

**GLOBAL PROCUREMENT  
(GLOBAL POLICY GP-80.A)**

*This is a global policy of Armstrong World Industries, Inc. (AWI)  
It applies to you, in your capacity as an AWI employee, and to all employees, directors and officers of  
AWI and its subsidiaries worldwide.*

**INTRODUCTION**

This Policy is designed to establish consistent standards and procedures for the purchase of all goods and services by Armstrong and its subsidiaries globally. It applies to every purchase of every kind, and is intended to ensure consistency and effective internal controls through all phases of the procurement process, including supplier selection, requisitioning, ordering, receiving, and payment, while appropriately balancing risks and opportunities associated with purchasing transactions.

This Policy applies to you, as an Armstrong employee, in your conduct of business **anywhere in the world.**

**Contents**

- I. *Procurement Policy Purpose and Objectives*
- II. *Procurement Policy Key Principles*
  - A. *Authority and Responsibility*
  - B. *Purchasing Process*
  - C. *Documentation*
- III. *Purchasing Process Overview*
  - A. *Requisitioning*
  - B. *Bidding and Supplier Selection*
  - C. *Ordering*
  - D. *Authorized Exceptions*
  - E. *Receiving and Payment*
- IV. *Glossary*

## I. PROCUREMENT POLICY PURPOSE AND OBJECTIVES

This Policy is our global statement of business conduct as it relates to the procurement process. The use of the term Procurement with an uppercase “P” refers to the Procurement organization or a member of the Procurement organization. The use of procurement with a lowercase “p” refers to the act or process of procuring.

This Policy outlines the procurement practices used for purchasing all goods and services at Armstrong while addressing:

- the principles guiding all procurement activities at Armstrong
- compliance with all laws and regulations pertaining to procurement of goods and services and in accordance with the AWI Code of Business Conduct (for more details please refer to Appendix A).
- the expectations for all employees involved in procuring goods and services on Armstrong’s behalf
- issuance of purchasing transactions
- receipt of goods and services
- maintaining fiduciary controls
- ensuring global consistency and standardization on policy, processes and tools
- balanced risk mitigation approach to purchasing

This Policy is not intended to provide detailed instructions or to address every conceivable procurement circumstance that could occur. However, this Policy should provide employees with a sound understanding of Armstrong’s procurement practices and requirements.

## II. PROCUREMENT POLICY KEY PRINCIPLES

Below is a list of the key principles and standards established by this Policy. This list should be read in connection with the entire Policy.

### A. Authority and Responsibility

1. **Engage the Procurement Team Early in the Process.** No employee other than a [Purchasing Agent](#) may approve the purchase of goods or services, or otherwise make a commitment of company funds for any goods or services, unless specifically authorized by this Policy.
2. **Follow Armstrong Policies.** All Armstrong employees around the world must approve and process the purchase of goods and services using practices that are consistent with [Armstrong’s Code of Business Conduct](#), this Policy and other Global and Local/Functional Policies.

### B. Purchasing Process

1. **Start the Process with a Requisition.** A Requisition must be initiated for all indirect purchases, unless an Authorized Exception to this Policy, as set forth in [Section III-D](#) below, applies.

