



Level:
2

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SOP07

Prepared By:
K. Balthazar

Approved By:
R. Wiederkehr

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1.0 Purpose

The selection of external providers is a strategic purchasing decision that affects the total performance of Fracht FWO Inc. The purpose of this procedure is to ensure that critical external providers are properly selected for the task at hand and that all providers are vetted for quality and compliance.

2.0 Scope

This procedure applies to all external providers that supply critical services to Fracht FWO Inc.

3.0 Procedure

As of February 1, 2016, well-performing barge and crane and rigging suppliers were “grandfathered” into Fracht’s external provider database as qualified suppliers. The current process is described below.

Critical external providers fall into 9 categories:

- Road transport providers (e.g. trucking, drayage, heavy haul, etc.)
- Warehouse providers (e.g. packers, storage, etc.)
- Rail transport providers
- Barge transport providers
- Crane and rigging providers
- International transport providers (e.g. steamship line, air transport, etc.)
- International agents or partners
- Engineering and surveyors
- Welders

3.1 Road Transport Providers

Fracht FWO Inc. limits the selection of local transport providers to those that have been listed on the Approved Truckers Database, with few exceptions. External providers are chosen from this database based on transporter availability, pricing, service capabilities and qualifications, and experience. *SOP10 Transportation – Trucking Services* describes the procedure in detail.

In some cases, local transport providers may be nominated by the customer in contracts, purchase orders, or shipping instructions. Fracht FWO Inc. must still verify that these transport providers meet all legal requirements, carry proper insurance coverage, and sign our broker/carrier agreement.



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3.2 Warehouse Providers

Fracht FWO Inc. is limited in the selection and evaluation of external providers in this category. Warehouses may be nominated by the customer in contracts, purchase orders, and/or shipping instructions. Fracht must verify that the warehouse meets the requirements necessary to complete the task safely and effectively, but no further evaluation is necessary for customer-selected warehouses.

If the selection of an external provider is Fracht's decision, the pricing manager, project manager, or operations specialist is responsible for selecting a warehouse based on their own assessment of location, price, availability, qualifications (including any legal and insurance requirements mandated by the customer), and experience.

3.3 Rail Transport Providers

Fracht FWO Inc. is limited in the selection and evaluation of external providers in this category. Rail transportation providers may be nominated by the customer in contracts, purchase orders, and/or shipping instructions; in other cases, the provider may be the only vendor available that provides the required service.

If a customer nominates a railroad, or if only one railroad is available, that railroad should still be reviewed for suitability, and any risks presented by that vendor should be discussed with the customer before moving any cargo. If more than one external provider offers a required service, nomination is based on service availability, pricing, and qualifications in relation to the necessary service.

Railroads must comply with strict FRA, AAR, and Surface Board of Transportation regulations, and Fracht can obtain information regarding a track's conditions and maintenance to ascertain the suitability of the external provider. Fracht must also verify that the railroad will be able to safely and effectively complete the task at hand. Before providing cargo to the railroad for transport, Fracht must obtain a pre-clearance; Fracht must inform the railroad of their transport plans (providing transport drawings and a safe transport method statement if necessary). If all is in order, the railroad will confirm the operation can go forward safely and provide Fracht with the pre-clearance.

3.4 Barge Transport Providers

Fracht FWO Inc. is limited in the selection and evaluation of external providers in this category. Barge transport providers may be nominated by the customer in contracts, purchase orders, and/or shipping instructions. In many other cases, few vendors exist that can perform the required service.



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If a particular barge transport provider is selected by the customer or if only one vendor provides the service needed, the vendor's qualifications for the task should still be reviewed for suitability, and the certificates and maintenance records of the equipment that will be used for the move should be obtained. Any risks involved with the appointed external provider should be discussed with the customer before operations begin.

If the selection of an external provider is Fracht's decision, the pricing or project manager is responsible for selecting a barging company based on their own assessment of location, price, availability, qualifications, and experience with the vendor.

