



WEIS MARKETS, INC.

Weis Markets Accounting Policy

Published January 25, 2021

Purchase Order Policy

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Purchase Order and Vendor Maintenance Policy

This policy establishes the process & information needed for adding/modifying vendors and the requirements for issuance of purchase orders by Weis Markets, Inc. This policy also details the approval requirements for *non-merchandise* purchase orders issued. Purchases that fall under this category generally consist of the following, but are not limited to (see policy details for further information):

- a) General Supplies
- b) Equipment & Maintenance Expenses
- c) Advertising/Marketing Expenses
- d) Capital Expenditures Items

This policy also contains the requirements for approvals of forward/speculative and continuity purchase merchandise buys.

Contracts that have gone through the Legal Department review process are not part of this policy. Examples of these types of contracts would include, but are not limited to, Merchandise contracts such as Topco, UNFI, McCormick and C&S Wholesale Grocers; IT software and hardware contracts, logistic contracts, leases, maintenance contracts, construction contracts and advertising contracts – such as Innerworkings.

- **Publication Date:** January 25, 2021
 - **Accounting Department:** Accounts Payable
 - **Contact:** Senior Manager of Accounts Payable (Tricia Brown Zettlemyer - extension 53766)
 - **Who is affected:** All associates who enter into or have fiscal responsibility for Purchase Orders for the purchases of goods or services. In addition, associates who participate in merchandise forward/speculative buys must adhere to this policy.
 - **Consequences of violations:** Failure to comply with this policy could lead to incorrect payments to our vendor partners and/or financial statement errors. These errors could result in misleading financial statements, audit findings and/or SEC violations causing financial restatements. Associates found to be in violation of this policy are subject to disciplinary action, up to and including termination of employment.
 - **Primary Accounting Standards Codification (ASC) Reference:**
 - 1) See accounting department for ASC references and proper accounting treatment of transactions.
 - **Related References and Policies (if applicable):**
 - 1) Code of Conduct
 - 2) Vendor Terms Policy
 - 3) Wire Transfer Approval Policy
 - 4) Corporate Donation Policy & Weis Charity Golf Fund Donation Policy
 - 5) Prepaid Expense Policy
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Section 1.0 New Vendor Add/Modification Requirements

- The following items are prerequisites to any payment being issued to a vendor.
- **New Vendor Setup Requirements:**
 - In order to pay vendor/suppliers they must be set-up in the accounts payable system.
 - The supplier must complete the Weis Markets Supplier Information Form and return the completed Form to the Weis Markets, Inc. buying agent. This Form is available from the Accounts Payable Department.
 - All suppliers must have the approval of the buying agent as indicated by the buying agent's signature on the Weis Markets Supplier Information Form as well as the approval of the Vice President of Fresh Merchandising, the respective Center Store Merchandising Director, or above, for merchandise purchases.
 - Terms are to be negotiated by the buying agent of the product or services.
 - Five additional payment days are expected for EFT/ACH payments to offset loss of mail delivery days. Exceptions must be approved by Senior Director of Center Store Merchandising & Sales, Vice President of Fresh Merchandising or above.
 - Immediate payment upon invoice approval is available from Weis Markets Accounts Payable through a virtual credit card payment. The vendor must have the ability to process a credit card payment and the terms are "net 0". This is the fastest method of payment offered by Weis Markets Inc.
 - The buying agent will determine if there will be limited purchases, or continuity purchases from the vendor and whether action is required to limit exposure regarding collection of receivable balances (see Section 3.0 for further information regarding forward/speculative merchandise purchases). If so, the buying agent must indicate this on the Weis Markets Supplier Information Form.
 - The buying agent will then forward the IRS W-9 Form, PA 1099-MISC Withholding Form, the Weis Markets Supplier Information Form, vendor certificate of insurance and other supplier documents to the Accounts Payable Department and Treasury Department. **Payments cannot be released by the Accounts Payable Department until all of these required forms have been submitted for vendor setup.**
 - The Accounts Payable Manager will review and approve the new vendor set-ups. If the Accounts Payable Manager is unavailable, the new vendor set-up can be reviewed and approved by the Director responsible for Accounts Payable or above.
 - Emergency repairs and road service can be performed prior to receipt of the completed Weis Markets Supplier Information Form, IRS W-9 Form, and PA 1099-MISC Withholding Form. However, the invoice cannot be processed for payment until the documents are received.
 - See the Weis Markets, Inc. Vendor Terms Policy for additional information.

