



**MANAGEMENT SYSTEM
GENERAL PROCEDURE**

**GOODS PROCUREMENT AND
AND WORKS AND SERVICES CONTRACTING**

PG-03

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1 PURPOSE AND SCOPE

1.1 Purpose

To set out the detailed procedure for goods procurement and works and services contracting defining all relevant aspects for their management. It therefore fully defines the comprehensive contracting process, from identification of a need to signing of the corresponding contract, regulating the functions of the different units involved, the criteria for assessing suppliers, awarding contracts, etc. It also describes aspects related to contract execution and monitoring.

This procedure complies with the provisions of article 192 of the Public Sector Contracts Law 30/2007 of 30 October, the wording of which is set out in Royal Legislative Decree 3/2011 of 14th November, which enacts the consolidated text of the Contracts Law, and the requirements established in Section 7.4, Purchasing, of European Standard ISO 9001:2008 and 4.4.6, Operational Control, of European Standard ISO 14001:2004.

1.2 Scope

This management procedure is applicable to all procurement and contracting carried out by the company. However, some of its requirements may only be applicable in certain cases, as described below.

Financial services are excluded from this procedure.

2 REFERENCES

- Management System Manual.
- Procedure PGC-02 "Quality Assurance"
- Procedure PGM-05 "Operational Control. Monitoring and measurement".
- Rules regulating the relationship between Ineco and contractors.

3 DEFINITIONS

Contractor/supplier: Natural or legal person who provides works, services or supplies under a contractual agreement. If the subject of the contract falls within the scope of a main contract between Ineco and the end customer, the contractor shall also be referred to as a subcontractor in relation to the end customer.

Contract: Acceptance of contractual obligations by both parties, the company and the contractor. If the subject of the contract falls within the scope of a main contract between Ineco and the end customer, the contractor shall also take on the title of subcontractor in relation to the main contract.

Contracting entity: entity that takes decisions regarding award proposals, which may be the Contracting Committee, General Management, Area Management or the person responsible for the work.

Contracting Committee: board whose purpose is to take decisions regarding certain award proposals. It is made up of the Chairman of Ineco, or another person delegated by this individual, as chairman of the committee, three members and a secretary. The members of the contract committee must be appointed by the Chairman of Ineco. The members must include a legal adviser, a person responsible for financial-budgetary control and a person from the contracting unit.

Procurement Unit (PU): This is the unit responsible for the efficient operation of the company's procurement and contracting procedures. It also manages the contracting process, coordinating all units involved and carrying out the functions set out in this document.

Unit responsible for the work: This is the part of the organisation with operational responsibility for the work, service or supply covered under the contract. A person from this unit will be designated to supervise the work.

Contracting unit: This is the part of the organisation that generates the tender dossier, which may be the unit responsible for the work or the PU.

Quality Committee: is the committee described in Section 2 of the Quality and Environmental Management System.

4 GENERAL ASPECTS

In general terms, the principles governing all contracts with Ineco are as follows:

Principle of public access

In the case of Ineco, the principle of public access is applied by publication of the general principles on the website. Ineco procurement processes are published on the Public Procurement Platform (www.contrataciondelestado.es) and on the company's website, irrespective of the additional means of publication specified for contracts derived from management assignments.

Principles of competition, equality and non-discrimination

This principle carries the following requirements:

- Free access to the tender by any company.
- A non-discriminatory description of the subject-matter of the contract.
- Equal access for economic operators from all the member states of the European Union.
- Mutual recognition of degrees, certificates and other diplomas.
- A prohibition against providing information in a discriminatory manner that might give certain bidders an unfair advantage over the rest.

Principle of transparency

The principle of transparency involves:

- Everyone taking part must have prior access to the rules applicable to the tender. These rules must be applied equally to all companies participating.
- Appropriate time limits. The time limits set for the submission of bids must be sufficient to enable companies to make an adequate evaluation and prepare their offers.
- Precise and prior establishment of objective criteria for assessing bids.
- Clear, prior identification of the entity that will issue the award proposal and of the entity with authority to award the contract.
- Ineco awards each contract to the bid that is judged to be most advantageous in economic terms, provided it meets the objective bid evaluation criteria specifically established for each project.

Principle of confidentiality

Ineco's compliance with the principle of confidentiality is guaranteed by the Ineco confidentiality clause included in the conditions for contracting.

5 REQUIREMENTS FOR ENTERING INTO CONTRACTS WITH INECO.

Prohibitions

Any company meeting the capacity requirements set out in the Public Sector Contracts Law may apply to be included in the Ineco supplier/contractor register.