2. **Use a Bidding Process to Select Suppliers.**

- a) **Indirect Purchases.** Competitive bids are required for all indirect purchases of \$50,000 or more. Procurement will coordinate the bidding process and solicit bids.
- i. This requirement applies to original orders greater than \$50,000, and changes or additions to original orders that cause the order total to exceed \$50,000.
  - ii. **Procurement Action Plan.** An approved [Procurement Action Plan](#) is required in the Appropriation Request (AR) for all capital projects with individual purchases over \$100,000 or total project appropriation request exceeding \$250,000.
  - iii. Competitive bids are required unless purchasing opportunities are limited (as determined by Procurement and the requesting function following discussion and review) or it is contrary to the best interests of Armstrong due to risks or adverse impacts associated with timing, security or other exigent circumstances (as determined by Procurement and the purchasing function following discussion and review). In these instances, a properly approved bid [waiver](#) must be completed and submitted to Procurement.
  - iv. A single bid waiver may be submitted for multiple purchases based on a master supplier agreement or strategic partnership agreement for the current term of the agreement.
  - v. A single bid waiver may also be submitted for unique products or services that are generally unavailable other than through a sole, unique or specialized provider and for which an open bidding process would be inapplicable or unsuccessful. In such cases, Procurement and the purchasing function shall periodically (but no less than annually) reevaluate the market for such needs, as well as the performance of the supplier.
  - vi. Notwithstanding any bid waiver, the documentation and contracting requirements of this Policy shall continue to apply to all indirect purchases.
- b) **Direct Purchases.** Competitive bids are required for all direct purchases with an annual spend of \$500,000 or more. Procurement will coordinate the bidding process and solicit bids.
- i. Competitive bids are required unless purchasing opportunities are limited (as determined by Procurement and the requesting function following discussion and review) or it is contrary to the best interests of Armstrong due to risks or adverse impacts associated with timing, security or other exigent circumstances (as determined by Procurement and the purchasing function following discussion and review). In these instances, a properly approved bid [waiver](#) must be completed and submitted to Procurement.
  - ii. A single bid waiver may be submitted for multiple purchases based on a master supplier agreement or strategic partnership agreement for the current term of the agreement.
  - iii. A single bid waiver may also be submitted for unique products or services that are generally unavailable other than through a sole, unique or specialized provider and for which an open bidding process would be inapplicable or unsuccessful. In such cases, Procurement and the purchasing function shall periodically (but no less than annually) reevaluate the market for such needs, as well as the performance of the supplier.
  - iv. Notwithstanding any bid waiver, the documentation and contracting requirements of this Policy shall continue to apply to all indirect purchases.
  - v. All direct purchases, regardless of spend value, shall be coordinated through Procurement.

3. **Use Purchase Orders.** Purchase Orders must be issued prior to making any commitment (written or verbal) to a Supplier for the purchase of goods or services.

Purchase orders will only be issued by Buyer upon receipt of a properly approved and completed Requisition or pursuant to a previously negotiated contract with properly approved terms and conditions. Either a one-time Purchase Order or a Blanket Purchase Order through which multiple purchases can be made for a given time period may be issued. Blanket Purchase Orders may be valid for not more than one year.

4. **Use Armstrong Contracts and Terms and Conditions.** Purchase commitments must be made using approved legal and commercial terms and conditions in order to protect Armstrong's interests. In many cases, this means that a formal written contract will be required. Only Procurement and the Legal Department may waive the contract requirement. All non-standard or Supplier terms and conditions must be approved by Procurement and the Legal Department in advance of any commitment being made.
5. **Separate Duties.** The duties of purchasing, receiving, and authorizing payment for goods and services must be divided among two or more Armstrong employees in order to maintain a [separation of duties](#). In the rare event that these duties cannot be separated, a risk mitigation plan must be documented and reviewed by Internal Audit.

### **C. Documentation**

1. **Use eProcurement.** The authorized Armstrong [eProcurement](#) tool or its approved equivalent should be used for all bidding processes for goods and services with anticipated value of more than \$50,000. To demonstrate compliance with the competitive bidding requirement in this Policy, the following information and documentation must be maintained in the eProcurement tool:
  - Supplier identification
  - Competitive analysis
  - Supplier proposals or quotes
  - Evaluation materials
  - Correspondence
  - Cost savings details
2. **Use Contracts.** The purpose of executing a contract is to reduce unknown risk to Armstrong by clearly defining the terms, expectations, rights and responsibilities of a business relationship. A contract is required when the vendor is supplying goods and services that: (i) could cause a substantial risk of injury, loss of life, safety concern or risk of loss to persons or property, (ii) require regulatory compliance, (iii) present a substantial risk to interruption of ongoing supply or business interruption, including sole source vendors, (iv) are sourced products, (v) involve new product development, (vi) are customized engineering solution including design, manufacturer, and/or installation, (vii) are consulting and/or services engagement, (viii) require security of supply, including consignment, (ix) are for software and/or contains a data security addendum. The foregoing examples represent circumstances when a contract is necessary, but are not the only circumstances when a contract may be required. Only Procurement and the Legal Department may waive the contract requirement. All non-standard or Supplier terms and conditions must be approved by Procurement and the Legal Department in advance of any commitment being made.
3. **Use and Follow Specifications.** Detailed and accurate material or product specifications must be established for raw materials, materials/equipment used in our manufacturing process and for Sourced Products, and included as a key part of the contract.

