1.2.4.1 Agreements

1. Objective and Scope

1.1. Objective of this Operation

Management of the internal and external Agency agreements worldwide (creation, amendment, termination, indemnity).

An Agent is a commercial intermediate which creates the contact between a customer and a Solvay provider. For this service the agent receives a commission from the Solvay provider. The relationship between the Solvay provider and the agent is formalized through an “agency agreement”. The goal of this procedure is to define the existing types of agreements and grant the correct commission based on its type.

1.2. Scope

WW - World wide

- Only when Solvay is the seller of the product, the agents can be classified as below:
    - Solvay SCP Agent
    - Solvay Non-SCP Agent
    - External Agents

2. Definitions

See Finance Glossary:

- BU
- Transfer Price
- GBU
- SCP

3. Tasks description

3.1. I define the Agent's type.

1 – Solvay SCP Agent

- A Solvay company, belonging to the Strategic Channel Partner Network (ex-MBU)

2 – Solvay Non-SCP Agent

- A Solvay Company, not belonging to the Strategic Channel Partner Network

3 – External Agents

- Third party agents, not belonging to Solvay Group

3.1. I define the Agreement.

Agent

- Remuneration proportional to sales
- SCP = fixed costs coverage + 0,5% on sales
- Solvay non-SCP or external : % on sales

Service Provider

- Remuneration covers the costs + a markup on costs
- Generally admitted markup = 5%
- Markup should be local tax compliant : 10% Indonesia, Vietnam 6%

Distributor

- Remuneration proportional to sales
- Generally admitted distribution margin : EBIT = 3,5% on sales
- Purchase price is calculated = sales price*(1-0,035) – logistic – SG&A
- Distribution Agreement should mention a year-end margin true-up

The commission is defined based on the type of agreement.