, the following should be followed prior to award:

- Provide pertinent Bechtel bid-request information to your sub-supplier.
- When submitting the bid, clearly highlight any differences between the scope of the work defined in the Bid Request and the scope covered in your quotation.

- Make your quotation sufficiently comprehensive.
- Do not conceal information or errors in the technical or commercial documents with the intent of asking for an upward adjustment in price later. This does nothing more than create a risk in obtaining compensation and takes resources to evaluate the changes.
- Attend pre-bid, clarification, and pre-performance kick-off meetings fully prepared to ensure your bid is understood and conforms to the technical requirements.
- Before accepting an order, ensure that you and the project are aligned on the scope of work and resolve any differences.
- Upon award, closely review all PO documents. Provide written acceptance/acknowledgement.

A less than full review could result in technical or commercial obligations that could have cost and schedule implications. Each project is unique, and our prime contract may have different terms, meaning that what you did on one project may not be acceptable on the next. RTFC: Read the full contract.

Double Check Your Work: Review your pricing line-by-line. Ensure the Form of Proposal is complete and all instructions have been addressed. An incomplete proposal could lead to disqualification.



Executing the Work

Scheduling

Project schedules are essential to ensure that work is executed as planned. Accurately scheduled milestones allow for efficient performance, ability to meet construction dates, on-time start-up, and a solid baseline to measure the impact of change. Many variables are factored into a project schedule. A deviation from the project schedule even of a single day can affect the project contractual obligations, cost tens of thousands of dollars, and cause disruption to both Bechtel and the supplier.

During the bid phase, the supplier is required to propose a milestone schedule in the Form of Proposal. During the clarification meeting, you may be required to adjust certain elements. If asked, ensure you can comply with the revised schedule.

Supplier schedule requirements vary by project, even if a similar product is provided to an alternate project. In all cases, Bechtel is highly dependent on supplier schedules. Bechtel project schedules incorporate supplier milestone dates for deliverables that affect engineering and construction progress. Milestones include schedule and actual dates such as drawing submittals, the start and completion of fabrication, and shipment. The project uses your schedule milestone dates to measure:

- Progress against the plan,
- Early warning of problems, and
- Corrective action, if needed, including more resources or workaround plans for a negative trend, and achieved milestones for PO progress payments.

It is critical to provide regular updates and advise the project immediately of any probable or actual changes to the schedule. The frequency of updates is at the discretion of the Bechtel Expediter. Daily updates may be required under rare circumstances.

Many projects use a “just-in-time” delivery strategy, allowing for delivery of material to the site when it is needed for installation. Already discussed was the impact of late deliveries. But early deliveries also require costly workarounds, including making space available for storage, multiple handling of the equipment, warranty lapses, unavailability of offloading equipment, and damage to the equipment. For example, when motors and pumps are shipped, they require long-term storage. Even with preventative maintenance performed, there is an increased risk that motor or pump bearings will develop soft spots, motor windings will deteriorate from moisture, and seals might dry out and crack.

Early reporting by the supplier of schedule changes will help us mitigate the impact of the late delivery by resequencing work, planning for additional laydown space, having equipment available for offloading, and ensuring construction personnel are available for installation. Best practices in scheduling include the following:

- Forecasting: Keep a detailed baseline for forecasting, tracking progress, and detecting when there is a problem.
- Level of detail: Craft a schedule capturing your specific responsibilities and outside events that can trigger or potentially stall progress.
- Map the work and manufacturing processes: Document errors, deviations, and lessons learned to establish metrics and schedule performance, which will help develop new ideas, improve your work processes, and increase your competitive advantage.
- Master production planning: Combine PO schedules into a master schedule to efficiently track all booked work in your shop(s), in addition to the status of specific projects. Always provide your sales force with copies of your master schedule to avoid double booking.



Drawing Reviews

As a supplier, you want to avoid any disruptions that may delay proceeding with the work. Managing your data and drawing requirements can improve engineering and production schedules and reduce project costs. Drawing and data requirements differ between projects. The drawing and data submittals allow our engineers to complete their design, and then allow for further ordering of other equipment and materials, so your drawing and data submittals could cause a tremendous adverse impact even if the lateness does not impact your delivery schedule. Supplier drawings are used beyond engineering, they are used extensively by Start-up and Commissioning teams as well as Operations & Maintenance (O&M). In other words, the plants, facilities, and projects that Bechtel designs, procures, and builds for its customers begin with your detailed drawings and data.