Fracht maintains a database of preferred barge transport providers that meet Fracht's qualifications; pricing and project managers may employ these vendors at will with no further vetting of the organization as a whole. However, the project manager will request the certifications and maintenance records of the equipment that will be used for that specific operation.

If none of the vendors on the preferred vendors database are suitable for the task at hand, a pricing or project manager may add a previously unknown vendor to the preferred vendor list or may employ a "one-time only" external provider. In this case, the pricing or project manager should obtain the following documents from the potential barge transport provider to be sent to the compliance team for review:

- OSHA safety records (past three years);
- Insurance certificate;
- Master Service Agreement (if applicable); and
- Equipment certifications and maintenance records (as noted above).

If all is in order, the vendor will be approved for use (and added to the preferred vendor database if so requested).

3.5 Crane and Rigging Providers

Fracht FWO Inc. is limited in the selection and evaluation of external providers in this category. Crane and rigging providers may be nominated by the customer in contracts, purchase orders, and/or shipping instructions. Fracht must verify that the selected crane and rigging vendor meets the requirements necessary to complete the task safely and effectively and should obtain the certificates and maintenance records for the equipment that will be used in these operations, but no further evaluation is necessary for customer-selected crane and rigging companies. However, if Fracht notes any risks that might be present by employing the appointed vendor, these should be discussed with the customer before operations begin.



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If the selection of an external provider is not dictated directly by the customer, the pricing or project manager is responsible for selecting a vendor based on their own assessment of location, price, availability, qualifications, and past experience with the named vendor. Fracht maintains a database of preferred vendors that meet Fracht's qualifications; pricing and project managers may employ these crane and rigging companies at will with no further vetting of the external provider's organization as a whole. However, the project manager will request the certifications and maintenance records of the equipment that will be used to ensure their suitability for that specific operation and will store these documents in the shipment file.

If none of the vendors on the preferred vendors database are suitable for the task at hand, a pricing or project manager may add a previously unknown crane and rigging company to the preferred vendor list or may employ a "one-time only" external provider. In this case, the pricing or project manager should obtain the following documents from the potential external provider to be sent to the compliance team for review:

- OSHA safety records (past three years);
- eMod score;
- insurance certificate;
- training records for the vendor's employees (if possible);
- Master Service Agreement (if applicable); and
- Equipment certifications and maintenance records (as noted above).

If all is in order, the vendor will be approved for use (and added to the preferred vendor database if so requested).

3.6 International Transport Providers (Steamship Lines and Air Carriers)

Fracht FWO Inc. is limited in the selection and evaluation of external providers in this category. International Transport Providers may be nominated by the customer in contracts, purchase orders, and/or shipping instructions. In many cases, a certain external provider may be the only vendor available that provides the required service.

If more than one external provider offers a required service, and the customer has not nominated a particular vendor themselves, the selection of an international transport provider is based on service availability, pricing, qualifications, and past experience with said vendor.

Fracht relies on news briefs and postings by federal and international regulatory bodies to stay informed of any issues with international transport providers that may provide a high amount of risk to Fracht and/or its customers' cargo. These news items are posted to Fracht's intranet.



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3.7 International Agents

Fracht FWO Inc. is limited in the selection and evaluation of vendors in this category. In some cases, customers will nominate an international agent in contracts, purchase orders, and/or shipping instructions; in most cases, they will nominate Fracht FWO Inc. to provide the service required and Fracht must rely on their own network of overseas agents and partners and select an appropriate agent or partner.

When selecting an overseas agent or partner, preference is always given to an international Fracht office. When a Fracht office is unavailable, the next choice is given to an established Fracht agent or partner, the list of which is available on the intranet. Fracht's Corporate Office is responsible for establishing criteria for International Agents and verifying that current agents meet their requirements (e.g., FCPA compliance, financial stability, service record, etc.).

