

Fixed Assets Physical Inventory Management

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Objective and Scope

Objective of this Procedure

The purpose of this document is to describe the practical modalities for preparing and taking the physical inventory of fixed assets.

Scope

This organizational procedure (P) applies to all companies within the Syensqo Business Services scope of entities.

Reference Documents

(N/A)

Definitions

WBS	Work Breakdown structure
PS	SAP Module for "Project System"
ERP	Enterprise Resource Planning (SAP)
SBS	Syensqo Business Services
SC	Service Center
CAM	Companies Accounting Manager
PE	Process Expert
BFC	Business Financial Consolidation. Group's consolidation tool
FSL	Finance Service Line
AUC	Asset Under Construction
SU MAC	Service Unit Management Accounting
CAD	Country Accounting Director
FD	Financial Director

Main Part

General Roles and Responsibilities

SBS Actors:

- **FSL SU MAC PE I&D:** The I&D PE has mostly a supervision role in the physical inventory process, supervising overall process efficiency across the Group.
- **FSL SU MAC Regional I&D Key Users ([link](#)):** the Regional I&D Key Users are responsible to coordinate with GBU Accountants the IC deliverables. they should be involved in inventory process instructions definition. They also supervise the process for their region (ensure list are correctly extracted; follow up on adjustments recorded, etc.). They are the internal control owners of assets physical inventory.
- **FSL SU MAC GBU accountants ([link](#)):** the GBU accountants collaborate with Regional I&D Key User to secure yearly communication on IC to the sites. They are responsible to identify, maintain, update and communicate the list of individual eligible to send a request to the SC. They should request new 5Y Plan when this has expired and collect new plan for the following 5Y. He is also responsible to collect the Assets Physical Events evidences from Site Assets Accounting Contact. He should secure a good reporting during the Service Review with the GBU.
- **FSL Companies Accounting Managers:** CAMs are not involved in the process directly.
- **FSL Country Accounting Directors:** CADs are only involved in the process in case of discrepancies detected in the counting or non compliance by a site.

Non SBS Actors:

- **Site Managers:** The site managers are mainly in charge of validating the inventory results and of appointing the operation managers to execute the operations.
- **Site Controllers:** The site controllers are responsible for supervising the process along the site managers.
- **Site Assets Accounting Contacts:** The Assets Accounting Contacts are responsible to extract the list of assets when 5Y Plan has expired to provide a new 5Y Plan to SBS and deliver the Assets Physical Events evidences to SU MAC GBU Accountants.
- **Inventory Operations Managers:** The main role of the inventory operations managers is to perform the review of production units and to report the results to the site managers for validation.
- **GBU Financial Directors:** GBU Financial Directors are only involved in the process in the case of discrepancies detected in the counting or non compliance by a site.

Communication flow

The Physical inventory communication is sent by the I&D regional key user or by the SU MAC GBU accountant ([link](#)) to Site Assets Accounting Contact with the site manager in copy.

The list of assets to be counted is extracted from SAP by the Site Assets Accounting Contact or SC team, according to the alignment between the plant and SC.

The planning of physical inventory is sent by the Site Assets Accounting Contact to the I&D regional key user or SU MAC GBU accountant.

The physical inventory results are sent by the Site Assets Accounting Contact or site Manager to the I&D regional key user of the SU MAC GBU accountant.

In case of retirement detected, the communication flow should respect the following criteria:

- Any request must be sent with the appropriate form to the FSL Service Center via a ticketing tool (Freshdesk) in order to be registered
- The requester should be recognized as eligible
- The SC is in charge of following the traceability, performing the request and sending a feedback to the requester.

Process Description

Key Principles

The group has the obligation to verify the existence of the asset published in the group accounts

The following key principles apply for implementing the procedure:

- **A annual trigger event review of the potential consequences on inventory assets (Activity changes – Production unit close – Merger – Activity transfer...)**

MAC GBU accountants ([link](#)) with the support of I&D Regional key user will manage the gathering of elements from plant managers and/or controllers to be communicated to Service Center.

- **5-year cycle physical inventory of the entirety of fixed assets:** Comprehensive 5-year annual monitoring of physically present fixed assets. The full physical inventory of the plant must be counted by the end of each 5-year period, with the requirement of counting a minimum of 20% of the **number** of the fixed assets each year. This percentage can only be smaller if the remaining assets to be counted are less than 20% of the number of fixed assets.

If the entirety of the fixed assets are counted before the end of the 5-year plan, the plant has the possibility of waiting until the next 5-year cycle to perform the physical inventory again.