Our goal is to **collaborate and integrate digitally with the supplier**, which would entail access to the supplier's technical library to pull technical data associated with the product or service being proposed. This approach is reviewed as part of the solicitation to review the supplier's capabilities.

Where technical data and drawings are required, included as an attachment to Section 2 of the PO are a number of technical requirements that include the Document Submittal Requirements (DSRs). This document is used to plan your submittal drawings. You will be required to submit a Drawing and Data Index that shows each submittal by drawing number and submittal data. Once we receive the Drawing and Data Index file, it is uploaded into a document management system, making it possible to track progress. Suppliers are encouraged to request copies of status reports, which can be generated from the database to avoid any misunderstanding of status.

The DSR may also specify O&M manuals. The DSR will specify which O&M manuals should be included and how many of each are required. The O&M manuals are vital, because they are used to plan the installations of equipment, including rigging, storage and maintenance of the equipment, and assembly sequencing.

Drawing submittal procedures vary from project to project, and the coding for status codes between our various business lines may also vary. Know your status codes specific to that purchase. Once the drawing and data are submitted and determined to be correct, you will receive a "Work May Proceed" status; this does not, however, designate approval. To improve on the schedule to obtain "Work May Proceed" status, consider the following:

- Provide electronic versions of your submission and documents.
- Ensure the documents are in the proper format and the correct numbers are referenced.
- If information from your sub-suppliers is needed for your drawings, make it a clear requirement in your agreement with them so you have this information promptly.
- Incorporate project specification requirements on your originals.
- Understand and incorporate Bechtel comments on your drawings. If it is impossible to incorporate a comment, provide an explanation.
- Never make changes to the drawings and data unilaterally to gain approval through the review process. If you think a change is necessary, a change request may be formally submitted to the project.
- When hard copies are required, provide bond paper documents that are easily reproducible, and send them via a traceable courier.
- Submit drawings and data to the location and contact contained in Section 2. The contact is typically different from the Bechtel primary contact listed on the PO cover page.
- Do not combine drawings and data for multiple projects. Submit each project separately.



Supplier Deviation Disposition Requests

Supplier Deviation Disposition Requests (SDDRs) provide a contractual mechanism for a supplier to deviate from the requirements contained in procuring documents by requesting Bechtel's permission to deviate from requirements, requesting Bechtel to modify the requirements, or reporting non-conformances where the supplier proposes "repair" or "use as is." The supplier should provide the request using the SDDR form in the agreement. Once submitted to Bechtel, the SDDR will be reviewed. If accepted, Bechtel may request a price adjustment if the deviation reduced the supplier's cost. Depending on the prime contract Bechtel has with its customers, the customer may want to review all SDDRs before they are dispositioned back to the suppliers.

Change Management

Changes are disruptive for suppliers and subcontractors, Bechtel, and our customers, but are part of any complex engineering and construction project. Changes impact costs, schedule, and productivity of the construction and fabrication craft. Therefore, we strive to minimize the number of changes and need our suppliers to ensure that their drawing, data, and final deliverables meet agreed-upon requirements.

Change Notification – Bechtel

Bechtel may initiate change. The "Changes" General Condition in the PO allows for changes to drawings or specifications, delivery schedule and location, method of shipment and packing, and quantities. If any of these changes affect cost or schedule to the supplier, a request for adjustment must be made by the supplier promptly after discovery of the potential impact. Any agreed-upon equitable adjustment will be incorporated in the PO through a revision to the PO. The request for adjustment must contain:

- Price and/or schedule impact from the change;
- Supporting detailed breakdown for proposed price adjustments, including job-hours, activities, sub-supplier costs, engineering hours, etc.;
- Date by which a decision is needed for the requested change to avoid schedule impacts; and
- Alternative technical solutions to save time and money without compromising safety, quality, or operability.

When the supplier or subcontractor receives notification of a change, they will be requested to establish the cost and schedule impact of the change, or may be directed to proceed with the change, and subsequently provide cost and schedule impact. Maintaining cost records to demonstrate the actual impacts will be important to substituting cost and schedule impacts resulting from these changes.

