

Costing Model Architecture

1. Objective and Scope

1.1 Objective of this Procedure

This procedure describes the Group requirements for Costing - Costing Model Architecture

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 Costing Model Architecture process General Description
- Part 4.3 : the Structure Definition process
- Part 4.4 : the Roll-Out process
- Part 4.5 : the Maintenance process

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

WW PE Costing : 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.
- Manage internal controls on Costing and Cost Accounting
- Deploy procedures / orientation defined at Rtr Process Management level
- Manage the delivery accounting team in each region
- 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

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

SU MAC Service centers

- Perform daily operations related to the Costing Model Architecture 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 internal control regarding IAC processes

4.2 Costing Model Architecture: General Process Description

4.2.1 Costing Model Architecture Roles and Responsibilities

The Costing Model Architecture activity implies inputs and responsibilities from various actors in the organization, as described below:

4.2.1.1 SBS actors of the Costing Model Architecture

WW PE Costing

- Define the generic roles of the Costing and cost accounting organization
- Define, communicate and implement Costing Model Architecture procedures
- Validate Costing Model Architecture procedure
- Provide the needed training of resources
- Design of internal controls on the process
- Organize teams in order to ensure the proper functioning of the costing model architecture process
- Ensure a proper allocation of resources to the costing model architecture process
- 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 internal control efficiency within the region
- Participate to the monthly and quarterly maintenance meetings

SU MAC service centers

- Parameterize the system with all the information provided by PE
- maintain the system accuracy
- Manage and authorize the requests of minor importance
- Input the updates in line with the validated modifications

Data & reporting

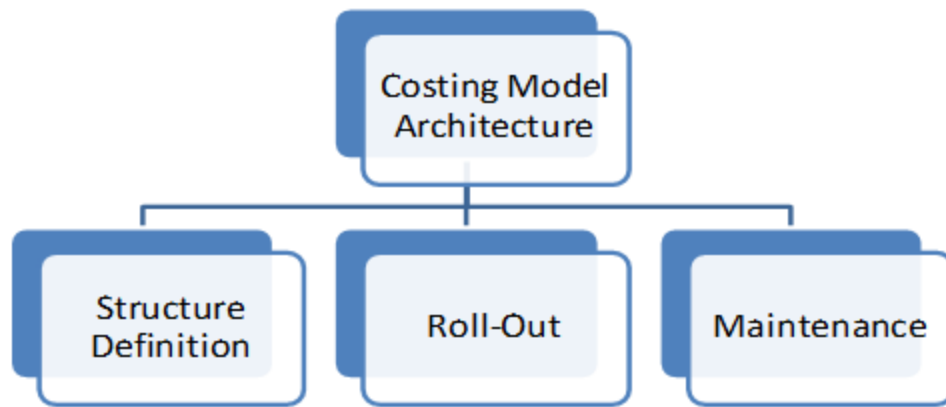
- Participate to the monthly and quarterly maintenance meetings
- Provide feedback on the structure's element
- Manage and validate the feasibility of the costing model architecture
- Filter GBU requests

4.2.1.2 Non-GBS actors of the Costing Model Architecture

GBU Controller & GAR

- Provide feedback on business needs
- Feed the model for reporting purposes
- Provide feedback on the model elements and architecture
- Responsible for BFC reporting structure

4.2.2 Costing Model Architecture Flowchart



4.3 Structure Definition

4.3.1 Key principles

Structure definition is performed to set-up the costing model that feeds BFC and thus allows a smooth and accurate reporting. Thus, there are different contributors whose inputs and feedback are essential to the definition of the structure. The following are the main underlying rules governing the structure definition:

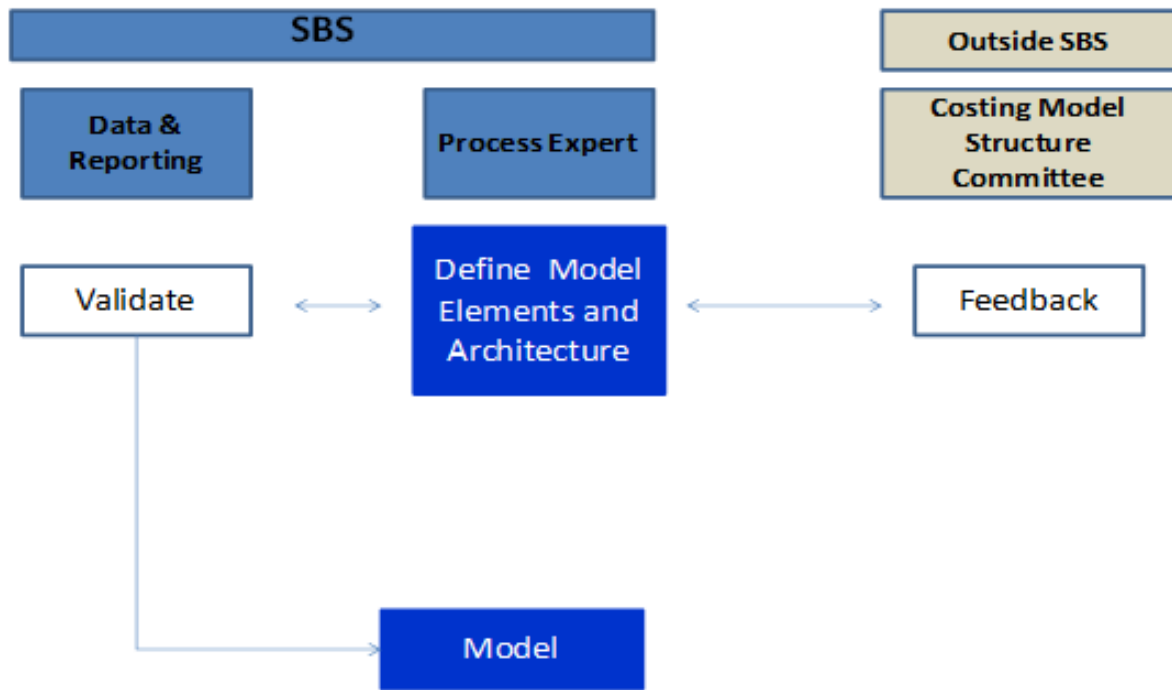
- ww PE is responsible for working with the different parties involved and for setting up the model
- The "Costing Model Structure Committee" (GBU, Data& Reporting, etc.) provides feedback and input to ensure the structure's objective is achieved
- Data & Reporting is an important contributor to the structure definition

4.3.2 Roles and Responsibilities

The structure definition activity implies inputs and responsibilities from two main actors in the organization (SBS), as described below:

- WW PE is responsible for defining the framework for structure definition:
 - coordinating with GAR and Data & Reporting to include their input in the defined structure
 - defining the different elements of the Cost Centers:
 - *Cost Centers*: manage the costs by organizational unit, compare actual costs versus budget and calculate rates of activity.
 - *Cost Centers Standard Hierarchy*: a cost center belongs to only one controlling area. All cost centers must be attached to a group node in the standard hierarchy
 - *Cost Centers Codification*: each cost center codification is defined based on the value field to which the cost center will be assigned
 - *Cost Center ZCBS Alternative Hierarchy*: ZCBS hierarchy is created and maintained centrally, deployed in all controlling areas, and is managed in parallel to the standard cost centers hierarchy.
 - defining the elements of the Profit Centers:
 - *Profit Centers*: a management oriented organizational unit used for internal controlling purposes. It is used to assign variances to the P&L, to split the working capital by enterprise (CGU), and to calculate variances of the industrial dashboard and identify by Value Stream
 - defining the different elements of the Assessment Cycles:
 - *Cost Elements*: The cost elements hierarchy ZRCS-FC is the only hierarchy that can be used in assessment cycles. Other cost elements groups are prohibited.
 - *PA Transfer Structure*: A PA transfer structure is a rule that assigns a cost element or a cost element group to one or more value fields in COPA
 - *Allocation Structure*: Instead of using an assessment cost element, it is possible to specify which cost elements should be allocated under which assessment cost elements within an allocation structure
- SU MAC Data & Reporting:
 - providing the necessary information and feedback to WW PE
 - validating the defined structure