However, companies in any of the following situations are barred from entering into contracts with Ineco:

- a) Having been convicted in a final judgment for crimes of conspiracy, corruption in international economic transactions, trading in influence, bribery, fraud and extortion; crimes against Tax and Social Security Authorities; crimes against workers' rights and of embezzlement and receiving stolen goods and similar conduct; environmental crimes or special sanctions prohibiting the exercise of the profession, occupation, industry, or business. The prohibition of contracting extends to those legal persons whose administrators or representatives, while holding their posts or representations, meet any of the above criteria as a result of actions carried out in the name of or on behalf of the said legal persons, and those for whom the conditions, qualities, or relationships stipulated in the corresponding legal definition of the crime coincide.
- b) Having filed for bankruptcy, having been declared insolvent in any procedure, having been declared bankrupt, being subject to judicial intervention or having been disqualified according to Law 22/2003 of 9th July on Bankruptcy, without the period of disqualification established in the sentence of the declaration of bankruptcy having expired.
- c) Having been sanctioned by a final judgment for a serious infringement relating to market discipline, professional misconduct, or labour integration and equal opportunities and non-discrimination against people with disabilities. Or for a very serious infringements relating to social matters, including infringements relating to occupational risk prevention pursuant to the provisions of the Consolidated Text of the Law on Social Infractions and Sanctions, approved by Royal Legislative Decree 5/2000 of 4th August. Or infringements relating to environmental matters, in accordance with the provisions of any of the following: Royal Legislative Decree 1/2008 of 11th January, which enacts the Consolidated Text of the Law on Evaluation of Environmental Impact; in Law 22/1988 of 28th July on Coasts; in Law 4/1989 of 27th March on the Conservation of Natural Spaces and Wild Fauna and Flora; in Law 11/1997 of 24th April on Packaging and Packaging Waste; in Law 10/1998 of 21st April on Waste; in the Consolidated Text of the Law on Water approved by Royal Legislative Decree 1/2001 of 20th July; and in Law 16/2002 of 1st July on the Integrated Pollution Prevention and Control.
- d) Not being current with the tax or Social Security obligations imposed by the provisions in force under the terms to be established in the regulations.
- e) Having committed misrepresentation on making the declaration of responsibility referred to in Article 146.1.c) of the Public Sector Contracts Law (LCSP) or on providing any other details relating to its capacity and solvency, or having failed to comply, for reasons attributable to it, with the obligation to communicate the information provided for in Article 48.4 and in Article 330 of the LCSP.
- f) The involvement of the natural person or the administrators of the legal person in any of the cases mentioned in Law 5/2006 of 10th April on the regulation of conflicts of interests of members of the Government and senior officials of the General Government Administration, of Law 53/1984 of 26th December on incompatibilities of public officials or involving any of the elective officials regulated by Constitutional Law 5/1985 of 19th June on the General Electoral Regime under the terms established in the same.

The prohibition will extend to legal persons in which staff and senior officials of any public administration, as well as elected officials in the service of the same, hold shares under the terms and in the amounts established in the aforementioned legislation.

In both cases, the prohibition extends equally to spouses, persons linked by a similar relationship of affective cohabitation, and offspring of the persons referred to in the previous paragraphs, provided that regarding the latter the said persons hold their powers of legal representation.

- g) Having contracted persons regarding whom the Official State Gazette has published the non-compliance referred to in Article 18.6 of Law 5/2006 of 10th April on the regulation of conflicts of interests affecting members of the Government and senior officials of the General Government Administration, for having commenced providing services in private companies directly related to the powers of the position during the two years following the date of the cessation of the same.

The prohibition against contracting shall be maintained during the time that the contracted person remains within the organisation of the company, with a maximum limit of two years starting from cessation as a senior official.

In addition to the above, the following circumstances shall disqualify entrepreneurs from entering into contracts with Ineco:

- a) Having given rise, by having been declared guilty, to the definitive termination of any contract entered into with a public administration.
- b) Having violated a prohibition on contracting with any of the public administrations.
- c) Being affected by a prohibition on contracting imposed as an administrative penalty in accordance with the General Law on Subsidies 38/2003 of 17th November or the General Tax Law 58/2003 of 17th December.
- d) Having wrongfully withdrawn its proposal or candidacy in an award procedure, or having failed to qualify for definitive awarding of the contract as a result of non-compliance with Article 151.2 of the Law on Public Sector Contracts within the deadline indicated due to malice, error or negligence.
- e) Having failed to comply with the special conditions for contract execution established in accordance with the provisions of Article 118 of the Law on Public Sector Contracts when this non-compliance was defined in the tender specifications or in the contract as a serious violation in accordance with the provisions implementing this Law, and when malice, error or negligence by the employer is involved.

The prohibitions against contracting shall also affect companies which, by reason of the persons governing them or other circumstances, are a continuation of or derived from, by transformation, merger or succession, other companies in which these circumstances have arisen.

In addition, companies wishing to enter into contracts with Ineco must adapt their environmental practices to Ineco's environmental policies, and they must accept the General Contracting Conditions and their practices must not contravene Ineco's general corporate responsibility principles.