4. ***Retain Procurement Records.*** Procurement process documentation shall be retained per the Global Records Management Policy and in accordance with the procedures set forth above in this Documentation section. In most cases, Procurement will be the designated owner of purchasing transaction records, with the business unit or corporate function retaining convenience or transitory copies of the documentation for its reference purposes.

### **III. PURCHASING PROCESS OVERVIEW**

The purchasing process has multiple phases. Each phase may have multiple steps and sub-processes. The complete process often involves input from many people and departments including but not limited to the Requisitioner, Procurement, Accounts Payable, Finance, Accounting, Risk Management, EH&S, Operations, Legal, and Tax.

#### **A. Requisitioning**

In order to start the purchasing process, a Requisition must be created (except for direct materials managed by the corporate Procurement group where a Contract or Outline Agreement is created in SAP from which compliant Purchase Orders are released). In some departments there is a dedicated [Requisitioner](#) to handle this task. The Requisition must be approved by an Approver with an approval limit high enough to authorize the purchase. The Requisition is then sent to a Procurement Agent, typically a [Buyer](#), [Purchasing Manager](#), or [Purchasing Agent](#), to begin the bidding and Supplier selection phase, if necessary. An incorrect Requisition will be returned to the Requisitioner for correction. Except in the case of an [Authorized Exception](#) (set out in III D below), a Requisition must be completed, approved and submitted prior to starting the bidding and Supplier selection phase.

#### **B. Bidding and Supplier Selection**

In the Bidding and Supplier Selection phase, a good or service should have been clearly defined by the [Requestor](#) in the Requisition so that potential Suppliers can be identified and the request can be accurately communicated to the appropriate [Procurement Agent](#) who shall, either directly or jointly with the Requestor, work with potential Suppliers to obtain quotations which align with the overall sourcing and cost strategy for the good or service requested as per the relevant specification. Ideally, multiple approved and preferred Suppliers for a good or service can be identified. For many goods and services, the Procurement organization establishes and maintains an approved Supplier list. If an approved Supplier cannot provide the required goods or services, an alternate Supplier may be used, but must be approved by Procurement before a purchase commitment can be made.

The potential Suppliers' responses will be evaluated and the bid that provides the best value to Armstrong will be selected. In many cases, the lowest priced bid will be selected. However, other factors may exist that make another bid the [best overall value](#). Depending on the good or service to be purchased, additional negotiations may be required and other factors may be considered before making a decision in order to ensure best [Total Cost of Ownership](#) and the best overall value for Armstrong. For transactions less than \$50,000, only a single quotation is required.

In order to increase the effectiveness of the procurement process, pricing and terms for some goods and services may have been previously negotiated by Procurement and POs for commitments to purchase such goods and services may be "released" directly from an