Change Notification – Supplier or Subcontractor

The supplier or subcontractor in some cases may need to initiate a change request when the specifications cannot be met or a lower cost approach can be taken. The supplier is required to send in the basis for the change request and the same data that is requested above when Bechtel initiates a change. The change request will be reviewed to first verify there is a contractual basis for the change, and then to review the cost and schedule impacts. Therefore, it is important that you clearly communicate the contractual basis and provide a full cost and schedule impact summary. Inaccurate, missing, or unsubstantiated data will impede progress in closing out all changes.

Performance Management

We pride ourselves on delivering quality work to our customers. We insist on the same high-industry standards from our suppliers and contractors. Suppliers and contractors are responsible for providing equipment, materials, and services that meet all technical requirements of the contract specifications, including all applicable industry codes, standards, permits, and licenses. This means that all equipment and materials arriving at our project sites are defect-free and that the workmanship of contractors meets the highest industry standards.

As part of our attention to quality, all equipment and material suppliers and subcontractors are evaluated during and after each project contract. A quality performance rating is recorded in our system for our future reference, indicating the best performing companies that we have used in the past.

Bechtel's projects typically use a significant quantity of custom-fabricated material and equipment. Our quality goals are fairly straightforward:

- Ensure that awards are made to capable suppliers
- Communicate the unique project requirements to suppliers
- Ensure fulfillment of requirements
- Promote early identification of non-conformances

Following PO award, our Quality program involves three primary steps: Quality Assurance (QA) Review, Pre-Fabrication Meetings, and Supplier Quality Surveillance.

Quality Assurance: Our QA team uses four screening methods to rate potential suppliers: shop surveys [visits and evaluation of the supplier fabrication shop(s)], sub-supplier evaluation, qualifications and training review, and performance history review.

Pre-Fabrication Meetings: Prior to award, if the PO involves highly complex or schedule-critical equipment, the project may schedule a pre- and/or post-award meeting. Your QA and Quality Control (QC) representatives must attend these meetings to review your inspection plan—right of access, release for shipment authority, notification requirements for witness and hold points, and exceptions to the bid documents. The more you can demonstrate your understanding of the quality requirements and consistently implement them, the less involved our shop inspection will be.

Supplier Quality Surveillance: Supplier Quality Surveillance is often referred to as shop inspection. Some POs require shop inspection; others are based on the complexity of the product, schedule sensitivity, and supplier's experience with Bechtel, including their past performance. The shop inspection is broken down into several phases:

- 1) **Initial Visit:** Before you start manufacturing, the assessing Supplier Quality Representative (SQR) may conduct an initial visit to your site. The goal of the visit is to review the scope of work, specification documents, and PO quality requirements with your engineering representative and quality manager. Items to review include the contact protocol for both companies, technical and quality requirements of the procurement documents, applicable codes and standards, engineering document review, notification points, witness and hold points, supplier documentation, and release for shipment.
- 2) **In-Process Activities:** After the initial visit, the actual inspection activities begin. These can include notification requirements, inspection at witness and hold points, reporting non-conformances, the SDDR, final inspection, and release for shipment. In addition to final inspection, the SQR may want to observe events such as the factory acceptance test, hydrostatic test, and non-destruction examination. Advance notification is required for the SQR to witness these activities. The PO will typically state the amount of advanced notice that must be provided to the SQR to allow for arranging travel for the SQR and other participants. Frequent communication and regular visits to our suppliers' facilities is common practice. It reinforces our proactive approach to resolve potential issues, which helps suppliers deliver consistent value to the customer in a timely manner.
- 3) **Final Inspection:** The final shop inspection confirms that your project is manufactured in accordance with the technical and quality requirements in the procurement documents. Ideally, your material should still be in the shop and available for inspection. Provide an arrangement that permits maximum accessibility to the equipment, adequate lighting, and a level of set-up for ease of identifying reference points and making critical dimensional checks. Make all reviews of drawings and quality verification documents available to the SQR. Making shipment before the SQR has released the product for shipment may result in return of the goods at the supplier's expense, delay in payment, actions recorded in the surveillance inspection report, and actions recorded in the Supplier Performance Data (SPD) system (see below).