6 CONTRACTOR EVALUATION

6.1 Initial contractor evaluation

The Finance Department, with the support of experts in the organisation as needed, makes an initial evaluation of contractors based on information obtained from the following sources:

- a) Questionnaire completed by the company: Responses to the "Questionnaire for Registering suppliers/contractors" provided by Ineco to companies with which it wishes to work, provide first-hand information for evaluation of Technical Solvency, Financial Solvency, Quality and Environmental Quality. The evaluation of this questionnaire represents the initial contractor assessment.

Contractors will be evaluated according to proven experience in work relevant to Ineco's activity.

- b) Curriculum vitae: In case of independent professionals, the initial evaluation will be carried out by an analysis of the professional curriculum.

6.2 Category assignment

Categories are assigned, in the different cases that may arise, according to the criteria defined in Annex 1.

Categories are assigned according to the following criteria:

- Category 4. Contractors that offer Ineco a high guarantee of quality.
- Category 3. Contractors that offer Ineco a good guarantee of quality.
- Category 2. Contractors that offer a sufficient guarantee of quality to enable Ineco to enter into agreements with them.
- Category 1. Contractors that offer Ineco an insufficient guarantee of quality, and which therefore cannot enter into contracts with the company for a three-year period, generally speaking, starting on the date on which they are included in Category 1. After this period, a new evaluation process shall be initiated for inclusion in Category 2 at most.

The category attained from the evaluation of the questionnaire or the curriculum shall be listed in the Register of Contractors until the first evaluation under the provisions of Section 6.2.1. The latter shall be combined with the initial evaluation of the works to determine the supplier's rating, as provided in Annex 1. Each time the status of a contractor is updated, the contractor shall be notified of the fact.

6.2.1 Monitoring and evaluation of the works

All contractors shall be subject to monitoring in the execution of the services, supplies, or contracted works by the unit responsible for the work.

For awards over 3,000 euros, after completion of the contracted work, or when milestones are verified in case of extended work, the supervisor of the works shall create a "Scorecard", which will contain an evaluation of the contractor's performance in terms of the work quality, meeting deadlines, interest and prompt response, and the adequacy of the human resources and materials used.

In the case of contracts with durations in excess of two years, at least one annual evaluation will be performed, which will be taken into consideration when deciding on possible extensions.

If the end customer has observations related to the work, they shall be included in the work evaluation.

Scorecards, which are drafted by the Manager in the case of sums in excess of 18,000 euros, are delivered to the PU.

6.2.2 Updating of the Register of Qualified Contractors

The PU will update the Register of Qualified Contractors taking into consideration the initial rating, work evaluations and any other relevant information.

This register will contain at least the following information:

- a) Supplier/contractor name and address
- b) Speciality or goods for which it is registered
- c) Category assigned
- d) Date of most recent evaluation

The PU will also inform the Quality Committee of any non-conformities detected. The Quality Committee will make an annual evaluation of non-conformities. The Quality Commission may recommend that the PU:

- a) Renew the rating without requesting corrective action.
- b) Renew the rating and request corrective action.
- c) Disqualify the supplier.

7 GOODS PROCUREMENT AND WORKS AND SERVICES CONTRACTING

7.1 Identification of the need and preparation of an invitation to bid

The contracting process starts with identification of the need and preparation of the invitation to bid. To do this, the contracting unit will open an electronic procurement dossier by including the information needed to prepare the offers.

Procurement dossiers shall be promoted by the units directly responsible for management of the supply, work or service in question. Likewise, the PU shall initiate procurement dossiers at the request of the responsible units or on its own initiative when it believes that pooled procurement of goods and services may be more efficient for the company.

Contractors shall be given access to the following information prior to preparing their offers:

1. Name of the person responsible for the work, who shall serve as the contact person for inquiries of a technical nature, and the name of the contact person for inquiries of an administrative nature.
2. Nature and scope of the goods or services required and technical specifications that must be met.
3. Documentation and information made available by Ineco to the awardee, if any.
4. Documentation to be submitted by the contractor at the end of the commitment and its format to allow integration into the Ineco's body of work.
5. Maximum price to be paid by Ineco for performing the work.
6. Final and intermediate deadlines, as well as verifications to be made.
7. Information to include in the bid with regard to quality assurance, compliance with which shall be guaranteed by the contractor and checked by Ineco.
8. Criteria for technical and financial solvency of contractors, and assessment criteria for bids, which must comply, as far as possible, with the guidelines set forth in Annex 2.
9. Reference to the General Procurement Conditions, which are published at www.ineco.es and which set out any contractual terms and conditions that may differ or supplement those set forth in the General Procurement Conditions. In particular, they shall state the terms of payment if these differ from those in the General Procurement Conditions.
10. Administrative documentation that must be presented.

Generally, this information will be included in the invitation to bid or the tender announcement and will be set out in a specific conditions document which supplements Ineco's General Procurement Conditions.