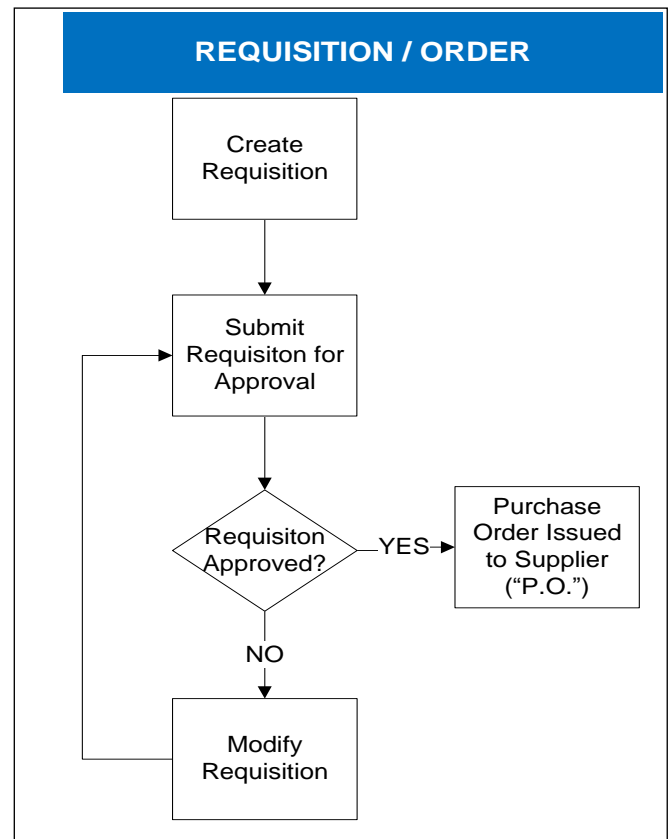
established outline agreement without processing by a Procurement Agent. Most raw material and packaging items have [Outline Agreements](#) in SAP.

### C. Ordering

The Requisition or SAP Contract/Outline Agreement for direct materials will be used to create a PO or written contract, as required, once a Supplier has been selected. Except for the Authorized Exceptions set forth below, in all other instances, prior to making a commitment to purchase goods or services, a PO or contract, as the case may be, must be completed for all purchases.

### D. Authorized Exceptions

Certain exceptions to the forgoing Ordering requirements are specifically authorized by this Policy. If the purchase of a good or service qualifies for one of the Authorized Exceptions set forth below, it is not necessary to prepare a Requisition or issue a PO, although a contract may still be required; provided however, that a detailed invoice **must** be provided in order for payment of the Supplier to be processed in accordance with Section E below.



The only permitted exceptions to the Ordering requirements are (each an "Authorized Exception"):

**P-Card**: Purchases of low-dollar amounts or infrequent goods purchases in the U.S. may be made with a [Purchasing Card](#) ("P-Card") instead of a requisition. See the Americas Purchasing Card Policy for further details.

**Emergencies**: Purchases that are after business hours, weekends, holidays or at times when Procurement personnel are not available. A critical safety issue can also be an emergency

**Freight**: Purchases of freight qualifying for 'proactive freight payments'.

**Utilities**: Purchases of utilities such as natural gas, electricity, telephone, water, sewer, etc.

**Professional Services/Fees**: Purchases of legal, accounting, tax, treasury, banking, proxy, shareholder and other similar professional services approved by the Finance or Legal departments.

**Insurance**: Premiums for insurance policies and fees paid to brokers, consultants and other professionals engaged in connection with obtaining and maintaining such insurance.

**Real Estate**: Fees for brokers, agents and other professionals engaged in connection with a real estate transaction.

**Memberships**: Fees or dues in connection with memberships in associations or professional organizations.



**Employee Benefits:** Premiums for employee benefit programs, benefit administration and fees paid to brokers, consultants and other professionals engaged in connection with obtaining and maintaining such employee benefits.

**Reimbursement:** Reimbursements paid to employees in connection with a properly submitted and approved expense report.

**Charities:** Payments made to charities and other not-for-profit organizations which have been approved in accordance with the Global Policy on Anti-Corruption and Gifts.

