

<b>STANDARD OPERATING PROCEDURE</b>	<b>CODE: AP - 007</b>		<b>PAGE: 1 of 2</b>
	<b>EFFECTIVE:</b>		<b>UPDATE NO.:</b>
	<b>INITIATED BY: PRIMA CONSULTANT CO., LTD.</b>		<b>DEPT./SECTION:</b>
	<b>REVIEWED BY:</b>		
	<b>APPROVED BY:</b>		
	<b>SUBJECT:</b>	<b>BANK GUARANTEE</b>	

### **OBJECTIVE:**

The purpose of this procedure is to minimize risks due to deposits or cash advance payments.

### **POLICY**

This procedure applies to all contracts that provide for deposit or cash advance payment to contractor / supplier at the amount more than 100,000.- Thai Baht

### **PROCEDURE**

1. An authorized person negotiating with a contractor / supplier shall request the contractor / supplier to fill in the Pre-Contract Details form and send it to the Legal Department of Head Office. together with copies of all necessary documents of the contractor / supplier mentioned in that form.
2. In case that the amount of deposit or cash advance payment required by contractor / supplier is over its paid – up capital stock, the authorized person negotiating with the contractor / supplier shall request the contractor / supplier to provide a bank guarantee covering the amount of deposit or cash advance payment.
3. In case that the amount of deposit or cash advance payment required by contractor / supplier is not over its paid – up capital stock, bank guarantee is normally not required. Anyway in cash that Legal Department has any doubt regarding the contractor’s / supplier’s ability to return the deposit or cash advance, Legal Department shall ask the contractor / supplier to send a copy of its balance sheet for the previous year and inform Director of Finance on the result, in case that the contractor / supplier refuses to send its balance sheet , DOF shall consult with his / her superior.
4. The period of Bank Guarantee must cover the period of the deposit or advance payment and exceed such period for 1 month ( for example, if the period of deposit is 2 months then a relevant bank guarantee must be provided for the period of 3 month)

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5. Financial Controller or Director of Finance shall make sure that the period of each bank guarantee has not expired before contractor / supplier performed its obligations according to contract. Financial Controller or Director of Finance must inform the Legal Department of Head Office. 15 Days before any bank guarantee expired.
6. In case that a contractor / supplier has not fulfilled its obligations within the period of Bank Guarantee due to its fault, The contractor / supplier shall extend the period of the bank guarantee as its own expenses.
7. In case that a contractor / supplier has not fulfilled its obligations within the period of Bank Guarantee due to our fault, the period of bank guarantee shall not be extended.
8. In case that a bank guarantee is issued to cover deposit or cash advance payment for any work related to construction and depending on any third party, then Financial Controller or Director of Finance shall contract Head Office and. shall inform the third party concerned 15 days before the bank guarantee expired. If the bank guarantee needs to be extended then Head Office shall demand such third party to compensate for any expenses occurred due to the extension of the bank guarantee.

\_\_\_\_\_  
**Chief Accountant**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Financial Controller**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Director of Finance**

\_\_\_\_\_  
**Date**