

	<b>UGEE CHEMICALS</b> SNO Warehouse SOP	<b>SOP</b> Standard Operating Procedure
<b>INVENTORY STOCK-TAKING PROCEDURE</b>		
<b>SOP #:</b> UCL/IBDWHSE/CD/Q/04.0	<b>Issuance Date:</b> <b>Revision Date:</b>	<b>As at Last Signature</b> <b>Maximum 2 years</b> from effective date

## PURPOSE

This SOP establishes system for counting exact stock of inventory in the warehouses to:

- Define effective work processes for the control of inventories and accuracy of the inventory record for raw and pack materials and finished products across the warehouse.
- Clarification of number of people to count during cyclic count and wall-wall count.
- Define systems for passing adjustments for all inventory gaps
- Use of ERP for count reconciliation


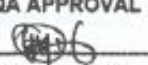
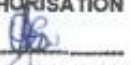
## SCOPE

This procedure covers counting, reconciling, reporting, adjusting of all gaps of RPM and FP inventory in the plant warehouses and also, to define a BCP to follow during ERP downtime.

## RESPONSIBILITIES

IRA Owner & Back - up is responsible to:

- Plan and co-coordinate the stock counts.
- Develop the team lists and inventory sheets and follow through on count reconciliation to ensure timely completion.
- Communicate all corresponding inventory gaps and ensure gaps are adjusted in ERP
- Ensure that counts are done as scheduled
- Achieve and sustain the process success measures and drive continuous improvement
- Lead monthly gap analysis for all variances.
- Ensure all corresponding employees are trained and qualified on this procedure
- Prepare his/her area for wall-wall count by providing relevant information (e.g. stock locators, RPM/FP arrangement etc.) on all RPM/FP units

<b>SOP OWNER</b>  Babalola Ilesanmi Site Stewardship Date: 28/10/22	<b>QA APPROVAL</b>  Alawode Olujide Date: 31/10/2022	<b>STEWARDSHIP APPROVAL</b> ____NA____ Date:	<b>AUTHORISATION</b>  Owolabi Emmanuel Date: 31/10/2022
--	--	--	---

## PROCEDURE

### Success Measure

The expected IRA for both RPM and FP is 100%, however, the global minimum acceptable action limit IRA is  $\geq 98\%$  for FP and  $\geq 95\%$  for R&PM (Physical vs. ERP)

### GENERAL

1.0 The types of stock count that will be done in the Plant warehouses are:

Type of Count	Frequency	Scope	Intent
Cyclic Count	At least 1 cycle per item in a month	Count of Raw & Pack Materials and Finished Products in all Storage locations by at least 1 person per team, counting blindly and validate against ERP.	To reconcile and know the status of physical inventory with ERP records by batch, location, quality status and quantity.
Wall-to-wall counts	Wall-wall Full Physical Counts must be done on monthly basis	Count of Raw & Pack Materials and Finished Product in all Storage locations by at least 2 people per team counting blindly and validate against ERP.	To reconcile and report physical inventory with ERP records by location and quantity.

- 1.1 All stock counts include a reconciliation exercise, which basically is checking the physical stock figures versus system records to ensure they are the same (quantity, location and quality status). When they match per the standard set in this procedure, the inventory is said to reconcile.
- 1.2 All stock count is to be done in applicable units (kg, M2, each, cases etc.) as provided in ERP, referencing the quantity on the corresponding internally generated label (yellow/green) on the RPM/FP or supplier label.
- 1.3 Wall to wall count team will comprise minimum of 2 people where the stock will be counted by both and reconciled on the floor before proceeding to populate for reconciliation. Cyclic count will comprise minimum of 1 person where the personnel counts blindly and submit for reconciliation. However, if enough personnel are available, 2 people can count during cyclic count. Any discrepancies will be rechecked by the system owner. Team members will be drawn from the dept. (warehouse) personnel for cyclic counts, while personnel from all levels of the organization and as many relevant functions as possible (e.g. Warehouse, F&A, Operations, Local External Auditors etc.) for yearly wall-wall count or as the business demands.
- 1.4 A stock count team leader will be appointed per team for the wall-wall counts and this person will be a person who is familiar with the stock item being counted due to the kind of system we run
- 1.5 Counts shall be blind (i.e. the expected count quantities, batches etc shall not be known prior to counting them)
- 1.6 Stock movements including issuance or receipt between locations during any stock counts (either cyclic or wall-wall) should be minimal but not totally halted; to aid accuracy and business continuity respectively.
- 1.7 Stock reconciliation (physical versus ERP) must be completed within 24 hours of count.