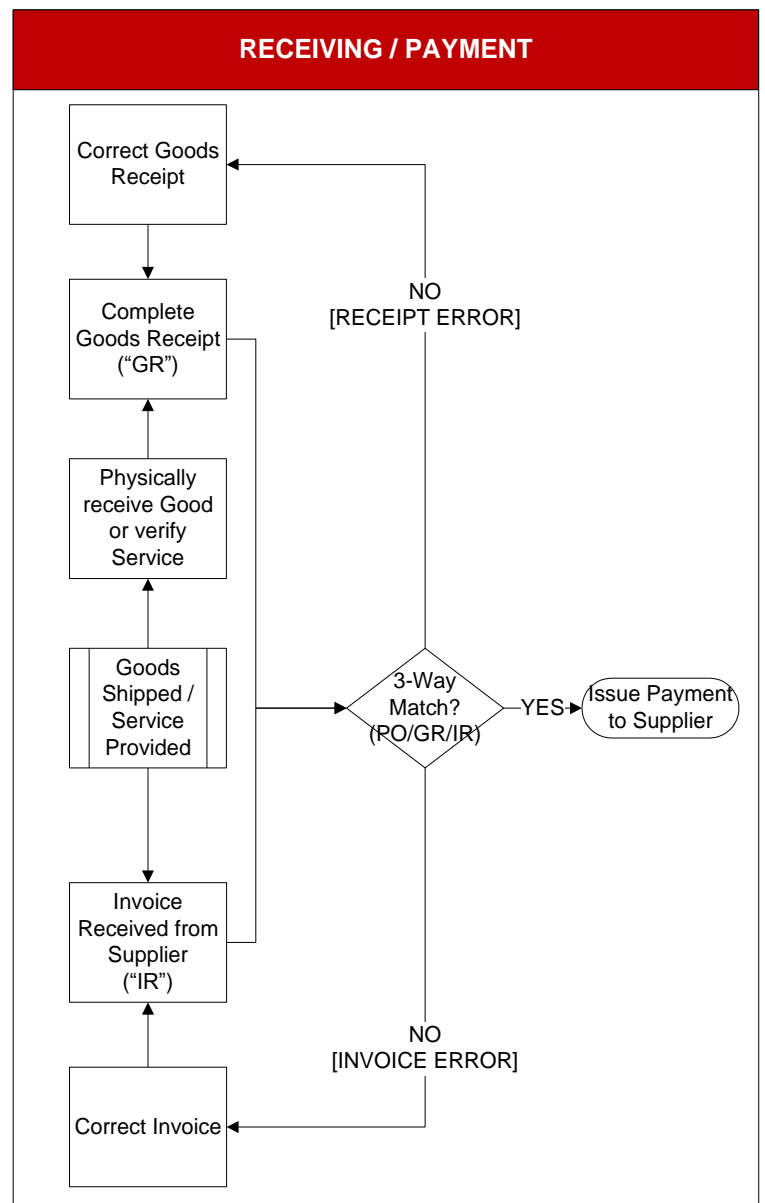
**Recruiting:** Fees and expenses in connection with recruiting activities, recruit reimbursements and attendance at college career fairs.

**Royalty and Licensing:** Royalty and licensing fees paid to third parties in accordance with a written royalty or licensing agreement.

**Regulatory:** Fees paid to regulatory or governmental bodies in connection with normal business operations.

## E. Receiving and Payment

After a Supplier completes the service or ships the good, an invoice must be submitted to Accounts Payable through any one of Armstrong's [Approved Invoicing Methods](#) and an [Invoice Receipt](#) ("IR") will be created. Once the completed service or correct good has been verified by the [Receiver](#) as having been received and conforming to the specifications and expectations, the Receiver must create a [Goods Receipt](#) ("GR") indicating that the invoice is approved for payment. If goods or services are purchased with a PO, the [PO](#), [GR](#), and [IR](#) must reconcile in order for payment to be processed ("3-way match"). The 3-way match should be completed by persons independent of purchasing and receiving functions. [Evaluated Receipt Settlement](#) (ERS) or Consignment may be implemented with a Supplier and the ERS or Consignment process will replace the 3-way match. If there is confirmation of a [3-way match](#) or there is ERS or Consignment, payment will be issued to the Supplier in accordance with the agreed upon payment terms. For purchases made pursuant to an [Authorized Exception](#) where there is not a PO, detailed documentation (invoice, check request, e-mail) including proper approval evidence must be provided for all goods and services purchased.



## **IV. GLOSSARY**

### **3-way match**

The requirements that the PO, IR, and GR match. Most purchase orders will require a 3-way match before any payments will be issued.

### **Accounts Payable**

The organization that posts invoices and processes payments to Suppliers based on agreed to terms. Also performs special resolution and issues management for work delivered by third party provider.

### **Approved Invoicing methods**

The invoicing methods approved by Accounts Payable currently include email PDF invoices, paper invoices and ERS.

