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The Chemphil Group

Disposal of Plant Operations-Related Assets and Scrap Materials: Group Policies and Internal Control Procedures

1. Policy Statements:

- 1.1 To promote employee efficiency and productivity, work areas should be orderly, well maintained, clean, and safe consistent with the practice of the 5S OF GOOD HOUSEKEEPING. Towards this end, only assets, equipment and other items required in the operations of each department or unit must be found in the workplace. All other equipment and other items - if usable at some future time - must be stowed/stored in the appropriate warehouse with proper transfer of accountabilities.
- 1.2 Those assets, equipment and other items which are clearly no longer useful at any time must be disposed of in coordination with the Internal Audit Department of the Chemphil Group following procedures and principles of internal control.
- 1.3 In circumstances as specified below, the Committee on the Sale or Disposition of Disposable Items (SODDI), must be called upon to ensure that the assets, equipment and other items that have a resale value shall be sold to the highest qualified bidder and under terms and conditions that are least inconvenient to the Company at any time, present or future.

2. Scope/ Definition:

- 2.1 **Inclusions:** Assets, equipment and other items for disposal under these rules include:

- 2.1.1 **Unserviceable operations-related items** which include plant dilapidated facilities; obsolete equipment, machine spare parts, factory supplies, or those that are damaged beyond repair, or when repair would prove to be more expensive. Examples: tools, defective pumps and motors, mechanical seals, etc.
- 2.1.2 **Scrap items** which may include metal refuse like G.I. sheets, iron bars, pipes; used oil, dilapidated wooden pallets, scrap lumber, old PP sacks, used carboys and containers, used P4 drums, etc.
- 2.1.3 **Scrap materials**, i.e., damaged or off-spec finished products and raw materials, commonly referred to as "B.O. or Bad Order products", which can no longer be reprocessed or used in production, and are not covered by any insurance claims.

- 2.2 **Exclusions:** Sale or disposal of the following assets is not covered by this policy since these fall normally under the jurisdiction of the Group Administrative Services units of IREDD & GPPAS and in specific cases, in coordination with the Controllership Division and Financial Services Division:

- 2.2.1 Items which—although basically located in a plant unit are not production/ operations-related, like office aids, office tools, etc.
- 2.2.2 Company cars/ vehicles
- 2.2.3 Office furniture and office equipment
- 2.2.4 Real property
- 2.2.5 Shares of stock regardless of value