However, for technical reasons, confidentiality of the information or other justifiable causes, and after assessment by the PU, the information may be provided only to companies that show an interest in submitting a bid and comply with certain conditions to be determined.

When the subject of the contract involves activities similar to those of the Company itself, this shall be handled as provided for in the Guidelines for Commercial Contracts, with the aim of ensuring that the commercial nature of the transaction is upheld.

7.2 Requests for bids

7.2.1 Public announcement guarantees according to the contract sum:

- A. Contracts for sums below 18,000 euros: generally speaking, three contractors will be invited to bid, one of which must be registered in the Register of Qualified Contractors with a Category 2 or higher rating in the corresponding speciality.

Companies in Category 1 will not be asked to bid, except in cases of urgency or when is impossible to contract another company for justifiable reasons. In such cases, the work will be monitored especially closely.

The contracting unit will directly request and receive the bids for evaluation. Alternatively, it may opt to organise a public invitation to bid on the website, in accordance with the provisions of Section C.

- B. Contracts for sums between 18,000 and 50,000 euros: generally speaking, invitations to bid will be announced on the website, in accordance with the provisions of Section C.

Alternatively, the contracting unit may opt to handle the tender by requesting bids, giving sufficient grounds for this decision.

In this case it will be the PU that invites bids from at least three contractors, complying with the provisions of the above section with regard to their rating. Bids will be requested from the contractors proposed by the contracting unit and those determined by the PU. The PU shall receive these offers. The period for submitting bids shall be at least seven (7) days.

In exceptional cases, only one contractor will be asked to submit a bid. This will be the case when there is no other way of awarding the contract for any of the following reasons:

- a) When due to the technical or artistic specificity of the subject of the contract or for reasons related to protection of exclusive rights, there is only one possible supplier.
 - b) If there were no successful bids for a previous tender, provided that there are no significant modifications to the conditions.
 - c) If the subject of the contract is complementary to previous contracts, when a change of supplier would lead to incompatibilities or disproportionate technical difficulties.
 - d) Due to extreme urgency resulting from unforeseeable events or ones attributable to Ineco which make it impossible to award the contract by other means due to insufficient time to meet deadlines.
 - e) When the goods or services are to be supplied abroad and the search for alternative contractors is disproportionate to the work to be contracted.
- C. Contracts for sums in excess of 50,000 euros: such invitations to bid shall be announced on the Ineco web page.

The PU will request offers through a summarised announcement or by publishing the specific conditions document.

The period for submitting bids shall be at least fifteen (15) days. This period may be reduced if necessary, particularly for contracts for sums of less than 50,000 euros.

Exceptionally, certain procurement dossiers may be exempt from publication, and the procedure for selection of bids specified in paragraph B may be applied for any of the following reasons:

- a) Confidentiality.
- b) When the unique characteristics of the goods or services, or of the project contracting process, would be more efficient by selecting bids.
- c) Any of the grounds established in the above section for requesting bids from a single contractor.

7.2.2 Another considerations regarding the invitation to tender:

1. When contracts derived from Management Assignments are for amounts in excess of those foreseen in the LCSP, these shall be published in the Official Journal of the European Union (OJEU).
2. The contracting unit will inform all the bidders simultaneously of any extensions to the time period for presenting bids before the end of same. The same applies to any clarifications or if additional information is provided, in which case all bidders will be notified.
3. Bids will preferably be submitted in electronic format.
4. All bids requested by the PU will be submitted in two separate documents, one with the financial offer and the other with the technical offer. The financial information for the project will only be included in the financial offer.
5. If considered necessary, and provided that this is noted in the invitation to bid or the tender announcement, additional information may be required, or modification of certain aspects of the submitted bids may be negotiated, or, if appropriate, the initial assessment of each of proposals may be modified.

In such cases, one or more contractors may be pre-selected, based on the bid assessment criteria established, with which to negotiate improvements in the conditions. Pre-selected contractors shall be treated in a non-discriminatory manner, such that they can improve their bids under equal conditions. A record will be made of negotiations through meeting minutes or supporting reports, which shall be attached to the award proposal.

6. In the case of work subcontracted under a main contract, the total price of subcontracted work shall not exceed 40% of the contract value. In exceptional cases, the contract awarding committee may authorise subcontracts for higher amounts.

7.3 Selection and contracting

7.3.1 Award proposal

When the comparative study is complete, the contracting unit will make the proposal to award the contract.

If the amount is greater than 18,000 euros, the contracting unit will only perform the technical evaluation of the bids, based on the technical offers submitted. In certain cases, the PU may designate persons from other units as part of the evaluation team, or it may make additional evaluations. The PU will perform the economic assessment of the bids and will include this with the technical assessment for initial assessment of the offers, which it will submit to the contracting unit. If necessary, the PU will be supported by the unit responsible for the work to assess the financial offer.