### **Approver**

Individual with specified or delegated documented approval authority.

### **Best Value**

Determined by evaluating many factors such as price, delivery capabilities, quality, past performance, training, financial stability, service capabilities, ease of ordering, payment, etc.

### **Bid Evaluation**

A comprehensive evaluation of a single supplier proposal or multiple supplier proposals against the specified work, quality of solution, cost, financial terms and conditions, perceived risks, lead time and schedule, and other financial aspects associated with doing business. Depending on the complexity of the proposal (bid), multiple business inputs including technical and legal should be considered.

### **Blanket Purchase Order**

A Purchase Order that is valid for a specified period of time and value. The Blanket Purchase Order authorizes multiple orders or releases during the specified time period, as long as the total approved spend on the Blanket Purchase Order are not exceeded.

### **Bid Waiver**

The properly documented voluntary and intentional relinquishment of competitive bidding advantage due to specialized or unique supplier capabilities, timing, and/or qualified supplier alternatives. The Bid Waiver form can be found on the Procurement SharePoint site. Global Policy GP-70 Transaction Approval and Signing Authority applies to Bid Waiver approvals.

### **Buyer**

Person responsible and authorized to assure Requisitions are properly approved, bid documents are complete, and purchase commitments are accurately confirmed and received on-time

### **Competitive Bidding**

A process for obtaining goods and services at the best value by stimulating competition and by preventing favoritism.

### **Consignment**

An automated system where the company will pay a supplier based on the quantity of material used during a given period at a previously agreed price and terms. No invoice is required from the supplier as it is generated internally by Armstrong.



**Contract**

A written agreement for the purchase of specific goods/services which has been approved pursuant to this policy

**e-Procurement**

The use of the internet or the company intranet to procure goods and services used to conduct business. An e-Procurement process can streamline all aspects of the purchasing process while applying tighter controls over spending and product / Supplier preference.

**Evaluated Receipt Settlement or ERS**

An automated system where the company will pay a bill when due without the need for an invoice. Charged prices are based on amount received and previously agreed to terms

**Goods Receipt or GR**

Confirmation to Accounts Payable that the product has been received or the service has been provided and therefore the purchase order is approved for payment.

**Invoice Receipt or IR**

Confirmation to Accounts Payable that the Supplier statement of costs to be collected and dates of payment has been provided and payment is expected.

**Outline Agreement**

Internal SAP contract with an individual Supplier for a variety of products used to release purchase orders against. Volumes in outline agreements are typically annual usages and not shared with Supplier as a commitment to buy. All conditions are maintained at the outline agreement level and copied into subsequent PO's that are released to the Supplier.

**Preferred Supplier**

Suppliers identified by Procurement with long-term authorized agreements on file. These agreements include pre-negotiated pricing, terms, and conditions for the purchase of specific goods/services.

**Procurement Action Plan**

Required documentation summarizing agreed to procurement strategies for various purchases within a larger project. Required for capital projects with a single transaction exceeding \$100,000 or a total project appropriation exceeding \$250,000.

**Purchasing Agent**

Designated and authorized person to conduct a transaction. Typically authorization levels are dictated by the spend amount.

**Purchasing Manager**

The person, usually located at a manufacturing plant or in Corporate, who is responsible for buying or approving the acquisition of goods and services. The position responsibilities may be similar to those of a Buyer, or may include wider supervisory or managerial responsibilities. The term is sometimes used interchangeably with Commodity Manager.

**Purchase Order or PO**

An offer to purchase and a legal commitment to supply Armstrong with goods and/or services.

**Purchasing Card or P-Card**

A payment method whereby Requisitioners are empowered to deal directly with Suppliers for low-dollar, high frequency purchases by using a card issued by a bank or major credit card provider. The cards reduce paperwork and enable purchasing and accounts payable personnel to focus on more value-added activities.

**Receiver**

The person responsible, sometimes also the Requisitioner, for verifying that the goods received are the goods that the organization ordered or that the service that was ordered was completed properly.