- **Existing Vendor Change Requirements:**

- The Weis Markets Supplier Information Form must be completed and be returned to the Accounts Payable Department with the changes notated on the form.
- Requests for a remittance change of address must be accompanied by the official request for the change from the company on their letterhead and be signed by a company representative; or be documented on a current invoice. **If the change of address comes from the vendor via email the change must be confirmed by the Weis Markets buying agent. This should be done by the buying agent either through an independent email or a phone call to their primary vendor contact. The buying agent should then provide confirmation via email to the Accounts Payable Manager or the Director responsible for Accounts Payable or above.**
- Requests for a change in bank, establishment of an EFT/ACH payment or establishing a factor finance relationship must be sent to Weis Markets on company letterhead (email is acceptable with a letterhead attachment) and have the company's credit manager or an authorized company official sign the request. **In addition, a change in a bank account or an establishment of an EFT/ACH payment must also have the Weis Markets buying agent's independent confirmation. This should be done by the buying agent either through an independent email or a phone call to their vendor contact. The buying agent should then provide this confirmation via email to the Accounts Payable Manager or the Director responsible for Accounts Payable or above.**
- Terms changes are to be negotiated by the buying agent of the product or services.
- Five additional payment days are expected for conversion to EFT/ACH payments to offset loss of mail delivery days for both merchandise and expense vendors. For merchandise vendors, any deviation to this policy must be approved by the Senior Director of Center Store Merchandising & Sales, the Vice President of Fresh Merchandising or above.
- Immediate payment upon invoice approval is available from Weis Markets Accounts Payable through a virtual credit card payment. The vendor must have the ability to process a credit card payment and the terms are "net 0". This is the fastest method of payment offered by Weis Markets Inc. The official request for the change to credit card payment should come from the company on their company letterhead and be signed by company's credit manager or an authorized company official. **If the change to credit card payment comes from the vendor via email the change must be confirmed by the Weis Markets buying agent. This should be done by the buying agent either through an independent email or a phone call to their vendor contact. The buying agent should then provide this confirmation via email to the Accounts Payable Manager or the Director responsible for Accounts Payable or above.**
- All merchandising vendor term changes must be approved by either the Senior Director of Center Store Merchandising & Sales, the Vice President of Fresh Merchandising or above, unless the change is a result of adjusting terms by five days due to conversion to or from EFT/ACH. The Accounts Payable Manager will review and approve the vendor set-up changes. If the Accounts Payable Manager is unavailable, the changes can be reviewed and approved by the Director responsible for Accounts Payable or above.
- Any supplier factoring their receivables must notify Weis Markets of the relationship in writing. Communication by the factor to Weis Markets of the relationship is not sufficient.

Section 2.0 Purchase Order Requirements & Approval Level

- Weis Markets requires, where applicable, all purchases be initiated by a purchase order.
- A purchase order must be issued prior to the receipt of goods or service, with the exception of emergencies for repairs and road services. (Also noted above in Section 1.0).

- A purchase order and the vendor's acceptance form are a *legal contract* between the vendor and Weis Markets, Inc.

Section 2.1 When a Purchase Order is Required

Merchandise:

- Merchandise for resale delivered to Weis distribution facilities requires that a Biceps purchase order be created and provided to the supplier.
- Merchandise for resale delivered directly to stores (DSD) does not require a purchase order.
- Merchandise for resale delivered to Weis distribution facilities and cross-docked to stores does not require a purchase order but is highly recommended.

Non-Merchandise:

- Non-merchandise/expense and capital purchases require a purchase order, originating from the Purchasing Department.
- Requests for purchase orders must be sent to purchaserequests@weismarkets.com and the purchase order will then be created within OnBase.
- Work orders must be created within Service Now for all repair and maintenance requests.

Exceptions:

- Exceptions include utilities, customer payments, payments to government entities, legal settlements, real estate purchases, or other payments in which an invoice is absent.
- See Section 4.0 for further information regarding requests for manual payments.

Section 2.2 General Guidelines for Purchase Orders

Merchandise:

- Each purchase order should be written for a single purchase of merchandise. "Blanket PO's" or PO's based on time/period/season are not permitted.
- Purchase order should note the correct cost per unit and order quantity as agreed upon.
- Any off-invoice deals or freight charges should be entered properly within the purchase order.
- Total cost of product, including above items such as freight charges should equal the agreement with the vendor.
- Any variance between PO cost and invoice cost or ordered quantity and received quantity will be rejected by the accounts payable system and will require further research and approval before payment (3-way match process). In Prompt when the invoice cost is less than \$100 or greater than \$25 of the PO cost, the variance will be systematically presented to the buying agent for resolution and approval.

Payment delays could occur based on discrepancies noted above.

Non-Merchandise:

- Each purchase order/work order should be written for a single purchase/service. Unrelated items or service(s) are not allowed on the same purchase order/work order.
- Blanket or open-ended PO's are not permitted except for the below items:

- **Exceptions:** Capital projects, maintenance agreements, and leased equipment are considered acceptable blanket PO situations. All other blanket PO's if requested must be approved by the Accounts Payable Manager.
- All blanket PO #'s must be given to the Accounts Payable Department, for tracking purposes.
- Purchase orders should be written for a period of one year or less, except for capital projects.
- Purchase orders must include a detailed description of the goods to be received or services to be performed.
- A purchase order must be issued to only one supplier.
- Any variance between PO cost and invoice cost or ordered quantity and received quantity will be rejected by Accounts Payable and will require further research before payment. Any variances greater than \$25 between the PO cost and the invoice cost will be returned to the buying agent for review, resolution and approval.
- *Payment delays could occur based on discrepancies noted above.*

Section 2.3 Information Requirements for each Purchase Order

Merchandise:

- Each merchandise purchase order must have the following:
 - Vendor number & name (if a PO is issued to a new vendor – see Section 1.0 for further information regarding new vendor setup requirements).
 - Pricing by item.
 - Order quantities.
 - Any off-invoice deals or freight charges.
 - Shipping method (FOB Destination/FOB Shipping Point, other).
 - Payment terms (default terms are those noted in the Accounts Payable vendor master file).
 - Scheduled arrival date(s).