7.3.2 Awarding

The contract will be awarded to the organisation submitting the most advantageous bid according to the economic and/or technical criteria established. If there is a sole assessment criteria, this must necessarily be the price.

If the maximum amount is less than 18,000 euros, the award proposal will be referred to Executive Management, General Management or Area Management for a decision, according to the procedure established in Section 7.6 Responsibilities and validations.

If the amount is more than 18,000 euros and less than 50,000 euros, the award proposal is referred to General Management or Area Management or the Contract Awarding Committee for a decision, at the discretion of the PU. The PU will notify the Contract Awarding Committee of awards made by General Management or Area Management.

If the amount is more than 50,000 euros, the award proposal will be referred to the Contracting Awarding Committee for a decision.

In case of contracts awarded in foreign currencies, the contract award will be processed based on the contract amount in euros at the exchange rate in force at the time the award proposal was made. However, the award shall be deemed made in the currency appearing in the contract, and this fact shall be stated in the same.

7.3.3 Contracting

Contractual relationships with the contractors shall be made according to the following:

- A. When the contract has been awarded, the PU shall notify the contact at the selected company to establish the appropriate contractual relationships.

A written contract will be formalised at the discretion of the General Secretariat and, in any case, whenever the amount involved is more than 18,000 euros.

If the contractual relationship is not formalised within 15 days for reasons attributable to the contractor, the award will be considered void, and the contracting entity may award the contract to the next-best bid assessed in the awarding procedure.

In cases where the parties do not enter into a written agreement, the PU shall notify the contractor that the contract has been awarded, stating the applicable terms and conditions.

- B. Once the contractual relationship is formalised, the PU shall notify the unsuccessful bidders by the appropriate means. If the request for bids was made using the contracting platform, the decision will be announced on this platform. No mention shall be made of the price, the contractor's name or of any other confidential information.
- C. In case of repeated procurements or subcontracts, a framework agreement may be established, which must be processed according to this procedure.

If there are several framework agreements for carrying out a particular activity, the unit responsible for the work shall invite bids and shall choose the most appropriate one. In these cases, the Management unit responsible for the work shall validate the contractor selection; a specific award in addition to that of the framework agreements shall not be necessary.

- D. Environmental contract terms shall be included systematically in contracts with potential environmental impact or involvement. These are included in the General Procurement Conditions.

7.4 Extensions

An extension prolongs the contract term.

Contracts can only be extended for periods equal to the original contract term, which must be a fixed term. If more than one extension is necessary, the contract shall be extended for the total time planned for execution. Extensions shall be formalised before expiry of the initial contract term through notification by Ineco to the contractor or by mutual agreement between the parties. Extensions may not be formalised tacitly.

Depending on the situation, extensions shall be managed as follows:

- a) If the extension does not involve a delivery of additional goods and services, and is merely an extension of the delivery deadline initially foreseen in the contract, it shall be formalised on the decision of the unit responsible for the work, regardless of the contract amount, and the General Secretariat shall decide if a written agreement is required.
- b) If the extension involves the delivery of additional goods and services, this shall be formalised on the decision of the contracting body according to the amount of the contract. These types of extensions can only be effected to exercise a right set out explicitly in the agreement.

7.5 Modifications

Modifications are understood to be any other changes made to a contract.

Contracts entered into with Ineco can only be modified under the following circumstances:

- a) Planned modifications: those which are foreseen in the contractual documents.

Planned modifications are restricted to introducing changes that are required for necessary objective reasons, with an express indication of the maximum percentage of the contract price which may be affected.

- b) Unplanned modifications: when a concurrence of circumstances established for this purpose under current law so justifies, as long as these do not exceed 10% of the contract price.

In the event that the necessary modifications exceed the previously established threshold, or in the absence of the legally established circumstances, the existing contract shall be terminated and a new contracting process shall commence.

Modifications shall require a prior award, which shall be processed according to this procedure, and signature of the corresponding addendum to the contract at the discretion of the General Secretariat.

7.6 Contracting associated with Ineco bids

7.6.1 Competitive bids in a business association

If, for reasons of business strategy, agreements are reached for submitting joint commercial proposals, making it necessary to enter into contracts for supplies, works or services, these contracts may be awarded directly by the corresponding contracting entity. The General Secretariat will validate any agreements prior to signature.

For these purposes, entities participating the business agreement must acquire joint responsibility with respect to the outcome of the project and be disclosed in the business proposal. Therefore, they shall be considered to be associated companies even though their eventual participation in the project may be implemented through the signing of a contract with Ineco which supplements the business agreement.

This only applies to bids submitted by Ineco with others, and not to direct awards by entities associated with Ineco, or under management orders.

7.6.2 Other cases

In other cases, before identification of a specific contractor in a bid, or of the corresponding human or material resources, a prior award must be made. This shall be done while maintaining all guarantees provided for in this process to ensure that they are made public and competitive nature, with the characteristics listed below.