**Requestor**

The person who identifies a need for a good or service. The Requestor is also responsible for providing and finalizing specifications and may also be the Requisitioner.

**Requisition**

The source document required to initiate a purchase order. Purchase requisitions include a description of customer requirements, valid charging and delivery instructions, and the approval of an authorized individual.

**Requisitioner**

The person who initiates a purchase requisition. For some purchases, the Requestor and the Requisitioner are the same person.

**SAP Outline Agreement**

An SAP contract is a type of outline purchase agreement against which purchase orders (releases) can be issued for agreed materials or services during a given time-frame.

**Separation of Duties**

The duties of purchasing, receiving, and authorizing payment for goods and services must be distributed among two or more individuals in order to reduce the risk associated with potential conflicts of interest.

**Sourced Product**

A finished good manufactured by a Supplier and purchased by Armstrong for resale to its customers.

**Supplier**

A person or organization that provides goods or services to Armstrong. The term Supplier is used interchangeably with the term vendor.

**Total Cost of Ownership**

The purchase price of a product and its transportation cost, plus indirect handling, inspection, quality, rework, maintenance, and all other "follow-on" costs associated with the purchase, including costs of disposal.

**Total Landed Cost**

The total cost of a landed shipment including purchase price, freight, insurance, and other costs up to the port of destination including the customs duties and other taxes levied on the shipment.

*[END OF POLICY]*

Policy Number:	<b>GP-80.A</b>
Policy Title:	<b>Global Procurement</b>
Policy Owner:	<b>Mark Orr, Director Global Procurement</b>
Policy Last Updated:	<b>1.25.2017</b>

Appendix A – Compliance with UK Modern Slavery Act and California Supply Chain Transparency Act

## **Appendix A: Compliance with UK Modern Slavery Act and California Supply Chain Transparency Act**

Armstrong World Industries (AWI) has a long history of conducting business in a responsible manner. This belief and approach extends to our suppliers. The following statement regarding our supply chain management activities is in accordance with the UK Modern Slavery Act 2015 and the California Transparency in Supply Chains Act of 2010 (SB 657).

AWI is strictly opposed to the use of child labor or forced labor of any kind, including but not limited to slavery, indentured servitude, human trafficking and all other forms of forced labor. AWI maintains and enforces a strict Code of Business Conduct built around our core operating principles. Inherent in the Code of Business Conduct, is the company's commitment to the integrity and inherent rights of all people which includes operating free from enforced labor, human trafficking and slavery. Procurement ensures that all AWI suppliers operate in a manner consistent with these principles.

In furtherance of the responsibilities outlined above, AWI commits to:

- Provide annual training on slavery and human trafficking to staff, thus enabling them to recognise and respond appropriately to indicators of such issues in the supply chain.
- Conduct periodic targeted due diligence of those areas of its supply chain where risk of abuse is most prevalent in order to identify, assess and manage that risk through a series of measures including:
  - Instituting an annual review questionnaire for all existing suppliers to understand suppliers' self-assessment of slavery issues and allow Armstrong to identify these issues early and manage them accordingly.
  - Collaborating with suppliers to develop an improvement plan to address new and previously identified slavery and human trafficking issues following responses from questionnaire.
- Avoid key performance indicators which impose unreasonable or onerous demands on suppliers, compliance with which would encourage or contribute to the likelihood of slavery.

AWI routinely requires its suppliers, vendors and contractors to contractually agree to abide by all laws, rules and regulations in effect in the countries and jurisdictions in which they do business, including but not limited to all laws, rules and regulations relating to slavery and human trafficking. Armstrong may further require its suppliers, vendors and contractors to complete certifications, certifying that the materials incorporated into the products they supply comply with all laws regarding slavery and human trafficking in the countries in which they do business.

AWI generally does not hire third parties to conduct audits or verifications for such purposes, although it reserves the right to do so in appropriate circumstances. If Armstrong determines that a supplier has failed to meet these expectations, Armstrong may take action with respect to that supplier, including requiring corrective actions or canceling outstanding orders. Armstrong has not required independent certifications of compliance but typically has the right to obtain documentary evidence of compliance upon request.