Non-Merchandise:

- Each non-merchandise purchase order must have the following:
 - Vendor number & name (if a PO is issued to a new vendor – see Section 1.0 for further information regarding new vendor setup requirements).
 - Pricing by item or service.
 - The purchase order must indicate the amount authorized for payment based on specific items and quantities or services ordered.
 - Invoices more than amount authorized will need approval for payment from the buying agent department.
 - Purchase order must indicate whether the item/service is taxable (sales or use tax is applicable), by including the tax amount or the tax code (A-F). Contact the Weis Markets Tax Accounting Department if there are any questions.
 - Any off-invoice deals or freight charges that have been agreed to.
 - Ship to address and shipping method (FOB Destination/FOB Shipping Point)
- If product or service is conducted at a specific location and known at the time of purchase order issuance, this location must be noted.
- Payment terms (default terms are those noted in the Accounts Payable vendor master file).
- Scheduled arrival date(s).

- The general ledger account coding and if multiple accounts are used, a detailed breakdown of the charges must accompany the PO.
- A copy of the purchase order must be given to Accounts Payable Department at the time of issuance to the vendor, unless it has been created within OnBase.

****Invoices cannot be paid unless a purchase order has been issued and the required Weis Markets Supplier Information Form, IRS W-9 Form, PA 1099-MISC Withholding Form, and certificate of insurance have been received by the Accounts Payable Department.**

Section 2.4 Purchase Order Approval Requirements and Levels (non-merchandise only)

- All non-merchandise purchase orders issued must be approved prior to issuance to the vendor.
- For all work orders, the respective Store Manager must confirm that the work has been completed and the respective Weis Markets Department Manager must approve the invoice prior to payment.
- For Capital Projects, a project id is assigned during the annual capital budgeting process and must be included on the purchase order. The inclusion of the project in the capital budget is support for the approval of the purchase order. Financial analysis and senior management approval are completed prior to the finalization of the capital budget. For Capital Projects not included in the current year budget, approval must be obtained prior to the issuance of a project id.
- Project IDs for unbudgeted capital projects can be obtained by contacting the Budgeting and Analysis department.
- Splitting of purchase orders with the intent to avoid approval requirements will result in review by the area's management and possible disciplinary action. This is a violation of this policy.
- The following chart details the PO total value and the approval level required.

PO TOTAL AMOUNT	APPROVAL LEVEL
Greater Than 500,000	Sr. Vice President + CFO + COO
250,001 to 500,000	Vice President + Sr. Vice President
100,001 to 250,000	Vice President
25,000 to 100,000	Director
Below 25,000	Manager

Section 3.0 Request for and Approval Requirements for Forward/Speculative Merchandise and Continuity Purchases

- All forward/speculative merchandise purchase orders issued must be approved prior to issuance to the vendor.
- Forward or speculative buys are defined as those that are outside of the normal buying pattern and potentially enter the company into a large liability not supported by existing or future sales.
- ***In the case of continuity purchases, it is best practice to have in writing the agreement detailing how returned merchandise will be handled and the process to ensure Weis Markets collects the funds due.***

- The following chart details the PO total value and the approval level required.

PO TOTAL AMOUNT	APPROVAL LEVEL
Greater Than 1,000,000	Sr. Vice President + CFO + COO
Less Than 1,000,000	Sr. Vice President

Section 4.0 Request for Wire Transfer or Manual Payments

Bank Wires are a final and an expensive form of payment and should be used only when necessary. **Please refer to the Wire Transfer Approval Policy in the Weis Markets Accounting Policy published August 30, 2019 (subsequently updated September 9, 2020) for the specific procedures and forms that must be used.**

For Taxes (ACH payments for Income, Sales and Payroll):

- Routine Payments less than \$1,000,000 can be approved by an Accounting Manager or above.
- Non-Routine Payments and all Payments greater than \$1,000,000 must be approved by an Accounting Director, VP Corporate Controller or SVP CFO & Treasurer.

For Merchandise, Workers Compensation/General Liability, 401K & SERP Funding, Health Insurance, Professional Fees, Legal Settlements and all other wire transfers:

- Payments less than \$2,000,000 must be approved by the buying agent's VP and the VP Corporate Controller **or** SVP CFO & Treasurer
- Payments greater than \$2,000,000 must be approved by the buying agent's VP and SVP CFO & Treasurer
- The CEO and COO may approve payments in the absence of the SVP CFO & Treasurer.