The confidentiality requirement for the contracting process shall be considered fulfilled, therefore announcement on the website shall not be mandatory. If there are time limits that are incompatible with the request for bids, the urgency shall be considered justified for the purposes specified in Section 7.2.1.B.

Also, in the case of Ineco bids with other parties, if a contractor offers a competitive advantage to an Ineco bid that is superior to that of other potential contractors, this fact can be justified in the award proposal and the contracting entity may award the dossier directly.

Awards made in this context will be considered provisional awards, conditional on the success of the business proposal and on possible changes made by the contractor at the discretion of Ineco. The award proposal shall be made by the unit responsible for the tender. The contractor shall be notified and the contract shall be postponed after the contracting entity has finally awarded the contract. The contracting entity shall preferably take its decision before the bid is made, and in any case within one month from the date of the bid.

7.7 Responsibilities and validations

7.7.1 Request for bids

- Contracting unit. For amounts over 18,000 euros validation of the opening of the contracting dossier by the Director is required.
- PU: shall oversee compliance with this procedure and the application of standard terms and conditions. For amounts over 18,000 euros, it shall review the bid request, technical and administrative documents, etc. It shall also validate any non-standard conditions of an economic nature.
- General Secretariat: shall revise any non-standard terms and conditions of a legal nature proposed in the request for bids or in the technical and administrative documents.
- Information Technology Management: will review requests for bids for software and IT materials.

7.7.2 Award proposal

- Contracting unit. For amounts over 18,000 euros, validation by the Director is required.
- PU: For amounts over 18,000 euros, the economic assessment shall be performed and included with the technical assessment in the award proposal.

7.7.3 Awarding

The responsible contracting entities will take the decision to award a contract based on the following, according to the maximum amounts:

- Sums below 1,000 euros: person responsible for work.
- Sums between 1,000 and 3,000 euros: Executive Management.
- Sums between 3,000 and 18,000 euros: Executive Management if three or more bids were presented, Area Management or General Management in other cases.
- Sums in excess of 18,000 and below 50,000 euros: Area or General Management or the Contracting Awarding Committee, at the discretion of the Area Management or General Management and the PU.

The PU will notify the Contract Awarding Committee of awards made by General Management or Area Management.

- Sums greater than 50,000 euros: Contract Awarding Committee.

7.8 Time limits

Set out below are the maximum time limits for completing the activities associated with the contracting:

- PU/SG/DTI: review of the bid request and making bid requests: 5 days.
- Contractors: making bids: 15 days for publication on website, 7 days for bid request, or those of a specific nature determined by the PU.
- PU: receiving bids and referring the technical offer for assessment: 1 day.
- Evaluation team: assessment of technical offers: 5 days.
- PU: scoring of the financial offer and preparing the contract award proposal: 2 days.

8 MONITORING

The purpose of monitoring is to ensure compliance with the technical, economic and quality conditions agreed with the supplier/contractor.

- A. Quality checks are made by the Ineco control team. The process to be followed is the same as that established for work done in Ineco in the General Verification Procedure for quality of work. The documentation generated is incorporated in the work quality register.

At the request of the Customer, this party may directly verify the quality of the subcontracted work.

- B. When the contracted work is complete, the project manager will draft and send the Scorecard to the Finance Department (FD). If the result of the quality ratings or compliance with the deadlines is below 2, the works supervisor will record any incidents and make any appropriate comments in the corresponding sections of the Scorecard.
- C. Changes to be made to the supply, work or service shall always require a Report reflecting the compliance of the supplier and the work supervisor.

If this involves a change to the subject of the contract or affects the economic conditions of same, such changes shall be formalised in an addendum to the contract, at the discretion of the General Secretariat. If the amount is higher than the original sum, this will be processed as an extension in accordance with Section 7.4.

- D. When the subject of the contract involves activities similar to those of the Company itself, these will be handled as indicated in the Ineco Guidelines for Business Contracts.

9 INVOICING

1. Contractors shall send all invoices directly to the Finance Department in the defined format. Once receipt of the invoice is recorded, it shall be referred for validation by the Finance Department and by the management unit responsible for managing the work.

The Finance Department will determine the administrative documentation that contractors must submit with the invoices to accredit compliance with their obligations. Validation of the final settlement of a contract by the Finance Department will require prior assessment of the work by the unit responsible for same.

2. Before settlement of the amounts withheld on account, at the discretion of the Finance Department, the contractor will be asked for written acceptance of the pending amount, confirming that there are no other amounts pending payment by Ineco related to execution of the contract.

10 FILING

All original contractual documents are filed and kept by the PU for a period of at least three years after termination of the contract.

Information regarding supplier ratings is stored in the General Suppliers Register for at least three years.