- 1.8 Inventory adjustments for gaps will be done within 24 hours of completing count reconciliation or by the next business day if the count reconciliation day is not a business day.
- 1.9 Stock adjustment approval will be done per the local decision authority as designed by the F&A team and must be gotten within 5 days of the adjustment.
- 1.10 Gap analysis will be conducted for all gaps.

## 2.0 DAILY CYCLIC COUNT

- 2.1 Daily FPs and R&PM stock counts will be done per the schedule covering all locations including reject cage and ensure all RPM/FP counts are covered monthly.
- 2.2 Having completed the count, the personnel on shift will populate the count, sign the count sheet with name and hand over the count sheet to the IRA owner for reconciliation.
- 2.3 The IRA owner will check for variance/gaps between physical count and ERP figures. If gaps exist, the IRA owner will go to the whse with the personnel to conduct a re-count on the RPM/FP
- 2.4 The IRA owner will file the count sheet and get approval for adjustment (if any)

## 3.0 WALL-WALL COUNT

- 3.1 The IRA owner will issue a stock count schedule at least 5 days before the stock count to include:
  - Items /Group/Location of items to be counted
  - Date and time of stock count
  - Names and responsibility of stock count team participants
- 3.2 The stock-count schedule will be shared with all team members that will be involved in the count.
- 3.3 On the stock count day, the IRA owner will download the inventory for all the locations into excel format and the IRA owner and count participants will hold a pre-count meeting to:
  - Review stock count process & success measures / expectations
  - Issue inventory count sheets for each item to be counted.
- 3.4 After the meeting, the stock count participants will then proceed to the various locations they have been assigned to. Stock count participants will count R&PM/FP UNIT-BY-UNIT i.e. counting each R&PM/FP unit one after the other per SKU (IRMS, IPMS or FP Code), per batch, per location, and stating the quality status.
- 3.5 The count team members will count FP/R&PMs, 2 teams per location, counting across each other.

## 4.0 STOCK RECONCILIATION

### Stage 1: Team vs. Team Reconciliation

- 4.1 For wall-wall counts, the 2 stock count teams for each area/RPM/FP set will reconcile the count figures with each other on the floor and re-count to resolve discrepancies if any.
- 4.2 After reconciling, the stock count team leaders will fill the population sheet (**Att. 4**) with details of reconciled counts and send the sheet to the IRA owner immediately.
- 4.3 After the count, the count team members will sign a hard copy of the reconciliation sheet and ensure this is done by count team members as applicable to signify correctness and completeness and file

### Stage 2: Physical count vs. ERP inventory reconciliation

- 4.3 For cyclic counts, this will be done by the IRA owner using ERP figures
- 4.4 For wall-wall counts, this will be done by the IRA system owner by comparing the counted RPM/FP with the already ERP downloaded inventory using excel sheet (**Att. 4**).



**5.0 BCP DURING ERP DOWNTIME**

5.1 RPM/FP count will be conducted during ERP downtime with the following steps:

5.2 Materials/FP to be counted will be communicated by the IRA Owner/Back up based on daily schedule

5.3 Materials/FP will be counted blindly using excel sheet (Att.3)

5.4 Materials/FP will be reconciled against the count sheet within 24hrs after ERP is up and running

End of Procedure
------------------

<b><u>SOP RELATED ATTACHMENTS</u></b>
Attachment 1 – Qualification Sheet
Attachment 2 – Model Answers
Attachment 3 – Wall to Wall Count sheet
Attachment 4 – Wall to Wall Population Sheet

**DEFINITIONS**

**BCP**– Business Continuity Plan

**IRA** – Inventory Record Accuracy

**FP** – Finished Product

**RPM** – Raw and Packaging Material

**ERP** – Enterprise Resource Planning

**F&A** – Finance and Accounts

**DA** – Decision Authority

**SKU** – Stock Keeping Unit