Examples of acceptable 5-year plans:

	Year 1	Year 2	Year 3	Year 4	Year 5
% of assets counted	20%	20%	20%	20%	20%

	Year 1	Year 2	Year 3	Year 4	Year 5
% of assets counted	50%	25%	25%	0%	0%

	Year 1	Year 2	Year 3	Year 4	Year 5
% of assets counted	100%	0%	0%	0%	0%

	Year 1	Year 2	Year 3	Year 4	Year 5
% of assets counted	80%	20%	0%	0%	0%

Example of **incorrect** 5 year plans:

	Year 1	Year 2	Year 3	Year 4	Year 5
% of assets counted	15%	15%	20%	50%	0%

	Year 1	Year 2	Year 3	Year 4	Year 5
% of assets counted	10%	10%	10%	10%	60%

	Year 1	Year 2	Year 3	Year 4	Year 5
% of assets counted	15%	85%	0%	0%	0%

	Year 1	Year 2	Year 3	Year 4	Year 5
% of assets counted	0%	0%	0%	100%	0%

Inventory documents- Report SAP (transaction **Z1A_AA_INVENTORY** / Variant: **FXA 5YP** and Layout: **FXA 5YP**) include the following:

- A description of the fixed asset
- The assets class- nature of the assets
- Identification number
- Acquisition date
- Purchase value
- Net book value
- Length of depreciation / Useful life
- Geographic location (division, building, etc.) or functional location (cost center)

GBU Accountant is available to advise Assets Accounting Contact or Site Manager on what is necessary to secure the physical inventory plan (SAP list + Excel, etc).

Fixed asset inventory documents are validated by the operations managers after review.

All status-changing movements of fixed assets noted during the annual review or continuous inventories are approved by the Site Manager or person delegated for said task, who shall validate the corresponding documents for any updates.

Inventory results shall be reported to SBS SU MAC no later than **October 31st** of every year.

All statements and inventory documents are retained and archived by SBS SU MAC as certifying articles for fixed asset movements.

In case of any discrepancies during the internal control execution, the CAD and GBU FD related to the plant are informed.

Control to be performed - Rtr.FXA.02.01: Fixed assets physical inventory

Roles and Responsibilities

- The SBS SU MAC is in charge of:
 1. Launching the internal control communication to the site managers and Assets Accounting contacts and align with them the strategy for extraction of the list of assets to be counted.
 2. Updating the fixed asset register in case of request from the site.

- The I&D Regional key user is in charge of:
 1. Organizing the sending of communication in collaboration with SU MAC GBU Accountants to the site managers and Assets Accounting contacts before end of February.
 2. Obtaining from the Assets Accounting contacts the appropriate planning of commitment and to follow the roll out of the action.
 3. Obtain from the Site manager or Assets Accounting contacts each year the trigger event review and the related appropriated divestment if any.
 4. Monitoring progress made on carrying out the inventory program and sending reminder updates if necessary.
 5. Supporting SBS in case of specific needs.
 6. Defining, maintaining and updating the format list with the support of the IT (if needed).

- The Site manager and Assets Accounting contacts are in charge of:
 1. Committing on a roll out planning and submitting it to the I&D regional key users or SU MAC GBU accountants.
 2. Provide the appropriated divestment linked to trigger event review.
 3. Defining the organization of the inventory (appoint the appropriate persons in charge of the physical inventory / sectors allocation).
 4. Launching the physical inventory process and verifying its good application.
 5. Transmitting to the SU MAC the physical inventory result at the due date.

Hierarchical releasing criteria - by type of assets

Intangible assets main contacts:

- Assets classes IT: Worldwide IT Controller / IT Project Controller
- Assets classes R&I: R&I Industrial Controller
- Other Assets classes: FO of the GBU (via CGU)

Tangible assets main contacts:

- Assets classes IT: Worldwide IT Controller / IT Project Controller
- Other Assets classes:
 - Industrial site divisions: Plant Manager
 - Headquarter divisions: FO of the GBU
 - R&I division: R&I Industrial Controller

Inventory update

After SBS receives the inventory results from the local contacts, an update of the fixed assets master data will be done to reflect the last inventory date in SAP. This update is done by the following transactions:

- PF2: Z1A_AA_INVENTORY_MOD
- WP2: ZWFAR0831

In this transaction, an Excel file (template attached to this documentation) should be uploaded to SAP with the asset number, sub number, company code, last inventory date (in format DD.MM.YYYY) and inventory note (optional).

End of document