The remaining documentation is filed in the computerised procurement dossier, to which the units related to the management of supplies, works and services has access.

11 ANNEXES

- Annex 1. Basic Criteria for Rating Suppliers.
- Annex 2. Solvency and Assessment Criteria.
- Annex 3. Notice of Procedural Modifications.

ANNEX 1: BASIC CRITERIA FOR RATING SUPPLIERS

1. INITIAL ASSESSMENT

1.1 Assessment of Companies

When scoring to determine the corresponding categories, a system that takes into account the following items shall be used: Technical Solvency, Financial Solvency and Certifications and Other Aspects.

- Technical Solvency: Technical Solvency data is based on References from Similar Work over the last three years, which can account for up to 45% of the total score. These references will be assessed according to the number and magnitude of the works performed.
- Financial Solvency: The necessary information shall be the following:

Assets: Fixed and Current.

Liabilities: Debt and Equity Financing.

This gives scores for: Guarantee, Resources and Independence, in line with Ministry of Development contracting requirements.

Turnover figures and scores for guarantee, resources and independence may account for up to 30% of the total score. Turnover is scored according to the magnitude of the work to be performed.

- Environmental Quality and Management: Quality Management and Environmental Management Systems Certificates, product certification and other guarantee records may account for up to 25% of total score.

1.2 Evaluation of Collaborators

- Final solvency data for collaborators is based on: qualification, years of experience and references for similar work performed. All this with respect to the sector in which Ineco works.

(Ineco reserves the right to request certificates from customers and projects provided as references).

This is summarised in the following table:

COMPANIES	COLLABORATORS	MAXIMUM SCORE
Economic Score	Years of experience	30
Technical	References	45
Quality and certification	Degrees	25

Each Company or Collaborator's **initial score** is the sum of the scores for the three items. The category corresponding to each score is assigned according to the attached schema.

TOTAL INITIAL SCORE	CATEGORY	CATEGORY DESCRIPTION
$p \geq 75$	4	High guarantee of quality

$75 > p \geq 50$	3	Good guarantee of quality
$50 > p \geq 25$	2	Sufficient guarantee of quality
$P < 25$	1	Insufficient guarantee of quality

2. ASSESSMENT OF WORKS PERFORMED FOR INECO

2.1 Monitoring of Contractors of Works and Suppliers of Goods and Services

The Procurement Unit shall review the “Register of Qualified Contractors” and shall maintain or modify their rating in conformity with existing ratings.

All suppliers are subject to monitoring in the execution of the supplied services or contracted works.

2.2 Rating of works (*Scorecards*)

ITEM	NOTE 0 to 5 (max)	WEIGHT %
Quality	0 to 5	50%
Term	0 to 5	45%
Interest and resources contributed	0 to 5	5%

The assessment is made using the initial assessment and scorecards

INITIAL QUESTIONNAIRE	RATING SCORECARDS			
	≥ 4	3	2	≤ 1
4	4	3	2	1
3	4	3	2	1
2	3	3	2	1
1				

2.2 Rating Schema

INITIAL SCORE *	CATEGORY	CATEGORY DESCRIPTION
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$n \geq 4.25$	4	High guarantee of quality
$4.25 > n \geq 3.5$	3	Good guarantee of quality
$3.5 > n \geq 2$	2	Sufficient guarantee of quality
$n < 2$	1	Insufficient guarantee of quality

**Average rating for the work performed in the last three years*

ANNEX 2: SOLVENCY AND ASSESSMENT CRITERIA

A TECHNICAL AND FINANCIAL SOLVENCY CRITERIA

The criteria for technical and financial solvency shall be the minimum required to ensure the contractor's compliance with the contractual obligations. Inappropriate criteria shall be avoided, taking into account the greater guarantee that these may involve and their possible restrictive effect on competition. The following is a list of possible criteria to be applied depending on the specific circumstances of the contract.

1. Financial solvency

- a. It shall be verified that none of the prohibitions against contracting with Ineco set out in Section 4 of this procedure apply.
- b. The contractor must have its own assets, organisation and material and human resources, assuming the risk inherent in its condition as a real company, and must not be fictional or merely present the appearance of a being company.
- c. Should the need be justified, additional criteria may be established, such as:
 - i. Size: minimum turnover, minimum number of employees, etc. One possible approach would be to require that the previous year's turnover be at least four times the contract amount to prevent this from representing over 25% of its turnover.
 - ii. Diversity of the business: maximum percentage of its activity contracted to Ineco, if excessive dependency is considered a relevant risk factor. One possible criterion would be to require a turnover in the previous year with clients other than Ineco of at least four times the contract amount.

2. Technical Solvency:

- a. Exclusion of companies rated at level 1.
- b. Experience with similar jobs: minimum number of references, or minimum turnover for jobs similar to the subject of the contract for a certain time. Work experience, applications or specific systems will not be required from a final customer.
- c. Availability of technical, material and human resources to perform the commissioned work and to provide the necessary technical support for its performance.