Backcharges

A backcharge is a cost incurred by Bechtel that may be charged to the supplier to 1) correct goods or services that are not in compliance with the supplier's obligations under the purchase order or (sub)contract, or 2) perform the supplier's work using Bechtel's or a third party's labor or resources. A clause is included in all POs and subcontracts addressing this subject. Bechtel endeavors to notify the supplier in advance of performing the deficient work to allow it the opportunity to provide corrective action. However, because our projects are schedule-driven, we may not always be able to provide advanced notice in an effort to mitigate costs. If you receive a notice that you need to perform corrective action, respond to the notice immediately. When you receive a notice that costs were incurred by Bechtel as a result of defunct work, provide feedback as soon as possible. If costs are owed to Bechtel, they may be taken as direct payment from the supplier, credit invoices, or offsets to other purchase orders or subcontracts.

Managing the Supplier's Supply Chain

One of the largest risks to Bechtel is the performance of our supplier's lower-tier suppliers, referred to as "sub-suppliers." We rely extensively on our suppliers to flow down applicable commercial and technical requirements to their suppliers, then provide the necessary oversight to ensure sub-suppliers perform to quality and schedule requirements, especially considering the growing "fracturing" of the supply chain.

Although we do rely on the supplier to manage its sub-suppliers, Bechtel does take some or all of the following steps with sub-suppliers, depending on the complexity of the equipment and the criticality to schedule:

- We request suppliers to identify sub-suppliers in the Form of Proposal.
- Based on type of equipment, we review sub-suppliers against restricted parties lists, financial capabilities, and other data we have on the sub-supplier.
- We require suppliers to provide an integrated schedule showing the sequencing of work with its sub-suppliers against the fabrication plans for the supplier.
- We determine any sub-suppliers for which we will perform quality reviews or expedite, based on:
 - Surveillance plans, requested from the supplier for critical sub-tier suppliers to ensure the supplier is providing adequate oversight; or
 - Unpriced POs, requested to ensure that the supplier is providing adequate oversight of the sub-supplier.
- We include sub-suppliers on our kick-off agenda.

Packaging and Shipment, Import/Export, and Logistics

Bechtel's Traffic & Logistics (T&L) colleagues worldwide are responsible for managing compliant, damage-free, and on-time delivery of project equipment. Early communication and collaboration with our equipment suppliers and logistics service providers is imperative for visibility of equipment while in transit and to produce predictable delivery outcomes. Whether shipment delivery responsibilities are managed by our suppliers or Bechtel T&L, we encourage early communication with Bechtel T&L to ensure that delivery requirements and expectations are clear and understood. Our purpose is to answer any questions and to address any concerns that could increase cost or delay delivery of equipment and, thus, negatively impact project schedule. We have identified some key areas of interest that will provide preliminary guidance to suppliers designed to increase the probability of our mutual success.

Delivery Terms

Bechtel's choice for documenting agreed delivery terms is Incoterms 2010 (Incoterms). Incoterms is Bechtel's standard reference for defining the buyer's and seller's cost and risk of loss obligations and for defining at what point goods are considered delivered by the seller to the buyer. Bechtel uses Incoterms regardless of mode of transportation, country of origin and destination, or whether a domestic or international sales contract for delivery of tangible goods has been

placed. Any question about local interpretation of the most common trade practices (such as Custom of the Port), or addition or deletion to standard obligations under any Incoterms rule, requires that seller and buyer clearly document in writing the variation to Incoterms and any resulting change in standard Incoterms delivery cost and risk obligations agreed between the parties.

Supplier Advance Shipping Documentation

Bechtel's requirements for obtaining written shipping instructions and for pre-shipment documentation submittals are contained in the Bechtel Long Form PO Part 3 – Commercial Requirements, Attachments TL and PD. Sellers/suppliers and sub-suppliers are encouraged to review these requirements immediately upon receipt of Bechtel's PO award. To properly advise those entities that will be transporting or documenting shipments of Bechtel equipment, Bechtel has identified several pre-shipment supplier submittals, some of which are requested months in advance of shipment or as early as order receipt by the supplier. Suppliers are further encouraged to submit pre-shipment documentation in digital format. Packing lists are required in MS Excel format only, and transport drawings are required in both CAD and PDF format.