3.8 Engineers and Surveyors

Fracht FWO Inc. is limited in their selection and evaluation of vendors in this category. Customers may nominate a specific engineer or surveyor in contracts, purchase orders, and/or shipping instructions.

If the customer has not specified an external provider, the project manager or operations specialist will select the engineer or surveyor. When choosing an engineer or surveyor, first priority should be given to Fracht's direct employees, whose qualifications have been verified at the time of hire. If a direct employee is unavailable, the project manager or operations coordinator should give preference to a Lloyd's certified surveyor, the list of which is available from our insurance providers. From these qualified vendors, the project manager or operations specialist should select an external provider based on service availability, pricing, qualifications, and past experience with said external provider.

3.9 Welders

Fracht FWO Inc. is limited in their selection and evaluation of vendors in this category. Welders are often employed by the stevedoring companies, which in turn are hired by port terminals and usually are not determined by Fracht.

If a stevedore or terminal does not select a welder and Fracht is directly responsible for choosing an appropriate vendor, the project manager should select welders based on price, availability, location, and that have proper certifications for the task at hand. The project manager should request copies of these certifications. Such records may be sent to the compliance team for recordkeeping purposes.



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4.0 Vendor Performance and Review

Road transport providers (Section 3.1) are assessed on a regular basis to ensure that necessary insurance and other certifications are still in place and up-to-date and safety records remain satisfactory. These records are recorded on the Approved Trucker Database (see *SOP10 Transportation-Trucking Services* for more details).

Preferred vendors (Sections 3.4 Barge Transport Providers and 3.5 Crane and Rigging Providers) are assessed upon their addition to the preferred vendors database and then once yearly to ensure OSHA records remain satisfactory and insurance is up-to-date. If it becomes apparent that a vendor no longer meets Fracht's requirements, said vendor will be removed from the preferred vendor database.

International Transport Providers and International Agents (Sections 3.6 and 3.7) are not formally assessed by the Houston office; however, should any problems come to light either through the information published by federal and international regulatory bodies or, in the case of international agents especially, from Fracht's corporate office's assessment, news items are posted on Fracht's intranet and internal communications are distributed to all staff to warn of any issues with a vendor. In extreme cases, Fracht's corporate office may deactivate the vendor's IES account.

All categories of external service providers are evaluated based on Fracht's experience with them; did the vendor provide good service that met expectations, were there any billing disputes, etc. Any major non-conformances (such as issues leading to a customer complaint or a cargo claim) should be documented as per *SOP09 Non-Conformance Handling and Resolution*. Extreme service failures may result in the deactivation of a vendor's account and removal from any preferred/approved vendors lists.

Any incidents that occur during the year may be cause to initiate a review of any given vendor. Also, vendor performance is reviewed annually during the Management Review (see *SOP04 Management Review* and *Form002 Management Review Agenda and Report*). *Form004 Root Cause Analysis Log*, *Form015 Cargo Claims Log*, *Form023 Complaints and Incidents Log* and *Form016 Cargo Claims Report*, along with any accompanying records or documentation and applicable Root Cause Analyses, will provide the data for these vendor reviews.

5.0 Documents & Data

- a. Form002 Management Review Agenda and Report
- b. Form003 Root Cause Analysis
- c. Form004 Root Cause Analysis Log
- d. Form015 Cargo Claims Log
- e. Form016 Cargo Claims Report
- f. Form022 Internal and External Complaints Record
- g. Form023 Complaints and Incidents Log
- h. Form026 Accident Report and Investigation



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6.0 Amendments

Rev	Date	Description
0	05/18/2012	Created Purchasing & Vendor Selection
1	03/02/2014	Update Transport Providers Criteria and update flowchart style
2	01/21/2016	Updated SOP to reflect the requirements of ISO 9001:2015 and ISO 14001:2015; detailed procedure according to vendor type; updated formatting and corrected typographical errors.
3	03/03/2016	Updated Barge and Crane and Rigging procedures to include more detailed vetting procedure and include preferred vendor database.