B CRITERIA FOR ASSESSMENT OF BIDS

The award proposal shall be made based on the results of aggregating the assessment of the technical offer and the financial offer, as indicated below.

1. Assessment of the financial offer.

The financial offer shall be assessed based on the price(s) offered by each bidder, according to formulas that must be specified in invitations to bid. The standard formula for tenders with a single price will be:

Economic score (ES) = $(70 \times \text{lowest price of the offer}) / (\text{lowest price of the most economical offer}) + 30$

The above formula is expressed based on 100. If very disparate bid prices are expected, the lowest price may be substituted by the most economical bid by low average. The function coefficients may vary if it is wished to modify the sensitivity of the function to the prices offered.

If a financial offer is considered disproportionately or abnormally low, the bidder may be asked for reports with details of economic studies that support the offer. In any case, bids which are 20% lower than the average of the bids presented shall be deemed disproportionately low.

A bid shall be ruled out if it is considered that it is dangerously low and that it presents a risk to the successful completion of the works. Bids that are considered recklessly low will not be taken into account when determining the lowest financial offer, or the lowest average.

2. Assessment of the technical offer.

The assessment will be made exclusively on the basis of the information certified by the bidder in the technical offer.

If it is possible to establish objective, quantifiable criteria. The score assigned to each criteria and the manner in which the scores were awarded will be indicated according to the aspects certified by the contractor.

Possible technical assessment criteria:

- a. Technical and material resources the contractor will provide under the agreement. The company's overall resources cannot be assessed. In this case, these technical and material resources shall be evaluated as the technical solvency of the company.
- b. Human resources that the contractor will initially assign to the works. The experience of the human resources may be assessed, but under no circumstances beyond what is essential to do the work. The experience will refer to similar work to that being contracted and never to a customer's specific applications or systems. The company's experience cannot be assessed, this being, in the event, a criterion of technical solvency.
- c. Quality of the technical solution proposed or of the projects.
- d. Delivery deadline.
- e. Product distribution conditions.
- f. Conditions of the guarantee or of the insurance associated with the work.
- g. Services associated with the subject of the contract, such as services in the case of incidents or availability of technical support staff to the performance of the works.

3. Integration of economic and technical score.

- a. In cases where it is possible to define minimum technical solvency criteria for contractors and/or minimum conditions for the technical offer which guarantee sufficient work quality, the most economical offer will be chosen from those achieving the minimum required technical score.
- b. In situations where, due to the nature of the work or the degree to which it is defined, the contractor is able to offer specific technical solutions that could result in objective advantages in comparison to the bids of its competitors, the technical and economic scores shall be weighted.

The weighting factors shall be stated in general terms in the invitation to bid. The economic score will have a weight of at least 60%.

A minimum technical score, below which bids will be excluded, may also be defined, and this will generally be 50%.

ANNEX 3: SUMMARY OF PROCEDURAL MODIFICATIONS

ANNOUNCEMENT OF THE PROCEDURE		MODIFICATIONS
No.	Date	
0	April 2002	Initial publication
1	March 2003	Sections 4.1.1, 4.2.3 and Annexes 1 and 2
2	March 2004	Section 1.2 Sets out exclusions. Section 3 Sets out the responsibilities of the Corporate Director and his or her Area. Section 4.2.1 Updates the system followed to procure Material that cannot be inventoried and outsourced services in general. Section 4.1.1 Refers to the forms available on the Intranet. Section 5 Change of party responsible for filing
3	November 2005	Adaptation of the document to the new structure. Section 1.1: Reference to Standard ISO 14001:2004. Section 2. Reference to the announcement document and competition through the WEBSITE. Section 4.1 Reference to the INECO - TIFSA website.
4	April 2007	Inclusion of Sections 4. Definitions and 6. Flow chart Reference to Procedure for Contracting Services for Large Sums
5	April 2008	Change of name and inclusion of Procedure PG-02 "Registration and Evaluation of Suppliers/Contractors" in this Procedure Adaptation to the new Law 30/2007 on Public Sector Contracts. Inclusion of Section 4. General Principles
6	September 2010	General review for creation of the Procurement Unit, describing the functions of the Contract Awarding Committee, updating of Responsibilities and Validations and comparison of management of procurement of goods and services dedicated and not-dedicated directly to production Introduction of solvency and assessment criteria
7	May 2011	Revision due to the implications of Law 2/2011 of 4th March on Sustainable Economy and contracting on the State contracting platform.
8	April 2012	Revision pursuant to article 192 of Royal Legislative Decree 3/2011 of 4th November enacting the consolidated text of the LCSP.

		<p>Review of weightings in scores.</p> <p>New wording of Section 7. Extensions and Modifications.</p> <p>Updating of the invitation to bid documentation.</p>
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