Supplier-Managed Shipments

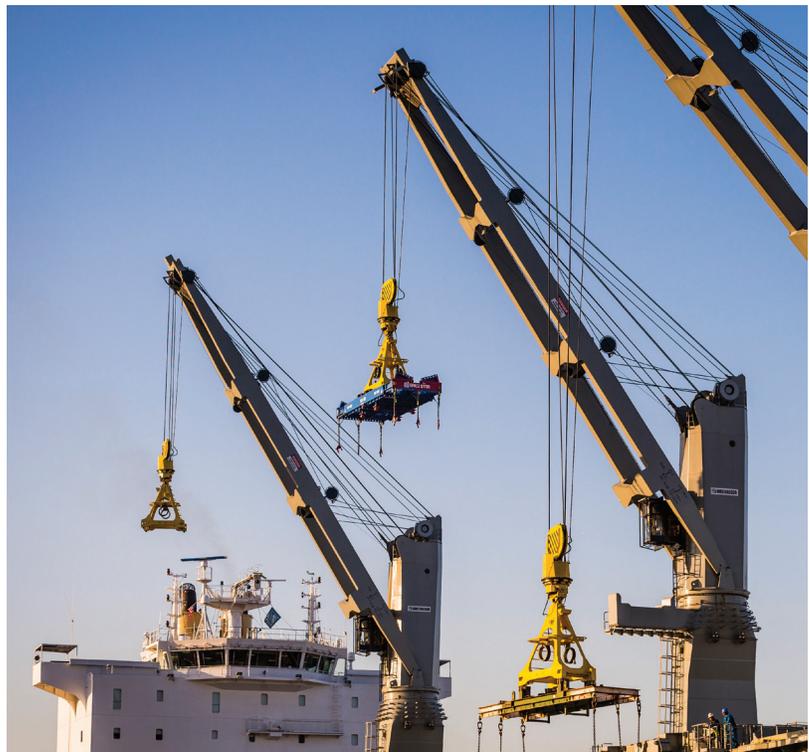
Purchase Orders placed on C or D Incoterms rules similarly require Advance Shipping Documentation, even though shipments will be arranged and managed by the seller. Contingent on the size and weight of any single piece of equipment, suppliers are required to submit advance documentation that demonstrates the seller's planning and preparation for shipment, and to ensure equipment departs and arrives on time, is damage-free, and has no unnecessary delay. Please see the PO TL Attachment for more detail.

Preparation for Shipment – Packing and Marking

Bechtel's minimum package preparation and marking instructions are communicated in PO Part 3 – Commercial Requirements, TL Attachment. As a minimum, sellers are responsible for ensuring equipment and materials are properly protected from damage in transit consistent with the transportation method to be utilized for shipment. Further specific packing and marking instructions are contained within the TL Attachment. Prior to concluding the contract of sale, sellers are advised to contact Bechtel's representative to inquire as to the intended method of transport so that the appropriate level of packing can be offered at the time of quotation.

Special Handling Safety Requirements

Safety is a core value in Bechtel. We endeavor to keep people safe from harm and to provide a safe, healthy working environment so all workers return home safely at the end of the work day. As such, we work hand in hand with our suppliers to identify any safety concerns associated with handling equipment shipped from Bechtel suppliers. Our suppliers are responsible for ensuring that there is no risk of personal injury attributable to the method of packing or loading of equipment shipped and for ensuring that Bechtel is given written notification of any risks associated with such packing or loading and in unpacking and unloading. Our goal is to identify any special handling safety requirement in advance so that those receiving shipments from Bechtel suppliers are properly equipped and prepared for safely handling arriving shipments. Bechtel's requirements for Special Handling Safety Requirements are contained with the PO TL Attachment.



Invoicing, Payment, and Accruals

Invoicing and Payment

It is an understatement to say that the payment is important to the supplier. So, below are some guidelines that will allow your invoice to travel quickly and efficiently through the approval process. Many sections of the PO can influence the invoice and payment in addition to the invoicing instructions in the order.

There are various types of payment, including the following:

- **Progress/Milestone Payments:** These are interim payments for reaching some level of progress or achieving some type of milestone such as engineering submittals, evidence of payment to sub-suppliers, and measurable steps in fabrication. As a general rule, Bechtel does not accept payment terms where process payments are not based on certifiable milestones. Before authorizing payment, a Bechtel buyer or expeditor must verify that the requirements are satisfied.
- **Partial Shipments:** These occur when less than the full quantity of a PO or PO line item is shipped. If a shipment has several components that are shipped separately, it is important to itemize the shipping list, including the correct tag, PO item number, and pricing for each piece. Otherwise, the item will not be effectively received or paid on a partial basis. You will be paid for a partial shipment if all material can be properly identified against matching PO line numbers, and it can be received and handled properly.
- **Final Payment:** Final payment, including the release of retention, is approved when you have completed the contractual requirements. To authorize final payment, we will need:
 - 1) All drawings and data submitted per the requirements in Section 2 of the PO, including spares, O&M manuals, samples, as-builts, test reports, and any other documentation.
 - 2) Drawings upgraded to Code 1 or Code 4 status.
 - 3) All backcharges resolved, including credit invoices to account for the value of the backcharges.
 - 4) Equipment received and all issues resolved.
 - 5) All maintained test equipment and special tooling, identified for delivery in the PO, delivered.
 - 6) All Non-Conformance Reports or Corrective Action Reports resolved with the supplier.
 - 7) Supplier payments to sub-suppliers acknowledged with necessary Release of Liens.
 - 8) A Release and Certificate of Final Payment by the supplier, which assures that the final costs are agreed to, provides assurance of no outstanding claims or lines against the PO, and validates that the supplier has paid all subcontractors and sub-tier suppliers associated with furnishing the material defined in the PO.
 - 9) Return of all Bechtel-provided equipment.
 - 10) Receipt of all special warranty certificates.

A complete invoice will assist in timely payment. It must be sent to the remit to address in the PO, must match the PO, and include the required documentation and information.

Accruals

A May 2014 change to the Generally Accepted Accounting Principles was issued regarding a new accounting standard for revenue recognition. As part of this new standard, Bechtel may need to assess the current clause of the liability Bechtel has for an item under fabrication or being performed at the jobsite. These accrued costs may be required for periods ending in February, May, August, October, and December of each year. You may get a request from Bechtel to provide the total costs accruals, in other words, the value of work performed (e.g., progress with fabrication, purchase of materials, testing, preparation for shipment, shipment, and similar work performed but not invoiced).

Closeout

Many steps are involved in closing out a PO. These steps may initially seem like a needless formality, but following them will assist with receiving final payment. Before a final payment can be made and the PO closed, all deliverables must be met. These include drawings that have a Code 1 assessment, submitted O&M manuals, delivered spare parts, provided as-builts, and lists of special warranty requirements. Further, there can be no outstanding issues such as open backcharges. Bechtel internally has a closeout process and checklist that assists with obtaining final deliverables, thus allowing the PO to be closed.

Warranty

With final payment made, the sole remaining item is resolution of any warranty items. The Bechtel buyer or expeditor should obtain from you the contact point for all warranty repairs. In special cases, warranty claims may be assigned or novated over to the customer depending on the language in the prime contract and Bechtel's PO with its supplier.

It is of utmost importance that the supplier responds to the warranty request. Bechtel typically has contractual obligations to respond to warranty requests from its customers in a certain period of time, including emergency repairs. If Bechtel is not able to reach its supplier, or the supplier does not timely respond, Bechtel will obtain an alternate source to perform the work and assess those costs to the supplier.

Delivery and Performance Record

Bechtel archives data that provides insight into supplier performance for consideration for future work. Some of the systems are described below.

Supplier Performance Data (SPD) System: This system tracks the number of specification deviations identified during shop surveillance, the number of re-inspections required, and the supplier's responsiveness and supports the shop inspection activities and delivery schedule submittal. This information is available across Bechtel and is also available to the supplier. At the end of your performance under the PO, the supplier may ask the procurement contact for a current copy of the SPD report to identify areas of improvement and engage in a discussion on future improvements.

Overall Rating: Bechtel assigns a second rating for supplier performance, which is maintained in our database. These overall supplier ratings are between 1 and 5 (5 is the best rating) based on change management, delivery, submittals, inspection, final delivery, and invoicing. This score then forms the basis for a risk rating for the supplier.

Risk Rating: Each supplier has a risk rating that takes into account SPD, subjective overall rating, on-time delivery, and Dun & Bradstreet financial stress indicator.

Warnings and Advisories: Bechtel has a system in place that provides warning and advisories on suppliers. A warning excludes a supplier from being awarded a PO based on business practices that are unethical, inclusion on a restricted parties list, high financial risk scores, unfounded claims or liens, disregard for warranty compliance, and non-performance in a critical area or systemic poor performance. An advisory is an alert that notifies all projects of concerns that resulted from the supplier's performance but does not exclude the supplier from winning new work.



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