

Internal Control

1. Objective and Scope

1.1 Objective of this Procedure

This procedure describes the Group requirements for Costing – Internal Controls

It includes:

- the roles and responsibilities within the SBS RtR organization
- the tasks to be performed
- the related deadlines.

More precisely, this document will focus on:

- Part 4.1 : the overview of responsibilities in the light of SBS organization
- Part 4.2 : the Internal Controls process General Description
- Part 4.3 : the Internal Controls for product costing
- Part 4.4 : the Internal Controls for inventory valuation

1.2 Scope

This organizational procedure (P) applies to all companies included in the Solvay Business Services scope of entities.

This procedure takes effect as of disclosure of the document to the Group.

2. Reference Documents

N/A

3. Definitions

[Costing - Glossary](#)

4. Organizational Procedure

4.1 General Roles and Responsibilities

Service Unit Costing Process Expert : Process Management Team – WW level

- PE Costing is the owner of the process for the Group at a worldwide level
- Ensure efficient governance of the process through rules definition, communication and enforcement.
- Define internal controls on Costing and Cost Accounting
- Deploy procedures / orientation defined at RtR Process Management level
- Manage the delivery accounting team in each region

The Process Expert will work closely with a **Delivery team** in charge of SU MAC organized as follows:

FSL Service Unit Management Accounting

- Deploy common/standard procedures and support local teams
- Establish the link between Process Management and Delivery team in each region
- Mostly act as supervisors to ensure process efficiency and performance enhancement
- Create/Maintain the controlling network
- Leverage the controlling network to achieve process efficiency and transmission of required expertise

GBS Service centers

- Perform daily operations related to the Costing process, in line with guidance and rules defined upfront, for activities not requiring proximity to customers or specific local knowledge
- Optimize and standardize operations, as well as documentation materials (mostly Operating Procedures).
- Offer standard services and conduct related internal controls
- Three centers serving their regions as well as the whole world, and coordinated worldwide (Lisbon, Curitiba, Bangkok)

Non-GBS Roles:

Corporate Controlling

- Responsible for giving instructions on process objective

GROUP ACCOUNTING REPORTING (GAR)

- Responsible for giving instructions on process objective

GBU Finance Directors

- Responsible for financial statements compliance
- Designate FRA and GCCO, and in general, all responsible of internal controls to be performed by the GBU

GBU Finance Responsible Assigned (FRA)

- Responsible for validating Costing processes
- For reason of simplification, there is only one role GBU FRA, however in some sub-processes this role could be developed by 2 actors: FRA and GCCO

GBU Costing Control Owner (GCCO)

- Responsible for some internal control regarding IAC processes

4.2 Internal controls: General Process Description

4.2.1 Internal Controls Roles and Responsibilities

The Internal Controls activity implies inputs and responsibilities from various actors in the organization, as described below:

4.2.1.1 SBS actors of the Internal Controls

WW Costing Process Expert

- Define the generic roles of the Costing and cost accounting organization
- Define, communicate and implement Internal controls procedures
- Validate Internal controls procedures
- Provide the needed training of resources
- Design of internal controls on the process
- Organize teams in order to ensure the proper functioning of the Internal control process
- Ensure a proper allocation of resources to the Internal control process

FSL Service Unit Management Accounting

- Ensure the link between process management and delivery team in each region
 - Provide feedback, relay information from the regions to PE costing
 - Control and validate the requests sent by GBU
 - Supervise and validate internal control efficiency within the region
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4.2.1.2 Non-GBS actors of the Costing Model Architecture

FRA/Site Controller

- Responsible for all controls performed at plant/warehouse level
- Validate last quarter inventory count calendar
- Validate inventory count procedures
- Prepare inventory reports
- Validate the costing model
- Owner of the internal controls
- Validate standard cost calculations
- Prepare variance analysis

GCCO

- Owner of the internal controls
- Validate variance analysis
- Perform control related to net realization value reserve

4.3 Internal control procedures

Internal controls homepage:

[IAC Internal controls](#)

Full list of IAC

[SBS-OP-DRTR-02-104 - IAC 01.09. Costing model](#)

[SBS-OP-DRTR-02-106 - IAC 01.02. Variance analysis](#)

[SBS-OP-DRTR-02-107 - IAC.03.07. Critical inventory movements](#)

[SBS-OP-DRTR-02-109 - IAC.02.06. Slow turn inventory reserve](#)

[SBS-OP-DRTR-02-112 - IAC.02.03. Physical inventory](#)

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[SBS-OP-DRTR-02-114 - IAC.02.07. Inventory reserve](#)

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[SBS-OP-DRTR-02-044 - IAC 01.01. Costing model validation](#)

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