4.3.3 Process Flowchart



4.4 Roll-Out

4.4.1 Key principles

It is important to adapt the model to the business needs of GBU, thus the roll-out process is crucial to determine the “blueprint” of the model and to make sure it is running correctly. The roll-out process is conducted for every new production plant and/or legal entity. The following are the main underlying rules governing the roll-out phase:

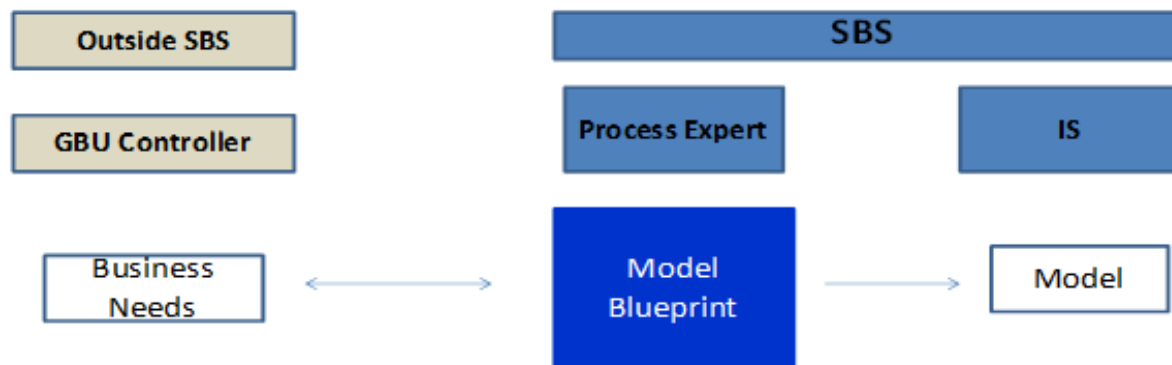
- WW PE is responsible for providing the model
- GBU validates the model in line with the business needs
- IS is responsible for feeding the system with the model elements

4.4.2 Roles and Responsibilities

The roll-out activity implies inputs and responsibilities from two main actors in the organization (SBS), as described below:

- WW PE is responsible for:
 - understanding the GBU business needs
 - providing the “blueprint” of the model
- SU MAC IS is responsible for:
 - inputting the data provided by WW PE in the system

4.4.3 Process Flowchart



4.5 Maintenance

4.5.1 Key principles

Maintenance is a key part of the Costing Model Architecture; it is handled by both Costing and Data & Reporting teams who meet on a monthly basis and organize quarterly committees to ensure that the model is running correctly, to discuss the needed updates and implement the necessary changes. There are two main activities to be performed for the maintenance of the model:

1. Providing the necessary training
2. Responding to Controllers requests (requests can be made by GBU controllers, CBS controllers or Site controllers)
3. Handling yearly clean-up

The following are the main underlying rules governing the maintenance

- Back Office is responsible for inputting the updates/modifications in the system
- WW PE is responsible for providing trainings and validating Controllers requests that directly affect BFC
- The regional managers validate the Controllers requests and are part of the quarterly committees and monthly meetings with Data & Reporting

4.5.2 Roles and Responsibilities

The maintenance activity implies inputs and responsibilities from three main actors in the organization (SBS), as described below:

- WW PE is responsible for:
 - providing training to the parties involved with the model (controllers get a summarized training to understand the “blueprint”, and BO must have an extensive training as the only party who has the access and ability to modify the model)
 - validating all cost centers creation
 - leading structure revamping requested by GAR or controllers (amendment of the P&L, GBU reorganization, evolution of the ZCBS structure)
 - handling the temporary and/or regional specific requests that will impact the reporting (ex: creation of a new activity in the zone)
 - informing BO of requests validations
 - handling the yearly clean-up of the model
- SU MAC is responsible for:
 - handling requests that remain in the standard framework (ex: update a ZCBS group, change a cost center responsible)
 - inputting the changes/updates in the system
- SU MAC Data & Reporting:
 - filtering Controllers requests
 - sending costing related requests to SU MAC Costing

4.5.3 Process Flowcharts

